

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8858

**UNITIL CORPORATION**

(Exact name of registrant as specified in its charter)

**New Hampshire**  
(State or other jurisdiction of  
incorporation or organization)

**02-0381573**  
(I.R.S. Employer  
Identification No.)

**6 Liberty Lane West, Hampton, New Hampshire**  
(Address of principal executive offices)

**03842-1720**  
(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange of which registered</u>
Common Stock, no par value	UTL	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 762(b)) by the registered public accounting firm that prepared or issued its audit report

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Based on the closing price of the registrant's common stock on June 30, 2021, the aggregate market value of common stock held by non-affiliates of the registrant was \$785,923,009.

The number of shares of the registrant's common stock outstanding was 15,978,791 as of January 28, 2022.

**Documents Incorporated by Reference:**

Portions of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 27, 2022 are incorporated by reference into Part III of this Report.

---

---

[Table of Contents](#)

**UNITIL CORPORATION**  
**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2021**  
**Table of Contents**

<u>Item</u>	<u>Description</u>	<u>Page</u>
	<b>PART I</b>	
1.	<a href="#">Business</a>	3
	<a href="#">Unitil Corporation</a>	3
	<a href="#">Operations</a>	4
	<a href="#">Rates and Regulation</a>	6
	<a href="#">Employees</a>	7
	<a href="#">Available Information</a>	7
	<a href="#">Investor Information</a>	7
1A.	<a href="#">Risk Factors</a>	8
1B.	<a href="#">Unresolved Staff Comments</a>	15
2.	<a href="#">Properties</a>	15
3.	<a href="#">Legal Proceedings</a>	16
4.	<a href="#">Mine Safety Disclosures</a>	16
	<b>PART II</b>	
5.	<a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	17
6.	<a href="#">Reserved</a>	19
7.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&amp;A)</a>	19
7A.	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	35
8.	<a href="#">Financial Statements and Supplementary Data</a>	36
9.	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	84
9A.	<a href="#">Controls and Procedures</a>	84
9B.	<a href="#">Other Information</a>	84
9C.	<a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	84
	<b>PART III</b>	
10.	<a href="#">Directors, Executive Officers and Corporate Governance</a>	85
11.	<a href="#">Executive Compensation</a>	85
12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	85
13.	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	85
14.	<a href="#">Principal Accountant Fees and Services</a>	85
	<b>PART IV</b>	
15.	<a href="#">Exhibits and Financial Statement Schedules</a>	86
	<b>SIGNATURES</b>	
	<a href="#">Signatures</a>	93

## [Table of Contents](#)

In this Annual Report on Form 10-K, the “Company”, “Unitil”, “we”, “us”, “our” and similar terms refer to Unitil Corporation and its subsidiaries, unless the context requires otherwise.

### **CAUTIONARY STATEMENT**

This report and the documents incorporated by reference into this report contain statements that may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included or incorporated by reference into this report, including, without limitation, statements regarding the financial position, business strategy and other plans and objectives for the future operations of the Company (as such term is defined in Part I, Item I (Business)), are forward-looking statements.

These statements include declarations regarding the Company’s beliefs and current expectations. 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” or the negative of such terms or other comparable terminology. These forward-looking statements are subject to inherent risks and uncertainties in predicting future results and conditions that could cause the actual results to differ materially from those projected in these forward-looking statements. Some, but not all, of the risks and uncertainties include those described in Part I, Item 1A (Risk Factors) and the following:

- numerous hazards and operating risks relating to the Company’s electric and natural gas distribution activities, which could result in accidents and other operating risks and costs;
- fluctuations in the supply of, demand for, and the prices of, electric and gas energy commodities and transmission and transportation capacity and the Company’s ability to recover energy supply costs in its rates;
- catastrophic events;
- 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 factors could disrupt the Company’s operations and cause the Company to incur unanticipated losses and expense;
- outsourcing of services to third parties could expose us 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 affect our results of operations;
- the coronavirus (COVID-19) pandemic (the coronavirus pandemic) could adversely affect the Company’s business, financial condition, results of operations and cash flows, including by disrupting the Company’s employees’ and contractors’ ability to provide ongoing services to the Company, by reducing customer demand for electricity or natural gas, or by reducing the supply of electricity or natural gas;
- unforeseen or changing circumstances, which could adversely affect the reduction of Company-wide direct greenhouse gas emissions;
- the Company’s regulatory and legislative environment (including laws and regulations relating to climate change, greenhouse gas emissions and other environmental matters) could affect the rates the Company is able to charge, the Company’s authorized rate of return, the Company’s ability to recover costs in its rates, the Company’s financial condition, results of operations and cash flows, and the scope of the Company’s regulated activities;
- general economic conditions, which could adversely affect (i) the Company’s customers and, consequently, the demand for the Company’s distribution services, (ii) the availability of credit and liquidity resources, and (iii) certain of the Company’s counterparty’s obligations (including those of its insurers and lenders);
- the Company’s ability to obtain debt or equity financing on acceptable terms;
- increases in interest rates, which could increase the Company’s interest expense;

---

## Table of Contents

- declines in capital markets valuations, which could require the Company to make substantial cash contributions to cover its pension obligations, and the Company's ability to recover pension obligation costs in its rates;
- restrictive covenants contained in the terms of the Company's and its subsidiaries' indebtedness, which restrict certain aspects of the Company's business operations;
- customers' preferred energy sources;
- severe storms and the Company's ability to recover storm costs in its rates;
- variations in weather, which could decrease demand for the Company's distribution services;
- long-term global climate change, which could adversely affect customer demand or cause extreme weather events that could disrupt the Company's electric and natural gas distribution services;
- the Company's ability to retain its existing customers and attract new customers;
- increased competition; and
- other presently unknown or unforeseen factors.

Many of these risks are beyond the Company's control. Any forward-looking statements speak only as of the date of this report, and the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events, except as required by law. New factors emerge from time to time, and it is not possible for the Company to predict all such factors, nor can the Company assess the effect of any such factor on its business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

**PART I**

**Item 1. Business**

**UNITIL CORPORATION**

In this Annual Report on Form 10-K, the “Company”, “Unitil”, “we”, and “our” refer to Unitil Corporation and its subsidiaries, unless the context requires otherwise. Unitil is a public utility holding company incorporated under the laws of the State of New Hampshire in 1984. The following companies are wholly-owned subsidiaries of Unitil:

<u>Company Name</u>	<u>State and Year of Organization</u>	<u>Principal Business</u>
Unitil Energy Systems, Inc. (Unitil Energy)	NH - 1901	Electric Distribution Utility
Fitchburg Gas and Electric Light Company (Fitchburg)	MA - 1852	Electric & Natural Gas Distribution Utility
Northern Utilities, Inc. (Northern Utilities)	NH - 1979	Natural Gas Distribution Utility
Granite State Gas Transmission, Inc. (Granite State)	NH - 1955	Natural Gas Transmission Pipeline
Unitil Power Corp. (Unitil Power)	NH - 1984	Wholesale Electric Power Utility
Unitil Service Corp. (Unitil Service)	NH - 1984	Utility Service Company
Unitil Realty Corp. (Unitil Realty)	NH - 1986	Real Estate Management
Unitil Resources, Inc. (Unitil Resources)	NH - 1993	Non-regulated Energy Services

Unitil and its subsidiaries are subject to regulation as a holding company system by the Federal Energy Regulatory Commission (FERC) under the Energy Policy Act of 2005.

Unitil’s principal business is the local distribution of electricity and natural gas to 194,275 customers throughout its service territories in the states of New Hampshire, Massachusetts and Maine. Unitil is the parent company of three wholly-owned distribution utilities: i) Unitil Energy, which provides electric service in the southeastern seacoast and state capital regions of New Hampshire, including the capital city of Concord, ii) Fitchburg, which provides both electric and natural gas service in the greater Fitchburg area of north central Massachusetts, and iii) Northern Utilities, which provides natural gas service in southeastern New Hampshire and portions of southern and central Maine, including the city of Portland, which is the largest city in northern New England. In addition, Unitil is the parent company of Granite State, an interstate natural gas transmission pipeline company that provides interstate natural gas pipeline access and transportation services to Northern Utilities in its New Hampshire and Maine service territory. Together, Unitil’s three distribution utilities serve 107,680 electric customers and 86,595 natural gas customers.

	<u>Customers Served as of December 31, 2021</u>		
	<u>Residential</u>	<u>Commercial &amp; Industrial (C&amp;I)</u>	<u>Total</u>
<b>Electric:</b>			
Unitil Energy	66,331	11,315	77,646
Fitchburg	25,983	4,051	30,034
Total Electric	92,314	15,366	107,680
<b>Natural Gas:</b>			
Northern Utilities	53,700	16,698	70,398
Fitchburg	14,482	1,715	16,197
Total Natural Gas	68,182	18,413	86,595
<b>Total Customers Served</b>	<b>160,496</b>	<b>33,779</b>	<b>194,275</b>

Unitil had an investment in Net Utility Plant of \$1,257.2 million at December 31, 2021. The Company’s total operating revenue was \$473.3 million in 2021. Unitil’s operating revenue is substantially derived from regulated electric and natural gas distribution utility operations. A fifth utility subsidiary, Unitil Power, formerly functioned as the full requirements wholesale power supply provider for Unitil Energy. In connection with the implementation of electric industry restructuring in New Hampshire, on

## [Table of Contents](#)

May 1, 2003 Unitil Power ceased being the wholesale supplier of Unitil Energy and divested its long-term power supply contracts through the sale of the entitlements to the electricity associated with various electric power supply contracts it had acquired to serve Unitil Energy's customers. In the period since, Unitil Power continued to flow revenues and expenses from remaining contracts to Unitil Energy under the Amended Unitil System Agreement. The last of those contracts expired October 31, 2020, and the Company no longer has material revenues or expenses associated with those contracts.

Unitil has three other wholly-owned non-utility subsidiaries: Unitil Service, Unitil Realty, and Unitil Resources. Unitil Service provides, at cost, a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology and energy supply management services on a centralized basis to its affiliated Unitil companies. Unitil Realty owns and manages the Company's corporate office in Hampton, New Hampshire. Unitil Resources is the Company's wholly-owned non-regulated subsidiary. Usource, Inc. and Usource L.L.C. (collectively, Usource), which the Company divested in the first quarter of 2019, were indirect subsidiaries that were wholly-owned by Unitil Resources. Usource provided energy brokering and advisory services to large commercial and industrial customers in the northeastern United States. See additional discussion of the divestiture of Usource in "Divestiture of Non-Regulated Business Subsidiary" in Note 1 (Summary of Significant Accounting Policies) to the Consolidated Financial Statements. For segment information relating to each segment's revenue, earnings and assets, see Note 2 (Segment Information) to the Consolidated Financial Statements included in Part II, Item 8 (Financial Statements and Supplementary Data) of this report. All of the Company's revenues are attributable to customers in the United States of America and all its long-lived assets are located in the United States of America.

## **OPERATIONS**

### **Electric Distribution Utility Operations**

Unitil's electric distribution operations are conducted through two of the Company's utilities, Unitil Energy and Fitchburg. Revenue from Unitil's electric utility operations was \$248.5 million in 2021, which represents about 53% of Unitil's total operating revenue. The Company's GAAP Electric Gross Margin was \$71.5 million in 2021. The Company's Electric Adjusted Gross Margin (a non-GAAP financial measure) was \$97.4 million in 2021, or 42% of Unitil's total Adjusted Gross Margin. See "Results of Operations" in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) for a discussion of the non-GAAP financial measures presented in this Annual Report on Form 10-K, including a reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures for the periods presented.

The primary business of Unitil's electric utility operations is the local distribution of electricity to customers in its service territory in New Hampshire and Massachusetts. All of Unitil Energy's and Fitchburg's electric customers are entitled to purchase their supply of electricity from third-party competitive suppliers, while Unitil Energy and Fitchburg remain their electric distribution company. Both Unitil Energy and Fitchburg supply electricity to those customers who do not obtain their supply from third-party competitive suppliers, with the approved costs associated with electricity supply being recovered on a pass-through basis through regulated reconciling rate mechanisms that are periodically adjusted.

Unitil Energy distributes electricity to 77,646 customers in New Hampshire in the capital city of Concord as well as parts of 12 surrounding towns, and all or part of 18 towns in the southeastern and seacoast regions of New Hampshire, including the towns of Hampton, Exeter, Atkinson and Plaistow. Unitil Energy's service territory consists of approximately 408 square miles. Unitil Energy's service territory encompasses retail and recreation centers for the central and southeastern parts of the state and includes the Hampton Beach recreational area. These areas serve diversified commercial and industrial businesses, including manufacturing firms engaged in the production of electronic components, wire and plastics, as well as firms engaged in the aviation, defense, healthcare and education sectors. Unitil Energy's 2021 electric operating revenue was \$172.3 million, of which approximately 56% was derived from residential sales and 44% from commercial and industrial (C&I) sales.

Fitchburg is engaged in the distribution of both electricity and natural gas in the greater Fitchburg area of north central Massachusetts. Fitchburg's service territory encompasses approximately 170 square miles.

## [Table of Contents](#)

Electricity is distributed by Fitchburg to 30,034 customers in the communities of Fitchburg, Ashby, Townsend and Lunenburg. Fitchburg's industrial customers include paper manufacturing and paper products companies, rubber and plastics manufacturers, precision machining and molding, non-lethal ballistics manufacturing, specialty chemicals compounding, cannabis growing and processing facilities, printing, and educational institutions. Fitchburg's 2021 electric operating revenue was \$76.2 million, of which approximately 58% was derived from residential sales and 42% from C&I sales.

### **Natural Gas Operations**

Unitil's natural gas operations include gas distribution utility operations and interstate gas transmission pipeline operations. Revenue from Unitil's gas operations was \$224.8 million in 2021, which represents about 47% of Unitil's total operating revenue. The Company's GAAP Gas Gross Margin was \$100.4 million in 2021. The Company's Gas Adjusted Gross Margin (a non-GAAP financial measure) was \$133.1 million in 2021, or 58% of Unitil's total Adjusted Gross Margin. See "Results of Operations" in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) for a discussion of the non-GAAP financial measures presented in this Annual Report on Form 10-K, including a reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures for the periods presented.

### **Natural Gas Distribution Utility Operations**

Unitil's natural gas distribution operations are conducted through two of the Company's operating utilities, Northern Utilities and Fitchburg. The primary business of Unitil's natural gas utility operations is the local distribution of natural gas to customers in its service territories in New Hampshire, Massachusetts and Maine. Northern Utilities' C&I customers and Fitchburg's residential and C&I customers are entitled to purchase their natural gas supply from third-party competitive suppliers, while Northern Utilities or Fitchburg remains their gas distribution company. Both Northern Utilities and Fitchburg supply gas to those customers who do not obtain their supply from third-party competitive suppliers, with the approved costs associated with this gas supply recovered on a pass-through basis through regulated reconciling rate mechanisms that are periodically adjusted.

Natural gas is distributed by Northern Utilities to 70,398 customers in 47 New Hampshire and southern Maine communities, from Plaistow, New Hampshire in the south to the city of Portland, Maine and then extending to Lewiston-Auburn, Maine to the north. Northern Utilities has a diversified customer base both in Maine and New Hampshire. Commercial businesses include healthcare, education, government and retail. Northern Utilities' industrial base includes manufacturers in the auto, housing, paper, printing, textile, pharmaceutical, electronics, wire and food production industries as well as a military installation. Northern Utilities' 2021 gas operating revenue was \$176.7 million, of which approximately 38% was derived from residential firm sales and 62% from C&I firm sales.

Natural gas is distributed by Fitchburg to 16,197 customers in the communities of Fitchburg, Lunenburg, Townsend, Ashby, Gardner and Westminster, all located in Massachusetts. Fitchburg's industrial customers include paper manufacturing and paper products companies, rubber and plastics manufacturers, cannabis growing and processing facilities, printing, educational institutions. Fitchburg's 2021 gas operating revenue was \$40.1 million, of which approximately 58% was derived from residential firm sales and 42% from C&I firm sales.

### **Gas Transmission Pipeline Operations**

Granite State is an interstate natural gas transmission pipeline company, operating 86 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to major natural gas pipelines and access to domestic natural gas supplies in the south and Canadian natural gas supplies in the north. Granite State had operating revenue of \$8.0 million in 2021. Granite State derives its revenues principally from the transportation services provided to Northern Utilities and to third-party suppliers.

### **Seasonality**

The Company's results of operations are expected to reflect the seasonal nature of the natural gas business. Annual gas revenues are substantially realized during the colder weather seasons of the year as a

## [Table of Contents](#)

result of higher sales of natural gas used for heating-related purposes. Accordingly, the results of operations are historically most favorable in the first and fourth quarters. Fluctuations in seasonal weather conditions may have a significant effect on the result of operations. Sales of electricity are generally less sensitive to weather than natural gas sales, but may also be affected by weather conditions and the temperature in the winter and summer seasons.

Unitil Energy, Fitchburg and Northern Utilities are not dependent on a single customer, or a few customers, for their electric and natural gas sales.

### **Non-Regulated and Other Non-Utility Operations**

Unitil's non-regulated operations were conducted through Usource, a subsidiary of Unitil Resources. The Company divested Usource in the first quarter of 2019. Usource provided energy brokering and advisory services to large commercial and industrial customers in the northeastern United States. See additional discussion of the divestiture of Usource in "Divestiture of Non-Regulated Business Subsidiary" in Note 1 (Summary of Significant Accounting Policies) to the Consolidated Financial Statements.

The results of Unitil's other non-utility subsidiaries, Unitil Service and Unitil Realty, and the holding company, are included in the Company's consolidated results of operations. The results of these non-utility operations are principally derived from income earned on short-term investments and real property owned for Unitil's and its subsidiaries' use and are reported, after intercompany eliminations, in Other segment income. For segment information, see Note 2 (Segment Information) to the Consolidated Financial Statements included in Part II, Item 8 (Financial Statements and Supplementary Data) of this report.

## **RATES AND REGULATION**

### **Regulation**

Unitil is subject to comprehensive regulation by federal and state regulatory authorities. Unitil and its subsidiaries are subject to regulation as a holding company system by the FERC under the Energy Policy Act of 2005 with regard to certain bookkeeping, accounting and reporting requirements. Unitil's utility operations related to wholesale and interstate energy business activities also are regulated by the FERC. Unitil's distribution utilities are subject to regulation by the applicable state public utility commissions, with regard to their rates, issuance of securities and other accounting and operational matters: Unitil Energy is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC); Fitchburg is subject to regulation by the Massachusetts Department of Public Utilities (MDPU); and Northern Utilities is regulated by the NHPUC and Maine Public Utilities Commission (MPUC). Granite State, Unitil's interstate natural gas transmission pipeline, is subject to regulation by the FERC with regard to its rates and operations. Because Unitil's primary operations are subject to rate regulation, the regulatory treatment of various matters could significantly affect the Company's operations and financial position.

Unitil's distribution utilities deliver electricity and/or natural gas to all customers in their service territory, at rates established under cost of service regulation. Under this regulatory structure, Unitil's distribution utilities are provided the opportunity to recover the cost of providing distribution service to their customers based on a historical test year, and earn a return on their capital investment in utility assets. In addition, the Company's distribution utilities and its natural gas transmission pipeline company may recover certain base rate costs, including capital project spending and enhanced reliability and vegetation management programs, through annual step adjustments and cost tracking rate mechanisms.

Fitchburg is subject to revenue decoupling. Revenue decoupling is the term given to the elimination of the dependency of a utility's distribution revenue on the volume of electricity or natural gas sales. The difference between distribution revenue amounts billed to customers and the targeted revenue decoupling amounts is recognized as an increase or a decrease in the current portion of Accrued Revenue, which forms the basis for resetting rates for future cash recoveries from, or credits to, customers. These revenue decoupling targets may be adjusted as a result of rate cases and other authorized adjustments that the Company files with the MDPU. The Company estimates that revenue decoupling applies to approximately 27% and 11% of Unitil's total annual electric and natural gas sales volumes, respectively.

## [Table of Contents](#)

Also see Note 6 (Energy Supply) and Note 7 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements for additional information regarding rates and regulation.

### **EMPLOYEES**

Unitil's commitment to excellence begins with its employees. As of December 31, 2021, the Company and its subsidiaries had 508 employees. The Company considers its relationship with employees to be good and has not experienced any major labor disruptions. Unitil's employees are focused on the Company's mission to safely and reliably deliver "energy for life" and provide customers with affordable and sustainable energy solutions.

The Company strives to be the employer of choice in the communities it serves—regardless of race, religion, color, gender, or sexual orientation. The Company works diligently to attract the best talent from a diverse range of sources to meet the current and future demands of our business.

To attract and retain a talented workforce, Unitil provides employee wages that are competitive and consistent with employee positions, skill levels, experience, knowledge and geographic location. All employees are eligible for health insurance, paid and unpaid leave, educational assistance, retirement plan and life and disability/accident coverage.

Employees at Unitil have the opportunity to be heard. Feedback from employees is collected annually in the Company's Employee Opinion survey. This feedback helps create action plans to improve the engagement of employees consistent with the Company's culture of continuous improvement.

As of December 31, 2021, a total of 167 employees of certain of the Company's subsidiaries were represented by labor unions. The following table details by subsidiary the employees covered by a collective bargaining agreement (CBA) as of December 31, 2021:

	<u>Employees Covered</u>	<u>CBA Expiration</u>
Fitchburg	43	05/31/2022
Northern Utilities NH Division	37	06/07/2025
Northern Utilities ME Division	38	03/31/2026
Granite State	4	03/31/2026
Unitil Energy	40	05/31/2023
Unitil Service	5	05/31/2023

The CBAs provide discrete salary adjustments, established work practices and uniform benefit packages. The Company expects to negotiate new agreements prior to their expiration dates.

### **AVAILABLE INFORMATION**

The Internet address for the Company's website is [unitil.com](http://unitil.com). On the Investors section of the Company's website, the Company makes available, free of charge, its Securities and Exchange Commission (SEC) reports, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports, as well as amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practical after the Company electronically files such material with, or furnishes such material to, the SEC.

The Company's current Code of Ethics was approved by Unitil's Board of Directors on January 15, 2004. This Code of Ethics, along with any amendments or waivers, is also available on Unitil's website.

Unitil's common stock is listed on the New York Stock Exchange under the ticker symbol "UTL".

### **INVESTOR INFORMATION**

#### **Annual Meeting**

The Company's annual meeting of shareholders is scheduled to be held at the offices of the Company, 6 Liberty Lane West, Hampton, New Hampshire, on Wednesday, April 27, 2022, at 11:30 a.m.

## [Table of Contents](#)

### **Transfer Agent**

The Company's transfer agent, Computershare Investor Services, is responsible for shareholder records, issuance of common stock, administration of the Dividend Reinvestment and Stock Purchase Plan, and the distribution of Unitil's dividends and IRS Form 1099-DIV. Shareholders may contact Computershare at:

Computershare Investor Services  
P.O. Box 505005  
Louisville, KY 40233-5005  
Telephone: 800-736-3001  
[www.computershare.com/investor](http://www.computershare.com/investor)

### **Investor Relations**

For information about the Company, you may call the Company directly, toll-free, at: 800-999-6501 and ask for the Investor Relations Representative; visit the Investors page at [www.unitil.com](http://www.unitil.com); or contact the transfer agent, Computershare, at the number listed above.

### **Special Services & Shareholder Programs Available to Holders of Record**

If a shareholder's shares of our common stock are registered directly in the shareholder's name with the Company's transfer agent, the shareholder is considered a holder of record of the shares. The following services and programs are available to shareholders of record:

- Internet Account Access is available at [www.computershare.com/investor](http://www.computershare.com/investor).
- Dividend Reinvestment and Stock Purchase Plan:  
To enroll, please contact the Company's Investor Relations Representative or Computershare.
- Dividend Direct Deposit Service:  
To enroll, please contact the Company's Investor Relations Representative or Computershare.
- Direct Registration:  
For information, please contact Computershare at 800-935-9330 or the Company's Investor Relations Representative at 800-999-6501.

### **Item 1A. Risk Factors**

When considering an investment in our securities, investors should consider the following risk factors, as well as the information contained under the caption "Cautionary Statement" immediately following the Table of Contents in this Annual Report on Form 10-K. Additional risks not presently known to the Company or that the Company currently believes are immaterial may also impair business operations and financial results. If any of the following risks actually occur, the Company's business, financial condition or results of operations could be adversely affected. In such case, the trading price of the Company's common stock could decline and investors could lose all or part of their investment. The risk factors below are categorized by operational, regulatory, financial and general.

#### **OPERATIONAL RISKS**

***A substantial disruption or lack of growth in interstate natural gas pipeline transmission and storage capacity and electric transmission capacity may impair the Company's ability to meet customers' existing and future requirements.***

To meet existing and future customer demands for electricity and natural gas, the Company must acquire sufficient supplies of electricity and natural gas. In addition, the Company must contract for reliable and adequate upstream transmission and transportation capacity for its distribution systems while considering the dynamics of the natural gas interstate pipelines and storage, the electric transmission markets and its own on-system resources. The Company's financial condition or results of operations may be adversely affected if the future availability of electric and natural gas supply were insufficient to meet future customer demands for electricity and natural gas.

## [Table of Contents](#)

***The Company's electric and natural gas distribution activities (including storing natural gas and supplemental gas supplies) involve numerous hazards and operating risks that may result in accidents and other operating risks and costs. Any such accident or costs could adversely affect the Company's financial position or results of operations.***

Inherent in the Company's electric and natural gas distribution activities are a variety of hazards and operating risks, including leaks, explosions, electrocutions, mechanical problems and aging infrastructure. These hazards and risks could result in loss of human life, significant damage to property, environmental pollution, damage to natural resources and impairment of the Company's operations, which could adversely affect the Company's financial position or results of operations.

The Company maintains insurance against some, but not all, of these risks and losses in accordance with customary industry practice. The location of pipelines, storage facilities and electric distribution equipment near populated areas (including residential areas, commercial business centers and industrial sites) could increase the level of damages associated with these hazards and operating risks. The occurrence of any of these events could adversely affect the Company's financial position or results of operations.

***The Company's operational and information systems on which it relies to conduct its business and serve customers could fail to function properly due to technological problems, a cyber-attack, acts of terrorism, severe weather, a solar event, an electromagnetic event, a natural disaster, the age and condition of information technology assets, human error, or other reasons, that could disrupt the Company's operations and cause the Company to incur unanticipated losses and expense.***

The operation of the Company's extensive electric and natural gas systems rely on evolving information technology systems and network infrastructure that are likely to become more complex as new technologies and systems are developed. The Company's business is highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex. The failure of these information systems and networks could significantly disrupt operations; result in outages and/or damages to the Company's assets or operations or those of third parties on which it relies; and subject the Company to claims by customers or third parties, any of which could have a material effect on the Company's financial condition, results of operations, and cash flows.

The Company's information systems, including its financial information, operational systems, metering, and billing systems, require constant maintenance, modification, and updating, which can be costly and increases the risk of errors and malfunction. Any disruptions or deficiencies in existing information systems, or disruptions, delays or deficiencies in the modification or implementation of new information systems, could result in increased costs, the inability to track or collect revenues, the diversion of management's and employees' attention and resources, and could negatively affect the effectiveness of the Company's control environment, and/or the Company's ability to timely file required regulatory reports. Despite implementation of security and mitigation measures, all of the Company's technology systems are vulnerable to impairment or failure due to cyber-attacks, computer viruses, human errors, acts of war or terrorism and other reasons. If the Company's information technology systems were to fail or be materially impaired, the Company might be unable to fulfill critical business functions and serve its customers, which could have a material effect on the Company's financial condition, results of operations, and cash flows.

In the ordinary course of its business, the Company collects and retains sensitive electronic data including personal identification information about customers and employees, customer energy usage, and other confidential information. The theft, damage, or improper disclosure of sensitive electronic data through security breaches or other means could subject the Company to penalties for violation of applicable privacy laws or claims from third parties and could harm the Company's reputation and adversely affect the Company's financial condition and results of operations.

In addition, the Company's electric and natural gas distribution and transmission delivery systems are part of an interconnected regional grid and pipeline system. If these neighboring interconnected systems were to be disrupted due to cyber-attacks, computer viruses, human errors, acts of war or terrorism or other reasons, the Company's operations and its ability to serve its customers would be adversely affected, which could have a material effect on the Company's financial condition, results of operations, and cash flows.

***We outsource certain business functions to third-party suppliers and service providers, and substandard performance by those third parties could harm our business, reputation and results of operations.***

We outsource certain services to third parties in areas including information technology, telecommunications, networks, transaction processing, human resources, payroll and payroll processing and other areas. Outsourcing of services to third parties could expose us 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 affect our results of operations. We also continue to pursue enhancements to modernize our systems and processes. If any difficulties in the operation of these systems were to occur, they could adversely affect our results of operations, or adversely affect our ability to work with regulators, unions, customers or employees.

***The inability to attract and retain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, could have an adverse effect on the Company's operations.***

The success of our business depends on the leadership of our executive officers and other key employees to implement our business strategies. The inability to maintain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, may negatively affect our ability to service our existing or new customers, or successfully manage our business or achieve our business objectives. There may not be sufficiently skilled employees available internally to replace employees when they retire or otherwise leave active employment. Shortages of certain highly skilled employees may also mean that qualified employees are not available externally to replace these employees when they are needed. In addition, shortages in highly skilled employees coupled with competitive pressures may require the Company to incur additional employee recruiting and compensation expenses.

***The Company may be adversely affected by work stoppages, labor disputes, and/or pandemic illness to which it may not be able to promptly respond.***

Approximately one-third of the Company's employees are represented by labor unions and are covered by collective bargaining agreements. Disputes with the unions over terms and conditions of the agreements could result in instability in the Company's labor relationships and work stoppages that could affect the timely delivery of electricity and natural gas, which could strain relationships with customers and state regulators and cause a loss of revenues. The Company's collective bargaining agreements may also increase the cost of employing its union workforce, affect its ability to continue offering market-based salaries and employee benefits, limit its flexibility in dealing with its workforce, and limit its ability to change work rules and practices and implement other efficiency-related improvements to successfully compete in today's challenging marketplace, which may negatively affect the Company's financial condition and results of operations.

Additionally, pandemic illness could result in part, or all, of the Company's workforce being unable to operate or maintain the Company's infrastructure or perform other tasks necessary to conduct the Company's business. A slow or inadequate response to this type of event may adversely affect the Company's financial condition, results of operations, and cash flows.

***The coronavirus outbreak could adversely affect Unital's business, financial conditions, results of operations and cash flows.***

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, the virus spread to several other countries and infections have been reported globally. The extent to which the coronavirus affects Unital's financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus, and the actions to contain the coronavirus or treat its effect, among others. In particular, the continued spread of the coronavirus could adversely affect Unital's business, including (i) by disrupting Unital's employees and contractors ability to provide ongoing services to Unital, (ii) by reducing customer

demand for electricity or gas, or (iii) by reducing the supply of electricity or gas, each of which could have an adverse effect on Unitil's financial condition, results of operations, and cash flows.

## REGULATORY RISKS

***The Company is subject to comprehensive regulation, which could adversely affect the rates it is able to charge, its authorized rate of return and its ability to recover costs. In addition, certain regulatory authorities have the statutory authority to impose financial penalties and other sanctions on the Company, which could adversely affect the Company's financial condition, results of operations, and cash flows.***

The Company is subject to comprehensive regulation by federal regulatory authorities (including the FERC) and state regulatory authorities (including the NHPUC, MDPU and MPUC). These authorities regulate many aspects of the Company's operations, including the rates that the Company can charge customers, the Company's authorized rates of return, the Company's ability to recover costs from its customers, construction and maintenance of the Company's facilities, the Company's safety protocols and procedures, including environmental compliance, the Company's ability to issue securities, the Company's accounting matters, and transactions between the Company and its affiliates. The Company is unable to predict the effect on its financial condition and results of operations from the regulatory activities of any of these regulatory authorities. Changes in regulations, the imposition of additional regulations, regulatory proceedings regarding fossil fuel use and system electrification, or regulatory decisions particular to the Company could adversely affect the Company's financial condition and results of operations.

The Company's ability to obtain rate adjustments to maintain its current authorized rates of return depends upon action by regulatory authorities under applicable statutes, rules and regulations. These regulatory authorities are authorized to leave the Company's rates unchanged, to grant increases in such rates, or to order decreases in such rates. The Company may be unable to obtain favorable rate adjustments or to maintain its current authorized rates of return, which could adversely affect its financial condition, results of operations, and cash flows.

Regulatory authorities also have authority with respect to the Company's ability to recover its electricity and natural gas supply costs, as incurred by Unitil Power, Unitil Energy, Fitchburg, and Northern Utilities. If the Company is unable to recover a significant amount of these costs, or if the Company's recovery of these costs is significantly delayed, the Company's financial condition, results of operations, or cash flows could be adversely affected.

In addition, certain regulatory authorities have the statutory authority to impose financial penalties and other sanctions on the Company if the Company is found to have violated statutes, rules or regulations governing its utility operations. Any such penalties or sanctions could adversely affect the Company's financial condition, results of operations, and cash flows.

***The Company's business is subject to environmental regulation in all jurisdictions in which it operates and its costs of compliance are significant. New, or changes to existing, environmental regulation, including those related to climate change or greenhouse gas emissions, and the incurrence of environmental liabilities could adversely affect the Company's financial condition, results of operations, and cash flows.***

The Company's utility operations are generally subject to extensive federal, state and local environmental laws and regulations relating to air quality, water quality, waste management, natural resources, and the health and safety of the Company's employees. The Company's utility operations also may be subject to new and emerging federal, state and local legislative and regulatory initiatives related to climate change or greenhouse gas emissions including the U.S. Environmental Protection Agency's mandatory greenhouse gas reporting rule. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties and other sanctions; imposition of remedial requirements; and issuance of injunctions to ensure future compliance. Liability under certain environmental laws and regulations is strict, joint and several in nature. Although the Company believes it is in material compliance with all applicable environmental and safety laws and regulations, we cannot assure you that the Company will not incur significant costs and liabilities in the future. Moreover, it is possible

that other developments, such as increasingly stringent federal, state or local environmental laws and regulations, including those related to climate change or greenhouse gas emissions, could result in increased environmental compliance costs. Additionally, unforeseen or changing circumstances could adversely affect the reduction of Company-wide direct greenhouse gas emissions.

## FINANCIAL RISKS

***The Company may not be able to obtain financing, or may not be able to obtain financing on acceptable terms, which could adversely affect the Company's financial condition and results of operations.***

The Company requires capital to fund utility plant additions, working capital and other utility expenditures. While the Company derives the capital necessary to meet these requirements primarily from internally generated funds, the Company supplements internally generated funds by incurring short-term and long-term debt, as needed. Additionally, from time to time the Company has accessed the public capital markets through public offerings of equity securities. A downgrade of our credit rating or events beyond our control, such as a disruption in global capital and credit markets, could increase our cost of borrowing and cost of capital or restrict our ability to access the capital markets and negatively affect our ability to maintain and to expand our businesses.

The Company's short-term debt revolving credit facility typically has variable interest rates. Therefore, an increase or decrease in interest rates will increase or decrease the Company's interest expense associated with its revolving credit facility. An increase in the Company's interest expense could adversely affect the Company's financial condition and results of operations. As of December 31, 2021, the Company had approximately \$64.1 million in short-term debt outstanding under its revolving credit facility. If the lending counterparties under the Company's current credit facility are unwilling or unable to meet their funding obligations, the Company may be unable to, or limited in its ability, to borrow under its credit facility. This situation could hinder or prevent the Company from meeting its current and future capital needs, which could correspondingly adversely affect the Company's financial condition, results or operations, and cash flows.

Also, from time to time the Company repays portions of its short-term debt with the proceeds it receives from long-term debt financings or equity financings. General economic conditions, conditions in the capital and credit markets and the Company's operating and financial performance could negatively affect the Company's ability to obtain such financings or the terms of such financings, which could correspondingly adversely affect the Company's financial condition, results of operations, and cash flows. The Company's long-term debt typically has fixed interest rates. Therefore, changes in interest rates will not affect the Company's interest expense associated with its presently outstanding fixed rate long-term debt. However, an increase or decrease in interest rates may increase or decrease the Company's interest expense associated with any new fixed rate long-term debt issued by the Company, which could adversely affect the Company's financial condition, results of operations, and cash flows.

The Company may need to use a significant portion of its cash flow to repay its short-term debt and long-term debt, which would limit the amount of cash it has available for working capital, capital expenditures and other general corporate purposes and could adversely affect its financial condition, results of operations, and cash flows.

***Changes in taxation and the ability to quantify such changes could adversely affect the Company's financial results.***

The Company is subject to taxation by the various taxing authorities at the federal, state and local levels where it does business. See "Tax Cuts and Jobs Act of 2017" in "Rates and Regulation" section. Legislation or regulation which could affect the Company's tax burden could be enacted by any of these governmental authorities. The Company cannot predict the timing or extent of such tax-related developments which could have a negative effect on the financial results. The Company uses its best judgment in attempting to quantify and reserve for these tax obligations. However, a challenge by a taxing authority, the Company's ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.

***Declines in capital market valuations could require the Company to make substantial cash contributions to cover its pension and other post-retirement benefit obligations. If the Company is unable to recover a significant amount of pension and other post-retirement benefit obligation costs in its rates, or if the Company's recovery of these costs in its rates is significantly delayed, its financial condition and results of operations could be adversely affected.***

The amount of cash contributions the Company is required to make in respect of its pension and other post-retirement benefit obligations is dependent upon the valuation of the capital markets. Adverse changes in capital market valuations could result in the Company being required to make substantial cash contributions in respect to these obligations. These cash contributions could have an adverse effect on the Company's financial condition, results of operations, and cash flows if the Company is unable to recover such costs in rates or if such recovery is significantly delayed. See section titled *Critical Accounting Policies—Retirement Benefit Obligations* in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Note 9 (Retirement Benefit Plans) to the accompanying Consolidated Financial Statements for a more detailed discussion of the Company's pension obligations.

***The terms of the Company's and its subsidiaries' indebtedness restrict the Company's and its subsidiaries' business operations (including their ability to incur material amounts of additional indebtedness), which could adversely affect the Company's financial condition and results of operations.***

The terms of the Company's and its subsidiaries' indebtedness impose various restrictions on the Company's business operations, including the ability of the Company and its subsidiaries to incur additional indebtedness. These restrictions could adversely affect the Company's financial condition, results of operations, and cash flows. See sections titled *Liquidity, Commitments and Capital Requirements* in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements for a more detailed discussion of these restrictions.

***Unitil is a public utility holding company and has no operating income of its own. The Company's ability to pay dividends on its common stock is dependent on dividends and other payments received from its subsidiaries and on factors directly affecting Unitil, the parent corporation. The Company cannot assure that its current annual dividend will be paid in the future.***

The ability of the Company's subsidiaries to pay dividends or make distributions to Unitil depends on, among other things:

- the actual and projected earnings and cash flow, capital requirements and general financial condition of the Company's subsidiaries;
- the prior rights of holders of existing and future preferred stock, mortgage bonds, long-term notes and other debt issued by the Company's subsidiaries;
- the restrictions on the payment of dividends contained in the existing loan agreements of the Company's subsidiaries and that may be contained in future debt agreements of the Company's subsidiaries, if any; and
- limitations that may be imposed by New Hampshire, Massachusetts and Maine state regulatory authorities.

In addition, before the Company can pay dividends on its common stock, it must satisfy its debt obligations and comply with any statutory or contractual limitations.

As of February 1, 2022, the Company's current effective annualized dividend is \$1.56 per share of common stock, payable quarterly. The Company's Board of Directors reviews Unitil's dividend policy periodically in light of a number of business and financial factors, including those referred to in this report, and the Company cannot assure the amount of dividends, if any, that may be paid in the future.

## GENERAL RISKS

***The Company's electric and natural gas sales and revenues are highly correlated with the economy, and national, regional and local economic conditions may adversely affect the Company's customers and correspondingly the Company's financial condition, results of operations, and cash flows.***

The Company's business is influenced by the economic activity within its service territory. The level of economic activity in the Company's electric and natural gas distribution service territories directly affects the Company's business. As a result, adverse changes in the economy may adversely affect the Company's financial condition, results or operations, and cash flows. Economic downturns or periods of high electric and gas supply costs typically can lead to the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency and self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity and gas sales in our service territories. If any such declines were to occur without corresponding adjustments in rates, our revenues would be reduced and our future growth prospects would be limited. In addition, a period of prolonged economic weakness could affect our customers' ability to pay bills in a timely manner and increase customer bankruptcies, which may lead to increased bad debt expenses or other adverse effects on our financial position, results of operations, and cash flows.

***A significant amount of the Company's sales are temperature sensitive. Because of this, mild winter and summer temperatures could decrease the Company's sales, which could adversely affect the Company's financial condition and results of operations. Also, the Company's sales may vary from year to year depending on weather conditions, and the Company's results of operations generally reflect seasonality.***

The Company estimates that approximately 70% of its annual natural gas sales are temperature sensitive. Therefore, mild winter temperatures could decrease the amount of natural gas sold by the Company, which could adversely affect the Company's financial condition, results of operations, and cash flows. The Company's electric sales also are temperature sensitive, but less so than its natural gas sales. The highest usage of electricity typically occurs in the summer months (due to air conditioning demand) and the winter months (due to heating-related and lighting requirements). Therefore, mild summer temperatures and mild winter temperatures could decrease the amount of electricity sold by the Company, which could adversely affect the Company's financial condition, results of operations, and cash flows. Also, because of this temperature sensitivity, sales by the Company's distribution utilities vary from year to year, depending on weather conditions.

The Company's results of operations are expected to reflect the seasonal nature of the natural gas business. Annual gas revenues are substantially realized during the colder weather seasons of the year as a result of higher sales of natural gas used for heating-related purposes. Accordingly, the results of operations are historically most favorable in the first and fourth quarters. Fluctuations in seasonal weather conditions may have a significant effect on the result of operations. Sales of electricity are generally less sensitive to weather than natural gas sales, but may also be affected by the weather conditions and the temperature in both the winter and summer seasons.

***Catastrophic events could adversely affect the Company's financial condition and results of operations.***

The electric and natural gas utility industries are from time to time affected by catastrophic events, such as unusually severe weather and significant and widespread failures of plant and equipment. Other catastrophic occurrences, such as terrorist attacks on utility facilities, may occur in the future. Such events could inhibit the Company's ability to deliver electricity or natural gas to its customers for an extended period, which could affect customer satisfaction and adversely affect the Company's financial condition, results of operations, and cash flows. If customers, legislators, or regulators develop a negative opinion of the Company, this situation could result in increased regulatory oversight and could affect the equity returns that the Company is allowed to earn. Also, if the Company is unable to recover in its rates a significant amount of costs associated with catastrophic events, or if the Company's recovery of such costs in its rates is significantly delayed, the Company's financial condition, results or operations, or cash flows may be adversely affected.

## [Table of Contents](#)

*The Company's business could be adversely affected if it is unable to retain its existing customers or attract new customers, or if customers' demand for its current products and services significantly decreases.*

The success of the Company's business depends, in part, on its ability to maintain and increase its customer base and the demand that those customers have for the Company's products and services. The Company's failure to maintain or increase its customer base and/or customer demand for its products and services could adversely affect its financial condition, results of operations, and cash flows.

The electricity and natural gas supply requirements of the Company's customers are fulfilled by the Company or, in some instances and as allowed by state regulatory authorities, by third-party suppliers who contract directly with customers. In either scenario, significant increases in electricity and natural gas commodity prices may negatively affect the Company's ability to attract new customers and grow its customer base.

Developments in distributed generation, energy conservation, power generation and energy storage could affect the Company's revenues and the timing of the recovery of the Company's costs. Advancements in power generation technology are improving the cost-effectiveness of customer self-supply of electricity. Improvements in energy storage technology, including batteries and fuel cells, could also better position customers to meet their around-the-clock electricity requirements. Such developments could reduce customer purchases of electricity, but may not necessarily reduce the Company's investment and operating requirements due to the Company's obligation to serve customers, including those self-supply customers whose equipment has failed for any reason, to provide the power they need. In addition, because a portion of the Company's costs are recovered through charges based upon the volume of power delivered, reductions in electricity deliveries will affect the timing of the Company's recovery of those costs and may require changes to the Company's rate structures.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

As of December 31, 2021, Unitil owned through its electric and natural gas distribution utilities, five utility operating centers located in New Hampshire, Maine and Massachusetts. The Company's real estate subsidiary, Unitil Realty, owns the Company's corporate headquarters building and the land on which it is located in Hampton, New Hampshire.

The following tables detail certain of the Company's electric and natural gas operations properties.

#### **Electric Operations**

<b>Description</b>	<b>Unitil Energy</b>	<b>Fitchburg</b>	<b>Total</b>
Primary Transmission and Distribution Pole Miles—Overhead	1,294	455	1,749
Conduit Distribution Bank Miles—Underground	240	68	308
Transmission and Distribution Substations	34	15	49
Transformer Capacity of Transmission and Distribution Substations* (MVA)	470.1	429.4	899.5

\* Does not include load served directly from sub-transmission.

#### **Natural Gas Operations**

<b>Description</b>	<b>Northern Utilities</b>		<b>Fitchburg</b>	<b>Granite State</b>	<b>Total</b>
	<b>NH</b>	<b>ME</b>			
Underground Natural Gas Mains—Miles	576	604	272	—	1,452
Natural Gas Transmission Pipeline—Miles	—	—	—	86	86
Service Pipes	24,494	23,556	11,211	—	59,261

## [Table of Contents](#)

Unitil Energy's electric substations are located on land owned by Unitil Energy or land occupied by Unitil Energy pursuant to perpetual easements in the southeastern seacoast and state capital regions of New Hampshire. Unitil Energy's electric distribution lines are located in, on or under public highways or private lands pursuant to lease, easement, permit, municipal consent, tariff conditions, agreement or license, expressed or implied through use by Unitil Energy without objection by the owners. In the case of certain distribution lines, Unitil Energy owns only a part interest in the poles upon which its wires are installed, the remaining interest being owned by telecommunication companies.

The physical utility properties of Unitil Energy, with certain exceptions, and its franchises are subject to its indenture of mortgage and deed of trust under which the respective series of first mortgage bonds of Unitil Energy are outstanding.

Fitchburg's electric substations, with minor exceptions, are located in north central Massachusetts on land owned by Fitchburg or occupied by Fitchburg pursuant to perpetual easements. Fitchburg's electric distribution lines and gas mains are located in, on, or under public highways or private lands pursuant to lease, easement, permit, municipal consent, tariff conditions, agreement or license, express or implied through use by Fitchburg without objection by the owners. Fitchburg owns full interest in the poles upon which its wires are installed.

The Company's natural gas operations property includes two liquefied propane gas plants and two liquid natural gas plants. Northern Utilities also owns a propane air gas plant and an LNG storage and vaporization facility. Fitchburg owns a propane air gas plant and an LNG storage and vaporization facility, both of which are located on land owned by Fitchburg in north central Massachusetts.

Northern Utilities' gas mains are primarily made up of polyethylene plastic (82.5%), coated and wrapped cathodically protected steel (15.6%), cast/wrought iron (1.7%), and unprotected bare and coated steel (0.2%). FG&E's gas mains are primarily made up of coated steel (44.0%), bare steel (1.4%), polyethylene plastic (40.7%), cast iron (13.4%) and wrought and ductile iron (0.5%)

Granite State's underground natural gas transmission pipeline, regulated by the FERC, is located primarily in Maine and New Hampshire.

The Company believes its facilities are currently adequate for their intended uses.

### **Item 3. Legal Proceedings**

The Company is involved in legal and administrative proceedings and claims of various types, including those which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material effect on its financial position, operating results or cash flows.

### **Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company’s common stock is listed on the New York Stock Exchange under the symbol “UTL.” As of December 31, 2021, there were 1,236 shareholders of record of our common stock.

**Common Stock Data**

<u>Dividends per Common Share</u>	<u>2021</u>	<u>2020</u>
1st Quarter	<b>\$0.380</b>	\$0.375
2nd Quarter	<b>0.380</b>	0.375
3rd Quarter	<b>0.380</b>	0.375
4th Quarter	<b>0.380</b>	0.375
Total for Year	<b>\$ 1.52</b>	<b>\$ 1.50</b>

See “Dividends” in Part II, Item 7 (Management’s Discussion and Analysis of Financial Condition and Results of Operations).

Information regarding securities authorized for issuance under our equity compensation plans, as of December 31, 2021, is set forth in the following table.

**Equity Compensation Plan Information**

<u>Plan Category</u>	<u>(a)</u> <u>Number of securities</u> <u>to be issued upon exercise</u> <u>of outstanding options,</u> <u>warrants and rights</u>	<u>(b)</u> <u>Weighted-average</u> <u>exercise price of</u> <u>outstanding options,</u> <u>warrants and rights</u>	<u>(c)</u> <u>Number of securities</u> <u>remaining available for</u> <u>future issuance under</u> <u>equity compensation</u> <u>plans (excluding</u> <u>securities reflected in</u> <u>column (a))</u>
<b>Equity compensation plans approved by security holders<sup>(1)</sup></b>	—	—	190,677
<b>Equity compensation plans not approved by security holders</b>	—	—	—
<b>Total</b>	—	—	190,677

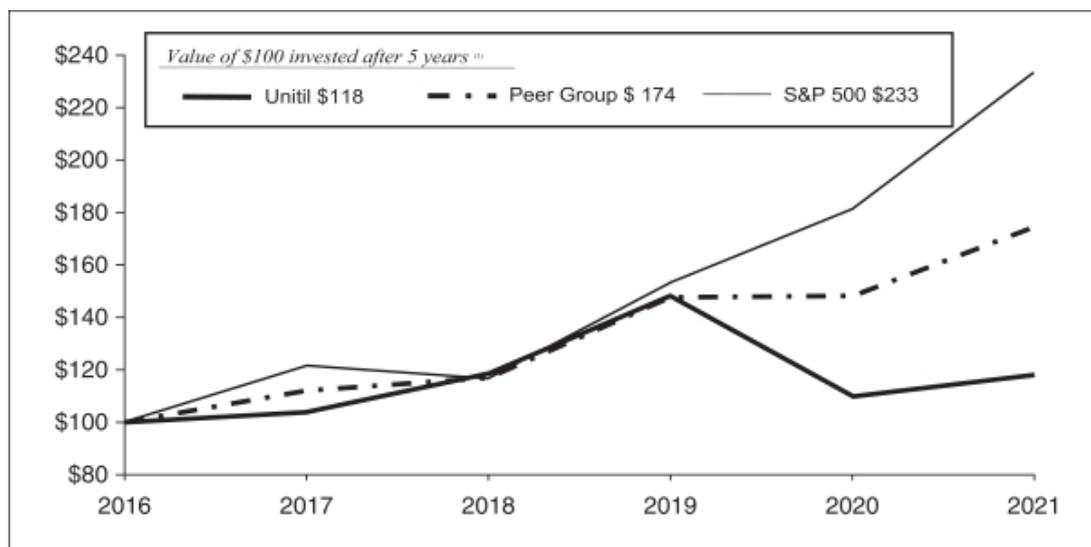
NOTES: (also see Note 5 (Equity) to the accompanying Consolidated Financial Statements)

<sup>(1)</sup> Consists of the Second Amended and Restated 2003 Stock Plan (the Plan). On April 19, 2012, shareholders approved the Plan, and a total of 677,500 shares of our common stock were reserved for issuance pursuant to awards of restricted stock, restricted stock units and common stock under the Plan. A total of 466,975 shares of restricted stock have been awarded and 33,528 restricted stock units have been settled and issued as shares of common stock by Plan participants through December 31, 2021. As of December 31, 2021, a total of 13,680 shares of restricted stock were forfeited and once again became available for issuance under the Plan.

### Stock Performance Graph

The following graph compares Unitil Corporation's cumulative stockholder return since December 31, 2016 with the Peer Group index, comprised of the S&P 500 Utilities Index, and the S&P 500 index. The graph assumes that the value of the investment in the Company's common stock and each index (including reinvestment of dividends) was \$100 on December 31, 2016.

Comparative Five-Year Total Returns



**NOTE:**

(1) The graph above assumes \$100 invested on December 31, 2016, in each category and the reinvestment of all dividends during the five-year period. The Peer Group is comprised of the S&P 500 Utilities Index.

### Unregistered Sales of Equity Securities and Uses of Proceeds

There were no sales of unregistered equity securities by the Company for the fiscal period ended December 31, 2021.

### Issuer Purchases of Equity Securities

Pursuant to the written trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted and announced by the Company on May 1, 2021, the Company will periodically repurchase shares of its Common Stock on the open market related to the stock portion of the Directors' annual retainer for those Directors who elected to receive common stock. There is no pool or maximum number of shares related to these purchases; however, the trading plan will terminate when \$350,500 in value of shares have been purchased or, if sooner, on May 1, 2022.

The Company may suspend or terminate this trading plan at any time, so long as the suspension or termination is made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, or other applicable securities laws.

## [Table of Contents](#)

The following table provides information regarding repurchases by the Company of shares of its common stock pursuant to the trading plan for each month in the quarter ended December 31, 2021.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
10/1/21 – 10/31/21	8,012	\$ 43.746	8,012	\$ 11
11/1/21 – 11/30/21	—	—	—	\$ 11
12/1/21 – 12/31/21	—	—	—	\$ 11
Total	<u>8,012</u>	\$ 43.746	<u>8,012</u>	

### **Item 6. Reserved**

### **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) (Note references are to the Notes to the Consolidated Financial Statements included in Item 8.)**

#### **OVERVIEW**

Unitil is a public utility holding company headquartered in Hampton, New Hampshire. Unitil is subject to regulation as a holding company system by the FERC under the Energy Policy Act of 2005.

Unitil’s principal business is the local distribution of electricity and natural gas to 194,275 customers throughout its service territory in the states of New Hampshire, Massachusetts and Maine. Unitil is the parent company of three wholly-owned distribution utilities:

- i) Unitil Energy, which provides electric service in the southeastern seacoast and state capital regions of New Hampshire;
- ii) Fitchburg, which provides both electric and natural gas service in the greater Fitchburg area of north central Massachusetts; and
- iii) Northern Utilities, which provides natural gas service in southeastern New Hampshire and portions of southern and central Maine, including the city of Portland and the Lewiston-Auburn area.

Unitil Energy, Fitchburg and Northern Utilities are collectively referred to as the “distribution utilities.” Together, the distribution utilities serve approximately 107,680 electric customers and 86,595 natural gas customers in their service territories. The distribution utilities are local “wires and pipes” operating companies.

In addition, Unitil is the parent company of Granite State, a natural gas transmission pipeline, regulated by the FERC, operating 86 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to three major natural gas pipelines and access to North American pipeline supplies.

Unitil had an investment in Net Utility Plant of \$1,257.2 million at December 31, 2021. Unitil’s total revenue was \$473.3 million in 2021, which includes revenue to recover the approved cost of purchased electricity and natural gas in rates on a fully reconciling basis. As a result of this reconciling rate structure, the Company’s earnings are not affected by changes in the cost of purchased electricity and natural gas. Earnings from Unitil’s utility operations are derived from the return on investment in the three distribution utilities and Granite State.

Unitil previously conducted non-regulated operations principally through Usource, which was wholly-owned by Unitil Resources. The Company divested Usource in the first quarter of 2019. Usource provided energy brokering and advisory services to large commercial and industrial customers in the northeastern United States. See additional discussion of the divestiture of Usource in “Divestiture of Non-Regulated Business Subsidiary” in Note 1 (Summary of Significant Accounting Policies) to the Consolidated Financial Statements. The Company’s other subsidiaries include Unitil Service, which provides, at cost, a variety of

## [Table of Contents](#)

administrative and professional services to Unitil's affiliated companies, and Unitil Realty, which owns and manages Unitil's corporate office building and property located in Hampton, New Hampshire. Unitil's consolidated net income includes the earnings of the holding company and these subsidiaries.

### **Regulation**

Unitil is subject to comprehensive regulation by federal and state regulatory authorities. Unitil and its subsidiaries are subject to regulation as a holding company system by the FERC under the Energy Policy Act of 2005 with regard to certain bookkeeping, accounting and reporting requirements. Unitil's utility operations related to wholesale and interstate energy business activities are also regulated by the FERC. Unitil's distribution utilities are subject to regulation by the applicable state public utility commissions, with regard to their rates, issuance of securities and other accounting and operational matters: Unitil Energy is subject to regulation by the NHPUC; Fitchburg is subject to regulation by the MDPU; and Northern Utilities is regulated by the NHPUC and MPUC. Granite State, Unitil's interstate natural gas transmission pipeline, is subject to regulation by the FERC with regard to its rates and operations. Because Unitil's primary operations are subject to rate regulation, the regulatory treatment of various matters could significantly affect the Company's operations, financial position, and cash flows.

Unitil's distribution utilities deliver electricity and/or natural gas to all customers in their service territories, at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil's distribution utilities are provided the opportunity to recover the cost of providing distribution service to their customers based on a historical test year, and earn a return on their capital investment in utility assets. In addition, the Company's distribution utilities and its natural gas transmission pipeline company also may recover certain base rate costs, including capital project spending and enhanced reliability and vegetation management programs, through annual step adjustments and cost tracker rate mechanisms.

Most of Unitil's customers have the opportunity to purchase their electricity or natural gas supplies from third-party energy suppliers. Many of Unitil's distribution utilities' largest C&I customers purchase their electricity or gas supply from third-party suppliers, while most small C&I customers, as well as residential customers, purchase their electricity or gas supply from the distribution utilities under regulated rates and tariffs. Unitil's distribution utilities purchase electricity or natural gas from unaffiliated wholesale energy suppliers and recover the actual approved costs of these supplies on a pass-through basis, through reconciling rate mechanisms that are periodically adjusted.

Also see *Regulatory Matters* in this section and Note 7 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements for additional information on rates and regulation.

Fitchburg is subject to revenue decoupling. Revenue decoupling is the term given to the elimination of the dependency of a utility's distribution revenue on the volume of electricity or natural gas sales. The difference between distribution revenue amounts billed to customers and the targeted revenue decoupling amounts is recognized as an increase or a decrease in the current portion of Accrued Revenue which forms the basis for resetting rates for future cash recoveries from, or credits to, customers. These revenue decoupling targets may be adjusted as a result of rate cases that the Company files with the MDPU. The Company estimates that revenue decoupling applies to approximately 27% and 11% of Unitil's total annual electric and natural gas sales volumes, respectively.

### **RESULTS OF OPERATIONS**

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the accompanying Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

The Company continues to respond to the coronavirus pandemic by taking steps to mitigate the potential risks posed by its spread. The Company's electric and gas utility distribution operating systems have continued to provide service to customers without disruption due to the coronavirus pandemic through the date of this filing. The Company has implemented its Crisis Response Plan to address specific aspects of

## [Table of Contents](#)

the coronavirus pandemic. The Crisis Response Plan guides emergency response, business continuity, and the precautionary measures being taken on behalf of employees and the public. The Company has initiated extra precautions to protect employees who work in the field and for employees who continue to work in operations, distribution and corporate facilities. The Company has implemented social distancing and work from home policies, where appropriate. The Company continues to implement strong physical and cyber-security measures to ensure that its systems remain functional in order to serve both operational needs with a remote workforce and to help ensure uninterrupted service to customers.

The extent to which the coronavirus pandemic affects the Company's financial condition, results of operations, and cash flows will depend on future developments, that are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus pandemic, and the actions to contain the coronavirus pandemic or treat its effect, among others. In particular, the continued spread of the coronavirus could adversely affect the Company's business, including (i) by disrupting the Company's employees and contractors ability to provide ongoing services to the Company, (ii) by reducing customer demand for electricity or gas, or (iii) by reducing the supply of electricity or gas, each of which could have an adverse effect on the Company's financial condition, results of operations, and cash flows.

The Company's results of operations reflect the seasonal nature of the gas business. Annual gas revenues are substantially realized during the heating season as a result of higher sales of gas due to cold weather. Accordingly, the results of operations are historically most favorable in the first and fourth quarters. Fluctuations in seasonal weather conditions may have a significant effect on the results of operations. Sales of electricity are generally less sensitive to weather than gas sales, but may also be affected by the weather conditions in both the winter and summer seasons. Also, as a result of recent rate cases, the Company's gas GAAP gross margins and gas adjusted gross margins (a non-GAAP financial measure) are derived from a higher percentage of fixed billing components, including customer charges. Therefore, future gas revenues and gas adjusted gross margin will be less affected by the seasonal nature of the gas business. In addition, approximately 27% and 11% of the Company's total annual electric and gas sales volumes, respectively, are decoupled and changes in sales to existing customers do not affect GAAP gross margin and adjusted gross margin.

On August 6, 2021, the Company issued and sold 800,000 shares of its common stock at a price of \$50.80 per share in a registered public offering (Offering). The Company's net increase to Common Equity and Cash proceeds from the Offering was approximately \$38.6 million. The proceeds were used to make equity capital contributions to the Company's regulated utility subsidiaries, to repay debt and for other general corporate purposes.

As part of the Offering, the Company granted the underwriters a 30-day option to purchase additional shares. The underwriters exercised the option and purchased an additional 120,000 shares of the Company's common stock on September 8, 2021. The Company's net increase to Common Equity and Cash proceeds from the exercise of the option was approximately \$5.9 million. The proceeds were used to make equity capital contributions to the Company's regulated utility subsidiaries, to repay debt and for other general corporate purposes. Overall, the results of operations and earnings for the year ended December 31, 2021 reflect the higher number of average shares outstanding.

The Company analyzes operating results using Electric and Gas Adjusted Gross Margins, which are non-GAAP financial measures. Electric Adjusted Gross Margin is calculated as Total Electric Operating Revenue less Cost of Electric Sales. Gas Adjusted Gross Margin is calculated as Total Gas Operating Revenues less Cost of Gas Sales. The Company's management believes Electric and Gas Adjusted Gross Margins provide useful information to investors regarding profitability. Also, the Company's management believes Electric and Gas Adjusted Gross Margins are important financial measures to analyze revenue from the Company's ongoing operations because the approved cost of electric and gas sales are tracked, reconciled and passed through directly to customers in electric and gas tariff rates, resulting in an equal and offsetting amount reflected in Total Electric and Gas Operating Revenue.

In the following tables the Company has reconciled Electric and Gas Adjusted Gross Margin to GAAP Gross Margin, which we believe to be the most comparable GAAP financial measure. GAAP Gross Margin

## [Table of Contents](#)

is calculated as Revenue less Cost of Sales, and Depreciation and Amortization. The Company calculates Electric and Gas Adjusted Gross Margin as Revenue less Cost of Sales. The Company believes excluding Depreciation and Amortization, which are period costs and not related to volumetric sales, is a meaningful financial measure to inform investors of the Company's profitability from electric and gas sales in the period.

### Twelve Months Ended December 31, 2021 (\$ millions)

	Electric	Gas	Non-Regulated and Other	Total
Total Operating Revenue	\$ 248.5	\$224.8	\$ —	\$ 473.3
Less: Cost of Sales	(151.1)	(91.7)	—	(242.8)
Less: Depreciation and Amortization	(25.9)	(32.6)	(1.0)	(59.5)
GAAP Gross Margin	71.5	100.5	(1.0)	171.0
Depreciation and Amortization	25.9	32.6	1.0	59.5
Adjusted Gross Margin	\$ 97.4	\$133.1	\$ —	\$ 230.5

### Twelve Months Ended December 31, 2020 (\$ millions)

	Electric	Gas	Non-Regulated and Other	Total
Total Operating Revenue	\$ 227.2	\$191.4	\$ —	\$ 418.6
Less: Cost of Sales	(134.3)	(68.8)	—	(203.1)
Less: Depreciation and Amortization	(23.8)	(29.8)	(0.9)	(54.5)
GAAP Gross Margin	69.1	92.8	(0.9)	161.0
Depreciation and Amortization	23.8	29.8	0.9	54.5
Adjusted Gross Margin	\$ 92.9	\$122.6	\$ —	\$ 215.5

### Twelve Months Ended December 31, 2019 (\$ millions)

	Electric	Gas	Non-Regulated and Other	Total
Total Operating Revenue	\$ 233.9	\$203.4	\$ 0.9	\$ 438.2
Less: Cost of Sales	(142.0)	(81.2)	—	(223.2)
Less: Depreciation and Amortization	(22.6)	(28.5)	(0.9)	(52.0)
GAAP Gross Margin	69.3	93.7	—	163.0
Depreciation and Amortization	22.6	28.5	0.9	52.0
Adjusted Gross Margin	\$ 91.9	\$122.2	\$ 0.9	\$ 215.0

Electric GAAP Gross Margin was \$71.5 million in 2021, an increase of \$2.4 million compared to 2020. The increase was driven by higher rates and customer growth of \$4.5 million, partially offset by higher depreciation and amortization expense of \$2.1 million.

Electric GAAP Gross Margin was \$69.1 million in 2020, a decrease of \$0.2 million compared to 2019. The decrease reflects an unfavorable effect of \$0.8 million attributed to the combined net effect of lower Commercial and Industrial (C&I) sales and higher Residential sales associated with the coronavirus pandemic, and higher depreciation and amortization of \$1.2 million, partially offset by higher rates of \$1.4 million and the positive combined effect of customer growth and warmer summer weather of \$0.4 million.

Gas GAAP Gross Margin was \$100.5 million in 2021, an increase of \$7.7 million compared to 2020. The increase was driven by higher rates and customer growth of \$9.4 million, and \$1.1 million from the favorable effect of colder weather during the peak heating season in 2021, which the Company defines as the months of January—April, and November—December, partially offset by higher depreciation and amortization of \$2.8 million.

Gas GAAP Gross Margin was \$92.8 million in 2020, a decrease of \$0.9 million compared to 2019. The decrease was driven by unfavorable effects of \$4.4 million from lower sales due to warmer weather in

## [Table of Contents](#)

2020, \$2.1 million attributed to lower sales primarily associated with the economic slowdown caused by the coronavirus pandemic, and higher depreciation and amortization of \$1.3 million. These decreases were partially offset by higher rates of \$5.1 million and customer growth of \$1.8 million.

### **Net Income and EPS Overview**

**2021 Compared to 2020**—The Company's Net Income was \$36.1 million, or \$2.35 in Earnings Per Share (EPS), for the year ended December 31, 2021, an increase of \$3.9 million in Net Income, or \$0.20 in EPS, compared to 2020. The Company's earnings in 2021 reflect higher Electric and Gas Adjusted Gross Margins (a non-GAAP financial measure), partially offset by higher operating expenses. Also, EPS in 2021 reflects the sale of 920,000 common shares in the third quarter of 2021.

Electric Adjusted Gross Margin (a non-GAAP financial measure) was \$97.4 million in 2021, an increase of \$4.5 million compared with 2020. The increase was driven by higher rates and customer growth of \$4.5 million.

Electric kilowatt-hour (kWh) sales increased 2.2% in 2021 compared to 2020. Sales to Residential customers increased 0.5% and sales to C&I customers increased 3.5% in 2021 compared to 2020. The increase in sales to Residential customers principally reflects positive customer growth. The increase in sales to C&I customers reflects customer growth and increased usage due to improving economic conditions. As of December 31, 2021, the number of electric customers served increased by approximately 600 over the previous year.

Gas Adjusted Gross Margin (a non-GAAP financial measure) was \$133.1 million in 2021, an increase of \$10.5 million compared to 2020. The increase was driven by higher rates and customer growth of \$9.4 million, and \$1.1 million from the favorable effect of colder weather during the peak heating season in 2021.

Gas therm sales increased 3.3% in 2021 compared to 2020. Sales to Residential customers decreased 0.7% and sales to C&I customers increased 4.4% in 2021 compared to 2020. The overall increase in gas therm sales reflects customer growth and colder weather in the peak heating season. As of December 31, 2021, the number of gas customers served increased by approximately 1,000, including seasonal accounts, over the previous year. Based on weather data collected in the Company's gas service areas, on average there were 0.4% fewer Effective Degree Days (EDD) in 2021 compared to 2020 and 8.2% fewer EDD compared to normal. However, there were 3.4% more EDD in the peak heating season in 2021 compared to the same period in 2020. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were 2.8% higher in 2021 compared to 2020.

Operation and Maintenance (O&M) expenses increased \$3.0 million in 2021 compared to 2020, reflecting higher labor costs of \$1.6 million and higher utility operating costs of \$1.4 million.

Depreciation and Amortization expense increased \$5.0 million in 2021 compared to 2020, reflecting additional depreciation associated with higher levels of utility plant in service and higher amortization.

Taxes Other Than Income Taxes increased \$0.6 million in 2021 compared to 2020, reflecting higher payroll taxes and higher local property taxes on higher utility plant in service.

Interest Expense, Net increased \$1.8 million in 2021 compared to 2020 primarily reflecting higher interest on long-term debt and lower interest income, partially offset by lower rates on lower levels of short-term debt.

Other Expense (Income), Net decreased \$0.6 million in 2021 compared to 2020, reflecting lower retirement benefit and other costs.

Federal and State Income Taxes increased \$1.3 million in 2021 compared to 2020, reflecting higher pre-tax earnings in the current period.

In 2021, Unital's annual common dividend was \$1.52 per share, representing an unbroken record of quarterly dividend payments since trading began in Unital's common stock. At its January 2022 meeting, the

## [Table of Contents](#)

Unitil Corporation Board of Directors declared a quarterly dividend on the Company's common stock of \$0.39 per share, an increase of \$0.01 per share on a quarterly basis, resulting in an increase in the effective annualized dividend rate to \$1.56 per share from \$1.52 per share.

**2020 Compared to 2019**—The Company's Net Income was \$32.2 million, or \$2.15 in Earnings Per Share, for the year ended December 31, 2020, a decrease of \$12.0 million, or \$0.82 per share, compared to 2019. In the first quarter of 2019, the Company recognized a one-time net gain of \$9.8 million, or \$0.66 per share, on the Company's divestiture of its non-regulated business subsidiary, Usource. The Company's earnings in 2020 reflect higher Electric and Gas Adjusted Gross Margins (a non-GAAP financial measure) and higher operating expenses. The Company estimates that warmer than normal weather negatively affected Net Income by approximately \$3.1 million, or \$0.20 per share, in 2020. Additionally, the Company estimates that the coronavirus pandemic negatively affected Net Income by approximately \$1.4 million, or \$0.09 per share, in 2020.

### **Electric Sales, Revenues and Adjusted Gross Margin**

**Kilowatt-hour Sales**—Unitil's total electric kWh sales increased 2.2% in 2021 compared to 2020. Sales to Residential customers increased 0.5% and sales to C&I customers increased 3.5% in 2021 compared to 2020. The increase in sales to Residential customers principally reflects positive customer growth. The increase in sales to C&I customers reflects customer growth and increased usage due to improving economic conditions. As of December 31, 2021, the number of electric customers served increased by approximately 600 over the previous year. Sales margins derived from decoupled unit sales (representing approximately 27% of total annual sales volume) are not sensitive to changes in kWh sales.

Unitil's total electric kWh sales in 2020 were essentially on par with 2019. Sales to Residential customers increased 6.5% and sales to C&I customers decreased 4.5% in 2020 compared to 2019. The increase in sales to Residential customers reflects higher consumption by Residential customers due to the coronavirus pandemic and warmer summer weather in 2020 compared to 2019, which resulted in higher use of air conditioning, and customer growth. As of December 31, 2020, the number of electric customers served increased by 948 over the previous year. These positive effects on 2020 electric kWh sales were partially offset by the warmer winter weather in 2020 which adversely affected the usage of electricity for heating purposes. The decrease in sales to C&I customers reflects lower usage as a result of the economic slowdown caused by the coronavirus pandemic, and the warmer winter weather in 2020, partially offset by customer growth. Based on weather data collected in the Company's electric service areas, there were 37.9% more CDD in 2020, on average, compared to 2019.

The following table details total kWh sales for the last three years by major customer class:

<b>kWh Sales (millions)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>			
				<b>2021 vs. 2020</b>		<b>2020 vs. 2019</b>	
				<b>kWh</b>	<b>%</b>	<b>kWh</b>	<b>%</b>
Residential	<b>694.2</b>	690.6	648.2	3.6	0.5%	42.4	6.5%
Commercial & Industrial	<b>936.8</b>	905.3	947.5	31.5	3.5%	(42.2)	(4.5%)
Total kWh Sales	<b>1,631.0</b>	1,595.9	1,595.7	35.1	2.2%	0.2	—

## Table of Contents

**Electric Operating Revenues and Electric Adjusted Gross Margin**—The following table details Total Electric Operating Revenue and Electric Adjusted Gross Margin for the last three years by major customer class:

**Electric Operating Revenues and Electric Adjusted Gross Margin (millions)**

	2021	2020	2019	Change			
				2021 vs. 2020		2020 vs. 2019	
				\$	%	\$	%
Electric Operating Revenue:							
Residential	\$ 140.8	\$ 134.7	\$ 133.8	\$ 6.1	4.5%	\$ 0.9	0.7%
Commercial & Industrial	107.7	92.5	100.1	15.2	16.4%	(7.6)	(7.6%)
Total Electric Operating Revenue	\$ 248.5	\$ 227.2	\$ 233.9	\$ 21.3	9.4%	\$(6.7)	(2.9%)
Cost of Electric Sales	\$ 151.1	\$ 134.3	\$ 142.0	\$ 16.8	12.5%	\$(7.7)	(5.4%)
Electric Adjusted Gross Margin	\$ 97.4	\$ 92.9	\$ 91.9	\$ 4.5	4.8%	\$ 1.0	1.1%

Electric Adjusted Gross Margin (a non-GAAP financial measure) was \$97.4 million in 2021, an increase of \$4.5 million compared with 2020. The increase was driven by higher rates and customer growth of \$4.5 million.

The increase in Total Electric Operating Revenue of \$21.3 million, or 9.4%, in 2021 compared to 2020 reflects higher cost of electric sales, which are tracked and reconciled costs as a pass-through to customers, and higher sales of electricity.

Electric Adjusted Gross Margin (a non-GAAP financial measure) was \$92.9 million in 2020, an increase of \$1.0 million compared with 2019. The increase reflects higher rates of \$1.4 million and the positive combined effect of customer growth and warmer summer weather of \$0.4 million, partially offset by an unfavorable effect of \$0.8 million attributed to the combined net effect of lower C&I sales and higher Residential sales associated with the coronavirus pandemic.

The decrease in Total Electric Operating Revenue of \$6.7 million, or 2.9%, in 2020 compared to 2019 reflects lower cost of electric sales, which are tracked and reconciled costs as a pass-through to customers, partially offset by higher sales of electricity.

## Gas Sales, Revenues and Adjusted Gross Margin

**Therm Sales**—Unitil's total gas therm sales increased 3.3% in 2021 compared to 2020. Sales to Residential customers decreased 0.7% and sales to C&I customers increased 4.4% in 2021 compared to 2020. The overall increase in gas therm sales reflects customer growth and colder weather in the peak heating season. As of December 31, 2021, the number of gas customers served increased by approximately 1,000, including seasonal accounts, over the previous year. Based on weather data collected in the Company's gas service areas, on average there were 0.4% fewer EDD in 2021 compared to 2020 and 8.2% fewer EDD compared to normal. However, there were 3.4% more EDD in the peak heating season in 2021 compared to the same period in 2020. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were 2.8% higher in 2021 compared to 2020. Sales margin derived from decoupled unit sales (representing approximately 11% of total annual therm sales volume) is not sensitive to changes in gas therm sales.

Unitil's total therm sales of natural gas decreased 7.5% in 2020 compared to 2019. Sales to Residential and C&I customers decreased 6.9% and 7.6%, respectively in 2020 compared to 2019. The decrease in overall gas therm sales in the Company's service areas reflects warmer weather in 2020 compared to 2019, as well as lower sales to C&I customers, primarily in the second, third and fourth quarters, due to the economic slowdown caused by the coronavirus pandemic. These negative effects on 2020 gas therm sales were partially offset by customer growth. As of December 31, 2020, the number of gas customers served increased by 1,663, including seasonal accounts, over the previous year. Based on weather data collected in the Company's gas service areas, there were 8.2% fewer EDD in 2020, on average, compared to 2019 and 8.0% fewer EDD compared to normal. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were 1.6% lower in 2020 compared to 2019.

## Table of Contents

The following table details total therm sales for the last three years, by major customer class:

Therm Sales (millions)	2021	2020	2019	Change			
				2021 vs. 2020		2020 vs. 2019	
				Therms	%	Therms	%
Residential	44.4	44.7	48.0	(0.3)	(0.7%)	(3.3)	(6.9%)
Commercial & Industrial	177.5	170.1	184.1	7.4	4.4%	(14.0)	(7.6%)
Total Therm Sales	221.9	214.8	232.1	7.1	3.3%	(17.3)	(7.5%)

**Gas Operating Revenues and Adjusted Gross Margin**—The following table details total Gas Operating Revenue and Gas Adjusted Gross Margin for the last three years by major customer class:

### Gas Operating Revenues and Gas Adjusted Gross Margin (millions)

	2021	2020	2019	Change			
				2021 vs. 2020		2020 vs. 2019	
				\$	%	\$	%
Gas Operating Revenue:							
Residential	\$ 90.6	\$ 78.0	\$ 81.2	\$12.6	16.2%	\$ (3.2)	(3.9%)
Commercial & Industrial	134.2	113.4	122.2	20.8	18.3%	(8.8)	(7.2%)
Total Gas Operating Revenue	\$224.8	\$191.4	\$203.4	\$33.4	17.5%	\$ (12.0)	(5.9%)
Cost of Gas Sales	\$ 91.7	\$ 68.8	\$ 81.2	\$22.9	33.3%	\$ (12.4)	(15.3%)
Gas Adjusted Gross Margin	\$133.1	\$122.6	\$122.2	\$10.5	8.6%	\$ 0.4	0.3%

Gas Adjusted Gross Margin (a non-GAAP financial measure) was \$133.1 million in 2021, an increase of \$10.5 million compared to 2020. The increase was driven by higher rates and customer growth of \$9.4 million, and \$1.1 million from the favorable effect of colder weather during the peak heating season in 2021.

The increase in Total Gas Operating Revenues of \$33.4 million, or 17.5%, in 2021 compared to 2020 reflects higher cost of gas sales, which are tracked and reconciled costs as a pass-through to customers, and higher gas sales volumes.

Gas Adjusted Gross Margin (a non-GAAP financial measure) was \$122.6 million in 2020, an increase of \$0.4 million compared to 2019. The increase was driven by higher rates of \$5.1 million and customer growth of \$1.8 million, largely offset by unfavorable effects of \$4.4 million from lower sales due to warmer weather in 2020, and \$2.1 million attributed to lower sales primarily associated with the economic slowdown caused by the coronavirus pandemic.

The decrease in Total Gas Operating Revenues of \$12.0 million, or 5.9%, in 2020 compared to 2019 reflects lower cost of gas sales, which are tracked and reconciled costs as a pass-through to customers, and lower sales volumes.

### Operating Revenue—Other

Total Other Operating Revenue (See “Other Operating Revenue—Non-regulated” in Note 1 to the accompanying Consolidated Financial Statements) is comprised of revenues from the Company’s non-regulated energy brokering business, Usource, which was divested in the first quarter of 2019 (See “Divestiture of Non-Regulated Business Subsidiary” in Note 1 to the accompanying Consolidated Financial Statements). Usource’s revenues were primarily derived from fees and charges billed to suppliers as customers take delivery of energy from those suppliers under term contracts brokered by Usource. Usource’s revenues were \$0.9 million in 2019.

### Operating Expenses

**Cost of Electric Sales**—Cost of Electric Sales includes the cost of electric supply as well as other energy supply related restructuring costs, including power supply buyout costs, and spending on energy

## [Table of Contents](#)

efficiency programs. Cost of Electric Sales increased \$16.8 million, or 12.5%, in 2021 compared to 2020. This increase reflects higher sales of electricity and higher wholesale electricity prices, partially offset by an increase in the amount of electricity purchased by customers directly from third-party suppliers. The Company reconciles and recovers the approved Cost of Electric Sales in its rates at cost on a pass through basis and therefore changes in approved expenses do not affect earnings.

In 2020, Cost of Electric Sales decreased \$7.7 million, or 5.4%, compared to 2019. This decrease reflects lower wholesale electricity prices, partially offset by slightly higher sales of electricity and a decrease in the amount of electricity purchased by customers directly from third-party suppliers.

**Cost of Gas Sales**—Cost of Gas Sales includes the cost of natural gas purchased to supply the Company's total gas supply requirements and spending on energy efficiency programs. Cost of Gas Sales increased \$22.9 million, or 33.3%, in 2021 compared to 2020. This increase reflects higher gas sales and higher wholesale gas commodity prices, partially offset by an increase in the amount of gas purchased by customers directly from third-party suppliers. The Company reconciles and recovers the approved Cost of Gas Sales in its rates at cost on a pass through basis and therefore changes in approved expenses do not affect earnings.

In 2020, Cost of Gas decreased \$12.4 million, or 15.3%, compared to 2019. This decrease reflects lower wholesale gas commodity prices and lower gas sales, partially offset by a decrease in the amount of gas purchased by customers directly from third-party suppliers.

**Operation and Maintenance**—O&M expense includes electric and gas utility operating costs, and the operating costs of the Company's non-regulated business activities. Total O&M expenses increased \$3.0 million, or 4.6% in 2021 compared to 2020, reflecting higher labor costs of \$1.6 million and higher utility operating costs of \$1.4 million.

In 2020, total O&M expenses decreased \$1.5 million, or 2.2% compared to 2019. The decrease includes \$0.4 million of lower operating costs attributed to Usource operations incurred in the first quarter of 2019. The change in O&M expenses also reflects lower labor costs of \$1.3 million, partially offset by higher utility operating costs of \$0.2 million. The lower labor costs reflect lower employee benefit costs.

**Depreciation and Amortization**—Depreciation and Amortization expense increased \$5.0 million, or 9.2%, in 2021 compared to 2020, reflecting additional depreciation associated with higher levels of utility plant in service and higher amortization.

In 2020, Depreciation and Amortization expense increased \$2.5 million, or 4.8%, compared to 2019, reflecting increased depreciation on higher levels of utility plant in service and higher amortization.

**Taxes Other Than Income Taxes**—Taxes Other Than Income Taxes increased \$0.6 million, or 2.5%, in 2021 compared to 2020, reflecting higher payroll taxes and higher local property taxes on higher utility plant in service.

In 2020, Taxes Other Than Income Taxes increased \$1.2 million, or 5.3%, compared to 2019, reflecting higher local property taxes on higher utility plant in service of \$1.2 million as well as the absence in 2020 of \$0.6 million in property tax abatements recognized in 2019. This increase was partially offset by lower payroll taxes in 2020 reflecting the recognition of \$0.6 million of payroll tax credits associated with the CARES Act in 2020.

### ***Interest Expense, Net***

Interest expense is presented in the Consolidated Financial Statements net of interest income. Interest expense is mainly comprised of interest on long-term debt and short-term borrowings (See Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements). Certain reconciling rate mechanisms used by the Company's distribution utilities give rise to regulatory assets and regulatory liabilities on which interest is calculated.

## [Table of Contents](#)

Interest Expense, Net increased \$1.8 million, or 7.6%, in 2021 compared to 2020 primarily reflecting higher interest on long-term debt and lower interest income, partially offset by lower rates on lower levels of short-term debt.

Interest Expense, Net increased \$0.1 million, or 0.4%, in 2020 compared to 2019 reflecting higher levels of long-term debt, largely offset by lower rates on short-term debt and lower interest expense on regulatory liabilities.

### ***Other (Income) Expense, Net***

Other Expense (Income), Net decreased \$0.6 million, or 11.5% in 2021 compared to 2020, reflecting lower retirement benefit and other costs.

Other Expense (Income), Net changed from income of \$8.6 million in 2019 to expense of \$5.2 million in 2020, a net change of \$13.8 million. This change primarily reflects a pre-tax gain of \$13.4 million on the Company's divestiture of Usource in the first quarter of 2019 and \$0.4 million of other costs in 2020.

### ***Provision for Income Taxes***

Federal and State Income Taxes increased \$1.3 million in 2021 compared to 2020, reflecting higher pre-tax earnings in the current period.

Federal and State Income Taxes decreased \$3.6 million in 2020 compared to 2019, primarily reflecting lower pre-tax earnings in the current period.

## ***LIQUIDITY, COMMITMENTS AND CAPITAL REQUIREMENTS***

### ***Sources of Capital***

Unitil requires capital to fund utility plant additions, working capital and other utility expenditures recovered in subsequent periods through regulated rates. The capital necessary to meet these requirements is derived primarily from internally generated funds, which consist of cash flows from operating activities. The Company initially supplements internally generated funds through short-term bank borrowings, as needed, under its unsecured revolving Credit Facility. Periodically, the Company replaces portions of its short-term debt with long-term financings more closely matched to the long-term nature of its utility assets. Additionally, from time to time the Company has accessed the public capital markets through public offerings of equity securities. The Company's utility operations are seasonal in nature and are therefore subject to seasonal fluctuations in cash flows. The amount, type and timing of any future financing will vary from year to year based on capital needs and maturity or redemptions of securities.

On August 6, 2021, the Company issued and sold 800,000 shares of its common stock at a price of \$50.80 per share in a registered public offering (Offering). The Company's net increase to Common Equity and Cash proceeds from the Offering was approximately \$38.6 million and was used to make equity capital contributions to the Company's regulated utility subsidiaries, to repay debt and for other general corporate purposes.

As part of the Offering, the Company granted the underwriters a 30-day over-allotment option to purchase additional shares. The underwriters exercised the over-allotment option and purchased an additional 120,000 shares of the Company's common stock on September 8, 2021. The Company's net increase to Common Equity and Cash proceeds from the over-allotment sales was approximately \$5.9 million and was used to make equity capital contributions to the Company's regulated utility subsidiaries, to repay debt and for other general corporate purposes.

The Company and its subsidiaries are individually and collectively members of the Unitil Cash Pool (Cash Pool). The Cash Pool is the financing vehicle for day-to-day cash borrowing and investing. The Cash Pool allows for an efficient exchange of cash among the Company and its subsidiaries. The interest rates charged to the subsidiaries for borrowing from the Cash Pool are based on actual interest costs from lenders under the Company's revolving Credit Facility. At December 31, 2021 and December 31, 2020, the Company and all of its subsidiaries were in compliance with the regulatory requirements governing participation in the Cash Pool.

## [Table of Contents](#)

On July 25, 2018, the Company entered into a Second Amended and Restated Credit Agreement (Credit Facility) with a syndicate of lenders, which amended and restated in its entirety the Company's prior credit agreement, dated as of October 4, 2013, as amended. The Credit Facility extends to July 25, 2023, subject to two one-year extensions and has a borrowing limit of \$120 million, which includes a \$25 million sublimit for the issuance of standby letters of credit. The Credit Facility provides the Company with the ability to elect that borrowings under the Credit Facility bear interest under several options, including at a daily fluctuating rate of interest per annum equal to one-month London Interbank Offered Rate (LIBOR) plus 1.125%. The terms of the current credit facility allow for a comparable successor rate to be used if the one-month LIBOR rate becomes unavailable. The Company believes that a change to a new rate will not have a material effect on its financial position, operating results, or cash flows. Provided there is no event of default, the Company may increase the borrowing limit under the Credit Facility by up to \$50 million.

The Company utilizes the Credit Facility for cash management purposes related to its short-term operating activities. Total gross borrowings were \$239.1 million and \$248.9 million for the years ended December 31, 2021 and December 31, 2020, respectively. Total gross repayments were \$229.7 million and \$252.8 million for the years ended December 31, 2021 and December 31, 2020, respectively. The following table details the borrowing limits, amounts outstanding and amounts available under the revolving Credit Facility as of December 31, 2021 and December 31, 2020:

### **Revolving Credit Facility (millions)**

	December 31,	
	2021	2020
Limit	\$ 120.0	\$ 120.0
Short-Term Borrowings Outstanding	\$ 64.1	\$ 54.7
Letters of Credit Outstanding	\$ —	\$ 0.1
Available	\$ 55.9	\$ 65.2

The Credit Facility contains customary terms and conditions for credit facilities of this type, including affirmative and negative covenants. There are restrictions on, among other things, Unitil's and its subsidiaries' ability to permit liens or incur indebtedness, and restrictions on Unitil's ability to merge or consolidate with another entity or change its line of business. The affirmative and negative covenants under the Credit Facility shall apply to Unitil until the Credit Facility terminates and all amounts borrowed under the Credit Facility are paid in full (or with respect to letters of credit, they are cash collateralized).

The Company is monitoring the coronavirus pandemic, and does not believe the pandemic will adversely affect its access to capital and funding sources, or its planned capital expenditures. The Company believes its future operating cash flows, its available borrowing capacity, and its access to private and public capital markets for the issuance of long-term debt and equity securities will be sufficient to meet its working capital and capital investment needs.

The only financial covenant in the Credit Facility provides that Unitil's Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At December 31, 2021 and December 31, 2020, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date. (See also "Credit Arrangements" in Note 4 (Debt and Financing Arrangements).)

**Issuance of Long-Term Debt**—On December 18, 2020, Unitil Realty Corp. entered into a loan agreement in the amount of \$4.7 million at 2.64%, with a maturity date of December 18, 2030. Less than \$0.1 million of costs associated with this loan have been recorded as a reduction to the proceeds. Unitil Realty Corp. used the net proceeds from this loan for general corporate purposes.

On September 15, 2020, Northern Utilities issued \$40 million of Notes due 2040 at 3.78%. Fitchburg issued \$27.5 million of Notes due 2040 at 3.78%. Unitil Energy issued \$27.5 million of Bonds due 2040 at 3.58%. Northern Utilities, Fitchburg and Unitil Energy used the net proceeds from these offerings to repay short-term debt and for general corporate purposes. Approximately \$0.5 million of costs associated with these issuances have been recorded as a reduction to Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

## [Table of Contents](#)

On December 18, 2019, Unitil Corporation issued \$30 million of Notes due 2029 at 3.43%. Unitil Corporation used the net proceeds from this offering to repay short-term debt and for general corporate purposes. Approximately \$0.2 million of costs associated with these issuances have been recorded as a reduction to Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

On September 12, 2019, Northern Utilities issued \$40 million of Notes due 2049 at 4.04%. Northern Utilities used the net proceeds from this offering to repay short-term debt and for general corporate purposes. Approximately \$0.2 million of costs associated with these issuances have been recorded as a reduction to against Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

Unitil Corporation and its utility subsidiaries, Fitchburg, Unitil Energy, Northern Utilities, and Granite State are currently rated “BBB+” by Standard & Poor’s Ratings Services. Unitil Corporation and Granite State are currently rated “Baa2”, and Fitchburg, Unitil Energy and Northern Utilities are currently rated “Baa1” by Moody’s Investors Services.

The continued availability of various methods of financing, as well as the choice of a specific form of security for such financing, will depend on many factors, including, but not limited to: security market conditions; general economic climate; regulatory approvals; the ability to meet covenant issuance restrictions; the level of earnings, cash flows and financial position; and the competitive pricing offered by financing sources. The Company believes it has sufficient sources of working capital to fund its operations.

### ***Contractual Obligations***

The Company and its subsidiaries have material obligations for payment of principal and interest on its long-term debt as well as for operating and capital leases that are discussed in Note 4 (Debt and Financing Arrangements).

The Company and its subsidiaries have material energy supply commitments that are discussed in Note 6 (Energy Supply) and Note 7 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements. Cash outlays for the purchase of electricity and natural gas to serve customers are subject to reconciling recovery through periodic changes in rates, with carrying charges on deferred balances. From year to year, there are likely to be timing differences associated with the cash recovery of such costs, creating under- or over-recovery situations at any point in time. Rate recovery mechanisms are typically designed to collect the under-recovered cash or refund the over-collected cash over subsequent periods of less than one year.

The Company provides limited guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities. The Company’s policy is to limit the duration of these guarantees. As of December 31, 2021, there were approximately \$ 0.7 million of guarantees outstanding with a duration of less than one year.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. There was \$8.3 million and \$5.4 million of natural gas storage inventory at December 31, 2021 and 2020, respectively, related to these asset management agreements. The amount of natural gas inventory released in December 2021, which was payable in January 2022, was \$1.6 million and was recorded in Accounts Payable at December 31, 2021. The amount of natural gas inventory released in December 2020, which was payable in January 2021, was \$1.0 million and was recorded in Accounts Payable at December 31, 2020.

### ***Benefit Plan Funding***

The Company, along with its subsidiaries, made cash contributions to its Pension Plan in the amounts of \$4.1 million and \$4.7 million in 2021 and 2020, respectively. The Company, along with its subsidiaries, contributed \$8.9 million and \$4.2 million to Voluntary Employee Benefit Trusts (VEBTs) in 2021 and 2020, respectively. The Company, along with its subsidiaries, expects to continue to make contributions to

## [Table of Contents](#)

its Pension Plan and the VEBTs in 2022 and future years at least at minimum required amounts. The Company may also make additional discretionary contributions. See Note 9 (Retirement Benefit Plans) to the accompanying Consolidated Financial Statements.

### **Off-Balance Sheet Arrangements**

The Company and its subsidiaries do not currently use, and are not dependent on the use of, off-balance sheet financing arrangements such as securitization of receivables or obtaining access to assets or cash through special purpose entities or variable interest entities. As of December 31, 2021, there were approximately \$0.7 million of guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities outstanding. See Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements.

### **Cash Flows**

Unitil's utility operations, taken as a whole, are seasonal in nature and subject to seasonal fluctuations in cash flows. The tables below summarize the major sources and uses of cash (in millions) for 2021 and 2020.

Cash Provided by Operating Activities	<u>2021</u> <u>\$107.8</u>	<u>2020</u> <u>\$75.7</u>
---------------------------------------	-------------------------------	------------------------------

**Cash Provided by Operating Activities**—Cash Provided by Operating Activities was \$107.8 million in 2021, an increase of \$32.1 million compared to 2020.

Cash flow from Net Income, adjusted for the total of non-cash charges was \$106.4 million in 2021 compared to \$96.0 million in 2020, an increase of \$10.4 million. The change to Net Income is primarily attributable to increases in natural electric and gas sales margin and customer growth. The increase in depreciation and amortization of \$5.0 million in 2021 compared to 2020 reflects higher depreciation on higher utility plant in service. The increase in the deferred tax provision of \$1.5 million in 2021 compared to 2020 is primarily driven by higher tax repairs and tax depreciation.

Changes in working capital items resulted in a \$6.2 million source of cash in 2021 compared to a (\$15.3) million use of cash in 2020, representing an increase of \$21.5 million. The change in working capital in 2021 compared to 2020 is primarily related to the change in accounts payable and accrued revenue and is reflective of the effect of the current macroeconomic environment on business and operating conditions.

Deferred Regulatory and Other Charges increased by \$6.6 million in 2021 compared to 2020, primarily driven by changes in Regulatory Assets and Liabilities, and the change in Other, net in 2021 compared to 2020 was (\$6.4) million.

Cash Used in Investing Activities	<u>2021</u> <u>\$(115.0)</u>	<u>2020</u> <u>\$(122.6)</u>
-----------------------------------	---------------------------------	---------------------------------

**Cash Used in Investing Activities**—Cash Used in Investing Activities was (\$115.0) million in 2021 compared to (\$122.6) million in 2020, a decrease of \$7.6 million. The lower spending in 2021 is primarily related to the timing of normal utility capital expenditures for electric and gas utility system additions. The Company's projected capital spending range for 2022 is \$135 million to \$145 million.

Cash Provided by Financing Activities	<u>2021</u> <u>\$7.7</u>	<u>2020</u> <u>\$47.7</u>
---------------------------------------	-----------------------------	------------------------------

**Cash Provided by Financing Activities**—Cash Provided by Financing Activities was \$7.7 million in 2021 compared to cash provided of \$47.7 million in 2020. The lower cash provided from financing activities in 2021 compared to 2020 of (\$40.0) million is primarily attributable to the higher proceeds from

## [Table of Contents](#)

the issuance of common stock, net of \$44.4 million, and short-term debt of \$13.3 million, and lower proceeds from long-term debt of (\$99.7) million. Other changes in financing activities in 2021 total a source of \$2.0 million.

### **FINANCIAL COVENANTS AND RESTRICTIONS**

The agreements under which the Company and its subsidiaries issue long-term debt contain various covenants and restrictions. These agreements do not contain any covenants or restrictions pertaining to the maintenance of financial ratios or the issuance of short-term debt. These agreements do contain covenants relating to, among other things, the issuance of additional long-term debt, cross-default provisions, business combinations and covenants restricting the ability to (i) pay dividends, (ii) incur indebtedness and liens, (iii) merge or consolidate with another entity or (iv) sell, lease or otherwise dispose of all or substantially all assets. See Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements.

Unitil's Credit Facility contains customary terms and conditions for credit facilities of this type, including affirmative and negative covenants. There are restrictions on, among other things, Unitil's and its subsidiaries' ability to permit liens or incur indebtedness, and restrictions on Unitil's ability to merge or consolidate with another entity or change its line of business. The affirmative and negative covenants under the Credit Facility apply to Unitil until the Credit Facility terminates and all amounts borrowed under the Credit Facility are paid in full (or with respect to letters of credit, they are cash collateralized). The only financial covenant in the Credit Facility provides that Unitil's Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At December 31, 2021 and December 31, 2020, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date.

The Company and its subsidiaries are currently in compliance with all such covenants in these debt instruments.

### **DIVIDENDS**

Unitil's annual common dividend was \$1.52 per common share in 2021, \$1.50 per common share in 2020, and \$1.48 per share in 2019. Unitil's dividend policy is reviewed periodically by the Board of Directors. Unitil has maintained an unbroken record of quarterly dividend payments since trading began in Unitil's common stock. At its January 2022 meeting, the Unitil Corporation Board of Directors declared a quarterly dividend on the Company's common stock of \$0.39 per share, an increase of \$.01 per share on a quarterly basis, resulting in an increase in the effective annualized dividend rate to \$1.56 from \$1.52. The amount and timing of all dividend payments are subject to the discretion of the Board of Directors and will depend upon business conditions, results of operations, financial conditions and other factors. In addition, the ability of the Company's subsidiaries to pay dividends or make distributions to Unitil, and, therefore, Unitil's ability to pay dividends, depends on, among other things:

- the actual and projected earnings and cash flow, capital requirements and general financial condition of the Company's subsidiaries;
- the prior rights of holders of existing and future preferred stock, mortgage bonds, long-term notes and other debt issued by the Company's subsidiaries;
- the restrictions on the payment of dividends contained in the existing loan agreements of the Company's subsidiaries and that may be contained in future debt agreements of the Company's subsidiaries, if any; and
- limitations that may be imposed by New Hampshire, Massachusetts and Maine state regulatory agencies.

In addition, before the Company can pay dividends on its common stock, it must satisfy its debt obligations and comply with any statutory or contractual limitations. See *Financial Covenants and Restrictions* in this report, as well as Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements.

### **LEGAL PROCEEDINGS**

The Company is involved in legal and administrative proceedings and claims of various types, including those which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material effect on its financial position, operating results or cash flows. Refer to “Legal Proceedings” in Note 7 (Commitments and Contingencies) of the Consolidated Financial Statements for a discussion of legal proceedings.

### **REGULATORY MATTERS**

See Note 7 (Commitments and Contingencies) to the Consolidated Financial Statements.

### **CRITICAL ACCOUNTING POLICIES**

The preparation of the Company’s Consolidated Financial Statements in conformity with generally accepted accounting principles in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In making those estimates and assumptions, the Company is sometimes required to make subjective and/or complex judgments about the effect of matters that are inherently uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements. If actual results were to differ significantly from those estimates, assumptions and judgment, the financial position of the Company could be materially affected and the results of operations of the Company could be materially different than reported. The following is a summary of the Company’s most critical accounting policies, which are defined as those policies where judgments or uncertainties could materially affect the application of those policies. For a complete discussion of the Company’s significant accounting policies, refer to the financial statements and Note 1 (Summary of Significant Accounting Policies).

**Regulatory Accounting**—The Company’s principal business is the distribution of electricity and natural gas by the three distribution utilities: Unitil Energy, Fitchburg and Northern Utilities. Unitil Energy and Fitchburg are subject to regulation by the FERC. Fitchburg is also regulated by the MDPU, Unitil Energy is regulated by the NHPUC, and Northern Utilities is regulated by the MPUC and NHPUC. Granite State, the Company’s natural gas transmission pipeline, is regulated by the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the Financial Accounting Standards Board Accounting Standards Codification (FASB Codification). In accordance with the FASB Codification, the Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

The FASB Codification specifies the economic effects that result from the cause and effect relationship of costs and revenues in the rate-regulated environment and the related accounting for a regulated enterprise. Revenues intended to cover certain costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or “regulatory assets.” If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or “regulatory liabilities.”

The Company’s principal regulatory assets and liabilities are included on the Company’s Consolidated Balance Sheet and a summary of the Company’s Regulatory Assets is provided in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements. Generally, the Company receives a return on investment on its regulated assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material effect on the Company’s consolidated financial statements.

The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of

its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

**Utility Revenue Recognition**—Utility revenues are recognized according to regulations and are based on rates and charges approved by federal and state regulatory commissions. Revenues related to the sale of electric and gas service are recorded when service is rendered or energy is delivered to customers. However, the determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenues are calculated. These unbilled revenues are estimated each month based on estimated customer usage by class and applicable customer rates, taking into account current and historical weather data, assumptions pertaining to metering patterns, billing cycle statistics, and other estimates and assumptions.

**Retirement Benefit Obligations**—The Company sponsors the Unitil Corporation Retirement Plan (Pension Plan), which is a defined benefit pension plan. Effective January 1, 2010, the Pension Plan was closed to new non-union employees. For union employees, the Pension Plan was closed on various dates between December 31, 2010 and June 1, 2013, depending on the various Collective Bargaining Agreements of each union. The Company also sponsors a non-qualified retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (SERP), covering certain executives of the Company, and an employee 401(k) savings plan. Additionally, the Company sponsors the Unitil Employee Health and Welfare Benefits Plan (PBOP Plan), primarily to provide health care and life insurance benefits to retired employees.

The FASB Codification requires companies to record on their balance sheets as an asset or liability the overfunded or underfunded status of their retirement benefit obligations (RBO) based on the projected benefit obligation. The Company has recognized a corresponding Regulatory Asset, to recognize the future collection of these obligations in electric and gas rates. The Company's RBO and reported costs of providing retirement benefits are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. The Company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation, health care cost trends, and appropriate discount rates. The Company's RBO is affected by actual employee demographics, the level of contributions made to the plans, earnings on plan assets, and health care cost trends. Changes made to the provisions of these plans may also affect current and future costs. If these assumptions were changed, the resulting change in benefit obligations, fair values of plan assets, funded status and net periodic benefit costs could have a material effect on the Company's financial statements. The discount rate assumptions used in determining retirement plan costs and retirement plan obligations are based on an assessment of current market conditions using high quality corporate bond interest rate indices and pension yield curves. For the year ended December 31, 2021, a change in the discount rate of 0.25% would have resulted in an increase or decrease of approximately \$679,000 in the Net Periodic Benefit Cost for the Pension Plan. Similarly, a change of 0.50% in the expected long-term rate of return on plan assets would have resulted in an increase or decrease of approximately \$646,000 in the Net Periodic Benefit Cost for the Pension Plan. (See Note 9 (Retirement Benefit Plans) to the accompanying Consolidated Financial Statements.)

**Income Taxes**—The Company is subject to Federal and State income taxes as well as various other business taxes. This process involves estimating the Company's current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company's Consolidated Balance Sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification

guidance on Income Taxes. The Company classifies penalties and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the Consolidated Statements of Earnings.

Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. The Company assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances that gave rise to the revision become known.

**Commitments and Contingencies**—The Company's accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of December 31, 2021, the Company is not aware of any material commitments or contingencies other than those disclosed in the Significant Contractual Obligations table in the "Contractual Obligations" section and the Commitments and Contingencies footnote to the Company's consolidated financial statements.

Refer to "Recently Issued Pronouncements" in Note 1 of the Notes of Consolidated Financial Statements for information regarding recently issued accounting standards.

**For additional information regarding the foregoing matters, see Note 1 (Summary of Significant Accounting Policies), Note 6 (Energy Supply), Note 7 (Commitments and Contingencies), Note 8 (Income Taxes), and Note 9 (Retirement Benefit Plans) to the Consolidated Financial Statements.**

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Please also refer to Part I, Item 1A. "Risk Factors".

#### ***INTEREST RATE RISK***

Unitil meets its external financing needs by issuing short-term and long-term debt. The majority of debt outstanding represents long-term notes bearing fixed rates of interest. Changes in market interest rates do not affect interest expense resulting from these outstanding long-term debt securities. However, the Company periodically repays its short-term debt borrowings through the issuance of new long-term debt securities. Changes in market interest rates may affect the interest rate and corresponding interest expense on any new issuances of long-term debt securities. In addition, short-term debt borrowings bear a variable rate of interest. As a result, changes in short-term interest rates will increase or decrease interest expense in future periods. For example, if the average amount of short-term debt outstanding was \$25 million for the period of one year, a change in interest rates of 1% would result in a change in annual interest expense of approximately \$250,000. The average interest rate on short-term borrowings and intercompany money pool transactions was 1.2%, 1.7%, and 3.4% during 2021, 2020, and 2019, respectively.

#### ***COMMODITY PRICE RISK***

Although Unitil's three distribution utilities are subject to commodity price risk as part of their traditional operations, the current regulatory framework within which these companies operate allows for full collection of electric power and natural gas supply costs in rates on a pass-through basis. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, as discussed in the section entitled *Rates and Regulation* in Part I, Item 1 (Business) and in Note 7 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements, the Company has divested its long-term power supply contracts and therefore, further reduced its exposure to commodity risk.

**Item 8. Financial Statements and Supplementary Data**

**Report of Independent Registered Public Accounting Firm**

To the shareholders and the Board of Directors of Unitil Corporation:

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Unitil Corporation and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of earnings, changes in common stock equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

**Basis for Opinions**

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets

## [Table of Contents](#)

of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### ***Impact of Rate-Regulation on Various Account Balances and Disclosures—Refer to Notes 1 and 7 to the financial statements***

#### *Critical Audit Matter Description*

The Company's principal business is the distribution of electricity and natural gas and is subject to regulation by the Massachusetts, New Hampshire and Maine Public Service Commissions as well as the Federal Energy Regulatory Commission (collectively, the "Commissions"). Accordingly, the Company accounts for their regulated operations in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 980, *Regulated Operations*, and has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable Commission. The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

Accounting for the economics of rate regulation affects multiple financial statement line items, including property, plant, and equipment; regulatory assets and liabilities; operating revenues; and depreciation expense, and affects multiple disclosures in the Company's financial statements. While the Company has indicated that it expects to recover costs and a return on its investments, there is a risk that the Commissions' will not approve full recovery of the costs of providing utility service or recovery of all amounts invested in the utility business and a reasonable return on that investment. As a result, we identified the impact of rate regulation as a critical audit matter due to the high degree of subjectivity involved in assessing the impact of current and future regulatory orders on events that have occurred as of December 31, 2021, and the judgments made by management to support its assertions about impacted account balances and disclosures. Management judgments included assessing the likelihood of (1) recovery in future rates of incurred costs or (2) refunds to customers or future reduction in rates. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertainty of future decisions by the Commissions focused on the ongoing base rate proceedings for Northern New Hampshire and Unitil Energy Systems as well as the ongoing prudency evaluation of the CIS project for Northern Maine and included the following, among others:

- We tested the effectiveness of controls over the relevant regulatory account balances and disclosures, including management's controls over the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We made inquiries of management and read relevant regulatory orders and settlements issued by the Commissions in Massachusetts, New Hampshire and Maine, regulatory statutes, interpretations, procedural memorandums, filings made by interveners or the Company, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated this external information and compared to management's recorded regulatory asset and liability balances and searched for any evidence that might contradict management's assertions.
- We obtained an analysis from management describing the orders and filings that support management's assertions regarding the probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ Deloitte & Touche LLP  
Boston, MA  
February 1, 2022

We have served as the Company's auditor since 2014.

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF EARNINGS***(Millions, except per share data)*

<u>Year Ended December 31,</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Operating Revenues:</b>			
Electric	\$248.5	\$227.2	\$233.9
Gas	224.8	191.4	203.4
Other	—	—	0.9
Total Operating Revenues	<u>473.3</u>	<u>418.6</u>	<u>438.2</u>
<b>Operating Expenses:</b>			
Cost of Electric Sales	151.1	134.3	142.0
Cost of Gas Sales	91.7	68.8	81.2
Operation and Maintenance	68.7	65.7	67.2
Depreciation and Amortization	59.5	54.5	52.0
Taxes Other Than Income Taxes	24.5	23.9	22.7
Total Operating Expenses	<u>395.5</u>	<u>347.2</u>	<u>365.1</u>
<b>Operating Income</b>	<b>77.8</b>	<b>71.4</b>	<b>73.1</b>
Interest Expense, Net	25.6	23.8	23.7
Other Expense (Income), Net	4.6	5.2	(8.6)
<b>Income Before Income Taxes</b>	<b>47.6</b>	<b>42.4</b>	<b>58.0</b>
Provision for Income Taxes	<u>11.5</u>	<u>10.2</u>	<u>13.8</u>
<b>Net Income Applicable to Common Shares</b>	<b>\$ 36.1</b>	<b>\$ 32.2</b>	<b>\$ 44.2</b>
Earnings per Common Share—Basic and Diluted	\$ 2.35	\$ 2.15	\$ 2.97
Weighted Average Common Shares Outstanding—(Basic and Diluted)	15.4	15.0	14.9

*(The accompanying Notes are an integral part of these consolidated financial statements.)*

---

[Table of Contents](#)

**CONSOLIDATED BALANCE SHEETS (Millions)**

**ASSETS**

<u>December 31,</u>	<u>2021</u>	<u>2020</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 6.5	\$ 6.0
Accounts Receivable, Net	66.9	62.0
Accrued Revenue	61.2	50.9
Exchange Gas Receivable	7.4	4.9
Gas Inventory	1.0	0.6
Materials and Supplies	8.6	8.5
Prepayments and Other	8.1	6.4
Total Current Assets	<u>159.7</u>	<u>139.3</u>
<b>Utility Plant:</b>		
Electric	602.4	575.9
Gas	972.6	920.2
Common	66.4	64.1
Construction Work in Progress	47.5	34.8
Utility Plant	1,688.9	1,595.0
Less: Accumulated Depreciation	431.7	401.8
Net Utility Plant	<u>1,257.2</u>	<u>1,193.2</u>
<b>Other Noncurrent Assets:</b>		
Regulatory Assets	108.9	127.4
Operating Lease Right of Use Assets	4.7	5.2
Other Assets	9.8	12.8
Total Other Noncurrent Assets	<u>123.4</u>	<u>145.4</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,540.3</u></b>	<b><u>\$ 1,477.9</u></b>

*(The accompanying Notes are an integral part of these consolidated financial statements.)*

[Table of Contents](#)**CONSOLIDATED BALANCE SHEETS (cont.)** (Millions, except number of shares)**LIABILITIES AND CAPITALIZATION**

<u>December 31,</u>	<u>2021</u>	<u>2020</u>
<b>Current Liabilities:</b>		
Accounts Payable	\$ 52.4	\$ 33.2
Short-Term Debt	64.1	54.7
Long-Term Debt, Current Portion	8.2	8.5
Regulatory Liabilities	9.5	5.5
Energy Supply Obligations	14.5	10.4
Environmental Obligations	0.5	0.3
Other Current Liabilities	24.3	23.5
Total Current Liabilities	173.5	136.1
<b>Noncurrent Liabilities:</b>		
Retirement Benefit Obligations	133.9	162.3
Deferred Income Taxes, Net	127.7	109.0
Cost of Removal Obligations	107.5	105.2
Regulatory Liabilities	42.6	44.3
Environmental Obligations	2.2	1.8
Other Noncurrent Liabilities	6.6	6.9
Total Noncurrent Liabilities	420.5	429.5
<b>Capitalization:</b>		
Long-Term Debt, Less Current Portion	497.8	523.1
Stockholders' Equity:		
Common Equity (Outstanding 15,977,766 and 15,012,310 Shares)	332.1	285.3
Retained Earnings	116.2	103.7
Total Common Stock Equity	448.3	389.0
Preferred Stock	0.2	0.2
Total Stockholders' Equity	448.5	389.2
Total Capitalization	946.3	912.3
<b>Commitments and Contingencies</b> (Note 7)		
<b>TOTAL LIABILITIES AND CAPITALIZATION</b>	<b>\$1,540.3</b>	<b>\$1,477.9</b>

(The accompanying Notes are an integral part of these consolidated financial statements.)

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions)**

<u>Year Ended December 31,</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Operating Activities:</b>			
Net Income	\$ 36.1	\$ 32.2	\$ 44.2
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:			
Depreciation and Amortization	59.5	54.5	52.0
Deferred Tax Provision	10.8	9.3	13.5
Gain on Divestiture, net (See Note 1)	—	—	(13.4)
Changes in Working Capital Items:			
Accounts Receivable	(4.9)	(6.9)	11.7
Accrued Revenue	(10.3)	(0.9)	4.7
Regulatory Liabilities	4.0	(1.9)	(4.1)
Exchange Gas Receivable	(2.5)	1.2	2.0
Accounts Payable	19.2	(4.4)	(5.0)
Other Changes in Working Capital Items	0.7	(2.4)	4.6
Deferred Regulatory and Other Charges	(2.7)	(9.3)	(5.3)
Other, net	(2.1)	4.3	—
Cash Provided by Operating Activities	<u>107.8</u>	<u>75.7</u>	<u>104.9</u>
<b>Investing Activities:</b>			
Property, Plant and Equipment Additions	(115.0)	(122.6)	(119.2)
Proceeds from Divestiture, Net (See Note 1)	—	—	13.4
Cash Used In Investing Activities	<u>(115.0)</u>	<u>(122.6)</u>	<u>(105.8)</u>
<b>Financing Activities:</b>			
Proceeds from (Repayment of) Short-Term Debt, net	9.4	(3.9)	(24.2)
Issuance of Long-Term Debt	—	99.7	70.0
Repayment of Long-Term Debt	(25.8)	(24.8)	(18.8)
Long-Term Debt Issuance Costs	—	(0.6)	(0.4)
Decrease in Capital Lease Obligations	(0.1)	(0.1)	(5.3)
Net Increase (Decrease) in Exchange Gas Financing	2.3	(1.1)	(2.0)
Dividends Paid	(23.6)	(22.6)	(22.1)
Proceeds from Issuance of Common Stock	45.5	1.1	1.1
Cash Provided by (Used In) Financing Activities	<u>7.7</u>	<u>47.7</u>	<u>(1.7)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	0.5	0.8	(2.6)
Cash and Cash Equivalents at Beginning of Year	6.0	5.2	7.8
Cash and Cash Equivalents at End of Year	<u>\$ 6.5</u>	<u>\$ 6.0</u>	<u>\$ 5.2</u>
<b>Supplemental Information:</b>			
Interest Paid	\$ 26.0	\$ 23.7	\$ 24.1
Income Taxes Paid	\$ 1.4	\$ 0.9	\$ 0.8
Payments on Capital Leases	\$ 0.2	\$ 0.3	\$ 5.5
Capital Expenditures Included in Accounts Payable	\$ 4.9	\$ 1.7	\$ 0.6
Right-of-Use Assets Obtained in Exchange for Lease Obligations	\$ 0.7	\$ 1.2	\$ 4.0

*(The accompanying Notes are an integral part of these consolidated financial statements.)*

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCK EQUITY** (Millions, except shares data)

	<u>Common Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance at January 1, 2019</b>	\$ 279.1	\$ 72.0	<b>\$351.1</b>
Net Income for 2019		44.2	<b>44.2</b>
Dividends (\$1.48 per Common Share)		(22.1)	<b>(22.1)</b>
Shares Issued Under Stock Plans	2.3		<b>2.3</b>
Issuance of 20,065 Common Shares (See Note 5)	<u>1.1</u>		<u><b>1.1</b></u>
<b>Balance at December 31, 2019</b>	282.5	94.1	<b>376.6</b>
Net Income for 2020		32.2	<b>32.2</b>
Dividends (\$1.50 per Common Share)		(22.6)	<b>(22.6)</b>
Shares Issued Under Stock Plans	1.7		<b>1.7</b>
Issuance of 23,658 Common Shares (See Note 5)	<u>1.1</u>		<u><b>1.1</b></u>
<b>Balance at December 31, 2020</b>	285.3	103.7	<b>389.0</b>
Net Income for 2020		36.1	<b>36.1</b>
Dividends (\$1.52 per Common Share)		(23.6)	<b>(23.6)</b>
Shares Issued Under Stock Plans	1.3		<b>1.3</b>
Issuance of 942,316 Common Shares (See Note 5)	<u>45.5</u>		<u><b>45.5</b></u>
<b>Balance at December 31, 2021</b>	<u><u>\$ 332.1</u></u>	<u><u>\$ 116.2</u></u>	<u><u><b>\$448.3</b></u></u>

(The accompanying Notes are an integral part of these consolidated financial statements.)

**Note 1: Summary of Significant Accounting Policies**

**Nature of Operations**—Unitil Corporation (Unitil or the Company) is a public utility holding company. Unitil and its subsidiaries are subject to regulation as a holding company system by the Federal Energy Regulatory Commission (FERC) under the Energy Policy Act of 2005. The following companies are wholly-owned subsidiaries of Unitil: Unitil Energy Systems, Inc. (Unitil Energy), Fitchburg Gas and Electric Light Company (Fitchburg), Northern Utilities, Inc. (Northern Utilities), Granite State Gas Transmission, Inc. (Granite State), Unitil Power Corp. (Unitil Power), Unitil Realty Corp. (Unitil Realty), Unitil Service Corp. (Unitil Service) and its non-regulated business unit Unitil Resources, Inc. (Unitil Resources).

The Company's earnings are seasonal and are typically higher in the first and fourth quarters when customers use natural gas for heating purposes.

Unitil's principal business is the local distribution of electricity in the southeastern seacoast and capital city areas of New Hampshire and the greater Fitchburg area of north central Massachusetts and the local distribution of natural gas in southeastern New Hampshire, portions of southern Maine to the Lewiston-Auburn area and in the greater Fitchburg area of north central Massachusetts. Unitil has three distribution utility subsidiaries, Unitil Energy, which operates in New Hampshire; Fitchburg, which operates in Massachusetts; and Northern Utilities, which operates in New Hampshire and Maine (collectively, the distribution utilities).

Granite State is an interstate natural gas transmission pipeline company, operating 86 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to three major natural gas pipelines and access to domestic natural gas supplies in the south and Canadian natural gas supplies in the north. Granite State derives its revenues principally from the transportation services provided to Northern Utilities and, to a lesser extent, third-party marketers.

A fifth utility subsidiary, Unitil Power, formerly functioned as the full requirements wholesale power supply provider for Unitil Energy. In connection with the implementation of electric industry restructuring in New Hampshire, on May 1, 2003 Unitil Power ceased being the wholesale supplier of Unitil Energy and divested of its long-term power supply contracts through the sale of the entitlements to the electricity associated with various electric power supply contracts it had acquired to serve Unitil Energy's customers. In the period since, Unitil Power continued to flow revenues and expenses from remaining contracts to Unitil Energy under the Amended Unitil System Agreement. The last of those contracts expired October 31, 2020, and the Company no longer has material revenues or expenses associated with those contracts.

Unitil also has three other wholly-owned subsidiaries: Unitil Service, Unitil Realty and Unitil Resources. Unitil Service provides, at cost, a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology, energy management and management services on a centralized basis to its affiliated Unitil companies. Unitil Realty owns and manages the Company's corporate office in Hampton, New Hampshire and leases this facility to Unitil Service under a long-term lease arrangement. Unitil Resources is the Company's wholly-owned non-regulated subsidiary. Usource, Inc. and Usource L.L.C. (collectively, Usource), which the Company divested in the first quarter of 2019, were wholly-owned subsidiaries of Unitil Resources. Usource provided energy brokering and advisory services to large commercial and industrial customers in the northeastern United States.

**Divestiture of Non-Regulated Business Subsidiary**—On March 1, 2019, the Company divested its non-regulated energy brokering and advisory business subsidiary, Usource. The Company recognized an after-tax net gain of approximately \$9.8 million on this divestiture in the first quarter of 2019. The pre-tax net gain of approximately \$13.4 million on this divestiture is included in Other Income (Expense), Net on the Consolidated Statements of Earnings for the year-ended December 31, 2019, while the income taxes associated with this transaction of \$3.6 million are included in the Provision For Income Taxes.

## Basis of Presentation

**Principles of Consolidation**—The Company’s consolidated financial statements include the accounts of Unitil and all of its wholly-owned subsidiaries and all intercompany transactions are eliminated in consolidation.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value**—The Financial Accounting Standards Board (FASB) Codification defines fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification include:

- Level 1— Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2— Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3— Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

There have been no changes in the valuation techniques used during the current period.

**Utility Revenue Recognition**—Electric Operating Revenues and Gas Operating Revenues consist of billed and unbilled revenue and revenue from rate adjustment mechanisms. Billed and unbilled revenue includes delivery revenue and pass-through revenue, recognized according to tariffs approved by federal and state regulatory commissions which determine the amount of revenue the Company will record for these items. Revenue from rate adjustment mechanisms is accrued revenue, recognized in connection with rate adjustment mechanisms, and authorized by regulators for recognition in the current period for future cash recoveries from, or credits to, customers.

Billed and unbilled revenue is recorded when service is rendered or energy is delivered to customers. However, the determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenues are calculated. These unbilled revenues are estimated each month based on estimated customer usage by class and applicable customer rates, taking into account current and historical weather data, assumptions pertaining to metering patterns, billing cycle statistics, and other estimates and assumptions, and are then reversed in the following month when billed to customers.

## Table of Contents

A majority of the Company's revenue from contracts with customers continues to be recognized on a monthly basis based on applicable tariffs and customer monthly consumption. Such revenue is recognized using the invoice practical expedient which allows an entity to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

The Company's billed and unbilled revenue meets the definition of "revenues from contracts with customers" as defined in Accounting Standards Codification (ASC) 606. Revenue recognized in connection with rate adjustment mechanisms is consistent with the definition of alternative revenue programs in ASC 980, as the Company has the ability to adjust rates in the future as a result of past activities or completed events. The rate adjustment mechanisms meet the criteria within ASC 980. In cases where allowable costs are greater than operating revenues billed in the current period for the individual rate adjustment mechanism additional operating revenue is recognized. In cases where allowable costs are less than operating revenues billed in the current period for the individual rate adjustment mechanism, operating revenue is reduced. ASC 606 requires the Company to disclose separately the amount of revenues from contracts with customers and alternative revenue program revenues.

In the following tables, revenue is classified by the types of goods/services rendered and market/customer type.

Electric and Gas Operating Revenues (millions):	Twelve Months Ended December 31, 2021		
	Electric	Gas	Total
<b>Billed and Unbilled Revenue:</b>			
Residential	\$135.1	\$ 83.9	\$219.0
Commercial & Industrial	103.3	124.1	227.4
Other	10.1	9.6	19.7
<b>Total Billed and Unbilled Revenue</b>	<b>248.5</b>	<b>217.6</b>	<b>466.1</b>
Rate Adjustment Mechanism Revenue	—	7.2	7.2
<b>Total Electric and Gas Operating Revenues</b>	<b>\$248.5</b>	<b>\$224.8</b>	<b>\$473.3</b>

Electric and Gas Operating Revenues (millions):	Twelve Months Ended December 31, 2020		
	Electric	Gas	Total
<b>Billed and Unbilled Revenue:</b>			
Residential	\$128.7	\$ 73.1	\$201.8
Commercial & Industrial	91.4	104.5	195.9
Other	6.6	7.6	14.2
<b>Total Billed and Unbilled Revenue</b>	<b>226.7</b>	<b>185.2</b>	<b>411.9</b>
Rate Adjustment Mechanism Revenue	0.5	6.2	6.7
<b>Total Electric and Gas Operating Revenues</b>	<b>\$227.2</b>	<b>\$191.4</b>	<b>\$418.6</b>

Electric and Gas Operating Revenues (millions):	Twelve Months Ended December 31, 2019		
	Electric	Gas	Total
<b>Billed and Unbilled Revenue:</b>			
Residential	\$121.5	\$ 81.4	\$202.9
Commercial & Industrial	93.8	120.1	213.9
Other	7.8	10.6	18.4
<b>Total Billed and Unbilled Revenue</b>	<b>223.1</b>	<b>212.1</b>	<b>435.2</b>
Rate Adjustment Mechanism Revenue	10.8	(8.7)	2.1
<b>Total Electric and Gas Operating Revenues</b>	<b>\$233.9</b>	<b>\$203.4</b>	<b>\$437.3</b>

Fitchburg is subject to revenue decoupling. Revenue decoupling is the term given to the elimination of the dependency of a utility's distribution revenue on the volume of electricity or natural gas sales. The

## [Table of Contents](#)

difference between distribution revenue amounts billed to customers and the targeted revenue decoupling amounts is recorded as an increase or a decrease in the current portion of Accrued Revenue, which forms the basis for resetting rates for future cash recoveries from, or credits to, customers. These revenue decoupling targets may be adjusted as a result of rate cases that the Company files with the Massachusetts Department of Public Utilities (MDPU). The Company estimates that revenue decoupling applies to approximately 27% and 11% of Until's total annual electric and natural gas sales volumes, respectively.

The Company bills its customers for sales tax in Massachusetts and Maine. These taxes are remitted to the appropriate departments of revenue in each state and are excluded from revenues on the Company's Consolidated Statements of Earnings.

**Other Operating Revenue—Non-regulated**—Other Operating Revenue consists solely of revenue from Usource, Until's non-regulated subsidiary, which, the Company divested on March 1, 2019. Usource conducted its business activities as a broker of competitive energy services. Usource did not take title to the electric and gas commodities which were the subject of the brokerage contracts. The Company recorded energy brokering revenues based upon the amount of electricity and gas delivered to customers through the end of the accounting period. Usource partnered with certain entities to facilitate these brokerage services and paid these entities a fee under revenue sharing agreements.

**Depreciation and Amortization**—Depreciation expense is calculated on a group straight-line basis based on the useful lives of assets, and judgment is involved when estimating the useful lives of certain assets. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company's fixed assets. A change in the estimated useful lives of these assets could have a material effect on the Company's consolidated financial statements. Provisions for depreciation were equivalent to the following composite rates, based on the average depreciable property balances at the beginning and end of each year: 2021 – 3.29%, 2020 – 3.34% and 2019 – 3.41%.

**Stock-based Employee Compensation**—Until accounts for stock-based employee compensation using the fair value method (See Note 5 (Equity)).

**Income Taxes**—The Company is subject to Federal and State income taxes as well as various other business taxes. The Company's process for determining income tax amounts involves estimating the Company's current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company's Consolidated Balance Sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification guidance on Income Taxes. The Company classifies penalties and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the Consolidated Statements of Earnings.

Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company's deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. In accordance with the FASB Codification, the Company periodically assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known.

**Dividends**—The Company's dividend policy is reviewed periodically by the Board of Directors. The amount and timing of all dividend payments is subject to the discretion of the Board of Directors and will depend upon business conditions, results of operations, financial conditions and other factors. For the year ended December 31, 2021 the Company paid quarterly dividends of \$0.38 per share, resulting in an annualized dividend rate of \$1.52 per common share. For the years ended December 31, 2020 and 2019, the Company paid quarterly dividends of \$0.375 and \$0.37 per common share, respectively, resulting in

## [Table of Contents](#)

annualized dividend rates of \$1.50 and \$1.48 per common share, respectively. At its January 2022 meeting, the Unitil Corporation Board of Directors declared a quarterly dividend on the Company's common stock of \$0.39 per share, an increase of \$0.01 per share on a quarterly basis, resulting in an increase in the effective annualized dividend rate to \$1.56 per share from \$1.52 per share.

**Cash and Cash Equivalents**—Cash and Cash Equivalents includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits. The Company's cash and cash equivalents are held at financial institutions and at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Under the Independent System Operator—New England (ISO-NE) Financial Assurance Policy (Policy), Unitil's subsidiaries Unitil Energy, Fitchburg and Unitil Power are required to provide assurance of their ability to satisfy their obligations to ISO-NE. Under this Policy, Unitil's subsidiaries provide cash deposits covering approximately 2-1/2 months of outstanding obligations, less credit amounts that are based on the Company's credit rating. On December 31, 2021 and 2020, the Unitil subsidiaries had deposited \$2.7 million and \$2.4 million, respectively, to satisfy their ISO-NE obligations.

**Financial Instruments**—In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326)", which provides a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. Under the new guidance, immediate recognition of all credit losses expected over the life of a financial instrument is required. The Company adopted this standard on the accounting for credit losses on its financial instruments, including accounts receivable, on January 1, 2020, and it did not have a material effect on the financial statements.

**Allowance for Doubtful Accounts**—The Company recognizes a provision for doubtful accounts that reflects the Company's estimate of expected credit losses for electric and gas utility service accounts receivable. The allowance for doubtful accounts is calculated by applying a historical loss rate to customer account balances and management's assessment of current and expected economic conditions, customer trends, or other factors such as the extent and duration of any shutoff or collection moratoriums. The Company also calculates the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company's distribution utilities are authorized by regulators to recover the costs of the energy commodity portion of bad debts through rate mechanisms. Also, the electric and gas divisions of Fitchburg are authorized to recover through rates past due amounts associated with protected hardship accounts. Evaluating the adequacy of the allowance for doubtful accounts requires judgment about the assumptions used in the analysis. The Company's experience has been that the assumptions used in evaluating the adequacy of the allowance for doubtful accounts have proven to be reasonably accurate. See Note 3 (Allowance for Doubtful Accounts).

Accounts Receivable, Net includes \$3.1 million and \$3.1 million of the Allowance for Doubtful Accounts at December 31, 2021 and December 31, 2020, respectively. Unbilled Revenues, net (a component of Accrued Revenue) includes \$0.2 million and \$0.2 million of the Allowance for Doubtful Accounts at December 31, 2021 and December 31, 2020, respectively.

**Accrued Revenue**—Accrued Revenue includes the current portion of Regulatory Assets (see "Regulatory Accounting") and unbilled revenues (see "Utility Revenue Recognition"). The following table shows the components of Accrued Revenue as of December 31, 2021 and 2020.

Accrued Revenue (millions)	December 31,	
	2021	2020
Regulatory Assets—Current	\$47.4	\$37.3
Unbilled Revenues	13.8	13.6
<b>Total Accrued Revenue</b>	<b>\$61.2</b>	<b>\$50.9</b>

**Exchange Gas Receivable**—Northern Utilities and Fitchburg have gas exchange and storage agreements whereby natural gas purchases during the months of April through October are delivered to a third party. The third party delivers natural gas back to the Company during the months of November

## [Table of Contents](#)

through March. The exchange and storage gas volumes are recorded at weighted average cost. The following table shows the components of Exchange Gas Receivable as of December 31, 2021 and 2020.

<b>Exchange Gas Receivable (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Northern Utilities	<b>\$ 6.7</b>	\$ 4.4
Fitchburg	<b>0.7</b>	0.5
<b>Total Exchange Gas Receivable</b>	<b><u>\$ 7.4</u></b>	<b><u>\$ 4.9</u></b>

**Gas Inventory**—The Company uses the weighted average cost methodology to value natural gas inventory. The following table shows the components of Gas Inventory as of December 31, 2021 and 2020.

<b>Gas Inventory (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Natural Gas	<b>\$ 0.5</b>	\$ 0.2
Propane	<b>0.4</b>	0.3
Liquefied Natural Gas & Other	<b>0.1</b>	0.1
<b>Total Gas Inventory</b>	<b><u>\$ 1.0</u></b>	<b><u>\$ 0.6</u></b>

The Company also has an inventory of Materials and Supplies in the amounts of \$8.6 million and \$8.5 million as of December 31, 2021 and December 31, 2020, respectively. These amounts are recorded at weighted average cost.

**Utility Plant**—The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost of additions consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). The average interest rates applied to AFUDC were 1.71%, 3.12% and 3.90% in 2021, 2020 and 2019, respectively. The costs of current repairs and minor replacements are charged to appropriate operating expense accounts. The original cost of utility plant retired or otherwise disposed of is charged to the accumulated provision for depreciation. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, cost of removal amounts to provide for future negative salvage value. At December 31, 2021 and 2020, the Company has recorded cost of removal amounts of \$107.5 million and \$105.2 million, respectively, that have been collected in depreciation rates but have not yet been expended, and which represent regulatory liabilities. These amounts are recorded on the Consolidated Balance Sheets in Cost of Removal Obligations.

## [Table of Contents](#)

**Regulatory Accounting**—The Company’s principal business is the distribution of electricity and natural gas by the three distribution utilities: Unitil Energy, Fitchburg and Northern Utilities. Unitil Energy and Fitchburg are subject to regulation by the FERC. Fitchburg is also regulated by the MDPU, Unitil Energy is regulated by the New Hampshire Public Utilities Commission (NHPUC) and Northern Utilities is regulated by the Maine Public Utilities Commission (MPUC) and NHPUC. Granite State, the Company’s natural gas transmission pipeline, is regulated by the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the FASB Codification. The Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission. The electric and gas divisions of Fitchburg are authorized to recover through rates past due amounts associated with hardship accounts that are protected from shut-off. As of December 31, 2021 and December 31, 2020, the Company has recorded \$7.9 million and \$6.8 million, respectively, of hardship accounts in Regulatory Assets. These amounts are included in “Other Deferred Charges” in the following table. The Company currently receives recovery in rates or expects to receive recovery of these hardship accounts in future rate cases.

<b>Regulatory Assets consist of the following (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Retirement Benefits	<b>\$ 86.4</b>	<b>\$103.7</b>
Energy Supply & Other Rate Adjustment Mechanisms	<b>44.1</b>	34.1
Deferred Storm Charges	<b>3.3</b>	4.1
Environmental	<b>4.6</b>	5.2
Income Taxes	<b>2.6</b>	3.4
Other Deferred Charges	<b>15.3</b>	14.2
<b>Total Regulatory Assets</b>	<b>156.3</b>	164.7
Less: Current Portion of Regulatory Assets <sup>(1)</sup>	<b>47.4</b>	37.3
<b>Regulatory Assets—noncurrent</b>	<b>\$108.9</b>	<b>\$127.4</b>

(1) Reflects amounts included in the Accrued Revenue on the Company’s Consolidated Balance Sheets.

<b>Regulatory Liabilities consist of the following (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Rate Adjustment Mechanisms	<b>\$ 7.7</b>	\$ 4.1
Income Taxes	<b>44.3</b>	45.5
Other	<b>0.1</b>	0.2
<b>Total Regulatory Liabilities</b>	<b>52.1</b>	49.8
Less: Current Portion of Regulatory Liabilities	<b>9.5</b>	5.5
<b>Regulatory Liabilities—noncurrent</b>	<b>\$42.6</b>	<b>\$44.3</b>

Generally, the Company receives a return on investment on its regulated assets for which a cash outflow has been made. Included in Regulatory Assets as of December 31, 2021 are \$8.5 million of environmental costs, rate case costs and other expenditures to be recovered over varying periods in the next seven years. Regulators have authorized recovery of these expenditures, but without a return. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material effect on the Company’s Consolidated Financial Statements. The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated

## [Table of Contents](#)

Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

**Leases**—The Company records assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company has elected the practical expedient to not separate non-lease components from lease components and instead to account for both as a single lease component. The Company's accounting policy election for leases with a lease term of 12 months or less is to recognize the lease payments as lease expense on a straight-line basis over the lease term. The Company recognizes those lease payments in the Consolidated Statements of Earnings on a straight-line basis over the lease term. See additional discussion in the "Leases" section of Note 4 (Debt and Financing Arrangements).

**Derivatives**—The Company's regulated energy subsidiaries enter into energy supply contracts to serve their electric and gas customers. The Company follows a procedure for determining whether each contract qualifies as a derivative instrument under the guidance provided by the FASB Codification on Derivatives and Hedging. For each contract, the Company reviews and documents the key terms of the contract. Based on those terms and any additional relevant components of the contract, the Company determines and documents whether the contract qualifies as a derivative instrument as defined in the FASB Codification. The Company has determined that its energy supply contracts either do not qualify as a derivative instrument under the guidance set forth in the FASB Codification, have been elected as normal purchase, or have contingencies that have not yet been met in order to establish a notional amount.

The Company had no derivative assets or liabilities recorded on its Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. There were no losses / (gains) recognized in Regulatory Assets / Liabilities for the years ended December 31, 2021 and 2020. There were no losses / (gains) reclassified into the Consolidated Statements of Earnings for the years ended December 31, 2021, 2020 and 2019.

Fitchburg has entered into power purchase agreements for which contingencies exist (see "Fitchburg – Massachusetts RFP's" section of Note 7 (Commitments and Contingencies)). Until these contingencies are satisfied, these contracts will not qualify for derivative accounting. The Company believes that the power purchase obligations under these long-term contracts will have a material effect on the contractual obligations of Fitchburg.

**Investments in Marketable Securities**—The Company maintains a trust through which it invests in a money market fund. This fund is intended to satisfy obligations under the Company's Supplemental Executive Retirement Plan (SERP) (See additional discussion of the SERP in Note 9 (Retirement Benefit Plans)).

At December 31, 2021 and 2020, the fair value of the Company's investments in these trading securities, which are recorded on the Consolidated Balance Sheets in Other Assets, were \$5.7 million and \$5.7 million, respectively, as shown in the following table. These investments are valued based on quoted prices from active markets and are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied. Changes in the fair value of these investments are recorded in Other (Income) Expense, Net.

<u>Fair Value of Marketable Securities (millions)</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Money Market Funds	<u>\$5.7</u>	<u>\$ 5.7</u>
<b>Total Marketable Securities</b>	<u><b>\$5.7</b></u>	<u><b>\$ 5.7</b></u>

The Company also sponsors the Unitil Corporation Deferred Compensation Plan (the DC Plan). The DC Plan is a non-qualified deferred compensation plan that provides a vehicle for participants to accumulate tax-deferred savings to supplement retirement income. The DC Plan, which was effective January 1, 2019, is open to senior management or other highly compensated employees as determined by the Company's Board of Directors, and may also be used for recruitment and retention purposes for newly hired senior executives. The DC Plan design mirrors the Company's Tax Deferred Savings and Investment Plan formula, but provides for contributions on compensation above the IRS limit, which will allow

## [Table of Contents](#)

participants to defer up to 85% of base salary, and up to 85% of any cash incentive for retirement. The Company may also elect to make discretionary contributions on behalf of any participant in an amount determined by the Company's Board of Directors. A trust has been established to invest the funds associated with the DC Plan.

At December 31, 2021 and 2020, the fair value of the Company's investments in these trading securities related to the DC Plan, which are recorded on the Consolidated Balance Sheets in Other Assets, were \$0.6 million and \$0.5 million, respectively. These investments are valued based on quoted prices from active markets and are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied. Changes in the fair value of these investments are recorded in Other (Income) Expense, Net.

<b>Fair Value of Marketable Securities (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Equity Funds	<b>\$0.2</b>	\$ 0.2
Money Market Funds	<b>0.4</b>	0.3
<b>Total Marketable Securities</b>	<b>\$0.6</b>	<b>\$ 0.5</b>

**Energy Supply Obligations**—The following discussion and table summarize the nature and amounts of the items recorded as Energy Supply Obligations on the Company's Consolidated Balance Sheets.

<b>Energy Supply Obligations consist of the following: (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Renewable Energy Portfolio Standards	<b>\$ 7.8</b>	\$ 5.7
Exchange Gas Obligation	<b>6.7</b>	4.4
Power Supply Contract Divestitures	<b>—</b>	0.3
<b>Total Energy Supply Obligations</b>	<b>\$14.5</b>	<b>\$10.4</b>

**Renewable Energy Portfolio Standards**—Renewable Energy Portfolio Standards (RPS) require retail electricity suppliers, including public utilities, to demonstrate that required percentages of their sales are met with power generated from certain types of resources or technologies. Compliance is demonstrated by purchasing and retiring Renewable Energy Certificates (REC) generated by facilities approved by the state as qualifying for REC treatment. Unitil Energy and Fitchburg purchase RECs in compliance with RPS legislation in New Hampshire and Massachusetts for supply provided to default service customers. RPS compliance costs are a supply cost that is recovered in customer default service rates. Unitil Energy and Fitchburg collect RPS compliance costs from customers throughout the year and demonstrate compliance for each calendar year on the following July 1. Due to timing differences between collection of revenue from customers and payment of REC costs to suppliers, Unitil Energy and Fitchburg typically defer costs for RPS compliance which are recorded within Accrued Revenue with a corresponding liability in Energy Supply Obligations on the Company's Consolidated Balance Sheets.

Fitchburg has entered into long-term renewable contracts for the purchase of clean energy and/or RECs pursuant to Massachusetts legislation, specifically, An Act Relative to Green Communities (Green Communities Act, 2008), An Act Relative to Competitively Priced Electricity in the Commonwealth (2012) and An Act to Promote Energy Diversity (Energy Diversity Act, 2016). The generating facilities associated with ten of these contracts have been constructed and are now operating. Three approved contracts are currently under development. These include two long-term contracts filed with the MDPU in 2018, one for offshore wind generation and one for imported hydroelectric power and associated transmission, which were approved in 2019 and another for offshore wind generation contracts filed with the MDPU during the first quarter of 2020 and approved in 2021. In compliance with An Act to Promote a Clean Energy Future (2018), in 2021 in coordination with the other electric utilities in Massachusetts, the Company issued its most recent long-term renewable solicitation seeking up to an additional 1,600 megawatts (MW) of offshore wind generation. In December 2021, a portfolio of projects comprising 1,600 MW of offshore wind capacity was selected for negotiation. Those contracts are expected to be filed for approval with the MDPU in April 2022. Fitchburg recovers the costs associated with long-term renewable contracts on a fully reconciling basis through a MDPU-approved cost recovery mechanism.

**Exchange Gas Obligation**—Northern Utilities enters into gas exchange agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. The gas inventory related to these agreements is recorded in Exchange Gas Receivable on the Company's Consolidated Balance Sheets while the corresponding obligations are recorded in Energy Supply Obligations.

**Power Supply Contract Divestitures**—Unitil Energy's and Fitchburg's customers are entitled to purchase their electric or natural gas supplies from third-party suppliers. In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, and Fitchburg divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy and Fitchburg recover in their rates all the costs associated with the divestiture of their power supply portfolios and have secured regulatory approval from the NHPUC and MDPU, respectively, for the recovery of power supply-related stranded costs. As of December 31, 2021, Fitchburg and Unitil Energy have fully recovered their power supply-related stranded costs. The obligations for prior periods related to these divestitures are recorded in Energy Supply Obligations on the Company's Consolidated Balance Sheets with a corresponding regulatory asset recorded in Accrued Revenue.

**Retirement Benefit Obligations**—The Company sponsors the Pension Plan, which is a defined benefit pension plan. Effective January 1, 2010, the Pension Plan was closed to new non-union employees. For union employees, the Pension Plan was closed on various dates between December 31, 2010 and June 1, 2013, depending on the various Collective Bargaining Agreements of each union. The Company also sponsors a non-qualified retirement plan, the SERP, covering certain executives of the Company, and an employee 401(k) savings plan. Additionally, the Company sponsors the PBOP Plan, primarily to provide health care and life insurance benefits to retired employees.

The Company records on its balance sheets as an asset or liability the overfunded or underfunded status of its retirement benefit obligations (RBO) based on the projected benefit obligations. The Company has recognized a corresponding Regulatory Asset, reflecting ultimate recovery from customers through rates. The regulatory asset (or regulatory liability) is amortized as the actuarial gains and losses and prior service cost are amortized to net periodic benefit cost for the Pension and PBOP plans. All amounts are remeasured annually. (See Note 9 Retirement Benefit Plans).

**Commitments and Contingencies**—The Company's accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of December 31, 2021, the Company is not aware of any material commitments or contingencies other than those disclosed in Note 7 (Commitments and Contingencies).

**Environmental Matters**—The Company's past and present operations include activities that are generally subject to extensive federal and state environmental laws and regulations. The Company has recovered or will recover substantially all of the costs of the environmental remediation work performed to date from customers or from its insurance carriers. The Company believes it is in compliance with all applicable environmental and safety laws and regulations, and the Company believes that as of December 31, 2021, there are no material losses that would require additional liability reserves to be recorded other than those disclosed in Note 7 (Commitments and Contingencies). Changes in future environmental compliance regulations or in future cost estimates of environmental remediation costs could have a material effect on the Company's financial position if those amounts are not recoverable in regulatory rate mechanisms.

**Subsequent Events**—The Company evaluates all events or transactions through the date of the related filing. During the period through the date of this filing, the Company did not have any material subsequent events that would result in adjustment to or disclosure in its Consolidated Financial Statements.

**Note 2: Segment Information**

Unitil reports three segments: utility electric operations, utility gas operations and non-regulated. Unitil's principal business is the local distribution of electricity in the southeastern seacoast and state capital regions of New Hampshire and the greater Fitchburg area of north central Massachusetts and the local distribution of natural gas in southeastern New Hampshire, portions of southern Maine to the Lewiston-Auburn area and in the greater Fitchburg area of north central Massachusetts. Unitil has three distribution utility subsidiaries, Unitil Energy, which operates in New Hampshire, Fitchburg, which operates in Massachusetts and Northern Utilities, which operates in New Hampshire and Maine.

Granite State is an interstate natural gas transmission pipeline company, operating 86 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to three major natural gas pipelines and access to domestic natural gas supplies in the south and Canadian natural gas supplies in the north. Granite State derives its revenues principally from the transmission services provided to Northern Utilities and, to a lesser extent, third-party marketers. Granite State is included in the utility gas operations segment.

Unitil Resources is the Company's wholly-owned non-regulated subsidiary. Usource, Inc. and Usource L.L.C. (collectively, Usource), which the Company divested of in the first quarter of 2019, were wholly-owned subsidiaries of Unitil Resources. Usource provided brokering and advisory services to large commercial and industrial customers in the northeastern United States. Unitil Realty and Unitil Service provide centralized facilities, operations and administrative services to support the affiliated Unitil companies. Unitil Resources and Usource are included in the Non-Regulated segment.

Unitil Realty, Unitil Service and the holding company are included in Other. Unitil Service provides centralized management and administrative services, including information systems management and financial record keeping. Unitil Realty owns certain real estate, principally the Company's corporate headquarters. The earnings of the holding company are principally derived from income earned on short-term investments and real property owned for Unitil and its subsidiaries' use.

The segments follow the same accounting policies as described in the Summary of Significant Accounting Policies. Intersegment sales take place at cost and the effects of all intersegment and/or intercompany transactions are eliminated in the consolidated financial statements. Segment profit or loss is based on profit or loss from operations after income taxes and preferred stock dividends. Expenses used to determine operating income before taxes are charged directly to each segment or are allocated based on cost allocation factors included in rate applications approved by the FERC, NHPUC, MDPU, and MPUC. Assets allocated to each segment are based upon specific identification of such assets provided by Company records.

## [Table of Contents](#)

The following tables provide significant segment financial data for the years ended December 31, 2021, 2020 and 2019 (millions):

<u>Year Ended December 31, 2021</u>	<u>Electric</u>	<u>Gas</u>	<u>Non-Regulated</u>	<u>Other</u>	<u>Total</u>
<b>Revenues:</b>					
Billed and Unbilled Revenue	\$248.5	\$217.6	\$ —	\$ —	\$ 466.1
Rate Adjustment Mechanism Revenue	—	7.2	—	—	7.2
Total Operating Revenues	248.5	224.8	—	—	473.3
Interest Income	0.8	0.5	—	0.3	1.6
Interest Expense	9.0	15.3	—	2.9	27.2
Depreciation & Amortization Expense	25.9	32.6	—	1.0	59.5
Income Tax Expense (Benefit)	4.5	7.7	(0.1)	(0.6)	11.5
Segment Profit (Loss)	14.0	23.2	0.1	(1.2)	36.1
Segment Assets	584.0	935.9	—	20.4	1,540.3
Capital Expenditures	38.1	75.8	—	1.1	115.0
<b>Year Ended December 31, 2020</b>					
<b>Revenues:</b>					
Billed and Unbilled Revenue	\$226.7	\$185.2	\$ —	\$ —	\$ 411.9
Rate Adjustment Mechanism Revenue	0.5	6.2	—	—	6.7
Total Operating Revenues	227.2	191.4	—	—	418.6
Interest Income	1.1	1.1	—	0.4	2.6
Interest Expense	8.7	14.2	—	3.5	26.4
Depreciation & Amortization Expense	23.8	29.8	—	0.9	54.5
Income Tax Expense (Benefit)	4.7	7.3	—	(1.8)	10.2
Segment Profit	12.9	19.3	—	—	32.2
Segment Assets	571.8	886.3	—	19.8	1,477.9
Capital Expenditures	45.5	71.1	—	6.0	122.6
<b>Year Ended December 31, 2019</b>					
<b>Revenues:</b>					
Billed and Unbilled Revenue	\$223.1	\$212.1	\$ —	\$ —	\$ 435.2
Rate Adjustment Mechanism Revenue	10.8	(8.7)	—	—	2.1
Other Operating Revenue—Non-Regulated	—	—	0.9	—	0.9
Total Operating Revenues	233.9	203.4	0.9	—	438.2
Interest Income	0.9	1.2	0.2	0.6	2.9
Interest Expense	9.4	14.4	—	2.8	26.6
Depreciation & Amortization Expense	22.6	28.5	—	0.9	52.0
Income Tax Expense (Benefit)	4.2	7.2	3.8	(1.4)	13.8
Segment Profit	11.5	19.1	10.2	3.4	44.2
Segment Assets	529.3	823.3	0.3	17.9	1,370.8
Capital Expenditures	39.6	74.0	—	5.6	119.2

**Note 3: Allowance for Doubtful Accounts**

Unitil's distribution utilities are authorized by regulators to recover the costs of their energy commodity portion of bad debts through rate mechanisms. In 2021, 2020 and 2019, the Company recorded provisions for the energy commodity portion of bad debts of \$2.4 million, \$1.6 million and \$2.3 million, respectively. These provisions were recognized in Cost of Electric Sales and Cost of Gas Sales expense as the associated electric and gas utility revenues were billed. Cost of Electric Sales and Cost of Gas Sales costs are recovered from customers through periodic rate reconciling mechanisms. Also, the electric and gas divisions of Fitchburg are authorized to recover through rates past due amounts associated with hardship accounts that are protected from shut-off. As of December 31, 2021 and 2020, the Company has recorded \$7.9 million and \$6.8 million, respectively, of hardship accounts in Regulatory Assets. The Company currently receives recovery in rates or expects to receive recovery of these hardship accounts in future rate cases.

Accounts Receivable, Net includes \$3.1 million and \$3.1 million of the Allowance for Doubtful Accounts at December 31, 2021 and December 31, 2020, respectively. Unbilled Revenues, net (a component of Accrued Revenue) includes \$0.2 million and \$0.2 million of the Allowance for Doubtful Accounts at December 31, 2021 and December 31, 2020, respectively.

The following table shows the balances and activity in the Company's Allowance for Doubtful Accounts for 2021, 2020 and 2019 (millions):

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

	Balance at Beginning of Period	Provision	Recoveries	Accounts Written Off	Regulatory Deferrals*	Balance at End of Period
<b>Year Ended December 31, 2021</b>						
Electric	\$ 1.6	\$ 3.3	\$ 0.4	\$ 3.4	\$ 0.1	\$ 2.0
Gas	1.7	2.3	0.4	3.1	—	1.3
Other	—	—	—	—	—	—
	<u>\$ 3.3</u>	<u>\$ 5.6</u>	<u>\$ 0.8</u>	<u>\$ 6.5</u>	<u>\$ 0.1</u>	<u>\$ 3.3</u>
<b>Year Ended December 31, 2020</b>						
Electric	\$ 0.6	\$ 2.9	\$ 0.3	\$ 2.6	\$ 0.4	\$ 1.6
Gas	0.4	2.6	0.3	1.8	0.2	1.7
Other	—	—	—	—	—	—
	<u>\$ 1.0</u>	<u>\$ 5.5</u>	<u>\$ 0.6</u>	<u>\$ 4.4</u>	<u>\$ 0.6</u>	<u>\$ 3.3</u>
<b>Year Ended December 31, 2019</b>						
Electric	\$ 0.5	\$ 3.0	\$ 0.3	\$ 3.2	\$ —	\$ 0.6
Gas	0.8	1.9	0.5	2.8	—	0.4
Other	—	—	—	—	—	—
	<u>\$ 1.3</u>	<u>\$ 4.9</u>	<u>\$ 0.8</u>	<u>\$ 6.0</u>	<u>\$ —</u>	<u>\$ 1.0</u>

\* The Company has incurred greater than normal bad debt expense due to the coronavirus pandemic. Incremental bad debt expense amounts have been deferred as regulatory assets based on certain regulatory proceedings and management's belief that such amounts are probable of recovery (See the "Financial Effects of COVID-19 Pandemic" section in Note 7 (Commitments and Contingencies)). The Company will track the collection of receivables and to the extent incremental bad debt amounts are collected in the future, such amounts will reduce the regulatory assets recorded.

**Note 4: Debt and Financing Arrangements**

The Company funds a portion of its operations through the issuance of long-term debt, and short-term borrowings under its revolving Credit Facility. The Company's subsidiaries conduct a portion of their operations in leased facilities and lease some of their machinery, vehicles and office equipment.

## Long-Term Debt and Interest Expense

**Long-Term Debt Structure and Covenants**—The debt agreements for Unitil and its utility subsidiaries, Unitil Energy, Fitchburg, Northern Utilities, and Granite State, contain various covenants and restrictions. These agreements do not contain any covenants or restrictions pertaining to the maintenance of financial ratios or the issuance of short-term debt. These agreements do contain covenants relating to, among other things, the issuance of additional long-term debt, cross-default provisions and business combinations.

The long-term debt of Unitil is issued under Unsecured Promissory Notes with negative pledge provisions. The long-term debt's negative pledge provisions contain restrictions which, among other things, limit the incursion of additional long-term debt. Accordingly, in order for Unitil to issue new long-term debt, the covenants of the existing long-term agreement(s) must be satisfied, including that Unitil has total funded indebtedness less than 70% of total capitalization, and earnings available for interest equal to at least two times the interest charges for funded indebtedness. Each future senior long-term debt issuance of Unitil will rank pari passu with all other senior unsecured long-term debt issuances. The Unitil long-term debt agreement requires that if Unitil defaults on any other future long-term debt agreement(s), it would constitute a default under Unitil's present long-term debt agreement. Furthermore, the default provisions are triggered by the defaults of certain Unitil subsidiaries or certain other actions against Unitil subsidiaries.

Substantially all of the property of Unitil Energy is subject to liens of indenture under which First Mortgage Bonds (FMB) have been issued. In order to issue new FMB, the customary covenants of the existing Unitil Energy Indenture Agreement must be met, including that Unitil Energy have sufficient available net bondable plant to issue the securities and earnings available for interest charges equal to at least two times the annual interest requirement. The Unitil Energy agreements further require that if Unitil Energy defaults on any Unitil Energy FMB, it would constitute a default for all Unitil Energy FMB. The Unitil Energy default provisions are not triggered by the actions or defaults of Unitil or its other subsidiaries.

All of the long-term debt of Fitchburg, Northern Utilities and Granite State are issued under Unsecured Promissory Notes with negative pledge provisions. Each issue of long-term debt ranks pari passu with its other senior unsecured long-term debt within that subsidiary. The long-term debt's negative pledge provisions contain restrictions which, among other things, limit the incursion of additional long-term debt. Accordingly, in order for Fitchburg, Northern Utilities or Granite State to issue new long-term debt, the covenants of the existing long-term agreements of that subsidiary must be satisfied, including that the subsidiary have total funded indebtedness less than 65% of total capitalization. Additionally, to issue new long-term debt, Fitchburg must maintain earnings available for interest equal to at least two times the interest charges for funded indebtedness. As with the Unitil Energy agreements, the Fitchburg, Northern Utilities and Granite State long-term debt agreements each require that if that subsidiary defaults on any of its own long-term debt agreements, it would constitute a default under all of that subsidiary's long-term debt agreements. None of the Fitchburg, Northern Utilities and Granite State default provisions are triggered by the actions or defaults of Unitil or any of its other subsidiaries.

The Unitil, Unitil Energy, Fitchburg, Northern Utilities and Granite State long-term debt instruments and agreements contain covenants restricting the ability of each company to incur liens and to enter into sale and leaseback transactions, and restricting the ability of each company to consolidate with, to merge with or into, or to sell or otherwise dispose of all or substantially all of its assets.

Unitil Energy, Fitchburg, Northern Utilities and Granite State pay common dividends to their sole common shareholder, Unitil Corporation and these common dividends are the primary source of cash for the payment of dividends to Unitil's common shareholders. The long-term debt issued by the Company and its subsidiaries contains certain covenants that determine the amount that the Company and each of these subsidiary companies has available to pay for dividends. As of December 31, 2021, in accordance with the covenants, these subsidiary companies had a combined amount of \$358.7 million available for the payment of dividends and Unitil Corporation had \$166.9 million available for the payment of dividends. As of December 31, 2021, the Company's balance in Retained Earnings was \$116.2 million. Therefore, there were no restrictions on the Company's Retained Earnings at December 31, 2021 for the payment of dividends.

## [Table of Contents](#)

**Issuance of Long-Term Debt**—On December 18, 2020, Unitil Realty Corp. entered into a loan agreement in the amount of \$4.7 million at 2.64%, with a maturity date of December 18, 2030. Less than \$0.1 million of costs associated with this loan have been recorded as a reduction to the proceeds. Unitil Realty Corp. used the net proceeds from this loan for general corporate purposes.

On September 15, 2020, Northern Utilities issued \$40 million of Notes due 2040 at 3.78%. Fitchburg issued \$27.5 million of Notes due 2040 at 3.78%. Unitil Energy issued \$27.5 million of Bonds due 2040 at 3.58%. Northern Utilities, Fitchburg and Unitil Energy used the net proceeds from these offerings to repay short-term debt and for general corporate purposes. Approximately \$0.5 million of costs associated with these issuances have been recorded as a reduction to Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

On December 18, 2019, Unitil Corporation issued \$30 million of Notes due 2029 at 3.43%. Unitil Corporation used the net proceeds from this offering to repay short-term debt and for general corporate purposes. Approximately \$0.2 million of costs associated with these issuances have been recorded as a reduction to Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

On September 12, 2019, Northern Utilities issued \$40 million of Notes due 2049 at 4.04%. Northern Utilities used the net proceeds from this offering to repay short-term debt and for general corporate purposes. Approximately \$0.2 million of costs associated with these issuances have been recorded as a reduction to Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

**Debt Repayment**—The total aggregate amount of debt repayments relating to bond issues and normal scheduled long-term debt repayments amounted to \$25.8 million, \$24.8 million and \$18.8 million in 2021, 2020, and 2019, respectively.

The aggregate amount of bond repayment requirements and normal scheduled long-term debt repayments for each of the five years following 2021 is: 2022 – \$8.4 million; 2023 – \$6.9 million; 2024 – \$6.9 million; 2025 – \$5.0 million; 2026 – \$38.0 million and thereafter \$444.4 million.

**Fair Value of Long-Term Debt**—Currently, the Company believes that there is no active market in the Company’s debt securities, which have all been sold through private placements. If there were an active market for the Company’s debt securities, the fair value of the Company’s long-term debt would be estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company’s long-term debt is estimated using Level 2 inputs (valuations based on quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data). In estimating the fair value of the Company’s long-term debt, the assumed market yield reflects the Moody’s Baa Utility Bond Average Yield. Costs, including prepayment costs, associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

<u>Estimated Fair Value of Long-Term Debt (millions)</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Estimated Fair Value of Long-Term Debt</b>	<b>\$584.9</b>	<b>\$633.1</b>

## Table of Contents

Details on long-term debt at December 31, 2021 and 2020 are shown below:

Long-Term Debt (millions)	December 31,	
	2021	2020
<b>Unitil Corporation:</b>		
6.33% Senior Notes, Due May 1, 2022	\$ —	\$ 15.0
3.70% Senior Notes, Due August 1, 2026	30.0	30.0
3.43% Senior Notes, Due December 18, 2029	30.0	30.0
<b>Unitil Energy First Mortgage Bonds:</b>		
8.49% Senior Secured Notes, Due October 14, 2024	1.5	3.0
6.96% Senior Secured Notes, Due September 1, 2028	14.0	16.0
8.00% Senior Secured Notes, Due May 1, 2031	15.0	15.0
6.32% Senior Secured Notes, Due September 15, 2036	15.0	15.0
3.58% Senior Secured Notes, Due September 15, 2040	27.5	27.5
4.18% Senior Secured Notes, Due November 30, 2048	30.0	30.0
<b>Fitchburg:</b>		
6.75% Senior Notes, Due November 30, 2023	—	1.9
6.79% Senior Notes, Due October 15, 2025	6.0	10.0
3.52% Senior Notes, Due November 1, 2027	10.0	10.0
7.37% Senior Notes, Due January 15, 2029	9.6	10.8
5.90% Senior Notes, Due December 15, 2030	15.0	15.0
7.98% Senior Notes, Due June 1, 2031	14.0	14.0
3.78% Senior Notes, Due September 15, 2040	27.5	27.5
4.32% Senior Notes, Due November 1, 2047	15.0	15.0
<b>Northern Utilities:</b>		
3.52% Senior Notes, Due November 1, 2027	20.0	20.0
7.72% Senior Notes, Due December 3, 2038	50.0	50.0
3.78% Senior Notes, Due September 15, 2040	40.0	40.0
4.42% Senior Notes, Due October 15, 2044	50.0	50.0
4.32% Senior Notes, Due November 1, 2047	30.0	30.0
4.04% Senior Notes, Due September 12, 2049	40.0	40.0
<b>Granite State:</b>		
3.72% Senior Notes, Due November 1, 2027	15.0	15.0
<b>Unitil Realty Corp.:</b>		
2.64% Senior Secured Notes, Due December 18, 2030	4.5	4.7
Total Long-Term Debt	509.6	535.4
Less: Unamortized Debt Issuance Costs	3.6	3.8
Total Long-Term Debt, net of Unamortized Debt Issuance Costs	506.0	531.6
Less: Current Portion <sup>(1)</sup>	8.2	8.5
Total Long-Term Debt, Less Current Portion	<u>\$ 497.8</u>	<u>\$ 523.1</u>

<sup>(1)</sup> The Current Portion of Long-Term Debt includes sinking fund payments.

**Interest Expense, Net**—Interest expense is presented in the financial statements net of interest income. Interest expense is mainly comprised of interest on long-term debt and short-term borrowings. In addition, certain reconciling rate mechanisms used by the Company's distribution operating utilities give rise to regulatory assets and regulatory liabilities on which interest is calculated.

Unitil's utility subsidiaries operate a number of reconciling rate mechanisms to recover specifically identified costs on a pass-through basis. These reconciling rate mechanisms track costs and revenue on a monthly basis. In any given month, this monthly tracking and reconciling process will produce either an under-collected or an over-collected balance of costs. In accordance with the distribution utilities' rate tariffs, interest is accrued on these balances and will produce either interest income or interest expense.

## [Table of Contents](#)

Consistent with regulatory precedent, interest income is recorded on an under-collection of costs, which creates a regulatory asset to be recovered in future periods when rates are reset. Interest expense is recorded on an over-collection of costs, which creates a regulatory liability to be refunded in future periods when rates are reset. A summary of interest expense and interest income is provided in the following table:

<b>Interest Expense, Net (millions)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Interest Expense			
Long-Term Debt	\$ 26.0	\$ 24.8	\$ 22.9
Short-Term Debt	0.8	1.4	3.0
Regulatory Liabilities	0.4	0.2	0.7
Subtotal Interest Expense	<u>27.2</u>	<u>26.4</u>	<u>26.6</u>
Interest Income			
Regulatory Assets	(0.5)	(0.8)	(0.8)
AFUDC <sup>(1)</sup> and Other	(1.1)	(1.8)	(2.1)
Subtotal Interest Income	<u>(1.6)</u>	<u>(2.6)</u>	<u>(2.9)</u>
Total Interest Expense, Net	<u>\$ 25.6</u>	<u>\$ 23.8</u>	<u>\$ 23.7</u>

(1) AFUDC—Allowance for Funds Used During Construction

### **Credit Arrangements**

On July 25, 2018, the Company entered into a Second Amended and Restated Credit Agreement (the “Credit Facility”) with a syndicate of lenders, which amended and restated in its entirety the Company’s prior credit agreement, dated as of October 4, 2013, as amended. The Credit Facility extends to July 25, 2023, subject to two one-year extensions and has a borrowing limit of \$120 million, which includes a \$25 million sublimit for the issuance of standby letters of credit. The Credit Facility provides the Company with the ability to elect that borrowings under the Credit Facility bear interest under several options, including at a daily fluctuating rate of interest per annum equal to one-month London Interbank Offered Rate plus 1.125%. Provided there is no event of default, the Company may increase the borrowing limit under the Credit Facility by up to \$50 million.

The Company utilizes the Credit Facility for cash management purposes related to its short-term operating activities. Total gross borrowings were \$239.1 million and \$248.9 million for the years ended December 31, 2021 and December 31, 2020, respectively. Total gross repayments were \$229.7 million and \$252.8 million for the years ended December 31, 2021 and December 31, 2020, respectively. The following table details the borrowing limits, amounts outstanding and amounts available under the revolving Credit Facility as of December 31, 2021 and December 31, 2020:

<b>Revolving Credit Facility (millions)</b>	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Limit	\$ 120.0	\$ 120.0
Short-Term Borrowings Outstanding	\$ 64.1	\$ 54.7
Letters of Credit Outstanding	\$ —	\$ 0.1
Available	\$ 55.9	\$ 65.2

The Credit Facility contains customary terms and conditions for credit facilities of this type, including affirmative and negative covenants. There are restrictions on, among other things, Unitil’s and its subsidiaries’ ability to permit liens or incur indebtedness, and restrictions on Unitil’s ability to merge or consolidate with another entity or change its line of business. The affirmative and negative covenants under the Credit Facility shall apply to Unitil until the Credit Facility terminates and all amounts borrowed under the Credit Facility are paid in full (or with respect to letters of credit, they are cash collateralized). The only financial covenant in the Credit Facility provides that Unitil’s Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At December 31, 2021 and

## [Table of Contents](#)

December 31, 2020, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date. The Company believes it has sufficient sources of working capital to fund its operations.

The weighted average interest rates on all short-term borrowings were 1.2%, 1.7%, and 3.4% during 2021, 2020, and 2019, respectively.

Unitil Corporation and its utility subsidiaries, Fitchburg, Unitil Energy, Northern Utilities, and Granite State are currently rated “BBB+” by Standard & Poor’s Ratings Services. Unitil Corporation and Granite State are currently rated “Baa2”, and Fitchburg, Unitil Energy and Northern Utilities are currently rated “Baa1” by Moody’s Investors Services.

In April 2014, Unitil Service entered into a financing arrangement, structured as a capital lease obligation, for various information systems and technology equipment. Final funding under this capital lease occurred on October 30, 2015, resulting in total funding of \$13.4 million. This capital lease was paid in full in the second quarter of 2019.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. There was \$8.3 million and \$5.4 million of natural gas storage inventory at December 31, 2021 and 2020, respectively, related to these asset management agreements. The amount of natural gas inventory released in December 2021, which was payable in January 2022, was \$1.6 million and was recorded in Accounts Payable at December 31, 2021. The amount of natural gas inventory released in December 2020, which was payable in January 2021, was \$1.0 million and was recorded in Accounts Payable at December 31, 2020.

### **Contractual Obligations**

The following table lists the Company’s contractual obligations for long-term debt as of December 31, 2021.

Long-Term Debt Contractual Obligations (millions) as of December 31, 2021	Payments Due by Period						2027 & Beyond
	Total	2022	2023	2024	2025	2026	
Long-Term Debt	\$509.6	\$ 8.4	\$ 6.9	\$ 6.9	\$ 5.0	\$38.0	\$444.4
Interest on Long-Term Debt	360.5	24.5	23.9	23.4	22.9	22.6	243.2
Total	<u>\$870.1</u>	<u>\$32.9</u>	<u>\$30.8</u>	<u>\$30.3</u>	<u>\$27.9</u>	<u>\$60.6</u>	<u>\$687.6</u>

### **Leases**

Unitil’s subsidiaries lease some of their vehicles, machinery and office equipment under both capital and operating lease arrangements.

Total rental expense under operating leases charged to operations for the years ended December 31, 2021, 2020 and 2019 amounted to \$1.9 million, \$1.8 million and \$1.4 million respectively. The balance sheet classification of the Company’s lease obligations was as follows:

Lease Obligations (millions)	December 31,	
	2021	2020
Operating Lease Obligations:		
Other Current Liabilities (current portion)	\$ 1.6	\$ 1.5
Other Noncurrent Liabilities (long-term portion)	3.1	3.7
Total Operating Lease Obligations	<u>4.7</u>	<u>5.2</u>
Capital Lease Obligations:		
Other Current Liabilities (current portion)	0.1	0.2
Other Noncurrent Liabilities (long-term portion)	0.2	0.2
Total Capital Lease Obligations	<u>0.3</u>	<u>0.4</u>
<b>Total Lease Obligations</b>	<u>\$5.0</u>	<u>\$ 5.6</u>

## [Table of Contents](#)

Cash paid for amounts included in the measurement of operating lease obligations for the twelve months ended December 31, 2021 and 2020 was \$1.9 million and \$1.8 million, respectively and was included in Cash Provided by Operating Activities on the Consolidated Statements of Cash Flows.

Assets under capital leases amounted to approximately \$0.7 million and \$1.0 million as of December 31, 2021 and 2020, respectively, less accumulated amortization of \$0.3 million and \$0.5 million, respectively and are included in Net Utility Plant on the Company's Consolidated Balance Sheets.

The following table is a schedule of future operating lease payment obligations and future minimum lease payments under capital leases as of December 31, 2021. The payments for operating leases consist of \$1.6 million of current operating lease obligations, which are included in Other Current Liabilities and \$3.1 million of noncurrent operating lease obligations, which are included in Other Noncurrent Liabilities, on the Company's Consolidated Balance Sheets as of December 31, 2021. The payments for capital leases consist of \$0.1 million of current Capital Lease Obligations, which are included in Other Current Liabilities, and \$0.2 million of noncurrent Capital Lease Obligations, which are included in Other Noncurrent Liabilities, on the Company's Consolidated Balance Sheets as of December 31, 2021.

<b>Lease Payments (\$000's) Year Ending December 31,</b>	<b>Operating Leases</b>	<b>Capital Leases</b>
2022	\$ 1,695	\$ 150
2023	1,399	107
2024	1,069	52
2025	503	19
2026	199	—
2027-2031	121	—
<b>Total Payments</b>	<b>4,986</b>	<b>328</b>
Less: Interest	316	12
<b>Amount of Lease Obligations Recorded on Consolidated Balance Sheets</b>	<b>\$ 4,670</b>	<b>\$ 316</b>

Operating lease obligations are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used the interest rate stated in each lease agreement. As of December 31, 2021, the weighted average remaining lease term is 3.5 years and the weighted average operating discount rate used to determine the operating lease obligations was 3.9%. As of December 31, 2020, the weighted average remaining lease term was 3.8 years and the weighted average operating discount rate used to determine the operating lease obligations was 4.4%.

### **Guarantees**

The Company provides limited guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities. The Company's policy is to limit the duration of these guarantees. As of December 31, 2021, there were approximately \$0.7 million of guarantees outstanding with a duration of less than one year.

### **Note 5: Equity**

The Company has common stock outstanding and one of our subsidiaries has preferred stock outstanding.

### **Common Stock**

The Company's common stock trades on the New York Stock Exchange under the symbol "UTL". The Company had 15,977,766 and 15,012,310 shares of common stock outstanding at December 31, 2021 and December 31, 2020, respectively. The Company has 25,000,000 shares of common stock authorized as of December 31, 2021 and December 31, 2020.

**Unitil Corporation Common Stock Offering**—On August 6, 2021, the Company issued and sold 800,000 shares of its common stock at a price of \$50.80 per share in a registered public offering (Offering).

## Table of Contents

The Company's net increase to Common Equity and Cash proceeds from the Offering was approximately \$38.6 million. The proceeds were used to make equity capital contributions to the Company's regulated utility subsidiaries, to repay debt and for other general corporate purposes.

As part of the Offering, the Company granted the underwriters a 30-day option to purchase additional shares. The underwriters exercised the option and purchased an additional 120,000 shares of the Company's common stock on September 8, 2021. The Company's net increase to Common Equity and Cash proceeds from the exercise of the option was approximately \$5.9 million. The proceeds were used to make equity capital contributions to the Company's regulated utility subsidiaries, to repay debt and for other general corporate purposes. Overall, the results of operations and earnings reflect the higher number of average shares outstanding period over period.

**Dividend Reinvestment and Stock Purchase Plan**—During 2021, the Company sold 22,316 shares of its common stock, at an average price of \$46.98 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan (DRP) and its 401(k) plans resulting in net proceeds of \$1.0 million. The DRP provides participants in the plan a method for investing cash dividends on the Company's common stock and cash payments in additional shares of the Company's common stock. During 2020 and 2019, the Company raised \$1.1 million and \$1.1 million, respectively, through the issuance of 23,658 and 20,065 shares, respectively, of its common stock in connection with its DRP and 401(k) plans.

**Common Shares Repurchased, Cancelled and Retired**—Pursuant to the written trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted by the Company on May 1, 2014, the Company may periodically repurchase shares of its common stock on the open market related to the stock portion of the Directors' annual retainer. Until December 1, 2018, the Company also periodically repurchased shares of its common stock on the open market related to Employee Length of Service Awards. (See Part II, Item 5, for additional information). During 2021, 2020 and 2019, the Company repurchased 8,012, 13,194 and 2,911 shares of its common stock, respectively, pursuant to the Rule 10b5-1 trading plan. The expense recognized by the Company for these repurchases was \$0.4 million, \$0.5 million, and \$0.2 million in 2021, 2020 and 2019, respectively.

During 2021, 2020 and 2019, the Company did not cancel or retire any of its common stock.

**Stock-Based Compensation Plans**—Unitil maintains a stock-based compensation plan. The Company accounts for its stock-based compensation plan in accordance with the provisions of the FASB Codification and measures compensation costs at fair value at the date of grant.

**Stock Plan**—The Company maintains the Unitil Corporation Second Amended and Restated 2003 Stock Plan (the Stock Plan). Participants in the Stock Plan are selected by the Compensation Committee of the Board of Directors to receive awards under the Stock Plan, including awards of restricted shares (Restricted Shares), or of restricted stock units (Restricted Stock Units). The Compensation Committee has the authority to determine the sizes of awards; determine the terms and conditions of awards in a manner consistent with the Stock Plan; construe and interpret the Stock Plan and any agreement or instrument entered into under the Stock Plan as they apply to participants; establish, amend, or waive rules and regulations for the Stock Plan's administration as they apply to participants; and, subject to the provisions of the Stock Plan, amend the terms and conditions of any outstanding award to the extent such terms and conditions are within the discretion of the Compensation Committee as provided for in the Stock Plan. On April 19, 2012, the Company's shareholders approved an amendment to the Stock Plan to, among other things, increase the maximum number of shares of common stock available for awards to plan participants.

The maximum number of shares available for awards to participants under the Stock Plan is 677,500. The maximum number of shares that may be awarded in any one calendar year to any one participant is 20,000. In the event of any change in capitalization of the Company, the Compensation Committee is authorized to make an equitable adjustment to the number and kind of shares of common stock that may be delivered under the Stock Plan and, in addition, may authorize and make an equitable adjustment to the Stock Plan's annual individual award limit.

### Restricted Shares

Outstanding awards of Restricted Shares fully vest over a period of four years at a rate of 25% each year. During the vesting period, dividends on Restricted Shares underlying the award may be credited to a

## [Table of Contents](#)

participant's account. The Company may deduct or withhold, or require a participant to remit to the Company, an amount sufficient to satisfy any taxes required by federal, state, or local law or regulation to be withheld with respect to any taxable event arising in connection with an award.

Prior to the end of the vesting period, the restricted shares are subject to forfeiture if the participant ceases to be employed by the Company other than due to the participant's death or retirement.

Restricted Shares issued for 2019 – 2021 in conjunction with the Stock Plan are presented in the following table:

<u>Issuance Date</u>	<u>Shares</u>	<u>Aggregate Market Value (millions)</u>
1/29/19	33,150	\$1.6
1/28/20	28,630	\$1.8
7/28/20	3,000	\$0.1
1/26/21	23,140	\$0.9

There were 37,621 and 39,426 non-vested shares under the Stock Plan as of December 31, 2021 and 2020, respectively. The weighted average grant date fair value of these shares was \$49.72 per share and \$55.46 per share, respectively. The compensation expense associated with the issuance of shares under the Stock Plan is being recorded over the vesting period and was \$1.4 million, \$2.2 million and \$2.3 million in 2021, 2020 and 2019, respectively. At December 31, 2021, there was approximately \$0.6 million of total unrecognized compensation cost under the Stock Plan which is expected to be recognized over approximately 2.5 years. There were zero restricted shares forfeited and zero restricted shares cancelled under the Stock Plan during 2021. On January 25, 2022, there were 36,770 Restricted Shares issued under the Stock Plan with an aggregate market value of \$1.7 million.

### Restricted Stock Units

Restricted Stock Units, which are issued to members of the Company's Board of Directors, earn dividend equivalents and will generally be settled by payment to each Director as soon as practicable following the Director's separation from service to the Company. The Restricted Stock Units will be paid such that the Director will receive (i) 70% of the shares of the Company's common stock underlying the restricted stock units and (ii) cash in an amount equal to the fair market value of 30% of the shares of the Company's common stock underlying the Restricted Stock Units.

The equity portion of Restricted Stock Units activity during 2021 and 2020 in conjunction with the Stock Plan are presented in the following table:

	<u>Restricted Stock Units (Equity Portion)</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Units</u>	<u>Weighted Average Stock Price</u>	<u>Units</u>	<u>Weighted Average Stock Price</u>
Beginning Restricted Stock Units	43,192	\$ 41.34	70,364	\$ 41.20
Restricted Stock Units Granted	4,519	\$ 43.35	3,743	\$ 39.26
Dividend Equivalents Earned	1,471	\$ 46.34	1,507	\$ 47.34
Restricted Stock Units Settled	—	\$ —	(32,422)	\$ 41.09
Ending Restricted Stock Units	<u>49,182</u>	<u>\$ 41.67</u>	<u>43,192</u>	<u>\$ 41.34</u>

Other Noncurrent Liabilities on the Company's Consolidated Balance Sheets as of December 31, 2021 and 2020 include \$1.0 million and \$0.8 million, respectively, representing the fair value of liabilities associated with the portion of fully vested RSUs that will be settled in cash.

### **Preferred Stock**

There were \$0.2 million, or 1,861 shares, of Unitil Energy's 6.00% Series Preferred Stock outstanding as of December 31, 2021. There were \$0.2 million, or 1,887 shares, of Unitil Energy's 6.00% Series

## [Table of Contents](#)

Preferred Stock outstanding as of December 31, 2020. There were less than \$0.1 million of total dividends declared on Preferred Stock in each of the twelve month periods ended December 31, 2021 and December 31, 2020, respectively.

### Earnings Per Share

The following table reconciles basic and diluted earnings per share (EPS).

<b>(Millions except shares and per share data)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Earnings Available to Common Shareholders	<u>\$ 36.1</u>	<u>\$ 32.2</u>	<u>\$ 44.2</u>
Weighted Average Common Shares Outstanding—Basic (000's)	<u>15,373</u>	<u>14,951</u>	<u>14,894</u>
Plus: Diluted Effect of Incremental Shares (000's)	<u>3</u>	<u>1</u>	<u>6</u>
Weighted Average Common Shares Outstanding—Diluted (000's)	<u>15,376</u>	<u>14,952</u>	<u>14,900</u>
Earnings per Share—Basic and Diluted	<u>\$ 2.35</u>	<u>\$ 2.15</u>	<u>\$ 2.97</u>

The following table shows the number of weighted average non-vested restricted shares that were not included in the above computation of EPS because the effect would have been antidilutive.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Weighted Average Non-Vested Restricted Shares Not Included in EPS Computation	<u>23,636</u>	<u>42,813</u>	<u>—</u>

### Note 6: Energy Supply

#### **ELECTRIC POWER SUPPLY**

Fitchburg, Until Energy, and Until Power each are members of the New England Power Pool (NEPOOL) and participate in the Independent System Operator—New England (ISO-NE) markets for the purpose of facilitating wholesale electric power supply transactions, which are necessary to serve Unutil's electric customers with their supply of electricity.

Unutil's customers in both New Hampshire and Massachusetts are entitled to purchase their electric supply from competitive third-party suppliers. As of December 2021, nearly 77% of Unutil's largest New Hampshire customers, representing 22% of Unutil's New Hampshire electric kilowatt-hour (kWh) sales, and 80% of Unutil's largest Massachusetts customers, representing 34% of Unutil's Massachusetts electric kWh sales, purchased their electric power supply in the competitive market. Additionally, cities and towns in Massachusetts may, with approval from the MDPU, implement municipal aggregations whereby the municipality purchases electric power on behalf of all citizens and businesses that do not opt out of the aggregation. The Towns of Lunenburg and Ashby have active municipal aggregations. Customers in Lunenburg comprise about 17% of Fitchburg's customer base, and customers in Ashby comprise another 4%. On December 31, 2020, the City of Fitchburg filed with the MDPU for approval of its Aggregation Plan. The aggregation is anticipated to be implemented in mid-2022. The City of Fitchburg comprises about 69% of Company sales. As of December 2021, 27% of Unutil's residential customers in Massachusetts purchased their electricity from a third-party supplier.

In New Hampshire, the percentage of residential customers purchasing electricity from a third-party supplier in 2021 is 7.8%, down 0.5% from 8.3% in 2020 and reflecting a downward trend from a high of 13% in 2015. Most residential and small commercial customers continue to purchase their electric supply through Unutil's electric distribution utilities under regulated energy rates and tariffs. Municipal aggregation is now provided for in New Hampshire, but no aggregations have begun in Unutil Energy's service area.

#### **Regulated Electric Power Supply**

To provide regulated electric supply service to their customers, Unutil's electric distribution utilities enter into load-following wholesale electric power supply contracts to purchase electric supply from various wholesale suppliers.

## [Table of Contents](#)

Unitil Energy currently has power supply contracts with various wholesale suppliers for the provision of Default Service to its customers. Currently, with approval of the NHPUC, Unitil Energy purchases Default Service power supply contracts for small, medium and large customers every six months for 100% of the supply requirements.

Fitchburg has power supply contracts with various wholesale suppliers for the provision of Basic Service electric supply. MDPU policy establishes the pricing structure and duration of each of these contracts. Basic Service power supply contracts for residential and for small and medium general service customers are acquired every six months, are 12 months in duration and provide 50% of the supply requirements. On June 13, 2012, the MDPU approved Fitchburg's request to discontinue the procurement process for Fitchburg's large customers and become the load-serving entity for these customers. Currently, all Basic Service power supply requirements for large accounts are assigned to Fitchburg's ISO-NE settlement account, where Fitchburg procures electric supply through ISO-NE's real-time market. In 2021, Fitchburg adjusted its procurement schedule in response to the impending City of Fitchburg municipal aggregation. In its most recent solicitation, Fitchburg solicited for 100% of default service supply for a limited six month period beginning December 1, 2021 to May 31, 2022.

The NHPUC and MDPU regularly review alternatives to their procurement policy, which may lead to future changes in this regulated power supply procurement structure.

### **Regional Electric Transmission and Power Markets**

Fitchburg, Unitil Energy and Unitil Power, as well as virtually all New England electric utilities, are participants in the ISO-NE markets. ISO-NE is the Regional Transmission Organization (RTO) in New England. The purpose of ISO-NE is to assure reliable operation of the bulk power system in the most economical manner for the region. Substantially all operation and dispatching of electric generation and bulk transmission capacity in New England are performed on a regional basis. The ISO-NE tariff imposes generating capacity and reserve obligations, and provides for the use of major transmission facilities and associated support payments. The most notable benefits of the ISO-NE are coordinated, reliable power system operation and a supportive business environment for the development of competitive electric markets.

### **Electric Power Supply Divestiture**

In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, and Fitchburg divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy and Fitchburg recover in their rates all the costs associated with the divestiture of their power supply portfolios and have secured regulatory approval from the NHPUC and MDPU, respectively, for the recovery of power supply-related stranded costs and other restructuring-related regulatory assets. The companies have a continuing obligation to submit regulatory filings that demonstrate their compliance with regulatory mandates and provide for timely recovery of costs in accordance with their approved restructuring plans.

### **NATURAL GAS SUPPLY**

Unitil purchases and manages gas supply for customers served by Northern Utilities in Maine and New Hampshire, and by Fitchburg in Massachusetts.

Northern Utilities' Commercial and Industrial (C&I) customers are entitled to purchase their natural gas supply from third-party gas suppliers. Many of Northern Utilities' large, and some of its medium, C&I customers purchase their gas supply from third-party suppliers. Most small C&I customers, and all residential customers, purchase their gas supply from Northern Utilities under regulated rates and tariffs. As of December 2021, 74% of Unitil's largest New Hampshire gas customers, representing 39% of Unitil's New Hampshire gas therm sales, and 63% of Unitil's largest Maine customers, representing 24% of Unitil's Maine gas therm sales, purchased their gas supply from a third-party supplier.

Fitchburg's residential and C&I business customers are entitled to purchase their natural gas supply from third-party gas suppliers. Many of Fitchburg's large, and some of its medium, C&I customers,

purchase their gas supply from third-party suppliers. Most of Fitchburg's residential and small C&I customers continue to purchase their supplies at regulated rates from Fitchburg. As of December 2021, 67% of Unitil's largest Massachusetts gas customers, representing 27% of Unitil's Massachusetts gas therm sales, purchased their gas supply from third-party suppliers. The approved costs associated with natural gas supplied to customers who do not contract with third-party suppliers are recovered on a pass-through basis through periodically adjusted rates, and are included in Cost of Gas Sales in the Consolidated Statements of Earnings.

### **Regulated Natural Gas Supply**

Northern Utilities purchases the majority of its natural gas from U.S. domestic and Canadian suppliers largely under contracts of one year or less, and on occasion from producers and marketers on the spot market. Northern Utilities arranges for gas transportation and delivery to its system through its own long-term contracts with various interstate pipeline and storage facilities, through peaking supply contracts delivered to its system, or in the case of liquefied natural gas (LNG), via trucking of supplies to storage facilities within Northern Utilities' service territory.

Northern Utilities has available under firm contract 122,000 million British Thermal Units (MMBtu) per day of year-round and seasonal transportation capacity to its distribution facilities, and 4.3 billion cubic feet (BCF) of underground storage. As a supplement to pipeline natural gas, Northern Utilities owns an LNG storage and vaporization facility. This plant is used principally during peak load periods to augment the supply of pipeline natural gas.

Fitchburg purchases natural gas under contracts from producers and marketers largely under contracts of one year or less, and occasionally on the spot market. Fitchburg arranges for gas transportation and delivery to its system through its own long-term contracts with Tennessee Gas Pipeline, through peaking supply contracts delivered to its system, or in the case of LNG or liquefied propane gas (LPG), via trucking of supplies to storage facilities within Fitchburg's service territory.

Fitchburg has available under firm contract 14,439 MMBtu per day of year-round transportation and 0.4 BCF of underground storage capacity to its distribution facilities. As a supplement to pipeline natural gas, Fitchburg owns a propane air gas plant and an LNG storage and vaporization facility. These plants are used principally during peak load periods to augment the supply of pipeline natural gas.

## **Note 7: Commitments and Contingencies**

### **Regulatory Matters**

**Overview**—Unitil's distribution utilities deliver electricity and/or natural gas to customers in the Company's service territories at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil Energy, Fitchburg, and Northern Utilities are provided the opportunity to recover the cost of providing distribution service to their customers based on a representative test year, in addition to earning a return on their capital investment in utility assets. Fitchburg's electric and gas divisions also operate under revenue decoupling mechanisms.

Most of Unitil's customers are entitled to purchase their electric or natural gas supplies from third-party suppliers. For Northern Utilities, only business customers are entitled to purchase their natural gas supplies from third-party suppliers at this time. Most small and medium-sized customers, however, continue to purchase such supplies through Unitil Energy, Fitchburg and Northern Utilities as the providers of basic or default service energy supply. Unitil Energy, Fitchburg and Northern Utilities purchase electricity or natural gas for basic or default service from unaffiliated wholesale suppliers and recover the actual costs of these supplies, without profit or markup, through reconciling, pass-through rate mechanisms that are periodically adjusted. The MDPU, the NHPUC and the MPUC each have continued to approve these reconciling rate mechanisms which allow Fitchburg, Unitil Energy and Northern Utilities to recover their actual wholesale energy costs for electric power and natural gas.

In connection with the implementation of retail choice, Unitil Power and Fitchburg divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts.

## [Table of Contents](#)

Unitil Energy and Fitchburg recover in their rates all the costs associated with the divestiture of their power supply portfolios and have secured regulatory approval from the NHPUC and MDPUC, respectively, for the recovery of power supply-related stranded costs and other restructuring-related regulatory assets. As of December 31, 2021, Fitchburg and Unitil Energy have fully recovered their power supply-related stranded costs. The obligations for prior periods related to these divestitures are recorded in Energy Supply Obligations on the Company's Consolidated Balance Sheets with a corresponding regulatory asset recorded in Accrued Revenue. Unitil's distribution companies have a continuing obligation to submit filings in Massachusetts and New Hampshire demonstrating their compliance with regulatory mandates and provide for timely recovery of costs in accordance with their approved restructuring plans.

### **Tax Cuts and Jobs Act of 2017**

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law. Among other things, the TCJA substantially reduced the corporate income tax rate to 21%, effective January 1, 2018. Each state public utility commission, with jurisdiction over the areas that are served by Unitil's electric and gas subsidiary companies, issued orders directing how the tax law changes were to be reflected in rates. Unitil has complied with these orders and has made the required changes to its rates as directed by the commissions. The FERC issued a Notice of Proposed Rulemaking that would allow it to determine which pipelines under the Natural Gas Act may be collecting unjust and unreasonable rates in light of the corporate tax reduction. This matter was resolved for Granite State in its May 2, 2018 uncontested rate settlement filing, which accounted for the effect of the TCJA.

On November 21, 2019, the FERC issued Order No. 864, a final rule on Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes. The new rule requires public utilities with formula transmission rates to revise their formula rates to include a transparent methodology to address the TCJA and future tax law changes on customer rates by accounting for "excess" or "deficient" Accumulated Deferred Income Taxes (ADIT). The FERC also required transmission providers with stated rates to account for TCJA's effect on ADIT in their next rate case. The Company is complying with the new rule and there is no material effect on its financial position, operating results, or cash flows.

### **Rate Case Activity**

**Northern Utilities—Base Rates—Maine**—On March 26, 2020, the MPUC approved an increase to base revenue of \$3.6 million, a 3.6% increase over the Company's test year operating revenues, effective April 1, 2020. The order approved a Return on Equity of 9.48%, and a hypothetical capital structure of 50% equity and 50% debt. As part of the order and increase in base revenue, the MPUC provided for recovery of some, but not all, of the Company's implementation costs associated with its customer information system pending the completion of an investigation, including a third-party audit. On March 9, 2021, the MPUC opened a new docket to investigate the amount of customer information system costs that will be allowed in rates. On January 27, 2022, the Company and the Maine Office of the Public Advocate filed a stipulation in this docket. The stipulation includes no finding of imprudence or asset disallowance. The terms of the stipulation provide for recovery of the revenue requirement related to the Company's customer information system in base rates starting November 1, 2022, which coincides with the timing of the Company's winter cost of gas rate change. The stipulation is subject to approval by the MPUC.

**Northern Utilities—Targeted Infrastructure Replacement Adjustment (TIRA)—Maine**—The settlement in Northern Utilities' Maine division's 2013 rate case authorized the Company to implement a TIRA rate mechanism to adjust base distribution rates annually to recover the revenue requirements associated with targeted investments in gas distribution system infrastructure replacement and upgrade projects, including the Company's Cast Iron Replacement Program (CIRP). In its Final Order issued on February 28, 2018 for Northern Utilities' 2017 base rate case, the MPUC approved an extension of the TIRA mechanism for an additional eight-year period, which will allow for annual rate adjustments through the end of the CIRP program. The Company's most recent request under the TIRA mechanism, to increase annual base rates by \$1.1 million for 2020 eligible facilities, was approved by the MPUC effective May 1, 2021.

**Northern Utilities—Base Rates—New Hampshire**—On August 2, 2021, Northern Utilities filed a base rate case with the NHPUC, requesting a permanent increase in total annual revenues of \$7.8 million,

which represents an increase of 8.1% over total annual revenue at present rates. The multi-year rate filing includes a revenue decoupling mechanism and an Arrearage Management Program for financial hardship customers. Northern Utilities also requested implementation of temporary rates for service rendered on and after October 1, 2021. On September 30, 2021, the NHPUC approved a settlement providing for a temporary rate increase of \$2.6 million, effective October 1, 2021. As provided by statute, once a final order on permanent rates is issued, the permanent rate level is reconciled back to the effective date of the temporary rates.

**Unitil Energy—Base Rates**—On April 2, 2021, Unitil Energy filed a base rate case with the NHPUC, requesting a permanent increase in total annual revenues of \$12.0 million, which represents an increase of 4.4% above present rates. Unitil Energy also requested implementation of temporary rates for service rendered on and after June 1, 2021, and until a final order on permanent rates is issued. The filing includes (1) a proposed multi-year rate plan, (2) a revenue decoupling mechanism, (3) a Grid Modernization plan that includes a group of foundational grid modernization projects, (4) a suite of proposed time of use (TOU) rates including rates for electric vehicles (EV), (5) an EV infrastructure development program which includes rebates for residential customers for the installation of smart charging equipment and a public “make-ready” program for general service customers under which the Company will install the infrastructure required to connect an EV charger, (6) a Marketing, Communications, and Education Plan to engage with customers about the TOU rates and EV program offerings, (7) resiliency programs to further the Company’s commitment to reliability, (8) an Arrearage Management Program for financial hardship customers, and (9) other rate design and tariff changes. On April 24, 2020, the Governor of New Hampshire issued an executive order that extended the NHPUC’s authority to suspend rate schedules by six months, from 12 to 18 months, to conduct its investigation of a utility company’s request to increase rates. On April 6, 2021, the NHPUC determined that the extension applies to this proceeding, but stated it will endeavor to set final rates as expeditiously as possible. On May 27, 2021, the NHPUC approved a settlement agreement providing for a temporary rate increase of \$4.5 million in annual electric distribution revenues, effective June 1, 2021. As provided by statute, once a final order on permanent rates is issued, the permanent rate level is reconciled back to the effective date of the temporary rates. The Company and all parties to the case filed a motion on January 25, 2022 advising the NHPUC that, as a result of settlement negotiations, they have reached a comprehensive settlement agreement in principle on final rates. On January 26, 2022, the NHPUC suspended certain elements of the procedural schedule to allow the parties an opportunity to finalize and file the agreement. Once the settlement agreement has been finalized and filed, it is subject to approval by the NHPUC.

**Fitchburg—Base Rates—Electric**—Fitchburg’s base rates are decoupled in order to mitigate economic, weather, and energy efficiency effects to the Company’s revenues and subject to an annual revenue decoupling adjustment mechanism, which includes a cap on the amount that rates may be increased in any year. In addition, Fitchburg has an annual capital cost recovery mechanism to recover the revenue requirement associated with certain capital additions. On November 1, 2018, Fitchburg filed its cumulative revenue requirement of \$0.9 million associated with the Company’s 2015-2017 capital expenditures. On December 22, 2020, final approval of the filing was issued. On October 29, 2019, Fitchburg filed its cumulative revenue requirement of \$1.1 million associated with the Company’s 2015-2018 capital expenditures. On December 22, 2020, final approval of the filing was issued. On November 2, 2020, Fitchburg filed its cumulative revenue requirement of \$1.4 million associated with its 2019 capital expenditures. The Department allowed the associated rate increase to become effective on January 1, 2021, subject to further investigation and reconciliation. On June 15, 2021, final approval of the filing was issued. On November 2, 2021, Fitchburg filed its cumulative revenue requirement of \$1.6 million associated with its 2019 and 2020 capital expenditures. The Department allowed the associated rate increase to become effective on January 1, 2022, subject to further investigation and reconciliation.

On April 17, 2020, the MDPU approved a settlement agreement entered into by the Company and the Massachusetts Office of the Attorney General providing for a distribution increase of \$1.1 million, effective November 1, 2020. The Company’s subsequent Compliance Filing reflected an adjusted distribution increase of \$0.9 million, a decrease of \$0.2 million from the original settlement amount. On May 21, 2020, the MDPU approved the Company’s Compliance Filing. The agreement provides for a Return on Equity of 9.7% and a capital structure reflecting 52.45% equity and 47.55% long-term debt. Under the agreement, the Company will not increase or redesign base distribution rates to become effective prior to November 1,

---

## [Table of Contents](#)

2023, though the Company may seek cost recovery for certain exogenous events that meet a revenue threshold of \$0.1 million. The agreement also provides for the implementation of a major storm reserve fund, whereby the Company may recover the costs of restoration for qualifying storm events. In addition, the agreement provides for the extension of the annual capital cost recovery mechanism, modified to allow the recovery of property tax on the cumulative net capital expenditures.

**Fitchburg—Base Rates—Gas**—Pursuant to its revenue decoupling adjustment clause tariff, as approved in its last base rate case, the Company is allowed to modify, on a semi-annual basis, its base distribution rates to an established revenue per customer target in order to mitigate economic, weather and energy efficiency affect to the Company's revenues. The MDPU consistently has found the Company's filings are in accord with its approved tariffs, applicable law and precedent, and that they result in just and reasonable rates.

On February 28, 2020, the MDPU approved a settlement agreement between the Company and the Massachusetts Office of the Attorney General. The agreement provides for an annual distribution revenue increase of \$4.6 million to be phased in over two years: (1) an increase of \$3.7 million, which became effective on March 1, 2020; and (2) an increase of \$0.9 million, which became effective on March 1, 2021. Under the agreement, the Company will not increase or redesign base distribution rates to become effective prior to March 1, 2023, though the Company may seek cost recovery for certain exogenous events that meet a revenue effect threshold of \$40,000. The agreement provides for a Return on Equity of 9.7% and a capital structure reflecting 52.45% equity and 47.55% long-term debt.

**Fitchburg—Gas System Enhancement Program**—Pursuant to statute and MDPU order, Fitchburg has an approved Gas System Enhancement Plan tariff through which it may recover certain gas infrastructure replacement and safety related investment costs, subject to an annual cap. Under the plan, the Company is required to make two annual filings with the MDPU: a forward-looking filing for the subsequent construction year, to be filed on or before October 31; and a filing, submitted on or before May 1, of final project documentation for projects completed during the prior year, demonstrating substantial compliance with its plan in effect for that year and showing that project costs were reasonably and prudently incurred. Fitchburg's forward-looking filing submitted on October 30, 2020 requested recovery of approximately \$2.2 million, and received final approval on April 29, 2021, effective May 1, 2021. The Company's most recent forward-looking filing, filed on October 29, 2021, requested recovery of approximately \$3.3 million. The Company considers these to be routine regulatory proceedings, and there are no material issues outstanding.

**Granite State—Base Rates**—On November 30, 2020, the FERC approved Granite State's filing of an uncontested rate settlement which provides for an increase in annual revenues of approximately \$1.3 million, effective November 1, 2020. The Settlement Agreement permits the filing of limited Section 4 rate adjustments for capital cost projects eligible for cost recovery in 2021, 2022, and 2023, and sets forth an overall cap of approximately \$14.6 million on the capital cost recoverable under such filings during the term of the Settlement. Under the Settlement Agreement, Granite may not file a new general rate case earlier than April 30, 2024 with rates to be effective no earlier than November 1, 2024 based on a test year ending no earlier than December 31, 2023.

On August 24, 2021, the FERC accepted Granite State's first limited Section 4 rate adjustment pursuant to the Settlement Agreement, for an annual revenue increase of \$0.1 million, effective September 1, 2021.

### **Other Matters**

**Fitchburg—Grid Modernization**—On July 1, 2021, Fitchburg submitted its Grid Modernization Plan (GMP) to the MDPU. The GMP includes a five year strategic plan, including a plan for the full deployment of advanced metering functionality, and a four-year short-term investment plan, which focuses on foundational investments to facilitate the interconnection and integration of distributed energy resources, optimizing system performance through command and control and self-healing measures, and optimizing system demand by facilitating consumer price-responsiveness. The GMP is subject to review and approval by the MDPU and remains pending.

**Fitchburg—Grid Modernization Cost Recovery Factor**—On April 15, 2021, Fitchburg filed its Grid Modernization Factor (GMF) rate adjustment and reconciliation filing pursuant to the Company’s proposed GMF Tariff, for recovery of the costs incurred as a result of implementing the Company’s 2018-2021 GMP, previously approved by the MDPU on February 7, 2019. The proposed GMF was approved on May 27, 2021, effective June 1, 2021, subject to further investigation and reconciliation.

**Fitchburg—Investigation into the role of gas LDCs to achieve Commonwealth 2050 climate goals**—The MDPU has opened an investigation to examine the role of Massachusetts gas local distribution companies (LDCs) in helping the Commonwealth achieve its 2050 climate goal of net-zero greenhouse gas (GHG) emissions. In its Order opening the inquiry, the MDPU stated it is required to consider new policies and structures as the Commonwealth reduces reliance on fossil fuels, including natural gas, which may require LDCs to make significant changes to their planning processes and business models. The LDCs, including Fitchburg, have engaged an independent consultant to conduct a study and prepare a report (Report), including a detailed study of each LDC, that analyzes the feasibility of all identified pathways to help the Commonwealth achieve its net-zero GHG goal. The study is to include an examination of the potential pathways identified in the 2050 Decarbonization Roadmap developed by the MA Executive Office of Energy and Environmental Affairs, in consultation with the Massachusetts Department of Environmental Protection and the Massachusetts Department of Energy Resources. On or before March 1, 2022, each LDC is required to submit a proposal to the MDPU that includes the LDCs’ recommendations and plans for helping the Commonwealth achieve its 2050 climate goals, supported by the Report. Prior to filing the Report and the LDCs’ proposals, the LDCs are directed to engage in a stakeholder process to solicit feedback and advice on both the Report and the proposals. Fitchburg is actively involved in the LDCs’ joint effort to respond to the MDPU’s directives.

**Financial Effects of COVID-19 Pandemic**—The NHPUC and the MDPU have opened proceedings to consider the revenue and cost effects on the regulated electric and gas utilities within their respective jurisdictions of the requirement to continue the availability of gas, electric and water service to customers during the COVID-19 pandemic. Among the effects under investigation are the revenue effects associated with service disconnection moratoriums, the waiver of fees and expanded customer payments arrangements; the increased cost of customer accounts that cannot be collected, including the cost of bad debt reserves and increased working capital costs; and increased operating and maintenance costs incurred for employees to work safely and protect the public. Fitchburg, Unitil Energy and Northern Utilities are active participants in these proceedings, and are in full compliance with all regulatory orders governing service shut-off moratoriums and other customer service protection measures. These matters remain pending. On December 31, 2020, in docket DPU 20-58, the MDPU issued an order which, among other provisions, allows the utility companies to defer for future recovery bad debt expense in excess of a baseline. On July 7, 2021, the NHPUC issued an order which declined to authorize New Hampshire’s rate-regulated utilities’ establishment of a regulatory asset for incremental bad debt or waived late payment fees related to the COVID-19 pandemic. The NHPUC stated that these costs will be addressed in each utility’s next rate case. On September 7, 2021, the NHPUC clarified its July 7 Order, determining that it has not foreclosed rate-regulated utilities from utilizing accounting mechanisms to defer costs in order to seek recovery in a future rate proceeding, and that Unitil Energy’s and Northern Utilities’ respective pending rate cases are the appropriate venue to address incremental bad debt and/or waived late payment fees resulting from the COVID-19 public health emergency orders and directives.

**Northern Utilities / Granite State—Firm Capacity Contract**—Northern Utilities relies on the transportation of gas supply over its affiliate Granite State pipeline to serve its customers in the Maine and New Hampshire service territories. Granite State facilitates critical upstream interconnections with interstate pipelines and third party suppliers essential to Northern Utilities’ service to its customers. Northern Utilities reserves firm capacity through a contract with Granite State, which is renewed annually. Pursuant to statutory requirements in Maine and orders of the MPUC, Northern Utilities submits an annual informational report requesting approval of a one-year extension of its 12-month contract for firm pipeline capacity reservation, with an evergreen provision and three-month termination notification requirement. On March 30, 2021, Northern Utilities submitted an annual informational report requesting approval on a one-year extension for the period of November 1, 2021 through October 31, 2022. The MPUC approved the request on June 29, 2021.

**Reconciliation Filings**—Fitchburg, Unitil Energy and Northern Utilities each have a number of regulatory reconciling accounts that require annual or semi-annual filings with the MDPU, NHPUC and MPUC, respectively, to reconcile costs and revenues, and to seek approval of any rate changes. These filings include: annual electric reconciliation filings by Fitchburg and Unitil Energy for a number of items, including default service, stranded cost changes and transmission charges; costs associated with energy efficiency programs in New Hampshire and Massachusetts, as directed by the NHPUC and MDPU; recovery of the ongoing costs of storm repairs incurred by Unitil Energy; and the actual wholesale energy costs for electric power and gas incurred by each of the three companies. Fitchburg, Unitil Energy and Northern Utilities have been, and remain in full compliance with all directives and orders regarding these filings. The Company considers these to be routine regulatory proceedings, and there are no material issues outstanding.

**Fitchburg—Massachusetts Request for Proposals (RFPs)**—Pursuant to a comprehensive energy law enacted in 2016, “An Act to Promote Energy Diversity,” (the Act) under Section 83C, the Massachusetts electric distribution companies (EDCs), including Fitchburg, are required to jointly solicit proposals for long-term contracts for at least 400 megawatts (MW) of offshore wind energy generation by June 30, 2017, as part of a total of 1,600 MW of offshore wind the EDCs are directed to procure by June 30, 2027. Under Section 83D of the Act, the EDCs are required to jointly seek proposals for cost-effective clean energy (hydroelectric, solar and land-based wind) long-term contracts via one or more staggered solicitations for a total of 9,450,000 megawatt-hours (MWh) by December 31, 2022. Unitil’s pro rata share of these contracts is approximately one percent.

The EDCs issued the RFP for Section 83D Long-Term Contracts for Qualified Clean Energy Projects in March 2017, and after selection of final projects and negotiation, final contracts for 9,554,940 MWh of Qualified Clean Energy and associated Environmental Attributes from Hydro-Quebec Energy Services (U.S.), Inc. for hydroelectric generation were filed in July 2018 for approval by the MDPU. On June 25, 2019, the MDPU approved the power purchase agreements, including the EDCs’ proposal to sell the energy procured under the contract into the ISO-NE wholesale market and to credit or charge the difference between the contract costs and the ISO-NE market costs to customers. The MDPU also determined that the EDCs’ request for remuneration equal to 2.75% of the contract payments is reasonable and in the public interest and approved the EDCs’ proposal to amend their respective tariffs to include the recovery of costs associated with the contracts. The Massachusetts Supreme Judicial Court upheld the MDPU’s approval in an opinion dated September 3, 2020. The Company believes the power purchase obligations under these long-term contracts will have a material effect on the contractual obligations of Fitchburg, once certain conditions and contingencies are met.

The EDCs issued the RFP pursuant to Section 83C for Long-Term Contracts for Offshore Wind Energy Generation in June 2017. The EDCs selected an 800 MW project submitted by Vineyard Wind in May 2018, contracts were signed in July 2018 and on July 23, 2018, the EDCs, including Fitchburg, filed two long-term contracts, each for 400 MW of offshore wind energy generation with the MDPU for approval. On April 12, 2019, the MDPU approved the offshore wind energy generation power purchase agreements, including the EDCs’ proposal to sell the energy procured under the contract into the ISO-NE wholesale market and to credit or charge the difference between the contract costs and the ISO-NE market costs to customers. The MDPU also determined that the EDCs’ request for remuneration equal to 2.75% of the contract payments is reasonable and in the public interest and approved the EDCs’ proposal to amend their respective tariffs to include the recovery of costs associated with the contracts. The Company believes the power purchase obligations under these long-term contracts will have a material effect on the contractual obligations of Fitchburg, once certain conditions and contingencies are met.

The EDCs issued a second RFP pursuant to Section 83C for Long-Term Contracts for Offshore Wind Energy Generation on May 23, 2019. This solicitation sought to procure the obligation remaining under 83C at the time, an additional 800 MW of offshore wind energy generation. The EDCs selected an 800 MW project submitted by Mayflower Wind Energy LLC and contracts were executed on January 10, 2020. A filing with the MDPU for approval of two long-term contracts, each for 400 MW of offshore wind energy generation, was made on February 10, 2020. On November 5, 2020, the MDPU approved the Offshore Wind Energy Generation power purchase agreements. The MDPU also determined that the EDCs’ request for remuneration equal to 2.75% is reasonable and in the public interest. The Company believes the power

purchase obligations under these long-term contracts will have a material effect on the contractual obligations of Fitchburg, once certain conditions and contingencies are met.

In accordance with the requirement of Chapter 227 of the Acts of 2018, An Act to Advance Clean Energy, signed August 9, 2018, Massachusetts Department of Energy Resources (MDOER) prepared a report on the necessity, benefits and costs of requiring the EDCs to competitively conduct offshore wind generation RFPs for up to an additional 1,600 MW. The MDOER filed its report with the Legislature in May, 2019, recommending that, “the EDCs should proceed with additional offshore wind solicitations for up to 1,600 MW of offshore wind in 2022 and 2024 and only enter into contracts if found to be cost-effective.” On March 10, 2021, Fitchburg, along with the other EDCs, filed a petition with the MDPU for approval of a proposed timetable and method of solicitation and execution of long-term contracts for up to an additional 1,600 MW of off shore wind generation. On May 5, 2021, the DPU approved the proposed timetable and method for the solicitation, and the RFP was issued on May 7, 2021. On December 17, 2021, the EDCs selected a 1,600 MW portfolio of offshore wind generation that includes a 1,200 MW project submitted by Vineyard Wind and a 400 MW project submitted by Mayflower Wind. Contract negotiations are expected to be completed by the end of March 2022 and submitted for approval to the MDPU by the end of April 2022.

Section 83C of Chapter 169 of the Acts of 2008 was recently amended by the Acts of 2021 to increase the aggregate amount of offshore wind capacity to be procured to 5,600 MW not later than June 30, 2027. After considering the two approved offshore wind contracts of 800 MW each and the most recent selection of 1,600 MW there is another 2,400 MW of offshore wind capacity to be procured in the future.

**FERC Transmission Formula Rate Proceedings**—Pursuant to Section 206 of the Federal Power Act, there are several pending proceedings before the FERC concerning the justness and reasonableness of the Return on Equity (ROE) component of the ISO-New England, Inc. Participating Transmission Owners’ Regional Network Service and Local Network Service formula rates. On April 14, 2017, the U.S. Court of Appeals for the D.C. Circuit (the Court) issued an opinion vacating a decision of the FERC with respect to the ROE, and remanded it for further proceedings. The FERC had found that the Transmission Owners existing ROE was unlawful, and set a new ROE. The Court found that the FERC had failed to articulate a satisfactory explanation for its orders. At this time, the ROE set in the vacated order will remain in place until further FERC action is taken. Separately, on March 15, 2018, the Transmission Owners filed a petition for review with the Court of certain orders of the FERC setting for hearing other complaints challenging the allowed Return on Equity component of the formula rates. On November 21, 2019 the FERC issued an order in EL14-12, Midcontinent Independent System Operator ROE, in which FERC outlined a new methodology for calculating the ROE. In response to the FERC order in EL 14-12, the New England Transmission Owners (NETOs) filed a motion to reopen the record, which has been granted. This matter remains pending. The Company does not believe these proceedings will have a material adverse effect on its financial condition or results of operations.

The FERC Section 206 proceeding concerning the justness and reasonableness of ISO-New England, Inc. Participating Transmission Owners’ Regional Network Service and Local Network Service formula rates and to develop formula rate protocols for these rates has been resolved. On August 17, 2018 a joint settlement agreement among a number of the parties was filed with the FERC. FERC rejected the settlement agreement on May 22, 2019 and remanded the proceeding to the Chief Administrative Law Judge to resume hearing procedures. On May 24, 2019 the judge appointed a Dispute Resolution Facilitator to aid parties in settlement negotiations. The procedural schedule was suspended September 24, 2019 in order to allow participants to focus on settlement negotiations. On October 24, 2019, the NETOs filed an unopposed motion to suspend the procedural schedule and waiver of answer period indicating that the NETOs, Municipal Pool Transmission Facility Owners and the Commission Trial Staff have reached agreement in principle on the terms of a settlement to resolve all open issues in the proceeding. On June 15, 2020 a settlement was filed. The FERC approved the settlement agreement on December 28, 2020. Pursuant to the terms of the settlement agreement, the negotiated formula rates took effect on January 1, 2022. Fitchburg and Unitil Energy are Participating Transmission Owners, although Unitil Energy does not own transmission plant. To the extent these proceedings result in any changes to the rates being charged, a retroactive reconciliation may be required. The Company does not believe these proceedings will have a material adverse effect on its financial condition or results of operations.

## [Table of Contents](#)

### Contractual Obligations

The following table lists the Company's known specified gas and electric supply contractual obligations as of December 31, 2021.

Gas and Electric Supply Contractual Obligations (millions) as of December 31, 2021	Payments Due by Period						
	Total	2022	2023	2024	2025	2026	2027 & Beyond
Gas Supply Contracts	\$523.9	\$58.5	\$50.6	\$38.8	\$37.3	\$36.9	\$301.8
Electric Supply Contracts	14.2	1.2	1.2	1.2	1.3	1.3	8.0
Total	<u>\$538.1</u>	<u>\$59.7</u>	<u>\$51.8</u>	<u>\$40.0</u>	<u>\$38.6</u>	<u>\$38.2</u>	<u>\$309.8</u>

The Company and its subsidiaries have material energy supply commitments (see Note 6 (Energy Supply)). Cash outlays for the purchase of electricity and natural gas to serve customers are subject to reconciling recovery through periodic changes in rates, with carrying charges on deferred balances. From year to year, there are likely to be timing differences associated with the cash recovery of such costs, creating under- or over-recovery situations at any point in time. Rate recovery mechanisms are typically designed to collect the under-recovered cash or refund the over-collected cash over subsequent periods of less than a year.

### Legal Proceedings

The Company is involved in legal and administrative proceedings and claims of various types, including those which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material effect on its financial position, operating results or cash flows.

### Environmental Matters

The Company's past and present operations include activities that are generally subject to extensive and complex federal and state environmental laws and regulations. The Company is in material compliance with applicable environmental and safety laws and regulations and, as of December 31, 2021, has not identified any material losses reasonably likely to be incurred in excess of recorded amounts. However, the Company cannot assure that significant costs and liabilities will not be incurred in the future. It is possible that other developments, such as increasingly stringent federal, state or local environmental laws and regulations could result in increased environmental compliance costs. Based on its current assessment of its environmental responsibilities, existing legal requirements and regulatory policies, the Company does not believe that these environmental costs will have a material adverse effect on the Company's consolidated financial position or results of operations.

**Northern Utilities Manufactured Gas Plant Sites**—Northern Utilities has an extensive program to identify, investigate and remediate former manufactured gas plant (MGP) sites, which were operated from the mid-1800s through the mid-1900s. In New Hampshire, MGP sites were identified in Dover, Exeter, Portsmouth, Rochester and Somersworth. In Maine, Northern Utilities has documented the presence of MGP sites in Lewiston and Portland, and a former MGP disposal site in Scarborough.

Northern Utilities has worked with the Maine Department of Environmental Protection and New Hampshire Department of Environmental Services (NH DES) to address environmental concerns with these sites. Northern Utilities or others have completed remediation activities at all sites; however, on site monitoring continues at several sites which may result in future remedial actions as directed by the applicable regulatory agency.

In July 2019, the NH DES requested that Northern Utilities review modeled expectations for groundwater contaminants against observed data at the Rochester site. In June 2020, the NH DES coupled the submittal of the review to a proposed extension of the gas distribution system by Northern Utilities. Northern Utilities submitted the review in January 2022. In anticipation of the NH DES approval of the work plan, the Company has accrued \$0.8 million for estimated costs to complete the remediation at the Rochester site, which is included in Environmental Obligations.

## [Table of Contents](#)

The NHPUC and MPUC have approved regulatory mechanisms for the recovery of MGP environmental costs. For Northern Utilities' New Hampshire division, the NHPUC has approved the recovery of MGP environmental costs over succeeding seven-year periods. For Northern Utilities' Maine division, the MPUC has authorized the recovery of environmental remediation costs over succeeding five-year periods.

The Environmental Obligations table shows the amounts accrued for Northern Utilities related to estimated future cleanup costs associated with Northern Utilities' environmental remediation obligations for former MGP sites. Corresponding Regulatory Assets were recorded to reflect that the future recovery of these environmental remediation costs is expected based on regulatory precedent and established practices.

**Fitchburg's Manufactured Gas Plant Site**—Fitchburg has worked with the Massachusetts Department of Environmental Protection (Mass DEP) to address environmental concerns with the former MGP site at Sawyer Passway, and has substantially completed remediation activities, though on site monitoring continues. In April 2020, Fitchburg received notification from the Massachusetts Department of Transportation (Mass DOT) that a portion of the site may be incorporated into the proposed Twin City Rail Trail with an anticipated completion in 2023. Depending upon the final agreement between Fitchburg and Mass DOT, additional minor costs are expected prior to completion.

In August 2021, the Mass DEP issued a Notice of Non-compliance to FGE following a November 2020 audit of the September 2015 Response Action Outcome on the MGP site. Mass DEP directed Fitchburg to further define the extent of MGP site contaminants in the sediment and riverbank of an abutting watercourse. FGE began the investigation in November 2021 with an anticipated completion by June 2022. The Company does not believe this investigation will have a material adverse effect on its financial condition, results of operations or cash flows.

Fitchburg recovers the environmental response costs incurred at this former MGP site in gas rates pursuant to the terms of a cost recovery agreement approved by the MDPU. Pursuant to this agreement, Fitchburg is authorized to amortize and recover environmental response costs from gas customers over succeeding seven-year periods.

**Unitil Energy—Kensington Distribution Operations Center**—Unitil Energy conducted a Phase I and II environmental site assessment (ESA) in the second quarter of 2021. The ESA results identified soil and groundwater contaminants in excess of state regulatory standards. In September 2021, the NH DES directed Unitil Energy to conduct a supplemental site investigation (SSI) and identify whether there is a need to conduct further investigation or remedial actions. Unitil Energy began the SSI in December 2021 with an anticipated completion June 2022.

The following table sets forth a summary of changes in the Company's liability for Environmental Obligations for the years-ended December 31, 2021 and 2020.

### **Environmental Obligations (\$ millions)**

	December 31,	
	2021	2020
<b>Total Balance at Beginning of Period</b>	<b>\$ 2.1</b>	<b>\$ 2.7</b>
Additions	<b>0.9</b>	0.2
Less: Payments / Reductions	<b>0.3</b>	0.8
<b>Total Balance at End of Period</b>	<b>2.7</b>	2.1
Less: Current Portion	<b>0.5</b>	0.3
<b>Noncurrent Balance at End of Period</b>	<b>\$ 2.2</b>	<b>\$ 1.8</b>

**Note 8: Income Taxes**

Provisions for Federal and State Income Taxes reflected as operating expenses in the accompanying consolidated statements of earnings for the years ended December 31, 2021, 2020, and 2019 are shown in the following table:

	(in millions)		
	2021	2020	2019
<b>Current Income Tax Provision</b>			
Federal	\$ —	\$ 0.3	\$ —
State	0.7	0.6	0.3
Total Current Income Taxes	<u>\$ 0.7</u>	<u>\$ 0.9</u>	<u>\$ 0.3</u>
<b>Deferred Income Tax Provision</b>			
Federal	\$ 7.3	\$ 6.5	\$ 9.4
State	3.5	2.8	4.1
Total Deferred Income Taxes	<u>10.8</u>	<u>9.3</u>	<u>13.5</u>
<b>Total Income Tax Expense</b>	<u>\$ 11.5</u>	<u>\$ 10.2</u>	<u>\$ 13.8</u>

The differences between the Company's provisions for Income Taxes and the provisions calculated at the statutory federal tax rate, expressed in percentages, are shown in the following table:

	2021	2020	2019
<b>Statutory Federal Income Tax Rate</b>	<u>21%</u>	<u>21%</u>	<u>21%</u>
<b>Income Tax Effects of:</b>			
State Income Taxes, net	6	6	6
Utility Plant Differences	(3)	(4)	(3)
Other, net	—	1	—
<b>Effective Income Tax Rate</b>	<u>24%</u>	<u>24%</u>	<u>24%</u>

Temporary differences which gave rise to deferred tax assets and liabilities in 2021 and 2020 are shown in the following table:

<u>Temporary Differences (in millions)</u>	2021	2020
<b>Deferred Tax Assets</b>		
Retirement Benefit Obligations	\$ 34.1	\$ 40.7
Net Operating Loss Carryforwards	4.1	—
Tax Credit Carryforwards	0.7	0.3
Other, net	1.3	1.3
<b>Total Deferred Tax Assets</b>	<u>\$ 40.2</u>	<u>\$ 42.3</u>
<b>Deferred Tax Liabilities</b>		
Utility Plant Differences	157.4	\$ 143.8
Regulatory Assets & Liabilities	9.4	6.2
Other, net	1.1	1.3
<b>Total Deferred Tax Liabilities</b>	<u>167.9</u>	<u>151.3</u>
<b>Net Deferred Tax Liabilities</b>	<u>\$ 127.7</u>	<u>\$ 109.0</u>

Under the Company's Tax Sharing Agreement (the Agreement) which was approved upon the formation of Unitil as a public utility holding company, the Company files consolidated Federal and State tax returns and Unitil Corporation and each of its utility operating subsidiaries recognize the results of their operations in its tax returns as if it were a stand-alone taxpayer. The Agreement provides that the Company will account for income taxes in compliance with U.S. GAAP and regulatory accounting principles. The Company has evaluated its tax positions at December 31, 2021 in accordance with the FASB Codification, and has concluded that no adjustment for recognition, de-recognition, settlement or foreseeable future

## [Table of Contents](#)

events to any tax liabilities or assets as defined by the FASB Codification is required. The Company remains subject to examination by Maine, Massachusetts, and New Hampshire tax authorities for the tax periods ended December 31, 2020; December 31, 2019; and December 31, 2018.

Income tax filings for the year ended December 31, 2020 have been filed with the IRS, Massachusetts Department of Revenue, the Maine Revenue Service, and the New Hampshire Department of Revenue Administration. In the Company's federal tax returns for the year ended December 31, 2020 which were filed with the IRS in October 2021, the Company generated federal Net Operating Loss Carryforward (NOLC) assets of \$7.7 million, principally due to tax repairs expense and tax depreciation. As of December 31, 2021, the Company recognized the utilization of approximately \$3.6 million of the NOLC asset to offset current taxes payable. In addition, at December 31, 2021, the Company had \$0.7 million of cumulative state tax credit carryforwards to offset future income taxes payable. If unused, the Company's state tax credit carryforwards will begin to expire in 2024.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The CARES Act included several tax changes as part of its economic package. These changes principally related to expanded Net Operating Loss carryback periods, increases to interest deductibility limitations, and accelerated Alternative Minimum Tax refunds. The Company has evaluated these items and determined that the items do not have a material effect on the Company's financial statements as of December 31, 2021. Additionally, the CARES Act enacted the Employee Retention Credit (ERC) to incentivize companies to retain employees. The ERC is a 50% credit on employee wages for employees that are retained and cannot perform their job duties at 100% capacity as a result of coronavirus pandemic restrictions.

In December 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA included additional funding through tax credits as part of its economic package for 2021. These changes include the temporary removal of deduction limitations on business meals through December 2022 and additional funding for the ERC with expanded benefits extended through June 30, 2021. The expanded ERC is a 70% credit on employee wages for employees that are retained and cannot perform their job duties at 100% capacity as a result of coronavirus pandemic restrictions.

In March 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The ARPA included certain provisions that provide economic relief for the ongoing COVID-19 pandemic, such as extending the ERC through December 31, 2021, and other future governmental revenue producing provisions, such as expanding the scope for deduction limitations on executive compensation in future years.

The Company has evaluated each of the CARES, CAA and ARPA provisions and determined that they do not have a material effect on the Company's financial statements as of December 31, 2021. The Company has recorded a reduction in payroll taxes related to the ERC for \$0.4 million in 2021 and \$0.6 million in 2020. These credits were recorded as a reduction to payroll tax expense which is recorded in Taxes Other Than Income Taxes in the Consolidated Statements of Earnings.

In December 2017, the Tax Cuts and Jobs Act (TCJA), which included a reduction to the corporate federal income tax rate to 21% effective January 1, 2018, was signed into law. In accordance with FASB Codification Topic 740, the Company revalued its Accumulated Deferred Income Taxes (ADIT) at the new 21% tax rate at which the ADIT will be reversed in future periods. The Company recorded a net Regulatory Liability in the amount of \$48.9 million at December 31, 2017 as a result of the ADIT revaluation. The Company expects to flow through to customers \$47.1 million of excess ADIT in utility base rates. Approximately \$1.8 million of excess ADIT was created through reconciling mechanisms at December 31, 2017, which had not been previously collected from customers through utility rates. The Company reconciled these excess ADIT amounts through the specific reconciliation mechanisms in each of those individual reconciling mechanisms which were reviewed by state regulators. In addition to the \$48.9 million of net excess ADIT, as of December 31, 2018, there was \$2.0 million of remaining excess ADIT created by the recognition of NOLC, and related to the implementation of the new federal tax rate of the TCJA, which had not been previously included in utility rates. The Company recognized the benefit of this excess ADIT in accordance with the regulatory treatment of excess ADIT for each jurisdiction. In 2019, the Company recognized \$1.7 million of this amount and the remaining \$0.3 million was recognized in 2020.

Based on communications received by the Company from its state regulators in rate cases and other regulatory proceedings in the first quarter of 2018 and as prescribed in the TCJA, the recent FERC guidance noted above and IRS normalization rules, the benefit of these protected excess ADIT amounts will be subject to flow back to customers in future utility rates according to the Average Rate Assumption Method (ARAM). ARAM reconciles excess ADIT at the reversal rate of the underlying book/tax temporary timing differences. The Company estimates the ARAM flow back period for protected and unprotected excess ADIT to be between fifteen and twenty years over the remaining life of the related utility plant. Subject to regulatory approval, the Company expects to flow back to customers a net \$47.1 million of protected excess ADIT created as a result of the lowering of the statutory tax rate by the TCJA over periods estimated to be fifteen to twenty years. As of December 31, 2021, the Company flowed back \$3.1 million to customers in its Massachusetts, Maine, and federal jurisdictions. New Hampshire liabilities will begin to flow back once rate proceedings have finalized in that jurisdiction.

**Note 9: Retirement Benefit Plans**

The Company sponsors the following retirement benefit plans to provide certain pension and post-retirement benefits for its retirees and current employees as follows:

- The Unitil Corporation Retirement Plan (Pension Plan)—The Pension Plan is a defined benefit pension plan. Under the Pension Plan, retirement benefits are based upon an employee’s level of compensation and length of service. Effective January 1, 2010, the Pension Plan was closed to new non-union employees. For union employees, the Pension Plan was closed on various dates between December 31, 2010 and June 1, 2013, depending on the various Collective Bargaining Agreements of each union.
- The Unitil Retiree Health and Welfare Benefits Plan (PBOP Plan)—The PBOP Plan provides health care and life insurance benefits to retirees. The Company has established Voluntary Employee Benefit Trusts, into which it funds contributions to the PBOP Plan.
- The Unitil Corporation Supplemental Executive Retirement Plan (SERP)—The SERP is a non-qualified retirement plan, with participation limited to executives selected by the Board of Directors.

The following table includes the key assumptions used in determining the Company’s benefit plan costs and obligations:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Used to Determine Plan costs for years ended December 31:</b>			
Discount Rate	2.50%	3.25%	4.25%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Expected Long-term rate of return on plan assets	7.50%	7.40%	7.50%
Health Care Cost Trend Rate Assumed for Next Year	6.60%	7.00%	7.00%
Ultimate Health Care Cost Trend Rate	4.50%	4.50%	4.50%
Year that Ultimate Health Care Cost Trend Rate is reached	2029	2029	2024
<b>Used to Determine Benefit Obligations at December 31:</b>			
Discount Rate	2.85%	2.50%	3.25%
Rate of Compensation Increase	3.00%	3.00%	3.00%
Health Care Cost Trend Rate Assumed for Next Year	6.20%	6.60%	7.00%
Ultimate Health Care Cost Trend Rate	4.50%	4.50%	4.50%
Year that Ultimate Health Care Cost Trend Rate is reached	2029	2029	2029

The Discount Rate assumptions used in determining retirement plan costs and retirement plan obligations are based on an assessment of current market conditions using high quality corporate bond interest rate indices and pension yield curves. For 2021, a change in the discount rate of 0.25% would have resulted in an increase or decrease of approximately \$679,000 in the Net Periodic Benefit Cost (NPBC). The Rate of Compensation Increase assumption used for 2021 was based on the expected long-term increase in compensation costs for personnel covered by the plans.

## [Table of Contents](#)

The following table provides the components of the Company's Retirement plan costs (000's):

	Pension Plan			PBOP Plan			SERP		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Service Cost	\$ 3,472	\$ 3,322	\$ 3,104	\$ 3,034	\$ 2,698	\$ 2,304	\$ 354	\$ 283	\$ 247
Interest Cost	5,003	5,776	6,484	2,740	3,121	3,426	458	549	567
Expected Return on Plan Assets	(9,693)	(9,019)	(8,475)	(2,508)	(2,063)	(1,645)	—	—	—
Prior Service Cost Amortization	301	320	320	1,208	1,210	1,213	56	57	56
Actuarial Loss Amortization	8,089	6,472	4,324	1,045	744	227	1,489	1,036	628
Sub-total	7,172	6,871	5,757	5,519	5,710	5,525	2,357	1,925	1,498
Amounts Capitalized or Deferred	(3,384)	(3,083)	(2,227)	(3,136)	(2,865)	(2,317)	(712)	(579)	(430)
NPBC Recognized	<u>\$ 3,788</u>	<u>\$ 3,788</u>	<u>\$ 3,530</u>	<u>\$ 2,383</u>	<u>\$ 2,845</u>	<u>\$ 3,208</u>	<u>\$ 1,645</u>	<u>\$ 1,346</u>	<u>\$ 1,068</u>

The Company bases the actuarial determination of pension expense on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a three-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the fair value of assets. Since the market-related value of assets recognizes gains or losses over a three-year period, the future value of the market-related assets will be affected as previously deferred gains or losses are recognized. The Company's pension expense for the years 2021, 2020 and 2019 before capitalization and deferral was \$7.2 million, \$6.9 million and \$5.8 million, respectively. Had the Company used the fair value of assets instead of the market-related value, pension expense for the years 2021, 2020 and 2019 would have been \$6.1 million, \$6.5 million and \$7.3 million respectively, prior to amounts capitalized or deferred.

## [Table of Contents](#)

The following table represents information on the plans' assets, projected benefit obligations (PBO), and funded status (000's):

<b>Change in Plan Assets:</b>	<b>Pension Plan</b>		<b>PBOP Plan</b>		<b>SERP</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Plan Assets at Beginning of Year	\$ 137,406	\$ 125,755	\$ 32,847	\$ 27,280	\$ —	\$ —
Actual Return on Plan Assets	16,989	13,024	3,586	3,739	—	—
Employer Contributions	4,100	4,665	8,903	4,156	637	654
Participant Contributions	—	—	220	240	—	—
Benefits Paid	(6,489)	(6,038)	(2,905)	(2,568)	(637)	(654)
<b>Plan Assets at End of Year</b>	<b>\$ 152,006</b>	<b>\$ 137,406</b>	<b>\$ 42,651</b>	<b>\$ 32,847</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Change in PBO:</b>						
PBO at Beginning of Year	\$ 206,092	\$ 182,135	\$ 106,831	\$ 95,657	\$ 20,225	\$ 17,759
Service Cost	3,472	3,322	3,034	2,698	354	283
Interest Cost	5,003	5,776	2,740	3,121	458	549
Participant Contributions	—	—	220	240	—	—
Plan Amendments	674	732	—	—	—	—
Benefits Paid	(6,489)	(6,038)	(2,905)	(2,568)	(637)	(654)
Actuarial (Gain) or Loss	(9,334)	20,165	2,167	7,683	(2,686)	2,288
<b>PBO at End of Year</b>	<b>\$ 199,418</b>	<b>\$ 206,092</b>	<b>\$ 112,087</b>	<b>\$ 106,831</b>	<b>\$ 17,714</b>	<b>\$ 20,225</b>
<b>Funded Status: Assets vs PBO</b>	<b>\$ (47,412)</b>	<b>\$ (68,686)</b>	<b>\$ (69,436)</b>	<b>\$ (73,984)</b>	<b>\$ (17,714)</b>	<b>\$ (20,225)</b>

The decrease in the PBO for the Pension plan as of December 31, 2021 compared to December 31, 2020 primarily reflects an increase in the assumed discount rate as of December 31, 2021.

The funded status of the Pension, PBOP and SERP Plans is calculated based on the difference between the benefit obligation and the fair value of plan assets and is recorded on the balance sheets as an asset or a liability. Because the Company recovers the retiree benefit costs from customers through rates, regulatory assets are recorded in lieu of an adjustment to Accumulated Other Comprehensive Income/(Loss).

The Company has recorded on its consolidated balance sheets as a liability the underfunded status of its and its subsidiaries' retirement benefit obligations based on the projected benefit obligation. The Company has recognized Regulatory Assets, net of deferred tax benefits, of \$86.4 million and \$103.7 million at December 31, 2021 and 2020, respectively, to account for the future collection of these plan obligations in electric and gas rates.

The Accumulated Benefit Obligation (ABO) is required to be disclosed for all plans where the ABO is in excess of plan assets. The difference between the PBO and the ABO is that the PBO includes projected compensation increases. The ABO for the Pension Plan was \$185.1 million and \$189.4 million as of December 31, 2021 and 2020, respectively. The ABO for the SERP was \$17.5 million and \$16.7 million as of December 31, 2021 and 2020, respectively. For the PBOP Plan, the ABO and PBO are the same. (See Note 1 (Summary of Significant Accounting Policies) for further discussion of SERP funding.)

The Company, along with its subsidiaries, expects to continue to make contributions to its Pension Plan in 2022 and future years at minimum required and discretionary funding levels consistent with the amounts recovered in the distribution utilities' rates for these Pension Plan costs.

## Table of Contents

The following table represents employer contributions, participant contributions and benefit payments (000's).

	Pension Plan			PBOP Plan			SERP		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Employer Contributions	\$4,100	\$4,665	\$6,916	\$8,903	\$4,156	\$4,000	\$637	\$654	\$610
Participant Contributions	\$ —	\$ —	\$ —	\$ 220	\$ 240	\$ 121	\$ —	\$ —	\$ —
Benefit Payments	\$6,489	\$6,038	\$6,877	\$2,905	\$2,568	\$1,758	\$637	\$654	\$610

The following table represents estimated future benefit payments (000's).

	Estimated Future Benefit Payments		
	Pension	PBOP	SERP
2022	\$ 7,040	\$ 3,151	\$ 637
2023	8,046	3,448	636
2024	8,497	3,559	635
2025	8,702	3,862	1,090
2026	9,804	4,158	1,144
2027—2031	54,565	23,853	5,583

The Expected Long-Term Rate of Return on Pension Plan assets assumption used by the Company is developed based on input from actuaries and investment managers. The Company's Expected Long-Term Rate of Return on Pension Plan assets is based on target investment allocation of 56% in common stock equities, 39% in fixed income securities and 5% in real estate securities. The Company's Expected Long-Term Rate of Return on PBOP Plan assets is based on target investment allocation of 55% in common stock equities and 45% in fixed income securities. The actual investment allocations are shown in the following tables.

Pension Plan	Target Allocation 2022	Actual Allocation at December 31,		
		2021	2020	2019
Equity Funds	56%	57%	58%	54%
Debt Funds	39%	38%	37%	36%
Real Estate Fund	5%	4%	4%	9%
Other <sup>(1)</sup>	—	1%	1%	1%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Represents investments being held in cash equivalents as of December 31, 2021, December 31, 2020 and December 31, 2019 pending payment of benefits.

PBOP Plan	Target Allocation 2022	Actual Allocation at December 31,		
		2021	2020	2019
Equity Funds	55%	56%	55%	56%
Debt Funds	45%	44%	45%	44%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>

The combination of these target allocations and expected returns resulted in the overall assumed long-term rate of return of 7.50% for 2021. The Company evaluates the actuarial assumptions, including the expected rate of return, at least annually. The desired investment objective is a long-term rate of return on assets that is approximately 5 – 6% greater than the assumed rate of inflation as measured by the Consumer Price Index. The target rate of return for the Plans has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020. Please also see Note 1 (Summary of Significant Accounting Policies) for a discussion of the Company's fair value accounting policy.

## [Table of Contents](#)

### Equity, Fixed Income, Index and Asset Allocation Funds

These investments are valued based on quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

### Cash Equivalents

These investments are valued at cost, which approximates fair value, and are categorized in Level 1.

### Real Estate Fund

These investments are valued at net asset value per unit based on a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity. In accordance with FASB Codification Topic 820, "Fair Value Measurement", these investments have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below for the Real Estate Fund are intended to permit reconciliation of the fair value hierarchy to the "Plan Assets at End of Year" line item shown in the "Change in Plan Assets" table above.

Assets measured at fair value on a recurring basis for the Pension Plan as of December 31, 2021 and 2020 are as follows (000's):

Description	Fair Value Measurements at Reporting Date Using			
	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2021</b>				
Pension Plan Assets:				
Mutual Funds:				
Equity Funds	\$ 86,356	\$ 86,356	\$ —	\$ —
Fixed Income Funds	57,883	57,883	—	—
Total Mutual Funds	144,239	144,239	—	—
Cash Equivalents	912	912	—	—
Total Assets in the Fair Value Hierarchy	\$ 145,151	\$ 145,151	\$ —	\$ —
Real Estate Fund—Measured at Net Asset Value	6,855	—	—	—
Total Assets	\$ 152,006	—	—	—
<b>2020</b>				
Pension Plan Assets:				
Mutual Funds:				
Equity Funds	\$ 79,690	\$ 79,690	\$ —	\$ —
Fixed Income Funds	50,622	50,622	—	—
Total Mutual Funds	130,312	130,312	—	—
Cash Equivalents	1,277	1,277	—	—
Total Assets in the Fair Value Hierarchy	\$ 131,589	\$ 131,589	\$ —	\$ —
Real Estate Fund—Measured at Net Asset Value	5,817	—	—	—
Total Assets	\$ 137,406	—	—	—

Redemptions of the Real Estate Fund are subject to a sixty-five day notice period and the fund is valued quarterly. There are no unfunded commitments.

[Table of Contents](#)

Assets measured at fair value on a recurring basis for the PBOP Plan as of December 31, 2021 and 2020 are as follows (000's):

Description	Fair Value Measurements at Reporting Date Using			
	Balance as of December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2021</b>				
PBOP Plan Assets:				
Mutual Funds:				
Fixed Income Funds	\$ 18,882	\$ 18,882	\$ —	\$ —
Equity Funds	23,769	23,769	—	—
Total Assets	<u>\$ 42,651</u>	<u>\$ 42,651</u>	<u>\$ —</u>	<u>\$ —</u>
<b>2020</b>				
PBOP Plan Assets:				
Mutual Funds:				
Fixed Income Funds	\$ 14,716	\$ 14,716	\$ —	\$ —
Equity Funds	18,131	18,131	—	—
Total Assets	<u>\$ 32,847</u>	<u>\$ 32,847</u>	<u>\$ —</u>	<u>\$ —</u>

**Employee 401(k) Tax Deferred Savings Plan**—The Company sponsors the Unital Corporation Tax Deferred Savings and Investment Plan (the 401(k) Plan) under Section 401(k) of the Internal Revenue Code and covering substantially all of the Company's employees. Participants may elect to defer current compensation by contributing to the plan. Employees may direct, at their sole discretion, the investment of their savings plan balances (both the employer and employee portions) into a variety of investment options, including a Company common stock fund.

The Company's contributions to the 401(k) Plan were \$3.3 million, \$3.0 million and \$2.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## [Table of Contents](#)

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Management of the Company, under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2021. Based on this evaluation, the Company's Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer concluded as of December 31, 2021 that the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective.

#### **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Under the supervision and with the participation of management, including the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, Unitil management has evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, based upon criteria established in the "Internal Control—Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, Unitil management concluded that Unitil's internal control over financial reporting was effective as of December 31, 2021.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2021, as stated in their report which appears in Part II, Item 8 herein.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in Unitil's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, Unitil's internal control over financial reporting.

### **Item 9B. Other Information**

On February 1, 2022, the Company issued a press release announcing its results of operations for the year ended December 31, 2021. The press release is furnished with this Annual Report on Form 10-K as Exhibit 99.1.

### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

Information required by this Item is set forth in the “Proposal 1: Election of Directors” section and the “Description of Management” section of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, is set forth in the “Corporate Governance and Policies of the Board—Section 16(a) Beneficial Ownership Reporting Compliance” section of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022. Information regarding the Company’s Audit Committee is set forth in the “Committees of the Board—Audit Committee” section of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022. Information regarding the Company’s Code of Ethics is set forth in the “Corporate Governance and Policies of the Board—Code of Ethics” section of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022. Information regarding procedures by which shareholders may recommend nominees to the Company’s Board of Directors is set forth in the “Corporate Governance and Policies of the Board—Nominations” section of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022.

### **Item 11. Executive Compensation**

Information required by this Item is set forth in the “Compensation Discussion and Analysis” and “Compensation of Named Executive Officers” sections of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information required by this Item is set forth in the “Beneficial Ownership” section of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022, as well as the Equity Compensation Plan Information table in Part II, Item 5 of this Form 10-K.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information required by this Item is set forth in the “Corporate Governance and Policies of the Board—Transactions with Related Persons” and the “Corporate Governance and Policies of the Board—Director Independence” sections of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022.

### **Item 14. Principal Accountant Fees and Services**

Information required by this Item is set forth in the “Audit Committee Report—Principal Accountant Fees and Services” and the “Audit Committee Report—Audit Committee Pre-Approval Policy” sections of the Proxy Statement relating to the Annual Meeting of Shareholders to be held April 27, 2022.

**PART IV****Item 15. Exhibits and Financial Statement Schedules****(a) (1) and (2)—LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES**

The following financial statements are included herein under Part II, Item 8, Financial Statements and Supplementary Data:

- Report of Independent Registered Public Accounting Firm (Deloitte & Touche LLP; PCAOB ID No. 34)
- Consolidated Statements of Earnings for the years ended December 31, 2021, 2020 and 2019
- Consolidated Balance Sheets—December 31, 2021 and 2020
- Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Changes in Common Stock Equity for the years ended December 31, 2021, 2020 and 2019
- Notes to Consolidated Financial Statements

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions, are not applicable, or information required is included in the financial statements or notes thereto and, therefore, have been omitted.

**(3)—LIST OF EXHIBITS**

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
3.1	Articles of Incorporation of Unitil Corporation.	Exhibit 3.1 to Form S-14 Registration Statement No. 2-93769 dated October 12, 1984 (P)
3.2	Articles of Amendment to the Articles of Incorporation Filed with the Secretary of State of the State of New Hampshire on March 4, 1992.	Exhibit 3.2 to Form 10-K for 1991 (SEC File No. 1-8858) (P)
3.3	<a href="#">Articles of Amendment to the Articles of Incorporation Filed with the Secretary of State of the State of New Hampshire on September 23, 2008.</a>	<a href="#">Exhibit 3.3 to Form S-3/A Registration Statement No. 333-152823 dated November 25, 2008</a>
3.4	<a href="#">Articles of Amendment to the Articles of Incorporation Filed with the Secretary of State of the State of New Hampshire on April 27, 2011.</a>	<a href="#">Exhibit 4.4 to Post-Effective Amendment No. 1 to Form S-3 Registration Statement No. 333-168394, dated January 28, 2014</a>
3.5	<a href="#">Fourth Amended and Restated By-Laws of Unitil Corporation.</a>	<a href="#">Exhibit 3.1 to Form 8-K dated April 29, 2020 (SEC File No. 1-8858)</a>
4.1	<a href="#">Twelfth Supplemental Indenture of Unitil Energy Systems, Inc., successor to Concord Electric Company, dated as of December 2, 2002, amending and restating the Concord Electric Company Indenture of Mortgage and Deed of Trust dated as of July 15, 1958.</a>	<a href="#">Exhibit 4.1 to Form 10-K for 2002 (SEC File No. 1-8858)</a>
4.2	Fitchburg Note Agreement dated November 1, 1993 for the 6.75% Notes due November 30, 2023.	Exhibit 4.18 to Form 10-K for 1993 (SEC File No. 1-8858) (P)

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
4.3	<a href="#">Fitchburg Note Agreement dated January 15, 1999 for the 7.37% Notes due January 15, 2029.</a>	<a href="#">Exhibit 4.25 to Form 10-K for 1999 (SEC File No. 1-8858)</a>
4.4	<a href="#">Fitchburg Note Agreement dated June 1, 2001 for the 7.98% Notes due June 1, 2031.</a>	<a href="#">Exhibit 4.6 to Form 10-Q for June 30, 2001 (SEC File No. 1-8858)</a>
4.5	<a href="#">Fitchburg Note Agreement dated October 15, 2003 for the 6.79% Notes due October 15, 2025.</a>	<a href="#">Exhibit 4.7 to Form 10-K for 2003 (SEC File No. 1-8858)</a>
4.6	Fitchburg Note Agreement dated December 21, 2005 for the 5.90% Notes due December 15, 2030.	**
4.7	Thirteenth Supplemental Indenture of Unitil Energy Systems, Inc., dated as of September 26, 2006.	**
4.8	Unitil Corporation Note Purchase Agreement, dated as of May 2, 2007, for the 6.33% Senior Notes due May 1, 2022.	**
4.9	<a href="#">Northern Utilities Note Purchase Agreement, dated as of December 3, 2008, for the 6.95% Senior Notes, Series A due December 3, 2018 and the 7.72% Senior Notes, Series B due December 3, 2038.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated December 3, 2008 (SEC File No. 1-8858)</a>
4.10	<a href="#">Fourteenth Supplemental Indenture of Unitil Energy Systems, Inc., dated as of March 2, 2010.</a>	<a href="#">Exhibit 4.4 to Form 8-K dated March 2, 2010 (SEC File No. 1-8858)</a>
4.11	<a href="#">Northern Utilities form of Note Purchase Agreement, dated as of October 15, 2014, for the 4.42% Senior Notes, due October 15, 2044.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated October 15, 2014 (SEC File No. 1-8858)</a>
4.12	<a href="#">Northern Utilities form of Note issued pursuant to the Note Purchase Agreement, dated as of October 15, 2014, for the 4.42% Senior Notes, due October 15, 2044.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated October 15, 2014 (SEC File No. 1-8858)</a>
4.13	<a href="#">Note Purchase Agreement dated August 1, 2016 by and among Unitil Corporation and the several purchasers named therein for the 3.70% Senior Notes, Series 2016, due August 1, 2026.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.14	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by Metropolitan Life Insurance Company in the principal amount of \$11,200,000.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.15	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by Lincoln Benefit Life Company in the principal amount of \$4,000,000.</a>	<a href="#">Exhibit 4.3 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.16	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by Lincoln Benefit Life Company in the principal amount of \$3,800,000.</a>	<a href="#">Exhibit 4.4 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.17	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by Lincoln Benefit Life Company in the principal amount of \$1,000,000.</a>	<a href="#">Exhibit 4.5 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.18	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by United of Omaha Life Insurance Company in the principal amount of \$5,000,000.</a>	<a href="#">Exhibit 4.6 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
4.19	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by United of Omaha Life Insurance Company in the principal amount of \$3,000,000.</a>	<a href="#">Exhibit 4.7 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.20	<a href="#">3.70% Senior Note, Series 2016, dated as of August 1, 2016 purchased by Companion Life Insurance Company in the principal amount of \$2,000,000.</a>	<a href="#">Exhibit 4.8 to Form 8-K dated August 1, 2016 (SEC File No. 1-8858)</a>
4.21	<a href="#">Note Purchase Agreement dated July 14, 2017 by and among Northern Utilities, Inc. and the several purchasers named therein for the 3.52% Senior Notes, Series 2017A, due November 1, 2027 and the 4.32% Senior Notes, Series 2017B, due November 1, 2047.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated July 14, 2017 (SEC File No. 1-8858)</a>
4.22	<a href="#">Note Purchase Agreement dated July 14, 2017 by and among Fitchburg Gas and Electric Light Company and the several purchasers named therein for the 3.52% Senior Notes, Series 2017A, due November 1, 2027 and the 4.32% Senior Notes, Series 2017B, due November 1, 2047.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated July 14, 2017 (SEC File No. 1-8858)</a>
4.23	<a href="#">Note Purchase Agreement dated July 14, 2017 by and among Granite State Gas Transmission, Inc. and the several purchasers named therein for the 3.72% Senior Notes, Series 2017A, due November 1, 2027.</a>	<a href="#">Exhibit 4.3 to Form 8-K dated July 14, 2017 (SEC File No. 1-8858)</a>
4.24****	<a href="#">3.52% Senior Note, Series 2017A, due November 1, 2027, issued by Northern Utilities, Inc. to Great-West Life &amp; Annuity Insurance Company.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated November 1, 2017 (SEC File No. 1-8858)</a>
4.25****	<a href="#">4.32% Senior Note, Series 2017B, due November 1, 2047, issued by Northern Utilities, Inc. to The Canada Life Insurance Company of Canada.</a>	<a href="#">Exhibit 4.3 to Form 8-K dated November 1, 2017 (SEC File No. 1-8858)</a>
4.26****	<a href="#">3.52% Senior Note, Series 2017A, due November 1, 2027, issued by Fitchburg Gas and Electric Light Company to Great-West Life &amp; Annuity Insurance Company.</a>	<a href="#">Exhibit 4.5 to Form 8-K dated November 1, 2017 (SEC File No. 1-8858)</a>
4.27****	<a href="#">4.32% Senior Note, Series 2017B, due November 1, 2047, issued by Fitchburg Gas and Electric Light Company to The Great-West Life Assurance Company.</a>	<a href="#">Exhibit 4.6 to Form 8-K dated November 1, 2017 (SEC File No. 1-8858)</a>
4.28****	<a href="#">3.72% Senior Note, Series 2017A, due November 1, 2027, issued by Granite State Gas Transmission, Inc. to Thrivent Financial for Lutherans.</a>	<a href="#">Exhibit 4.8 to Form 8-K dated November 1, 2017 (SEC File No. 1-8858)</a>
4.29	<a href="#">Bond Purchase Agreement dated November 30, 2018 by and among Unutil Energy Systems, Inc. and the several purchasers named therein for the \$30,000,000 aggregate principal amount of first mortgage bonds, Series Q, due November 30, 2048.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated November 30, 2018 (SEC File No. 1-8858)</a>
4.30	<a href="#">Fifteenth Supplemental Indenture dated November 29, 2018 by and between Unutil Energy Systems, Inc. and U.S. Bank National Association (as trustee).</a>	<a href="#">Exhibit 4.2 to Form 8-K dated November 30, 2018 (SEC File No. 1-8858)</a>
4.31****	<a href="#">First Mortgage Bond, Series Q, 4.18%, due November 30, 2048, issued by Unutil Energy Systems, Inc. to United of Omaha Life Insurance Company.</a>	<a href="#">Exhibit 4.3 to Form 8-K dated November 30, 2018 (SEC File No. 1-8858)</a>
4.32	<a href="#">Note Purchase Agreement dated September 12, 2019 by and among Northern Utilities, Inc. and the several purchasers named therein.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated September 12, 2019 (SEC File No. 1-8858)</a>

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
4.33****	<a href="#">4.04% Senior Note, Series 2019, due September 12, 2049, issued by Northern Utilities, Inc. to Pacific Life Insurance Company.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated September 12, 2019 (SEC File No. 1-8858)</a>
4.34	<a href="#">Note Purchase Agreement dated December 18, 2019 by and among Unitil Corporation and the several purchasers named therein.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated December 18, 2019 (SEC File No. 1-8858)</a>
4.35****	<a href="#">3.43% Senior Note, Series 2019, due December 18, 2029, issued by Unitil Corporation to CHIMEFISH &amp; CO, as nominee for American Equity Investment Life Insurance Company.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated December 18, 2019 (SEC File No. 1-8858)</a>
4.36	<a href="#">Note Purchase Agreement dated September 15, 2020 by and among Northern Utilities, Inc. and the several purchasers named therein.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.37****	<a href="#">3.78% Senior Note, Series 2020, due September 15, 2040, issued by Northern Utilities, Inc. to Metropolitan Life Insurance Company.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.38	<a href="#">Note Purchase Agreement dated September 15, 2020 by and among Fitchburg Gas and Electric Light Company and the several purchasers named therein.</a>	<a href="#">Exhibit 4.3 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.39****	<a href="#">3.78% Senior Note, Series 2020A, due September 15, 2040, issued by Fitchburg Gas and Electric Light Company to Brighthouse Life Insurance Company of NY.</a>	<a href="#">Exhibit 4.4 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.40	<a href="#">Bond Purchase Agreement dated September 15, 2020 by and among Unitil Energy Systems, Inc., U.S. Bank National Association (as trustee), and the several purchasers named therein.</a>	<a href="#">Exhibit 4.5 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.41	<a href="#">Sixteenth Supplemental Indenture dated September 15, 2020 by and between Unitil Energy Systems, Inc. and U.S. Bank National Association (as trustee).</a>	<a href="#">Exhibit 4.6 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.42****	<a href="#">First Mortgage Bond, Series R, 3.58%, due September 15, 2040, issued by Unitil Energy Systems, Inc. to CUDD and CO (as nominee for Symetra Life Insurance Company).</a>	<a href="#">Exhibit 4.7 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)</a>
4.43	<a href="#">Second Amended and Restated Credit Agreement dated July 25, 2018 among Unitil Corporation, Bank of America, N.A., as administrative agent, and the Lenders.</a>	<a href="#">Exhibit 4.1 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
4.44	<a href="#">Amended and Restated Note issued to Bank of America, N.A.</a>	<a href="#">Exhibit 4.2 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
4.45	<a href="#">Amended and Restated Note issued to Citizens Bank, N.A.</a>	<a href="#">Exhibit 4.3 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
4.46	<a href="#">Amended and Restated Note issued to TD Bank, N.A.</a>	<a href="#">Exhibit 4.4 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
4.47	<a href="#">Loan Agreement dated December 18, 2020 between Unitil Realty Corp. and TD Bank, N.A.</a>	<a href="#">Exhibit 4.49 to Form 10-K for 2020 (SEC File No. 1-8858)</a>
4.48	<a href="#">Mortgage and Security Agreement dated December 18, 2020 between Unitil Realty Corp. and TD Bank, N.A.</a>	<a href="#">Exhibit 4.49 to Form 10-K for 2020 (SEC File No. 1-8858)</a>

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
4.49	<a href="#">Mortgage Loan Note dated December 18, 2020 issued to TD Bank, N.A.</a>	<a href="#">Exhibit 4.50 to Form 10-K for 2020 (SEC File No. 1-8858)</a>
4.50	<a href="#">Description of Registrant's Securities</a>	<a href="#">Filed herewith</a>
10.1***	<a href="#">Amended and Restated Form of Severance Agreement between the Company and the persons listed at the end of such Agreement.</a>	<a href="#">Exhibit 10.2 to Form 8-K dated June 19, 2008 (SEC File No. 1-8858)</a>
10.2***	<a href="#">Amended and Restated Form of Severance Agreement between the Company and the persons listed at the end of such Agreement.</a>	<a href="#">Exhibit 10.3 to Form 8-K dated June 19, 2008 (SEC File No. 1-8858)</a>
10.3***	<a href="#">Amended and Restated Form of Severance Agreement (Three-Year Term).</a>	<a href="#">Exhibit 10.1 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
10.4***	<a href="#">Amended and Restated Form of Severance Agreement (Two-Year Term).</a>	<a href="#">Exhibit 10.2 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
10.5***	<a href="#">Amended and Restated Form of Severance Agreement (Two-Year Term; Non Pension).</a>	<a href="#">Exhibit 10.3 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
10.6***	<a href="#">Severance Agreement dated March 23, 2020, between the Company and Daniel J. Hurstak.</a>	<a href="#">Exhibit 10.1 to Form 8-K dated March 19, 2020 (SEC File No. 1-8858)</a>
10.7***	<a href="#">Severance Agreement dated July 29, 2020, between the Company and Robert B. Hevert.</a>	<a href="#">Exhibit 10.1 to Form 8-K dated July 29, 2020 (SEC File No. 1-8858)</a>
10.8***	<a href="#">Amended and Restated Unitil Corporation Supplemental Executive Retirement Plan effective as of December 31, 2016.</a>	<a href="#">Exhibit 10.1 to Form 10-Q for March 31, 2017 (SEC File No. 1-8858)</a>
10.9***	<a href="#">Amended and Restated Supplemental Executive Retirement Plan.</a>	<a href="#">Exhibit 10.5 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
10.10***	<a href="#">Unitil Corporation Deferred Compensation Plan.</a>	<a href="#">Exhibit 10.6 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</a>
10.11***	<a href="#">Unitil Corporation Management Incentive Plan (amended and restated as of June 5, 2013).</a>	<a href="#">Exhibit 10.2 to Form 8-K dated June 5, 2013 (SEC File No. 1-8858)</a>
10.12***	<a href="#">Unitil Corporation Second Amended and Restated 2003 Stock Plan.</a>	<a href="#">Appendix 1 to the Proxy Statement filed on Schedule 14A dated March 13, 2012 (SEC File No. 1-8858)</a>
10.13***	<a href="#">Form of Restricted Stock Unit Agreement under the Unitil Corporation Second Amended and Restated 2003 Stock Plan.</a>	<a href="#">Exhibit 4.7 to Form S-8 Registration Statement No. 333-184849 dated November 9, 2012</a>

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
10.14***	<a href="#"><u>Form of Restricted Stock Agreement under the Unitil Corporation Second Amended and Restated 2003 Stock Plan.</u></a>	<a href="#"><u>Exhibit 4.8 to Form S-8 Registration Statement No. 333-184849 dated November 9, 2012</u></a>
10.15***	<a href="#"><u>Unitil Corporation Tax Deferred Savings and Investment Plan, as amended and restated effective as of January 1, 2021.</u></a>	<a href="#"><u>Filed herewith</u></a>
10.16***	<a href="#"><u>Unitil Corporation Tax Deferred Savings and Investment Plan Trust Agreement.</u></a>	<a href="#"><u>Exhibit 4.2 to Form S-8 Registration Statement No. 333-234391 dated October 31, 2019</u></a>
10.17***	<a href="#"><u>Employment Agreement effective July 25, 2018 between Unitil Corporation and Thomas P. Meissner, Jr.</u></a>	<a href="#"><u>Exhibit 10.4 to Form 8-K dated July 25, 2018 (SEC File No. 1-8858)</u></a>
10.18***	<a href="#"><u>Unitil Corporation Incentive Plan (amended and restated as of January 26, 2015).</u></a>	<a href="#"><u>Exhibit 10.1 to Form 10-Q for March 31, 2015 (SEC File No. 1-8858)</u></a>
10.19***	<a href="#"><u>Employment Agreement effective April 25, 2021 between Unitil Corporation and Thomas P. Meissner, Jr.</u></a>	<a href="#"><u>Exhibit 10.1 to Form 8-K dated April 28, 2021 (SEC File No. 1-8858)</u></a>
10.20***	<a href="#"><u>Unitil Corporation—Compensation of Directors effective as of January 1, 2021.</u></a>	<a href="#"><u>Exhibit 10.24 to Form 10-K for 2020 (SEC File No. 1-8858)</u></a>
10.21***	<a href="#"><u>Unitil Corporation—Compensation of Directors effective as of January 1, 2022.</u></a>	<a href="#"><u>Filed herewith</u></a>
10.22	<a href="#"><u>Underwriting Agreement dated August 4, 2021 among Unitil Corporation, on the one hand, and RBC Capital Markets, LLC and BofA Securities, Inc., on the other hand, for themselves and as representatives of the several underwriters named therein.</u></a>	<a href="#"><u>Exhibit 1.1 to Form 8-K dated August 3, 2021 (File No. 1-8858)</u></a>
11.1	<a href="#"><u>Statement Re: Computation in Support of Earnings per Share for the Company.</u></a>	<a href="#"><u>Filed herewith</u></a>
21.1	<a href="#"><u>Statement Re: Subsidiaries of Registrant.</u></a>	<a href="#"><u>Filed herewith</u></a>
23.1	<a href="#"><u>Consent of Independent Registered Public Accounting Firm.</u></a>	<a href="#"><u>Filed herewith</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>	<a href="#"><u>Filed herewith</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>	<a href="#"><u>Filed herewith</u></a>
31.3	<a href="#"><u>Certification of Chief Accounting Officer Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>	<a href="#"><u>Filed herewith</u></a>
32.1	<a href="#"><u>Certifications of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>	<a href="#"><u>Filed herewith</u></a>

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Reference*</u>
99.1	<a href="#">Unitil Corporation Press Release Dated February 1, 2022 Announcing Earnings For the Year Ended December 31, 2021.</a>	<a href="#">Furnished herewith</a>
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	Filed herewith

\* The exhibits referred to in this column by specific designations and dates have heretofore been filed with or furnished to the Securities and Exchange Commission under such designations and are hereby incorporated by reference.

\*\* In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, the instrument defining the debt of the Registrant and its subsidiary, described above, has been omitted but will be furnished to the Commission upon request.

\*\*\* These exhibits represent a management contract or compensatory plan.

\*\*\*\* This Note or Bond (each, an “Instrument”) is substantially identical in all material respects to other Instruments that are otherwise required to be filed as exhibits, except as to the registered payee of such Instrument, the identifying number of such Instrument, and the principal amount of such Instrument. In accordance with instruction no. 2 to Item 601 of Regulation S-K, the registrant has filed a copy of only one of such Instruments, with a schedule identifying the other Instruments omitted and setting forth the material details in which such Instruments differ from the Instrument that was filed. The registrant acknowledges that the Securities and Exchange Commission may at any time in its discretion require filing of copies of any Instruments so omitted.

(P) Paper exhibit.



**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT  
TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

Unitil Corporation (the "Registrant") has one class of common stock registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The following is a description of our common stock. This description is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Articles of Incorporation, as amended (the "Articles of Incorporation"), and our By-Laws, as amended (the "By-Laws"), each of which is incorporated herein by reference as an exhibit to the Annual Report on Form 10-K filed with the Securities and Exchange Commission. We encourage you to read our Articles of Incorporation, our Bylaws and the applicable provisions of the laws of the State of New Hampshire.

**Authorized Capital Stock**

Our authorized capital stock consists of 25,000,000 shares of common stock, no par value.

**Dividend Rights**

Under our Articles of Incorporation, holders of our common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors. We may pay dividends on our common stock from any funds, property or shares legally available for such purpose.

**Voting Rights**

Holders of our common stock are entitled to one vote per share on all matters requiring approval of holders of our common stock. Holders of common stock have the exclusive right to vote for the election of directors and for any other purpose or any other subject and to be represented at and to receive notice of any meeting of shareholders.

**No Cumulative Voting**

Holders of our common stock do not have cumulative voting rights.

Cumulative voting rights allow a stockholder to multiply the number of votes the stockholder is entitled to cast by the number of directors for whom the stockholder is entitled to vote and to cast the product for a single candidate or distribute the product among two or more candidates. Without cumulative voting, a minority stockholder may not be able to elect as many candidates to our Board of Directors as the stockholder would be able to elect if cumulative voting were permitted. Also, without cumulative voting, a minority stockholder may have less influence on the decisions of our Board of Directors (including with respect to a possible change in control or takeover of the Registrant).

**Board of Directors Classification**

Our Board of Directors is divided into three classes, each class to be as nearly equal in number as possible as determined by the Board of Directors, with a minimum of nine directors total, and maximum of 15 directors total. The terms of the directors in each class will expire in successive years. Directors are elected by ballot for a term of three years. Vacancies on our Board of Directors may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors. A director elected to fill a vacancy is elected for the unexpired term of his predecessor in office.

---

**Preemptive Rights**

The holders of our common stock have no preemptive rights to purchase additional shares of our common stock or any of our other securities.

**Liquidation Rights**

In the event that we are liquidated, after payment of our debts and liabilities, the holders of our common stock are entitled to share equally in the balance of our remaining assets, if any.

**Preferred Shares**

We are not authorized to issue any shares of preferred stock.

**Provisions of Our Articles of Incorporation and By-Laws That Could Delay, Defer or Prevent a Change in Control**

Certain provisions in our Articles of Incorporation and By-Laws may delay, defer or make more difficult unsolicited acquisitions or changes of control of the Registrant. We believe that such provisions will enable us to develop our business in a manner that will foster our long-term growth without disruption caused by the threat of a takeover not deemed by our Board of Directors to be in the best interest of the Registrant and our shareholders.

The provision in our Articles of Incorporation relating to classification of the Board of Directors could have the effect of making it difficult and time-consuming to change majority control of the Board of Directors. Such a change in control could take up to two annual meetings of shareholders to effect. As a result, this provision could limit the vulnerability of the Registrant to an unsolicited proposal to acquire the Registrant or its assets. Takeovers which are proposed and effected without prior consultation and negotiation with management are not necessarily detrimental to a company and its shareholders. The difficulties, if any, which may exist in effecting a change in control of the Registrant's Board of Directors could benefit the Registrant by protecting the Board of Directors' ability to negotiate with the proponent of an unfriendly or unsolicited takeover proposal.

Our Articles of Incorporation provide that shares of common stock when duly authorized may be issued from time to time for such consideration as may be fixed by the Board of Directors. Under the laws of the State of New Hampshire and our Articles of Incorporation and By-Laws, we can issue additional shares of common stock without further approval of our shareholders; however, the New York Stock Exchange requires that we obtain shareholder approval for certain issuances of common stock in excess of 20% of the amount outstanding prior to the issuance.

Our By-Laws require advance notice for annual and special meetings, which notices are always required to state the purposes for which the meetings are called. Our By-Laws also require advance notice of business proposed by shareholders and nominations of directors by shareholders. In addition, our Board of Directors may make, amend or repeal our By-Laws in whole or in part, except with respect to any provision thereof which by statute or by the Articles of Incorporation requires action by our shareholders.

We are a public utility holding company under the laws of the State of New Hampshire. Section 374:33 of the New Hampshire Revised Statutes provides that no public utility or public utility holding company may directly or indirectly acquire more than 10 percent, or more than the ownership level which triggers reporting requirements under 15 U.S.C. section 78-P, whichever is less, of the stocks or bonds of any other public utility or public utility holding company incorporated or doing business in the State of New Hampshire, without the approval of the Public Utilities Commission of New Hampshire.



**Unitil Corporation Tax Deferred Savings and Investment Plan**  
*(as amended and restated)*

---

*Effective January 1, 2021*



---

**UNITIL CORPORATION**  
**TAX DEFERRED SAVINGS AND INVESTMENT PLAN**

**UNITIL CORPORATION TAX DEFERRED SAVINGS AND INVESTMENT PLAN**

**WHEREAS**, Unitil Corporation (hereinafter referred to as the “Employer”) heretofore adopted the Unitil Corporation Tax Deferred Savings and Investment Plan (hereinafter referred to as the “Plan”) for the benefit of its eligible Employees, initially effective as of January 1, 1985, and most recently amended and restated the Plan effective as of January 1, 2015; and

**WHEREAS**, the Employer reserved the right to amend the Plan; and

**WHEREAS**, the Employer desires to restate the Plan by incorporating all prior amendments; and

**WHEREAS**, it is intended that the Plan is to continue to be a qualified profit sharing plan under Section 401(a) and 501(a) of the Internal Revenue Code for the exclusive benefit of the Participants and their Beneficiaries; and

**WHEREAS**, it is intended that the cash or deferred arrangement forming part of the Plan is to continue to qualify under Section 401(k) of the Internal Revenue Code; and

**WHEREAS**, the Plan is based on a pre-approved defined contribution plan with a cash or deferred arrangement and complies with the Internal Revenue Service’s 2017 Cumulative List of Changes in Plan Qualification Requirements, as set forth in Notice 2017-37, and other changes required by applicable law;

**NOW, THEREFORE**, the Plan is hereby amended and restated, effective as of January 1, 2021, except where the provisions of the Plan (or the requirements of applicable law) shall otherwise specifically provide, in its entirety as follows:

## TABLE OF CONTENTS

### ARTICLE ONE—DEFINITIONS

- 1.1 Account
- 1.2 Administrator
- 1.3 Beneficiary
- 1.4 Break in Service
- 1.5 Code
- 1.6 Compensation
- 1.7 Disability
- 1.8 Effective Date
- 1.9 Employee
- 1.10 Employer
- 1.11 Employment Date
- 1.12 Fail-Safe Contribution
- 1.13 Highly-Compensated Employee
- 1.14 Hour of Service
- 1.15 Leased Employee
- 1.16 Local 341 GS Employee
- 1.17 Local 341 NU-Portland Employee
- 1.18 Local B340 FGE Employee
- 1.19 Local 1837 UES Employee
- 1.20 Local 12012-6 NU-Portsmouth Employee
- 1.21 Local 1837 USC Employee
- 1.22 Nonhighly-Compensated Employee
- 1.23 Normal Retirement Date
- 1.24 Participant
- 1.25 Plan
- 1.26 Plan Year
- 1.27 Trust
- 1.28 Trustee
- 1.29 Valuation Date
- 1.30 Year of Service

### ARTICLE TWO—SERVICE DEFINITIONS AND RULES

- 2.1 Year of Service
- 2.2 Break in Service
- 2.3 Leave of Absence
- 2.4 Rule of Parity on Return to Employment
- 2.5 Service in Excluded Job Classifications or with Related Companies

### ARTICLE THREE—PLAN PARTICIPATION

- 3.1 Participation
- 3.2 Re-employment of Former Participant
- 3.3 Termination of Eligibility
- 3.4 Compliance with USERRA

**ARTICLE FOUR—ELECTIVE DEFERRALS, EMPLOYER CONTRIBUTIONS, ROLLOVERS AND TRANSFERS FROM OTHER PLANS**

- 4.1 Elective Deferrals
- 4.2 Employer Contributions
- 4.3 Rollovers and Transfers of Funds from Other Plans
- 4.4 Timing of Contributions
- 4.5 Employee After-Tax Contributions

**ARTICLE FIVE—ACCOUNTING RULES**

- 5.1 Investment of Accounts and Accounting Rules
- 5.2 Allocation of Service Credit

**ARTICLE SIX—VESTING AND RETIREMENT BENEFITS**

- 6.1 Vesting
- 6.2 Forfeiture of Nonvested Balance
- 6.3 Distribution of Less than Entire Vested Account Balance
- 6.4 Normal Retirement
- 6.5 Disability

**ARTICLE SEVEN—MANNER AND TIME OF DISTRIBUTING BENEFITS**

- 7.1 Manner of Payment
- 7.2 Time of Commencement of Benefit Payments
- 7.3 Furnishing Information
- 7.4 Minimum Distribution Requirements
- 7.5 Amount of Death Benefit
- 7.6 Designation of Beneficiary
- 7.7 Distribution of Death Benefits
- 7.8 Eligible Rollover Distributions
- 7.9 In-Plan Roth Conversions

**ARTICLE EIGHT—LOANS AND IN-SERVICE WITHDRAWALS**

- 8.1 Loans
- 8.2 Hardship Distributions
- 8.3 Withdrawals After Age 59½
- 8.4 Withdrawals of After-Tax Contributions
- 8.5 Withdrawals of Rollover Contributions
- 8.6 HEART Act Provisions

**ARTICLE NINE—ADMINISTRATION OF THE PLAN**

- 9.1 Plan Administration
- 9.2 Claims Procedure

**ARTICLE TEN—SPECIAL COMPLIANCE PROVISIONS**

- 10.1 Distribution of Excess Elective Deferrals
- 10.2 Limitations on 401(k) Contributions
- 10.3 Nondiscrimination Test for Employer Matching Contributions and After-Tax Contributions

---

**ARTICLE ELEVEN—LIMITATION ON ANNUAL ADDITIONS**

- 11.1 Rules and Definitions

**ARTICLE TWELVE—AMENDMENT AND TERMINATION**

- 12.1 Amendment
- 12.2 Termination of the Plan
- 12.3 Termination of Participation by Participating Employer

**ARTICLE THIRTEEN—TOP-HEAVY PROVISIONS**

- 13.1 Applicability
- 13.2 Definitions
- 13.3 Allocation of Employer Contributions and Forfeitures for a Top-Heavy Plan Year
- 13.4 Vesting

**ARTICLE FOURTEEN—MISCELLANEOUS PROVISIONS**

- 14.1 Plan Does Not Affect Employment
- 14.2 Successor to the Employer
- 14.3 Repayments to the Employer
- 14.4 Benefits not Assignable
- 14.5 Merger of Plans
- 14.6 Investment Experience not a Forfeiture
- 14.7 Construction
- 14.8 Governing Documents
- 14.9 Governing Law
- 14.10 Headings
- 14.11 Counterparts
- 14.12 Location of Participant or Beneficiary Unknown
- 14.13 Distribution to Minor or Legally Incapacitated
- 14.14 Corrective Action
- 14.15 Erroneous Payments
- 14.16 Compliance with Section 410
- 14.17 Provision Regarding Conflicting Trust Provisions

**ARTICLE FIFTEEN—PRE-APPROVED PLAN PROVIDER PROVISIONS**

- 15.1 Status of Plan
- 15.2 Amendment Authority
- 15.3 Limitations on Employer Reliance on Opinion Letter

**APPENDIX A**

**APPENDIX B**

**APPENDIX C**

## ARTICLE ONE—DEFINITIONS

For purposes of the Plan, unless the context or an alternative definition specified within another Article provides otherwise, the following words and phrases shall have the definitions provided:

- 1.1** “**ACCOUNT**” shall mean the individual bookkeeping accounts maintained for a Participant under the Plan which shall record (a) the Participant’s allocations of Employer contributions and forfeitures, if any, (b) amounts of Compensation contributed to the Plan pursuant to the Participant’s election under Section 4.1, (c) any amounts rolled over or transferred to this Plan under Section 4.3 from another qualified retirement plan, or from another qualified plan in connection with a plan merger, (d) any in-plan Roth conversions under Section 7.9, (e) any after-tax contributions made to the Plan under Section 4.5, and (f) the allocation of Trust investment experience.
- 1.2** “**ADMINISTRATOR**” shall mean the Plan Administrator appointed from time to time in accordance with the provisions of Article Nine hereof.
- 1.3** “**BENEFICIARY**” shall mean any person, trust, organization, or estate entitled to receive payment under the terms of the Plan upon the death of a Participant.
- 1.4** “**BREAK IN SERVICE**” shall have the meaning set forth in Article Two.
- 1.5** “**CODE**” shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.6** “**COMPENSATION**” shall mean the compensation paid to a Participant by the Employer for the Plan Year and shall be defined as the base compensation paid to a Participant by the Employer for the Plan Year, exclusive of any amounts deferred under any other program of deferred compensation, any additional benefit payable other than in cash and any compensation received prior to his becoming a Participant in the Plan. Compensation shall, however, include any amounts deferred under a salary reduction agreement in accordance with Section 4.1 or under a Code Section 125 Plan maintained by the Employer. Notwithstanding the foregoing (a) for purposes of Section 4.1, such Participant may elect to have his Compensation be based on total pay, including overtime, standby pay, shift differentials, Saturday-Sunday premiums, lump sum merits, meal allowances and meal periods, compensation paid at an alternative rate, bonuses, commissions and incentive payments, and (b) Compensation for purposes of Section 4.2 shall include bonuses and incentive payments, but exclude overtime pay, commissions, and all other forms of premium pay.

Notwithstanding any other provisions of the Plan to the contrary, but subject always to the following provisions of this Section 1.6, the foregoing definition of Compensation shall be effective (i) as of April 1, 2012 with respect to any Local 341 GS Employee or Local 341 NU-Portland Employee, and (ii) as of November 6, 2014 with respect to any Local 12012-6 NU-Portsmouth Employee.

Any compensation described in this Section 1.6 does not fail to be Compensation merely because it is paid after the Participant's severance from employment with the Employer, provided the Compensation is paid by the later of 2½ months after severance from employment with the Employer or the end of the Plan Year that includes the date of severance from employment. However, any payments other than base pay shall not be taken into account.

In addition, payment for unused accrued bona fide sick, vacation or other leave shall be included as Compensation if (i) the Participant would have been able to use the leave if employment had continued, (ii) such amounts are paid by the later of 2½ months after severance from employment with the Employer or the end of the Plan Year that includes the date of severance from employment, and (iii) such amounts would have been included as Compensation if they were paid prior to the Participant's severance from employment with the Employer.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, the annual Compensation of each Participant taken into account under the Plan for a calendar year shall not exceed the amount set forth in Section 401(a)(17) of the Code, as adjusted by the Secretary of the Treasury or his delegate for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding twelve (12) months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than twelve (12) months, the annual compensation limit shall be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is twelve (12).

For purposes of determining who is a Highly-Compensated Employee, Compensation shall mean "Compensation" as defined in Section 415(c)(3) of the Code.

For purposes of applying the limitations described in Section 11.1, and for purposes of defining Compensation under this Section, Section 1.13 and Article Thirteen of the Plan, compensation paid or made available during such limitation years (or Plan Years) shall include elective amounts that are not includible in the gross income of the Employee by reason of Section 125, 132(f)(4), 402(g)(3), 402(h)(1)(B), 457(b) or 403(b) of the Code.

**1.7** **"DISABILITY"** shall mean a "permanent and total" disability incurred by a Participant while in the employ of the Employer. For this purpose, a Participant shall be deemed "Disabled" if he is entitled to receive disability benefits under Social Security and/or he is determined by the carrier of the Employer's long-term disability plan to be entitled to benefits under the Employer's long-term disability plan.

- 1.8** **“EFFECTIVE DATE.”** The Plan’s initial Effective Date was January 1, 1985. The Effective Date of this restated Plan, on and after which it supersedes the terms of the existing Plan document, is January 1, 2021, except where the provisions of the Plan (or the requirements of applicable law) shall otherwise specifically provide. The rights of any Participant who terminated employment with the Employer prior to the applicable date shall be established under the terms of the Plan and Trust as in effect at the time of the Participant’s termination from employment, unless the Participant subsequently returns to employment with the Employer, or unless otherwise provided under the terms of the Plan. Rights of spouses and Beneficiaries of such Participants shall also be governed by those documents.
- 1.9** **“EMPLOYEE”** shall mean a common law employee of the Employer. The term “Employee” shall also include any employee of an employer that is aggregated with the Employer under Section 414(b), (c), (m) or (o) of the Code and any Leased Employee deemed to be an Employee of the Employer as provided in Section 414(n) or 414(o) of the Code. Notwithstanding the foregoing, only Employees of an Employer who has adopted the Plan in accordance with Section 1.10 of the Plan shall be eligible to participate in the Plan upon satisfaction of the eligibility requirements of Article Three of the Plan.
- 1.10** **“EMPLOYER”** shall mean Unital Corporation (the “Company”) and any subsidiary or affiliate which is a member of its “related group” (as defined in Section 2.5) which has adopted the Plan (a “Participating Affiliate”), and shall include any successor(s) thereto which adopt this Plan. Any such subsidiary or affiliate of the Company may adopt the Plan with the approval of its board of directors (or noncorporate counterpart) subject to the approval of the Company. The provisions of this Plan shall apply equally to each Participating Affiliate and its Employees except as specifically set forth in the Plan; provided, however, notwithstanding any other provision of this Plan, the amount and timing of contributions under Article 4 to be made by any Employer which is a Participating Affiliate may be made subject to the approval of the Company. For purposes hereof, each Participating Affiliate shall be deemed to have appointed the Company as its agent to act on its behalf in all matters relating to the administration, amendment, termination of the Plan and the investment of the assets of the Plan. For purposes of the Code and ERISA, the Plan as maintained by the Company and the Participating Affiliates shall constitute a single plan rather than a separate plan of each Participating Affiliate. All assets in the Trust shall be available to pay benefits to all Participants and their Beneficiaries.
- 1.11** **“EMPLOYMENT DATE”** shall mean the first date as of which an Employee is credited with an Hour of Service, provided that, in the case of a Break in Service, the Employment Date shall be the first date thereafter as of which an Employee is credited with an Hour of Service.

**1.12** **“FAIL-SAFE CONTRIBUTION”** shall mean a qualified nonelective contribution which is a contribution (other than matching contributions or Qualified Matching Contributions (within the meaning of Section 10.2)) made by the Employer and allocated to Participants’ Accounts that the Participants may not elect to receive in cash until distribution from the Plan; that is nonforfeitable when allocated to Participants’ Accounts; and subject to the distribution limitations under Treasury Regulation Section 1.401(k)-1(d) of the Code.

**1.13** **“HIGHLY-COMPENSATED EMPLOYEE”** shall mean any Employee of the Employer who:

- (a) was a five percent (5%) owner of the Employer (as defined in Section 416(i)(1) of the Code) at any time during the “determination year” or “look-back year”; or
- (b) earned compensation (as defined under Section 11.1(b)(2) of the Plan) from the Employer during the “look-back year” in excess of the amount set forth in Section 414(q)(1) of the Code, as adjusted in accordance with Section 415(d) of the Code, and was in the top twenty percent (20%) of Employees by Compensation for such year.

An Employee who terminated employment prior to the “determination year” shall be treated as a Highly-Compensated Employee for the “determination year” if such Employee was a Highly-Compensated Employee when such Employee terminated employment, or was a Highly-Compensated Employee at any time after attaining age fifty-five (55).

For purposes of this Section, the “determination year” shall be the Plan Year for which a determination is being made as to whether an Employee is a Highly-Compensated Employee. The “look-back year” shall be the twelve (12) month period immediately preceding the “determination year”.

For purposes of determining who is a Highly-Compensated Employee, the Plan shall take into account employees of all employers aggregated under Sections 414(b), (c), (m) and (o) of the Code with the Employer.

**1.14** **“HOUR OF SERVICE”** shall have the meaning set forth below:

- (a) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer, during the applicable computation period.
- (b) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties

are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence. Notwithstanding the preceding sentence,

- (i) No more than five hundred and one (501) Hours of Service shall be credited under this paragraph (b) to any Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period). Hours under this paragraph shall be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations which is incorporated herein by reference;
- (ii) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed shall not be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, or unemployment compensation or disability insurance laws; and
- (iii) Hours of Service shall not be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee.

For purposes of this paragraph (b), a payment shall be deemed to be made by or due from the Employer regardless of whether such payment is made by or due from the Employer directly, or indirectly through, among others, a trust fund, or insurer, to which the Employer contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

- (c) An Hour of Service is each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under paragraph (a) or paragraph (b), as the case may be, and under this paragraph (c). Thus, for example, an Employee who receives a back pay award following a determination that he was paid at an unlawful rate for Hours of Service previously credited shall not be entitled to additional credit for the same Hours of Service. Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in paragraph (b) shall be subject to the limitations set forth in that paragraph.
- (d) Hours of Service under this Section shall be determined under the terms of the Family and Medical Leave Act of 1993 and the Uniformed Services Employment and Reemployment Rights Act of 1994.

For purposes of crediting Hours of Service to Employees for whom records of actual Hours of Service are not maintained or available, an Employee shall be credited with ten (10) Hours of Service for each day for which the Employee would be required to be credited with at least one (1) Hour of Service pursuant to the provisions enumerated above.

For eligibility and vesting purposes only, Hours of Service shall be credited for employment with other members of an affiliated service group (under Section 414(m) of the Code), a controlled group of corporations (under Section 414(b) of the Code), or a group of trades or businesses under common control (under Section 414(c) of the Code) of which the Employer is a member, and any other entity required to be aggregated under Section 414(o) of the Code.

Hours of Service shall be credited for any individual considered an Employee for purposes of this Plan under Section 414(n) or Section 414(o) of the Code.

**1.15** **“LEASED EMPLOYEE”** shall mean any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient Employer and any other person or organization, has performed services for the recipient Employer (determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one (1) year and where such services are performed under the primary direction or control of the recipient Employer. A person shall not be considered a Leased Employee if the total number of Leased Employees does not exceed twenty percent (20%) of the Nonhighly-Compensated Employees employed by the recipient Employer, and if any such person is covered by a money purchase pension plan providing (a) a nonintegrated employer contribution rate of at least ten percent (10%) of compensation, as defined in Section 11.1(b)(2) of the Plan but including amounts contributed pursuant to a salary reduction agreement which are excludable from the employee’s gross income under Sections 125, 402(e)(3), 402(g), 402(h)(1)(B), 403(b), or 457(b) of the Code, and shall also include elective amounts that are not includible in the gross income of the Employee by reason of Section 132(f) of the Code, (b) immediate participation, and (c) full and immediate vesting.

**1.16** **“LOCAL 341 GS EMPLOYEE”** shall mean an Employee of Granite State Gas Transmission, Inc. (“GS”) who is covered under a collective bargaining agreement between Granite State Gas Transmission, Inc. and Utility Workers Union of America, Local No. 341.

**1.17** **“LOCAL 341 NU-PORTLAND EMPLOYEE”** shall mean an Employee of Northern Utilities, Inc. (“NU”) who is covered under a collective bargaining agreement between Northern Utilities, Inc. and Utility Workers Union of America, Local No. 341.

**1.18** **“LOCAL B340 FGE EMPLOYEE”** shall mean an Employee of Fitchburg Gas and Electric Light Company (“FGE”) who is covered under a collective bargaining agreement between Fitchburg Gas and Electric Light Company and Utility Workers Union of America, AFL-CIO, Local Union No. B340, The Brotherhood of Utility Workers Council.

- 1.19** “**LOCAL 1837 UES EMPLOYEE**” shall mean an Employee of Unitil Energy Systems, Inc. (“UES”) who is covered under a collective bargaining agreement between Unitil Energy Systems, Inc. and the International Brotherhood of Electrical Workers, Local Union No. 1837.
- 1.20** “**LOCAL 12012-6 NU-PORTSMOUTH EMPLOYEE**” shall mean an Employee of Northern Utilities, Inc. (“NU”) who is covered under a collective bargaining agreement between Northern Utilities, Inc. and United Steelworkers, AFL-CIO-CLC, Local No. 12012-6.
- 1.21** “**LOCAL 1837 USC EMPLOYEE**” shall mean an Employee of Unitil Service Corp. (“USC”) who is covered under a collective bargaining agreement between Unitil Service Corp. and the International Brotherhood of Electrical Workers, Local Union No. 1837.
- 1.22** “**NONHIGHLY-COMPENSATED EMPLOYEE**” shall mean an Employee of the Employer who is not a Highly-Compensated Employee.
- 1.23** “**NORMAL RETIREMENT DATE**” shall mean the Participant’s sixty-fifth (65<sup>th</sup>) birthday. The date on which the Participant attains age sixty-five (65) shall also be the Participant’s Normal Retirement Age.
- 1.24** “**PARTICIPANT**” shall mean any Employee or former Employee who has satisfied the participation requirements of Article Three.
- 1.25** “**PLAN**” shall mean the Unitil Corporation Tax Deferred Savings and Investment Plan, as set forth herein and as may be amended from time to time.
- 1.26** “**PLAN YEAR**” shall mean the twelve (12)-consecutive month period beginning January 1 and ending December 31.
- 1.27** “**TRUST**” shall mean the Trust Agreement entered into between the Employer and the Trustee, as amended from time to time. “Trust Fund” shall mean any and all property held by the Trustee pursuant to the Trust Agreement, together with income therefrom.
- 1.28** “**TRUSTEE**” shall mean the Trustee or Trustees appointed by the Employer, and any successors thereto.

---

**1.29** “**VALUATION DATE**” shall mean each day on which the New York Stock Exchange is open for business.

**1.30** “**YEAR OF SERVICE**” or “**SERVICE**” and the special rules with respect to crediting Service are in Article Two of the Plan.

## ARTICLE TWO—SERVICE DEFINITIONS AND RULES

Service is the period of employment credited under the Plan. Definitions and special rules related to Service are as follows:

**2.1 YEAR OF SERVICE.** For purposes of determining an Employee's eligibility to participate in the Plan, an Employee shall be credited with a Year of Service if he completes at least one thousand (1,000) Hours of Service during the twelve (12)-consecutive month period commencing on his Employment Date. If an Employee fails to be credited with at least one thousand (1,000) Hours of Service during that computation period, he shall be credited with a Year of Service for such purposes if he is credited with at least one thousand (1,000) Hours of Service in any Plan Year commencing on or after his Employment Date. For purposes of determining an Employee's nonforfeitable right to that portion of his Account attributable to Employer contributions under the schedule set forth in Section 6.1, an Employee shall be credited with a Year of Service for each Plan Year in which he is credited with at least one thousand (1,000) Hours of Service. For eligibility purposes, an Employee shall be credited with a Year of Service upon completing the one thousandth (1,000<sup>th</sup>) Hour of Service in the applicable twelve (12) month period. For vesting purposes, an Employee shall be credited with a Year of Service upon completion of the one thousandth (1,000<sup>th</sup>) hour in each such twelve (12)-month period.

For an employee of Northern Utilities, Inc. who became an Employee on the date of the acquisition of Northern Utilities, Inc. by Unitil Corporation, service with Northern Utilities, Inc. and NiSource, Inc. and any other affiliates or predecessor companies shall be included in determining his Years of Service or consecutive days of employment for both eligibility to participate in the Plan and for determining the nonforfeitable portion of his Account.

For an employee of Granite State Gas Transmission, Inc. who became an Employee on the date of the acquisition of Granite State Gas Transmission, Inc. by Unitil Corporation, service with Granite State Gas Transmission, Inc. and NiSource, Inc. and any other affiliates or predecessor companies shall be included in determining his Years of Service for both eligibility to participate in the Plan and for determining the nonforfeitable portion of his Account.

**2.2 BREAK IN SERVICE.** A Break in Service shall be a twelve (12)-month computation period (as used for measuring Years of Service for vesting purposes) in which an Employee or Participant is not credited with at least five hundred and one (501) Hours of Service.

**2.3 LEAVE OF ABSENCE.** A Participant on an unpaid leave of absence pursuant to the Employer's normal personnel policies shall be credited with Hours of Service at his regularly-scheduled weekly rate while on such leave, provided the Employer acknowledges in writing that the leave is with its approval. These Hours of Service shall be credited only for purposes of determining if a Break in Service has occurred. Hours of Service during a paid leave of absence shall be credited as provided in Section 1.14.

For any individual who is absent from work for any period by reason of the individual's pregnancy, birth of the individual's child, placement of a child with the individual in connection with the individual's adoption of the child, or by reason of the individual's caring for the child for a period beginning immediately following such birth or adoption, the Plan shall treat as Hours of Service, solely for determining if a Break in Service has occurred, the following Hours of Service:

- (a) the Hours of Service which otherwise normally would have been credited to such individual but for such absence; or
- (b) in any case where the Administrator is unable to determine the Hours of Service, on the basis of an assumed eight (8) hours per day.

In no event shall more than five hundred and one (501) of such hours be credited by reason of such period of absence. The Hours of Service shall be credited in the computation period (used for measuring Years of Service for vesting purposes) which starts after the leave of absence begins. However, the Hours of Service shall instead be credited in the computation period in which the absence begins if it is necessary to credit the Hours of Service in that computation period to avoid the occurrence of a Break in Service.

**2.4 RULE OF PARITY ON RETURN TO EMPLOYMENT.** An Employee who returns to employment after a Break in Service shall retain credit for his pre-Break Years of Service, subject to the following rules:

- (a) If a Participant incurs five (5) or more consecutive Breaks in Service, any Years of Service performed thereafter shall not be used to increase the nonforfeitable interest in his Account accrued prior to such five (5) or more consecutive Breaks in Service.
- (b) If a Participant incurred a Break in Service when he was not vested in any portion of his Account, his pre-Break Years of Service shall be disregarded if his consecutive Breaks in Service equal or exceed five (5).

Subject to the preceding paragraphs of this Section, an Employee's pre-Break Years of Service and post-Break Years of Service shall count in determining the vested percentage of the Employee's Account derived from all Employer contributions (i.e., Employer contributions attributable to employment before and after the Employee's Break in Service).

## **2.5 SERVICE IN EXCLUDED JOB CLASSIFICATIONS OR WITH RELATED COMPANIES**

- (a) Service while a Member of an Ineligible Classification of Employees. An Employee who is a member of an ineligible classification of Employees shall not be eligible to participate in the Plan while a member of such ineligible classification. However, if any such Employee is transferred to an eligible classification, such Employee shall be credited with any Years of Service completed while a member of such an ineligible classification. For this purpose, an Employee shall be considered a member of an ineligible classification of Employees for any period during which he is employed in a job classification which is excluded from participating in the Plan under Section 3.1 below.
- (b) Service with Related Group Members. Subject to Section 2.1, for each Plan Year in which the Employer is a member of a “related group”, as hereinafter defined, all Service of an Employee or Leased Employee (hereinafter collectively referred to as “Employee” solely for purposes of this Section 2.5(b)) with any one or more members of such related group shall be treated as employment by the Employer for purposes of determining the Employee’s Years of Service. The transfer of employment by any such Employee to another member of the related group shall not be deemed to constitute a retirement or other termination of employment by the Employee for purposes of this Section, but the Employee shall be deemed to have continued in employment with the Employer for purposes of determining the Employee’s Years of Service. For purposes of this subsection (b), “related group” shall mean the Employer and all corporations, trades or businesses (whether or not incorporated) which constitute a controlled group of corporations with the Employer, a group of trades or businesses under common control with the Employer, or an affiliated service group which includes the Employer, within the meaning of Section 414(b), Section 414(c), or Section 414(m), respectively, of the Code or any other entity required to be aggregated under Code Section 414(o).
- (c) Construction. This Section is included in the Plan to comply with the Code provisions regarding the crediting of Service, and not to extend any additional rights to Employees in ineligible classifications other than as required by the Code and regulations thereunder.

**ARTICLE THREE—PLAN PARTICIPATION**

**3.1 PARTICIPATION.** All Employees participating in the Plan prior to the Plan's restatement shall continue to participate, subject to the terms hereof.

Subject to the following provisions of this Section 3.1, each other Employee shall become a Participant under the Plan effective as of the first day of the calendar month, or as soon as administratively possible thereafter, following the later of the Employee's attainment of age eighteen (18) and his completion of one (1) Year of Service.

In no event, however, shall any Employee (or other individual) participate under the Plan while he is: (i) included in a unit of Employees covered by a collective bargaining agreement between the Employer and the Employee representatives under which retirement benefits were the subject of good faith bargaining, unless the terms of such bargaining agreement expressly provides for the inclusion in the Plan; (ii) employed as an independent contractor on the payroll records of the Employer (regardless of any subsequent reclassification by the Employer, any governmental agency or court); (iii) employed as a Leased Employee; (iv) employed as a nonresident alien who receives no earned income (within the meaning of Section 911(d)(2) of the Code) from the Employer which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Code); or (v) a retired employee rehired to work on temporary assignments during storm restoration and who is eligible to commence benefits under the Unitil Corporation Retirement Plan (or would be eligible under the terms of that plan if that plan was available to them).

**3.2 RE-EMPLOYMENT OF FORMER PARTICIPANT.** A vested Participant (or a nonvested Participant whose prior Service cannot be disregarded) whose participation ceased because of termination of employment with the Employer shall resume participating upon his reemployment as an eligible Employee; provided, however, that such an individual (if not otherwise a member of an excluded class pursuant to Section 3.1 of the Plan) shall be entitled to commence elective deferrals (within the meaning of Section 4.1) as soon as administratively possible following his return to participation in the Plan.

**3.3 TERMINATION OF ELIGIBILITY.** In the event a Participant is no longer a member of an eligible class of Employees and he becomes ineligible to participate, such Employee shall resume participating upon his return to an eligible class of Employees; provided, however, that such an individual shall be entitled to commence elective deferrals (within the meaning of Section 4.1) as soon as administratively possible following his return to participation in the Plan.

In the event an Employee who is not a member of an eligible class of Employees becomes a member of an eligible class, such Employee shall participate upon becoming a member of an eligible class of Employees, if such Employee has otherwise satisfied the eligibility requirements of Section 3.1 and would have otherwise previously become a Participant;

---

provided, however, that such an individual shall be entitled to commence elective deferrals (within the meaning of Section 4.1) as soon as administratively possible following his becoming a Participant.

**3.4 COMPLIANCE WITH USERRA.** Notwithstanding any provision of this Plan to the contrary, Participants shall receive service credit and be eligible to make elective deferrals (within the meaning of Section 4.1), after-tax contributions and receive Employer contributions with respect to periods of qualified military service (within the meaning of Section 414(u)(5) of the Code) in accordance with Section 414(u) of the Code.

**ARTICLE FOUR—ELECTIVE DEFERRALS, EMPLOYER CONTRIBUTIONS,  
ROLLOVERS AND TRANSFERS FROM OTHER PLANS**

**4.1 ELECTIVE DEFERRALS**

- (a) *Elections.* A Participant may elect to contribute a portion of his Compensation for a Plan Year on a pre-tax basis and/or in the form of designated Roth contributions. The amount of a Participant's Compensation contributed in accordance with the Participant's election shall be withheld by the Employer from the Participant's Compensation on a ratable basis throughout the Plan Year. Except as otherwise provided with respect to an in-plan Roth conversion under Section 7.9, elective deferrals contributed to the Plan as one type, either as a pre-tax or a Roth contribution, may not later be reclassified as the other type. The amount deferred on behalf of each Participant shall be contributed by the Employer to the Plan and allocated to the portions of the Participant's Account consisting of pre-tax contributions and/or Roth contributions, as the case may be. No contributions other than Roth contributions, in-plan Roth conversions, and properly attributable earnings will be credited to the Participant's Roth account, and gains, losses and other credits or charges will be allocated on a reasonable and consistent basis to such account.

The Plan shall maintain a record of the amount of Roth contributions and in-plan Roth conversions in each Participant's Roth account.

Each Participant may elect to contribute in the aggregate from one percent (1%) to eighty-five percent (85%) of such Participant's Compensation as a pre-tax and/or designated Roth contribution.

Notwithstanding the provisions of this Section 4.1(a) to the contrary and solely with respect to Participants covered by a collective bargaining agreement, such Participants may elect to defer a portion of their Compensation for a Plan Year as a pre-tax and/or designated Roth contribution in accordance with Appendix A, attached hereto.

Notwithstanding the foregoing, any Employee not included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives ("Non-union Participant"), who elected to opt-out of the Employer's defined benefit plan as of January 1, 2010, and/or upon first becoming eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after January 1, 2010 and before April 1, 2019, who fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer three percent (3%) of his Compensation as a pre-tax contribution ("deemed elective deferral"). Effective April 1, 2019, any Participant who first becomes eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after April 1, 2019, who fails to affirmatively

make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer six percent (6%) of his Compensation as a pre-tax contribution (“deemed elective deferral”).

At least thirty (30) days and no more than ninety (90) days, prior to the beginning of each Plan Year, the Administrator shall provide each Employee eligible to participate in the Plan with notice in writing in a manner calculated to be understood by the average eligible Employee, or through an electronic medium reasonably accessible to such Employee, of the deemed elective deferral, his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals, and how deemed elective deferrals shall be invested in the absence of the Employee’s investment instructions. The Administrator shall also provide each such Employee a reasonable period to exercise such right before the date on which the cash is currently available. During the ninety (90) day period ending with the day an Employee becomes eligible to participate in the Plan (“participation date”), the same notice shall be provided to that Employee. However, if it is not practicable for the notice to be provided on or before an Employee’s participation date, the notice will be provided as soon as practicable after the participation date but prior to such Employee’s pay date for the payroll period that includes the participation date, provided such time is sufficiently early so that such an Employee has a reasonable period of time to make affirmative elections before the date on which the cash is currently available. Notwithstanding the foregoing, to the extent permitted by law, the notice described above shall not apply to any Employee who made an affirmative deferral election under the Plan (including an election to contribute zero percent (0%) of his Compensation to the Plan).

Non-union Participants who elected to opt-out of the Employer’s defined benefit plan as of January 1, 2010 and/or who are first eligible to participate in the Plan (including those rehired) on or after January 1, 2010, shall be enrolled in the Plan’s “Managed Savings” feature unless they elect to opt out of such feature. As of the January 1st of each Plan year, such Non-union Participants shall have their rate of elective deferral contributions automatically increased by one percent (1%). The rate of elective deferral contributions shall be further increased by an additional one percent (1%) per year as of each subsequent January 1st. Notwithstanding the above, a Participant shall not have his rate of elective deferral contributions automatically increased beyond eighty-five percent (85%). All other Participants in the Plan may elect to participate in the “Managed Savings” feature of the Plan described in this paragraph by making an election pursuant to procedures established by the Administrator. A Participant’s election to participate in the “Managed Savings” feature shall remain in place until the Participant revokes such election.

With this provision, it is intended that the Plan constitute an “automatic contribution arrangement” (within the meaning of Section 1.401(k)-1(a)(3)(ii) of the IRS Treasury Regulations) and the provision of the Plan shall be so interpreted.

- (b) Changes in Election. A Participant may prospectively elect to change or revoke the amount (or percentage) of his elective deferrals during the Plan Year by filing a written election with the Employer, or via such other method as permitted by applicable law.
- (c) Limitations on Deferrals. Except to the extent permitted under Section 4.1(e), no Participant shall be permitted to make elective deferrals during any taxable year in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such taxable year.

The Administrator may, at any time and from time to time, unilaterally amend or revoke a Participant's salary reduction election, or a deemed election, if the Administrator determines that such revocation or amendment is necessary to ensure (1) that a Participant's annual additions for any Plan Year will not exceed the limitations of Section 415 of the Code, (2) compliance with the nondiscrimination tests of Sections 401(k) and/or 401(m) of the Code; (3) compliance with Section 401(a) of the Code; or (4) that contributions made by the Employer to the Plan will be deductible for federal income tax purposes.

- (d) Administrative Rules. All elections made under this Section 4.1, including the amount and frequency of deferrals, shall be subject to the rules of the Administrator which shall be consistently applied and which may be changed from time to time.
- (e) Catch-up Contributions. All Participants who are eligible to make elective deferrals under Section 4.1(a) and who have attained age fifty (50) before the close of the taxable year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code, as adjusted by the Secretary of the Treasury for cost-of-living increases under Section 414(v)(2)(C) of the Code.

Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Section 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the requirements of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 401(k)(13), 402A, 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions. Any intended catch-up contribution shall not be subject to an Employer match.

## **4.2 EMPLOYER CONTRIBUTIONS**

- (a) Employer Matching Contributions. For each payroll period, the Employer may contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by the Employer's board of directors) of the elective deferrals (within the meaning of Section 4.1) and/or after-tax contributions (under Section 4.5) that were made or could have been made but

for the limitations of Code Section 402(g)(3) by each such Participant not in excess of three percent (3%) of the Participant's Compensation for the period during which elective deferrals and/or after-tax contributions are made by the Participant.

Notwithstanding the foregoing provisions of this Section 4.2(a) to the contrary, and solely with respect to Non-union Participants who elected to opt-out of the Employer's defined benefit plan as of January 1, 2010 and/or are first eligible to participate in the Plan as of January 1, 2010, as well as eligible Non-union Participants who are hired or rehired on or after January 1, 2010, in lieu of receiving Employer matching contributions pursuant to the previous provisions of this Section 4.2(a), the Employer will contribute to the Plan on behalf of each such Participant for each payroll period, a matching contribution in an amount equal to 100% of the elective deferrals (within the meaning of Section 4.1) and or after-tax contributions (under Section 4.5) that were made or could have been made but for the limitations of Code Section 402(g)(3) by such Participant; provided, however that the amount of such increased Employer matching contribution for any such Participant in a Plan Year shall not exceed six percent (6%) of the Participant's Compensation for that payroll period. Such contributions shall be nonforfeitable when made. Those Participants who elect to continue participating in the Employer's defined benefit plan will not be eligible for this increase matching contribution and shall continue to receive discretionary matching contributions in accordance with the previous provisions of this Section 4.2(a).

Notwithstanding anything in the foregoing provisions of this Section 4.2(a) to the contrary, and solely with respect to Participants covered by a collective bargaining agreement, such Employer matching contributions shall be made in accordance with Appendix B, attached hereto.

The Employer's board of directors may also determine to suspend or reduce its contributions under this Section for any Plan Year or any portion thereof, provided any such suspension or reduction does not violate Section 411(d)(6) of the Code. Allocations under this Section shall be subject to the special rules of Section 13.3 in any Plan Year in which the Plan is a Top-Heavy Plan (as defined in Section 13.2(b)).

- (b) Company Contributions. Each payroll period, the Employer shall make a "Company Contribution" on behalf of Non-union Participants who elected to opt- out of the Employer's defined benefit plan as of January 1, 2010, and/or are first eligible to participate in the Plan (including those rehired) on and after January 1, 2010. Such "Company Contribution" shall be in an amount equal to four percent (4%) of each such Participant's Compensation for each payroll period.

Notwithstanding the provisions of this Section 4.2(b) to the contrary, and solely with respect to Participants covered by a collective bargaining agreement, such "Company Contributions" shall be made in accordance with Appendix C, attached hereto.

**4.3 ROLLOVERS AND TRANSFERS OF FUNDS FROM OTHER PLANS.** With the approval of the Administrator, there may be paid to the Trustee amounts which have been held under the following types of plans:

- (a) a qualified plan described in Section 401(a) or 403(a) of the Code, excluding after-tax employee contributions and including designated Roth contributions under Section 402A of the Code;
- (b) an annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions and including designated Roth contributions under Section 402A of the Code;
- (c) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, excluding after-tax employee contributions and including designated Roth contributions under Section 402A of the Code; and
- (d) an individual retirement account which was used solely as a conduit from a qualified plan described in Section 401(a) of the Code.

Any amounts rolled over on behalf of any Employee shall be nonforfeitable and shall be maintained under a separate Plan account. Any amounts transferred (not rolled over) on behalf of any Employee shall be maintained in accordance with procedures established by the Plan Administrator and shall be subject to the applicable vesting schedule under Section 6.1. Amounts rolled over or transferred shall be paid in addition to amounts otherwise payable under this Plan. The amount of any such account shall be equal to the fair market value of such account as adjusted for income, expenses, gains, losses, and withdrawals attributable thereto.

Notwithstanding anything contained herein to the contrary, in no event shall the Administrator accept on behalf of any Employee a transfer of funds from a qualified plan which would subject the Plan to the provisions of Section 401(a)(11) of the Code.

An Employee who would otherwise be eligible to participate in the Plan but for the failure to satisfy the age and/or service requirement for participation as set forth under Section 3.1, shall be eligible to complete a rollover to the Plan. Such an Employee shall also be eligible to obtain a loan or withdrawal in accordance with the provisions of Article Eight prior to satisfying such age and/or service requirement.

**4.4 TIMING OF CONTRIBUTIONS.** Employer contributions shall be made to the Plan no later than the time prescribed by law for filing the Employer's federal income tax return (including extensions) for its taxable year ending with or within the Plan Year. Elective deferrals under Section 4.1, loan repayments under Section 8.1, and any after-tax contributions under Section 4.5 shall be paid to the Plan as soon as administratively

possible, but no later than the fifteenth (15th) business day of the month following the month in which such deferrals would have been payable to the Participant in cash, or such later date as permitted or prescribed by the Department of Labor.

**4.5 EMPLOYEE AFTER-TAX CONTRIBUTIONS.** A Participant shall be permitted to make after-tax contributions to the Plan in accordance with procedures established by the Administrator which shall be consistently applied and which may be changed from time to time. A Participant may prospectively elect to change or revoke the amount (or percentage) of his after-tax contributions during the Plan Year in accordance with procedures established by the Administrator.

Employee after-tax contributions shall be subject to the limitations under Section 10.3 and Section 11.1 and shall not, when combined with his deferrals under Section 4.1 (and Appendix A), exceed the limitations of Section 4.1 (and Appendix A).

Any after-tax contributions made by a Participant shall be contributed by the Employer to the Plan and allocated to the portion of the Participant's Account consisting of after-tax contributions. A Participant shall have a nonforfeitable interest at all times in that portion of his Account attributable to any after-tax contributions made to the Plan pursuant to this Section 4.5. Any such after-tax contributions shall be distributed at the same time as other vested benefits would be distributed under the Plan.

**5.1 INVESTMENT OF ACCOUNTS AND ACCOUNTING RULES**

- (a) Investment Funds. The investment of Participants' Accounts shall be made in a manner consistent with the provisions of the Trust. The Administrator, in its discretion, may allow the Trust to provide for separate funds for the directed investment of each Participant's Account. The Plan shall permit investments in Employer stock and accordingly, a separate Employer stock fund shall be created and a portion of such stock fund shall be invested in cash and cash equivalents for liquidity purposes.
- (b) Participant Direction of Investments. In the event Participants' Accounts are subject to their investment direction, each Participant (including, for this purpose, any former Employee, Beneficiary, or "alternate payee" (within the meaning of Section 14.4 below) with an Account balance) may direct how his Account (or such portion thereof which is subject to his investment direction) is to be invested among the available investment funds in the percentage multiples established by the Administrator. A Participant may elect to invest up to one hundred percent (100%) of his Account in Employer stock. In the event a Participant fails to make an investment election, with respect to all or any portion of his Account subject to his investment direction, the Trustee shall invest all or such portion of his Account in the default investment fund to be designated by the Administrator. A Participant may change his investment election, with respect to future contributions and, if applicable, forfeitures, and/or amounts previously accumulated in the Participant's Account, in accordance with procedures established by the Administrator. Any such change in a Participant's investment election shall be effective at such time as may be prescribed by the Administrator. However, where it deems appropriate, and subject to the requirements of applicable law, the Administrator may decline to implement, or otherwise limit the frequency by which a Participant may direct the investment of his Account. If the Plan's recordkeeper or investments are changed, the Administrator may apply such administrative rules and procedures as are necessary to provide for the transfer of records and/or assets, including, without limitation, the suspension of Participant's investment directions, withdrawals and distributions for such period of time as is necessary, and the transfer of Participants' Accounts to designated funds or an interest bearing account until such change has been completed.

If a Participant believes an error was made in implementing his investment directions under this Section, the Participant shall notify the Administrator of such error or suspected error within sixty (60) days following the date on which such error or suspected error was believed to have occurred. Absent extraordinary circumstances, failure to so notify the Administrator shall foreclose the Participant from seeking a correction of any such error and the actions taken by the Administrator under (a) above shall be deemed consistent with the Participant's directions and shall be binding on the Participant, his Beneficiary, and all other parties.

Notwithstanding the foregoing, if, pursuant to Section 4.02 of the Trust, an investment manager (within the meaning of Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) is appointed by a named fiduciary pursuant to Section 402(c)(3) of ERISA, a Participant may elect to have such investment manager direct the investment of his Account in accordance with the provisions of the preceding paragraph.

- (c) Divestment of Employer Securities: If any portion of a Participant’s Account is invested in publicly-traded employer securities (within the meaning of Section 407(d)(1) of the Employee Retirement Income Security Act of 1974), the Participant may direct the Trustee to divest such securities and to reinvest the proceeds in other investment options available under the Plan subject to the provisions of Code Section 401(a)(35), in accordance with rules and procedures established by the Administrator from time to time.

For purposes of this Section, the term Participant shall also include an alternate payee or a deceased Participant’s Beneficiary who has a vested account under the Plan.

Additionally, for purposes hereof, except as otherwise provided in Code Section 401(a)(35) or regulations promulgated thereunder, a plan holding employer securities which are not publicly-traded securities shall be treated as holding publicly-traded employer securities if any Employer corporation, or any member of a controlled group of corporations which includes such Employer corporation (as defined in Code Section 401(a)(35)(F)(iii)) has issued a class of stock which is a publicly traded employer security.

- (d) Allocation of Investment Experience. As of each Valuation Date, the investment fund(s) of the Trust shall be valued at fair market value, and the income, loss, appreciation and depreciation (realized and unrealized), and any paid expenses of the Trust attributable to such fund shall be apportioned among Participants’ Accounts within the fund based upon the value of each Account within the fund as of the preceding Valuation Date.
- (e) Allocation of Contributions. Employer contributions shall be allocated to the Account of each eligible Participant as of the last day of the period for which the contributions are made, or as soon as administratively possible thereafter. Forfeitures which arise in a Plan Year and which are allocated to Participants’ Accounts shall be allocated as of the last day of such Plan Year, or as soon as administratively possible thereafter.
- (f) Manner and Time of Debiting Distributions. For any Participant who is entitled to receive a distribution from his Account, such distribution shall be made in accordance with the provisions of Section 7.1 and Section 7.2. The amount distributed shall be based upon the fair market value of the Participant’s vested Account as of the Valuation Date preceding the distribution.

**5.2 ALLOCATION OF SERVICE CREDIT.** Any amounts deposited to the Plan by a service provider pursuant to an agreement between the Employer and the service provider (“Service Credit”) shall be used to pay Plan administrative expenses. To the extent that the Service Credit for a calendar year exceeds the Plan administrative expenses incurred through March 31 (or prior business day) of the following calendar year, the excess (subject to such de minimis amount as may be established, which amount shall be used to pay future Plan administrative expenses) shall be allocated as of such March 31 (or the prior business day) to Participants with Account balances on such allocation date. The Account of each Participant eligible to receive such allocation shall be credited with an amount equal to the total excess Service Credit multiplied by a fraction, the numerator of which is the Participant’s Account balance as of the date on which such allocation is made, and the denominator of which is the Account balances of all eligible Participants as of that date.

**ARTICLE SIX—VESTING AND RETIREMENT BENEFITS**

**6.1 VESTING.** A Participant shall at all times have a nonforfeitable (vested) right to his Account derived from elective deferrals (within the meaning of Section 4.1), after-tax contributions (under Section 4.5), any Company Contributions (under Section 4.2(b) and/or Appendix C), Employer Fail-Safe Contributions, “Qualified Matching Contributions” (within the meaning of Section 10.2 below), and rollovers or transfers from other plans, as adjusted for investment experience. Except as otherwise provided with respect to Normal Retirement, Disability, death, or as otherwise indicated in Section 4.2(a), a Participant shall have a nonforfeitable (vested) right to a percentage of the value of his Account derived from discretionary Employer matching contributions under Section 4.2(a) as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
<i>Less than 1 year</i>	0%
<i>1 year but less than 2</i>	33%
<i>2 years but less than 3</i>	67%
<i>3 years and thereafter</i>	100%

Notwithstanding any provision above to the contrary, a Participant who is either a Local 341 GS Employee, a Local 341 NU-Portland Employee, or a Local 12012-6 NU-Portsmouth Employee shall at all times have a nonforfeitable (vested) right to his Account derived from elective deferrals, after-tax contributions, Employer matching contributions under Section 4.2(a), any Company Contributions made under Section 4.2(b), Employer Fail-Safe Contributions under Section 10.2, other Employer contributions pursuant to Section 10.2 and/or 10.3, and rollovers or transfers from other plans, as adjusted for investment experience.

However, notwithstanding the foregoing provisions of this Section 6.1 to the contrary, with respect to a Non-union Participant who either elected to opt-out of the Employer’s defined benefit plan as of January 1, 2010, and/or is hired or rehired on or after January 1, 2010, such Participants shall at all times have a nonforfeitable (vested) right to their Account derived from Employer matching contributions made on or after such dates under Section 4.2(a).

Furthermore, with respect to (i) a Local 1837 UES Employee who either elected to opt-out of the Employer’s defined benefit plan as of January 1, 2013, and/or is hired or rehired on or after June 1, 2012; (ii) a Local B340 FGE Employee who either elected to opt-out of the Employer’s defined benefit plan as of January 1, 2014, and/or who is hired or rehired on or after June 1, 2013; or (iii) a Local 1837 USC Employee who is hired or rehired on or after January 1, 2010, such Participants shall at all times have a nonforfeitable (vested) right to their Accounts derived from Employer matching contributions made on or after such dates under Appendix B, attached hereto.

**6.2 FORFEITURE OF NONVESTED BALANCE.** The nonvested portion of a Participant's Account, as determined in accordance with Section 6.1, shall be forfeited as of the earlier of (i) as soon as administratively practical following the date on which the Participant receives distribution of his vested Account or (ii) as soon as administratively practical after the last day of the Plan Year in which the Participant incurs five (5) consecutive Breaks in Service. However, no forfeiture shall occur solely as a result of a Participant's withdrawal of Employee after-tax contributions. The amount forfeited shall be used to pay Plan administrative expenses, used to reduce Employer contributions under the Plan or used to restore previously forfeited amounts under this Section 6.2. Forfeitures shall be used in accordance with the terms of the Plan no later than the end of the Plan Year following the Plan Year in which the forfeiture occurs.

If the Participant returns to the employment of the Employer prior to incurring five (5) consecutive Breaks in Service, and prior to receiving distribution of his vested Account, the nonvested portion shall remain in the Participant's Account. However, if the nonvested portion of the Participant's Account was forfeited as the result of the Participant receiving distribution of his vested Account balance (including a "deemed" distribution under Section 7.2), the nonvested portion shall be restored if:

- (a) the Participant resumes employment prior to incurring five (5) consecutive Breaks in Service; and
- (b) the Participant repays to the Plan, as of the earlier of (i) the date which is five (5) years after his reemployment date or (ii) the date which is the last day of the period in which the Participant incurs five (5) consecutive Breaks in Service commencing after distribution of the Participant's vested Account, an amount equal to the total distribution derived from Employer contributions under Section 4.2 and, if applicable, Section 13.3.

Upon repayment, the Participant's Employer-derived benefit shall be restored to the amount at the time of distribution (i.e., the amount distributed and the amount forfeited), unadjusted by any subsequent gains or losses. The amount required to be restored shall be made by a special Employer contribution or from the next succeeding Employer contribution and forfeitures, as appropriate.

Following a repayment described in this Section, any Years of Service for which a Participant received a cash-out shall be recognized for purposes of vesting and eligibility under the Plan.

**6.3 DISTRIBUTION OF LESS THAN ENTIRE VESTED ACCOUNT BALANCE.** If a distribution (including a withdrawal) of any portion of a Participant's Account is made to the Participant at a time when he has a vested percentage in such Account equal to less than one-hundred percent (100%), a separate record shall be maintained of said Account balance. The Participant's vested interest at any time in this separate account shall be an amount equal to the formula  $P(AB+D)-D$ , where  $P$  is the vested percentage at the relevant time,  $AB$  is the Account balance at the relevant time, and  $D$  is the amount of the distribution (or withdrawal) made to the Participant.

**6.4 NORMAL RETIREMENT.** A Participant who is in the employment of the Employer at his Normal Retirement Age shall have a nonforfeitable interest in one hundred percent (100%) of his Account, if not otherwise one hundred percent (100%) vested under the vesting schedule in Section 6.1. Payment of such Participant's vested Account balance shall be made at the time and in the manner specified in Article Seven. Notwithstanding the foregoing, a Participant who continues employment with the Employer after his Normal Retirement Age shall continue to participate under the Plan.

**6.5 DISABILITY.** If a Participant incurs a Disability while employed by the Employer, the Participant shall have a nonforfeitable interest in one hundred percent (100%) of his Account, if not otherwise one hundred percent (100%) vested under Section 6.1. Payment of such Participant's vested Account balance shall be made at the time and in the manner specified in Article Seven.

**ARTICLE SEVEN—MANNER AND TIME OF DISTRIBUTING BENEFITS**

- 7.1** **MANNER OF PAYMENT.** The Participant's vested Account shall be distributed to the Participant (or to the Participant's Beneficiary in the event of the Participant's death) by any of the following methods, as elected by the Participant or, when applicable, the Participant's Beneficiary:
- (a) in a single lump-sum payment; or
  - (b) provided the Participant's vested Account exceeds \$5,000, in periodic installments (at least annual), subject to the provisions of this Article Seven; or
  - (c) to the extent the Participant's vested Account is invested in employer securities (within the meaning of Section 407(d)(1) of the Employee Retirement Security Act of 1974), in a single payment in the form of whole shares of stock, with any fractional shares, and the cash and cash equivalent portions of the underlying unitized stock account, being distributed in cash.

Notwithstanding the foregoing, provided the Participant's vested Account exceeds \$5,000, the Participant may elect to receive his vested Account in partial payments, subject to procedures established by the Administrator and subject to the provisions of this Article Seven.

In addition, a Participant who elects installments under (b) above may subsequently revise such election, even after installment payments have commenced, and elect to (1) change the period in which installment payments are paid, provided the period does not exceed the period permitted by the Plan, and such change does not violate the minimum required distribution requirements of Treasury Regulation §1.401(a)(9), as set forth under Section 7.4, or (2) receive the remainder of his vested Account in the form of a single lump-sum cash payment.

- 7.2** **TIME OF COMMENCEMENT OF BENEFIT PAYMENTS.** Subject to the following provisions of this Section, unless the Participant elects otherwise in accordance with provisions of the Plan, distribution of the Participant's vested Account shall be made or commence no later than the sixtieth (60) day after the later of the close of the Plan Year in which: (a) the Participant attains age sixty-five (65) (or Normal Retirement Date, if earlier), (b) occurs the tenth (10th) anniversary of the year in which the Participant commenced participation in the Plan, or (c) the Participant severs employment with the Employer. Distribution shall not be made to a Participant without his consent (and spouse's consent, if required) if his vested Account exceeds \$5,000 and such Account is immediately distributable (within the meaning of Section 1.411(a)-11(c)(4) of the IRS Regulations).

Notwithstanding the foregoing, a Participant's Account may be frozen to prevent the Participant from taking withdrawals, loans and/or distributions from his Account in accordance with the Plan's qualified domestic relations order procedures.

Moreover, if the Participant's vested Account does not exceed \$5,000, the Participant's entire vested Account shall be normally distributed to the Participant (or, in the event of the Participant's death, his Beneficiary) in a lump-sum payment as soon as administratively practicable following the date the Participant retires, dies or otherwise terminates employment with the Employer. However, in the event of a mandatory distribution to a Participant, if the Participant does not elect to have such automatic distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with Section 7.1, then the Plan Administrator shall pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator.

A Participant who is not vested in any portion of his Account shall be deemed to have received distribution of his Account as of the end of the Plan Year following the Plan Year in which he terminates employment with the Employer.

In no event shall distribution of the Participant's vested Account be made or commence later than the April 1st following the end of the calendar year in which the Participant attains age seventy and one-half (70½), or, except for a Participant who is a five percent (5%) owner of the Employer (within the meaning of Section 401(a)(9)(C) of the Code), if later, the April 1st following the calendar year in which the Participant retires from employment with the Employer (the "required beginning date").

Notwithstanding the provisions of Section 7.1, in the event distribution is required to be made while the Participant is employed by the Employer or to a terminated Participant, the Participant may elect to receive the minimum amount required to be distributed pursuant to the provisions of Section 401(a)(9) of the Code and the regulations thereunder.

**7.3 FURNISHING INFORMATION.** Prior to the payment of any benefit under the Plan, each Participant or Beneficiary may be required to complete such administrative forms and furnish such proof as may be deemed necessary or appropriate by the Employer, Administrator, and/or Trustee.

#### **7.4 MINIMUM DISTRIBUTION REQUIREMENTS.**

(a) **General Rules.**

- (1) **Effective Date.** The provisions of this Article will apply for purposes of determining required minimum distributions.
- (2) **Precedence.** The requirements of this Article shall take precedence over any inconsistent provisions of the Plan; provided, however, that this Article shall not require the Plan to provide any form of benefit, or any option, not otherwise provided under Section 7.1.

- (3) Requirements of Treasury Regulations Incorporated. All distributions required under this Article shall be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code and the minimum distribution incidental benefit requirement of Section 401(a)(9)(G) of the Code.

(b) ***Time and Manner of Distribution***

- (1) Required Beginning Date. The Participant's vested Account shall be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.
- (2) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's vested Account shall be distributed, or begin to be distributed, no later than as follows:
- (A) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, distribution of the Participant's vested Account shall be completed by the December 31 of the calendar year containing the fifth anniversary of the Participant's death, unless distribution is to be made over the surviving spouse's life or over a period certain not exceeding the life expectancy of the surviving spouse (if permitted under Section 7.1 of the Plan), in which case distribution shall commence by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.
- (B) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, distribution of the Participant's vested Account shall be completed by the December 31 of the calendar year containing the fifth anniversary of the Participant's death, unless distribution is to be made over the life or over a period certain not exceeding the life expectancy of the designated Beneficiary (if permitted under Section 7.1 of the Plan), in which case distribution shall commence by December 31 of the calendar year immediately following the calendar year in which the Participant died.
- (C) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's vested Account shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
- (D) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 7.4(b), other than Section 7.4(b)(2) (A), shall apply as if the surviving spouse were the Participant.

For purposes of Sections 7.4(b) and 7.4(d), unless Section 7.4(b)(2)(D) applies, distributions are considered to begin on the Participant's required beginning date. If Section 7.4(b)(2)(D) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 7.4(b)(2)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 7.4(b)(2)(A)), the date distributions are considered to begin is the date distributions actually commence.

- (3) **Forms of Distribution.** Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year, distributions shall be made in accordance with Sections 7.4(c) and (d). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

(c) **Required Minimum Distributions During Participant's Lifetime.**

- (1) **Amount of Required Minimum Distribution for Each Distribution Calendar Year.** During the Participant's lifetime, the minimum amount that shall be distributed for each distribution calendar year is the lesser of:
- (A) the quotient obtained by dividing the Participant's vested Account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9, Q&A-2, of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or
  - (B) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's vested Account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9, Q&A-3, of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.
- (2) **Lifetime Required Minimum Distributions Continue Through Year of Participant's Death.** Required minimum distributions shall be determined under this Section 7.4(c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

(d) **Required Minimum Distributions After Participant's Death.**

(1) **Death On or After Date Distributions Begin.**

- (A) *Participant Survived by Designated Beneficiary.* Subject to the provisions of this Article, if the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's vested Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:
- (i) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
  - (ii) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
  - (iii) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.
- (B) *No Designated Beneficiary.* If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's vested Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) **Death Before Date Distributions Begin.**

- (A) *Participant Survived by Designated Beneficiary.* If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's vested Account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in Section 7.4(d)(1).
- (B) *No Designated Beneficiary.* If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
- (C) *Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin.* If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 7.4(b)(2) (A), this Section 7.4(d) shall apply as if the surviving spouse were the Participant.

(e) ***Definitions.***

- (1) **Designated Beneficiary.** The individual who is designated as the Beneficiary under Section 7.6 of the Plan and is the designated Beneficiary under Section 401(a)(9) of the Code and Section 1.401(a)(9)-4, of the Treasury regulations.
- (2) **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 7.4(b)(2). The required minimum distribution for the Participant's first distribution calendar year shall be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, shall be made on or before December 31 of that distribution calendar year.

- (3) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9, Q&A-1, of the Treasury regulations.
- (4) Participant's Vested Account Balance. The vested Account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the vested Account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The vested Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
- (5) Required Beginning Date. The date specified in Section 7.2 of the Plan.

## **7.5 AMOUNT OF DEATH BENEFIT**

- (a) Death Before Termination of Employment. In the event of the death of a Participant while in the employ of the Employer, vesting in the Participant's Account shall be one hundred percent (100%), if not otherwise one hundred percent (100%) vested under Section 6.1, with the credit balance of the Participant's Account being payable to his Beneficiary.
- (b) Death After Termination of Employment. In the event of the death of a former Participant after termination of employment, but prior to the complete distribution of his vested Account balance under the Plan, the undistributed vested balance of the Participant's Account shall be paid to the Participant's Beneficiary.

## **7.6 DESIGNATION OF BENEFICIARY**. Each Participant shall designate a Beneficiary in a manner acceptable to the Administrator to receive payment of any death benefit payable hereunder if such Beneficiary should survive the Participant. However, no Participant who is married shall be permitted to designate a Beneficiary other than his spouse, unless the Participant's spouse has signed a written consent witnessed by a notary public, which provides for the designation of an alternate Beneficiary. Notwithstanding the foregoing, spousal consent hereunder shall not be required if it is established to the satisfaction of the Administrator that the spouse's consent cannot be obtained because such spouse cannot be located, or because of such other circumstances as may be prescribed in regulations pursuant to Section 417 of the Code.

Subject to the above, Beneficiary designations may include primary and contingent Beneficiaries, and may be revoked or amended at any time in similar manner or form, and

the most recent designation shall govern. A designation of a non-spouse Beneficiary made by a Participant shall cease to be effective upon his marriage or remarriage. In addition, a spousal Beneficiary designation shall cease to be effective upon written notification to the Administrator of the divorce of the Participant and such spouse (in the absence of a redesignation by the Participant). In the absence of an effective designation of Beneficiary, or if no designated Beneficiary is surviving as of the date of the Participant's death, any death benefit shall be paid to the surviving spouse of the Participant, or, if none, to the Participant's estate. Notification to Participants of the death benefits under the Plan and the method of designating a Beneficiary shall be given at the time and in the manner provided by regulations and rulings under the Code.

In the event a Beneficiary survives the Participant but dies before receipt of all payments due that Beneficiary hereunder, any benefits remaining to be paid to the Beneficiary shall be paid to the Beneficiary's estate.

**7.7 DISTRIBUTION OF DEATH BENEFITS.** Subject to the provisions of Section 7.2, the Beneficiary shall be allowed to designate the mode of receiving benefits in accordance with Section 7.1, unless the Participant had designated a method in writing and indicated that the method was not revocable by the Beneficiary.

- (a) *Distribution Beginning Before Death* - If the Participant dies after distribution of his vested Account has commenced, any survivor's benefit must be paid at least as rapidly as under the method of payment in effect at the time of the Participant's death.
- (b) *Distribution Beginning After Death* - If the Participant dies before distribution of his vested Account has commenced, distribution of the Participant's vested Account shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death, except as provided below:
  - (i) if any portion of the Participant's vested Account is payable to a designated Beneficiary, and if distribution is to be made over the life or over a period certain not greater than the life expectancy of the designated Beneficiary (if permitted under Section 7.1 above), such payments shall commence on or before December 31 of the calendar year immediately following the calendar year in which the Participant died;
  - (ii) if the Participant's surviving spouse is the Participant's sole designated Beneficiary, the date distribution is required to begin shall not be earlier than the later of (A) December 31 of the calendar year immediately following the calendar year in which the Participant died and (B) December 31 of the calendar year in which the Participant would have attained age seventy and one-half (70½).

For purposes of this paragraph (b), if the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of this paragraph, with the exception of paragraph (ii) herein, shall be applied as if the surviving spouse were the Participant.

Notwithstanding the foregoing, if the Participant has no designated Beneficiary (within the meaning of Section 401(a)(9) of the Code and the regulations thereunder), distribution of the Participant's vested Account must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

**7.8 ELIGIBLE ROLLOVER DISTRIBUTIONS.** Notwithstanding the foregoing provisions of this Article Seven, the provisions of this Section 7.8 shall apply to distributions made under the Plan.

- (a) A "distributee" (as hereinafter defined) may elect, at the time and in the manner prescribed by the Administrator, to have any portion of an "eligible rollover distribution" (as hereinafter defined) paid directly to an eligible retirement plan specified by the distributee in a direct rollover.
  
- (b) Definitions:
  - (i) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and as a hardship distribution (within the meaning of Code Section 401(k) and the regulations promulgated thereunder). A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to (1) a traditional individual retirement account or annuity described in Section 408(a) or (b) of the Code (a "traditional IRA") or a Roth individual retirement account or annuity described in Section 408A of the Code (a "Roth IRA"); or (2) to a qualified plan or an annuity contract described in Section 401(a) and 403(b) of the Code, respectively, that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.
  
  - (ii) Eligible Retirement Plan. An eligible retirement plan is an eligible plan under Section 457(b) of the Code which is maintained by a state, political

subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, a traditional IRA, a Roth IRA, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), an annuity plan described in Section 403(a) of the Code, an annuity contract described in Section 403(b) of the Code, or a qualified plan described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code.

If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated Roth account, an eligible retirement plan with respect to such portion shall include only another designated Roth account of the individual from whose account the payments or distributions were made, or a Roth IRA of such individual.

- (iii) *Distributee.* A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse, and the Employee's or former Employee's spouse or former spouse who is an alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. Finally, a distributee also includes the Employee's or former Employee's non-spouse designated Beneficiary, in which case, the distribution can only be transferred to an inherited IRA established on behalf of the non-spouse designated Beneficiary for the purpose of receiving the distribution.
  - (iv) *Direct Rollover.* A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.
- (c) If a distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, such distribution may commence less than thirty (30) days after the notice required under Section 1.411(a)-11(c) of the Income Tax Regulations is given, provided that:
- (i) the Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and
  - (ii) the Participant, after receiving the notice, affirmatively elects a distribution.
- (d) The distribution notice required herein, shall include a description of the Participant's right, if any, to defer distribution and the consequences of failing to defer receipt of the distribution in accordance with the requirements of applicable law.

---

**7.9 IN-PLAN ROTH CONVERSIONS.** Effective April 1, 2019, a Participant may elect to transfer amounts from his vested non-Roth Account to his Roth account under the Plan in accordance with Section 402A(c)(4) of the Code and regulatory guidance and procedures established by the Administrator. The Plan shall maintain such records as are necessary for the proper reporting of in-plan Roth conversions.

**8.1 LOANS**

- (a) Permissible Amount and Procedures. Upon the application of an active Participant, the Administrator may, in accordance with a uniform and nondiscriminatory policy, direct the Trustee to grant a loan to the Participant, which loan shall be secured by the Participant's vested Account balance. The rate of interest on any such loan shall be equal to the "Prime Rate" (as reported in *The Wall Street Journal* on the date the loan is initiated) plus one percent (1%). Participant loans shall be treated as segregated investments, and interest repayments shall be credited only to the Participant's Account.
- (b) Limitation on Amount of Loans. A Participant's loan shall not exceed the lesser of:
- (1) \$50,000, which amount shall be reduced by the highest outstanding loan balance during the preceding twelve (12)-month period; or
  - (2) one-half ( $\frac{1}{2}$ ) of the vested value of the Participant's Account, determined as of the Valuation Date preceding the date of the Participant's loan.

Any loan must be repaid within five (5) years (or such longer period permitted by law), unless made for the purpose of acquiring the primary residence of the Participant, in which case such loan may be repaid over a longer period of time not to exceed fifteen (15) years. The repayment of any loan must be made in at least quarterly installments of principal and interest; provided, however, that this requirement shall not apply for a period, not longer than one year, or such longer period as may apply under Section 414(u) of the Code, that a Participant is on a leave of absence ("Leave"), either without pay from the Employer or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payments required under the terms of the loan. However, the loan must be repaid by the latest date permitted under Sections 72(p)(2)(B) and 414(u) of the Code and the installments due after the Leave ends (or, unless Section 414(u) of the Code applies, if earlier, upon the expiration of the first year of the Leave) must not be less than those required under the terms of the original loan.

If a Participant defaults on any outstanding loan, the unpaid balance, and any interest due thereon, shall become due and payable in accordance with the terms of the underlying promissory note; provided, however, that such foreclosure on the promissory note and attachment of security shall not occur until a distributable event occurs in accordance with the provisions of Article Seven.

If a Participant terminates employment with an outstanding loan balance, the Participant may, subject to the terms and conditions of the underlying promissory note, continue to make loan repayments. However, in the event the loan goes into default, or to the extent distribution of the Participant's Account is to be made or commenced, the outstanding loan balance shall be charged against the amounts that are otherwise payable to the Participant

or the Participant's Beneficiary under the provisions of the Plan. For any Participant with a loan or loans in good standing as of October 1, 2013, loan repayments may be made after termination of employment regardless of anything to the contrary in the underlying promissory note.

In the case of a Participant who has loans outstanding from other plans of the Employer (or a member of the Employer's related group (within the meaning of Section 2.5(b)), the Administrator shall be responsible for reporting to the Trustee the existence of said loans in order to aggregate all such loans within the limits of Section 72(p) of the Code.

**8.2 HARDSHIP DISTRIBUTIONS.** In the case of a financial hardship resulting from a proven immediate and heavy financial need, an active Participant may receive a distribution not to exceed the lesser of (i) the vested value of the Participant's Account, without regard to earnings received on elective deferrals (within the meaning of Section 4.1) after December 31, 1988, and without regard to any Fail-Safe Contributions and Qualified Matching Contributions (within the meaning of Section 10.2 below) or any Employer contributions made pursuant to Section 10.2 and/or 10.3, or (ii) the amount necessary to satisfy the financial hardship. The amount of any such immediate and heavy financial need may include any amounts necessary to pay Federal, state or local income taxes reasonably anticipated to result from the distribution. Such distribution shall be made in accordance with nondiscriminatory and objective standards and procedures consistently applied by the Administrator. For purposes of this Section, an active Participant shall include an Employee who has severed employment with the Employer but is still employed by a member of the Employer's related group (within the meaning of Section 2.5(b)) and who has an Account under the Plan.

Hardship distributions under this Section shall be deemed to be the result of an immediate and heavy financial need if such distribution is to: (a) pay expenses for (or to obtain) medical care that would be deductible under Section 213(d) of the Code (determined without regard to whether the expenses exceed seven and one-half percent (7.5%) of adjusted gross income); (b) purchase the principal residence of the Participant (excluding mortgage payments); (c) pay tuition and related educational fees for the next twelve (12) months of post-secondary education for the Participant, Participant's spouse, or any of the Participant's dependents (as defined in Section 152 of the Code, and without regard to Section 152(b)(1), (b)(2) and (d)(1)(B) of the Code); (d) prevent the eviction of the Participant from his principal residence or foreclosure on the Participant's principal residence; (e) pay funeral or burial expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Section 152 of the Code, and without regard to Section 152(d)(1)(B) of the Code); or (f) repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Section 165 of the Code (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income). Distributions paid pursuant to this Section shall be deemed to be made as of the Valuation Date immediately preceding the hardship distribution, and the Participant's Account shall be reduced accordingly.

A distribution shall be deemed necessary to satisfy an immediate and heavy financial need of a Participant if all of the following requirements are satisfied:

- (1) The distribution is not in excess of the amount of the immediate and heavy financial need of the Participant;
- (2) The Participant has obtained all distributions (including distributions of ESOP dividends under Section 404(k) of the Code), other than hardship distributions, and all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Employer;
- (3) The Participant is prohibited, under the terms of the Plan or an otherwise legally enforceable agreement, from making elective deferrals (within the meaning of Section 4.1) and any after-tax contributions under Section 4.5 to the Plan and all other plans maintained by the Employer for six (6) months after receipt of the hardship distribution. For this purpose the phrase "all other plans maintained by the Employer" means all qualified and nonqualified plans of deferred compensation maintained by the Employer. The phrase also includes a stock option, stock purchase, or similar plan, or a cash or deferred arrangement that is part of a cafeteria plan within the meaning of Section 125 of the Code. However, it does not include the mandatory employee contribution portion of a defined benefit plan. It also does not include a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of Section 125 of the Code.

Notwithstanding the foregoing to the contrary, all of the following special rules shall apply:

- (A) A Participant shall not be prohibited from making elective deferrals (within the meaning of Section 4.1) or any after-tax contributions (within the meaning of Section 4.5) to the Plan, and all other plans maintained by the Employer (except as otherwise provided in such plans), after a hardship distribution.
- (B) Effective for distributions on or after January 14, 2019 (or, if later, the date the Plan commenced using John Hancock Retirement Plan Services, LLC hardship distribution forms), the reason set forth in subsection (f) above shall instead be determined as follows: (f) repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Section 165 of the Code (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income, and determined without regard to Section 165(h)(5) of the Code).
- (C) The standard for determining whether a hardship distribution is necessary to satisfy an immediate and heavy financial need is changed to the following:
  - (1) The distribution is not in excess of the amount of the immediate and heavy financial need of the Participant;

- (2) The Participant has obtained all currently available distributions (including distributions of ESOP dividends under Section 404(k) of the Code), but not hardship distributions, under the Plan and all other plans of deferred compensation, whether qualified or nonqualified, maintained by the Employer, and all nontaxable (at the time of the loan) loans currently available under the Plan; and
- (3) The Participant represents, in accordance with procedures established by the Administrator, that he has insufficient cash or other liquid assets reasonably available to satisfy the financial need. The Administrator may rely on the Participant's representation unless the Administrator has actual knowledge to the contrary.

**8.3 WITHDRAWALS AFTER AGE 59½.** After attaining age fifty-nine and one-half (59½), an active Participant may withdraw from the Plan a sum (a) not in excess of the credit balance of his vested Account and (b) not less than such minimum amount as the Administrator may establish from time to time to facilitate administration of the Plan. Any such withdrawals shall be made in accordance with nondiscriminatory and objective standards and procedures consistently applied by the Administrator. For purposes of this Section, an active Participant shall include an Employee who has severed employment with the Employer but is still employed by a member of the Employer's related group (within the meaning of Section 2.5(b)) and who has an Account under the Plan.

**8.4 WITHDRAWALS OF AFTER-TAX CONTRIBUTIONS.** An active Participant may withdraw from the Plan a sum (a) not in excess of the credit balance of the Participant's Account attributable to any after-tax contributions made to the Plan, including any earnings thereon, and (b) not less than such minimum amount as the Administrator may establish from time to time to facilitate administration of the Plan. Any such withdrawals shall be made in accordance with nondiscriminatory and objective standards and procedures consistently applied by the Administrator. For purposes of this Section, an active Participant shall include an Employee who has severed employment with the Employer but is still employed by a member of the Employer's related group (within the meaning of Section 2.5(b)) and who has an Account under the Plan.

For purposes of this Section 8.4, a terminated Participant with a vested Account balance under the Plan may withdraw all or any portion of such vested Account attributable to any after-tax contributions made to the Plan, subject to the provisions of the foregoing paragraph.

**8.5 WITHDRAWALS OF ROLLOVER CONTRIBUTIONS.** An active Participant may withdraw from the Plan a sum (a) not in excess of the credit balance of the Participant's Account attributable to any rollover contributions made to the Plan, including any earnings thereon, and (b) not less than such minimum amount as the Administrator may establish from time to time to facilitate administration of the Plan. Any such withdrawals shall be

made in accordance with nondiscriminatory and objective standards and procedures consistently applied by the Administrator. For purposes of this Section, an active Participant shall include an Employee who has severed employment with the Employer but is still employed by a member of the Employer's related group (within the meaning of Section 2.5(b)) and who has an Account under the Plan.

## **8.6 HEART ACT PROVISIONS.**

- (a) Death benefits. In the case of a Participant's death occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code Section 414(u)), the Beneficiary(ies) (or surviving spouse, if the qualified joint and survivor annuity or qualified pre-retirement survivor annuity rules apply) of the Participant shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant had resumed employment and then terminated employment on account of death. In addition, vesting service credit for the deceased Participant's period of qualified military service shall be credited to the extent required by Code Section 401(a)(37).
- (b) Differential wage payments. For years beginning after December 31, 2008, (i) a Participant receiving a differential wage payment, as defined by Code Section 3401(h)(2), shall be treated as an Employee of the Employer making the payment, (ii) the differential wage payment shall be treated as Compensation, and (iii) the Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment.
- (c) Severance from employment. For years beginning after December 31, 2008 and for purposes of Code Section 401(k)(2)(B)(i)(I), an individual shall be treated as having severed from employment during any period the individual is performing service in the uniformed services described in Code Section 3401(h)(2)(A).

If a Participant elects to receive a distribution by reason of such severance from employment, the Participant may not make an elective deferral or after-tax contribution during the six (6)-month period or such other period as required by law beginning on the date of such distribution.

Effective as of the dates specified above, the provisions of this Section 8.6 shall be interpreted consistent with, and governed by, the Heroes Earnings Assistance and Relief Tax Act of 2008 ("HEART Act") and regulatory guidance issued thereunder.

**ARTICLE NINE —ADMINISTRATION OF THE PLAN**

**9.1 PLAN ADMINISTRATION.** The Employer shall be the Plan Administrator, hereinbefore and hereinafter called the Administrator, and a “named fiduciary” (for purposes of Section 402(a)(1) of the Employee Retirement Income Security Act of 1974, as amended from time to time (“ERISA”)) of the Plan, unless the Employer, by action of its board of directors, shall designate a person or committee of persons to be the Administrator. The Employer, by action of its board of directors, may also designate a person, a committee of persons, and/or other entity as a named fiduciary or named fiduciaries. The administration of the Plan, as provided herein, including a determination of the payment of benefits to Participants and their Beneficiaries, shall be the responsibility of the Administrator; provided, however, that the Administrator may delegate any of its powers, authority, duties or responsibilities to any person or committee of persons, such delegation to be in accordance with ERISA Section 405. The Administrator shall have full discretion to interpret the terms of the Plan, to determine factual questions that arise in the course of administering the Plan, to adopt rules and regulations regarding the administration of the Plan, to determine the conditions under which benefits become payable under the Plan, and to make any other determinations that the Administrator believes are necessary and advisable for the administration of the Plan. Any determination made by the Administrator shall be final and binding on all parties, and shall be given the maximum deference allowed by law.

In the event more than one party shall act as Administrator, all actions shall be made by majority decisions. In the administration of the Plan, the Administrator may (a) employ agents to carry out nonfiduciary responsibilities (other than Trustee responsibilities),(b) consult with counsel, who may be counsel to the Employer, and (c) provide for the allocation of fiduciary responsibilities (other than Trustee responsibilities) among its members. Actions dealing with fiduciary responsibilities shall be taken in writing and the performance of agents, counsel and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically.

The expenses of administering the Plan and the compensation of all employees, agents, or counsel of the Administrator, including accounting fees, recordkeeper’s fees, and the fees of any benefit consulting firm, shall be paid by the Plan, or shall be paid by the Employer if, and to the extent, the Employer so elects. To the extent required by applicable law, compensation may not be paid by the Plan to full-time Employees of the Employer.

In the event the Employer pays the expenses of administering the Plan, the Employer may seek reimbursement from the Plan for the payment of such expenses. Reimbursement shall be permitted only for Plan expenses paid by the Employer within the last twelve (12)-month period.

The Administrator shall obtain from the Trustee, not less often than annually, a report with respect to the value of the assets held in the Trust Fund, in such form as may be required by the Administrator.

The Administrator shall administer the Plan and adopt such rules and regulations as, in the opinion of the Administrator, are necessary or advisable to implement and administer the Plan and to transact its business. As a named fiduciary, the Administrator is required to discharge its duties with respect to the Plan solely in the interest of the Participants and Beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

## **9.2 CLAIMS PROCEDURE**

Pursuant to procedures established by the Administrator, claims for benefits under the Plan made by a Participant or Beneficiary (the "claimant") must be submitted in writing to the Administrator. Approved claims shall be processed and instructions issued to the Trustee or custodian authorizing payment as claimed.

If a claim is denied in whole or in part, the Administrator shall notify the claimant within ninety (90) days after receipt of the claim (or within one hundred eighty (180) days, if special circumstances require an extension of time for processing the claim, and provided written notice indicating the special circumstances and the date by which a final decision is expected to be rendered is given to the claimant within the initial ninety (90) day period).

The notice of the denial of the claim shall be written in a manner calculated to be understood by the claimant and shall set forth the following:

- (a) the specific reason or reasons for the denial of the claim;
- (b) the specific references to the pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary to perfect the claim, and an explanation of why such material or information is necessary;
- (d) a statement that any appeal of the denial must be made by giving to the Administrator, within sixty (60) days after receipt of the denial of the claim, written notice of such appeal, such notice to include a full description of the pertinent issues and basis of the claim; and
- (e) a statement about the claimant's right to bring civil action under Section 502(a) under ERISA if the claim is denied on review.

Upon denial of a claim in whole or part, the claimant (or his duly authorized representative) shall have the right to submit a written request to the Administrator for a full and fair review of the denied claim, to be permitted to review documents (free of charge) pertinent to the denial, and to submit issues and comments in writing. Any appeal of the denial must be given to the Administrator within the period of time prescribed under (d) above. If the claimant (or his duly authorized representative) fails to appeal the denial to the Administrator within the prescribed time, the Administrator's adverse determination shall be final, binding and conclusive.

The Administrator shall advise the claimant of the results of the review within sixty (60) days after receipt of the written request for the review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the request for review. If such extension of time is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The Administrator's decision shall be binding upon both parties.

The procedures set forth herein shall be administered in accordance with the claims procedure regulations of the Department of Labor set forth at 29 C.F.R. 2560.503-1. Notwithstanding the foregoing, to the extent any of the time periods specified in this Section are amended by law or the Department of Labor regulation, then the time periods specified herein shall be changed in accordance with such law or regulation.

**ARTICLE TEN—SPECIAL COMPLIANCE PROVISIONS**

**10.1 DISTRIBUTION OF EXCESS ELECTIVE DEFERRALS.** Notwithstanding any other provision of the Plan, “Excess Elective Deferrals” (as defined below) (and income or loss allocable thereto, including all earnings, expenses and appreciation or depreciation in value, whether or not realized) shall be distributed no later than each April 15 to Participants who claim Excess Elective Deferrals for the preceding calendar year. Distribution of Excess Elective Deferrals for a year shall be made first from the portion of the Participant’s vested account consisting of any pre-tax contributions made under Section 4.1, then from any “designated Roth contributions” made under Section 4.1, unless the Participant specifies otherwise in accordance with the rules and procedures established by the Administrator.

“Excess Elective Deferrals” shall mean the amount of Elective Deferrals (as defined below) for a calendar year that the Participant designates to the Plan pursuant to the following procedure: The Participant’s designation shall be submitted to the Administrator in writing no later than March 1; shall specify the Participant’s Excess Elective Deferrals for the preceding calendar year; and shall be accompanied by the Participant’s written statement that if the Excess Elective Deferrals are not distributed, they shall, when added to amounts deferred under other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code, exceed the limit imposed on the Participant by Section 402(g) of the Code for the year in which the deferral occurred. Excess Elective Deferrals shall mean those Elective Deferrals that are includible in a Participant’s gross income under Section 402(g) of the Code to the extent such Participant’s Elective Deferrals for a taxable year exceed the dollar limitation under such Code section.

An Excess Elective Deferral, and the income or loss allocable thereto, may be distributed before the end of the calendar year in which the Elective Deferrals were made. A Participant who has an Excess Elective Deferral for a taxable year, taking into account only his Elective Deferrals under the Plan or any other plans of the Employer (including any member of the Employer’s related group (within the meaning of Section 2.5(b)), shall be deemed to have designated the entire amount of such Excess Elective Deferral.

Excess Elective Deferrals shall be adjusted for any income or loss. For purposes of this Section 10.1, whenever reference is made to the income or loss allocable to an Excess Elective Deferral, such income or loss shall be determined as follows. The income or loss allocable to Excess Elective Deferrals allocated to each Participant shall be the income or loss allocable to the Participant’s deferred amounts for the Plan Year multiplied by a fraction, the numerator of which is the Excess Elective Deferrals made on behalf of the Participant for the Plan Year, and the denominator of which is the Participant’s Account balance attributable to the Participant’s Elective Deferrals on the last day of the Plan Year.

For purposes of this Article Ten, “Elective Deferrals” shall mean any Employer contributions made to the Plan at the election of the Participant, in lieu of cash compensation, and shall include contributions made pursuant to a salary deferral reduction agreement or other deferral mechanism. With respect to any taxable year, a Participant’s

Elective Deferrals are the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under any qualified cash or deferred arrangement described in Section 401(k) of the Code, any salary reduction simplified employee pension described in Section 408(k)(6) of the Code, any SIMPLE IRA Plan described in Section 408(p) of the Code, any eligible deferred compensation plan under Section 457 of the Code, any plan described under Section 501(c)(18) of the Code, and any Employer contributions made on behalf of a Participant for the purchase of an annuity contract under Section 403(b) of the Code pursuant to a salary reduction agreement. Elective Deferrals shall not include any deferrals properly distributed as excess annual additions.

## **10.2 LIMITATIONS ON 401(k) CONTRIBUTIONS**

- (a) *Actual Deferral Percentage Test (“ADP Test”).* Amounts contributed as elective deferrals under Section 4.1(a) and, if so elected by the Employer, “Qualified Matching Contributions” (as defined below) and any Fail-Safe Contributions made under this Section, are considered to be amounts deferred pursuant to Section 401(k) of the Code. For purposes of this Section, these amounts are referred to as the “deferred amounts.” For purposes of the “actual deferral percentage test” described below, (i) such deferred amounts must be made before the last day of the twelve (12)-month period immediately following the Plan Year to which the contributions relate, and (ii) the deferred amounts relate to Compensation that (A) would have been received by the Participant in the Plan Year but for the Participant’s election to make deferrals, (B) is attributable to services performed by the Participant in the Plan Year, or (C) is contributed in the form of “designated Roth contributions” pursuant to Section 402A of the Code and, but for the Participant’s election to make deferrals, would have been received by the Participant within two and one-half (2½) months after the close of the Plan Year. The Employer shall maintain records sufficient to demonstrate satisfaction of the actual deferral percentage test and the deferred amounts used in such test.

For purposes of this Section, “Qualified Matching Contributions” shall mean matching contributions that are nonforfeitable when allocated to Participants’ Accounts and that are distributable only in accordance with the distribution restrictions (other than hardships) applicable to elective deferrals.

As of the last day of each Plan Year, the deferred amounts for the Participants who are Highly-Compensated Employees for the Plan Year shall satisfy either of the following tests:

- (1) The actual deferral percentage for the eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the actual deferral percentage for eligible Participants who are Nonhighly-Compensated Employees for the current Plan Year multiplied by 1.25; or

- (2) The actual deferral percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the actual deferral percentage of eligible Participants who are Nonhighly-Compensated Employees for the current Plan Year multiplied by two (2), provided that the actual deferral percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year does not exceed the actual deferral percentage for eligible Participants who are Nonhighly-Compensated Employees by more than two (2) percentage points.

Notwithstanding the foregoing, if elected by the Employer by Plan amendment, the foregoing percentage tests shall be applied based on the actual deferral percentage of the Nonhighly-Compensated Employees for the prior Plan Year; provided, however, the change in testing methods complies with the requirements set forth in the Final 401(k) and 401(m) Regulations and any other superseding guidance.

In the event the Plan changes from the current year testing method to the prior year testing method, then, for purposes of the first testing year for which the change is effective, the actual deferral percentage for Nonhighly-Compensated Employees for the prior year shall be determined by taking into account only elective deferrals (within the meaning of Section 4.1) for those Nonhighly-Compensated Employees that were taken into account for purposes of the actual deferral percentage test (and not the actual contribution percentage test) under the current year testing method for the prior year.

For purposes of the above tests, the “actual deferral percentage” shall mean for a specified group of Participants (either Highly Compensated Employees or Nonhighly-Compensated Employees) for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (1) deferred amounts actually paid over to the Trust on behalf of such Participant for the Plan Year to (2) the Participant’s compensation (within the meaning of Section 1.6 of the Plan if such definition satisfies Section 414(s) of the Code) or, if the Employer chooses, Participant’s compensation determined by using any other definition of compensation that satisfies the nondiscrimination requirements of Section 414(s) of the Code and the regulations thereunder. For purposes hereof, the Participant’s compensation shall be referred to as “414(s) Compensation.” An Employer may limit the period taken into account for determining 414(s) Compensation to that part of the Plan Year or calendar year in which an Employee was a Participant in the component of the Plan being tested. The period used to determine 414(s) Compensation must be applied uniformly to all Participants for the Plan Year. Deferred amounts on behalf of any Participant shall include (1) any Elective Deferrals made pursuant to the Participant’s deferral election (including Excess Elective Deferrals of Highly Compensated Employees), but excluding (a) Excess Elective Deferrals of Nonhighly-Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans of this Employer and (b) Elective Deferrals that are taken into account in the actual contribution percentage test (provided the actual deferral percentage test is satisfied both with and without exclusion of these Elective Deferrals); and (2) Qualified Matching Contributions

and Fail-Safe Contributions. For purposes of computing Actual Deferral Percentages, a Participant shall mean any Employee who is eligible to make Elective Deferrals under the Plan for all or a portion of the Plan Year and shall include any Employee whose eligibility to make Elective Deferrals is suspended because of an election (other than certain one-time elections) not to participate, a distribution, or a loan; an Employee who cannot make Elective Deferrals because of the limitations under Section 415 of the Code; and an Employee who would be a Participant but for the failure to make required contributions to another plan. In addition, an Employee who would be a Participant but for failure to make Elective Deferrals shall be treated as a Participant on whose behalf no Elective Deferrals are made.

For purposes of this Section 10.2, the actual deferral percentage for any eligible Participant who is a Highly-Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals allocated to his account under two (2) or more plans or arrangements described in Code Section 401(k) that are maintained by the Employer or any employer who is a related group member (within the meaning of Section 2.5(b)) shall be determined as if all such deferrals were made under a single arrangement. In the event that this Plan satisfies the requirements of Code Section 401(k), 401(a)(4) or 410(b) only if aggregated with one (1) or more other plans, or if one (1) or more other plans satisfy the requirements of such Sections of the Code only if aggregated with this Plan, then the provisions of this Section 10.2 shall be applied by determining the actual deferral percentage of eligible Participants as if all such plans were a single plan. If the Employer elects by Plan amendment to use the prior year testing method, any adjustments to the Nonhighly-Compensated Employee actual deferral percentage for the prior year shall be made in accordance with the Final 401(k) and 401(m) Regulations. Plans may be aggregated in order to satisfy Section 401(k) of the Code only if they have the same Plan Year and use the same average actual deferral percentage testing method.

Notwithstanding anything in this Section to the contrary, the provisions of Section 401(k)(3)(F) of the Code may be used to exclude all Nonhighly-Compensated Employees who have not satisfied the minimum age and service requirements of Section 410(a)(1)(A) of the Code from the ADP Test. For purposes of applying this provision, the Administrator may use any effective date of participation that is permitted under Section 410(b) of the Code provided such date is applied on a consistent and uniform basis to all Participants.

The determination and treatment of deferred amounts and the actual deferral percentage of any Participant shall be subject to the prescribed requirements of the Secretary of the Treasury.

In the event the Plan utilizes the current Plan Year testing method and the actual deferral percentage test is not satisfied for a Plan Year, the Employer, in its discretion, may make a Fail-Safe Contribution for eligible Participants who are Nonhighly-Compensated Employees, equal to a specified percentage of compensation; provided, however such percentage does not exceed the greater of

five percent (5%) or two times the Plan's "representative contribution rate." For purposes of this paragraph:

- (1) "compensation" - shall mean compensation used for the actual deferral percentage test.
- (2) "representative contribution rate" – shall mean the greater of:
  - (A) the lowest applicable contribution rate (defined below) of any eligible Nonhighly-Compensated Employee among a group of eligible Nonhighly-Compensated Employees that consists of at least fifty percent (50%) of the total eligible Nonhighly-Compensated Employees for the Plan Year, or
  - (B) the lowest applicable contribution rate of any eligible Nonhighly- Compensated in the group of all eligible Nonhighly-Compensated Employees for the Plan Year and who is employed by the Employer on the last day of the Plan Year.

The applicable contribution rate for an eligible Nonhighly-Compensated Employee is the sum of the qualified matching contribution taken into account for the eligible Nonhighly-Compensated Employee for the Plan Year and the Fail-Safe Contribution made for the eligible Nonhighly-Compensated Employee for the Plan Year, divided by the eligible Nonhighly-Compensated Employee's compensation for the same period.

(b) Distributions of Excess Contributions.

- (1) In General. If the actual deferral percentage test of Section 10.2(a) is not satisfied for a Plan Year, then the "excess contributions", and income allocable thereto, shall be distributed, to the extent required under Treasury regulations, no later than the last day of the Plan Year following the Plan Year for which the excess contributions were made. However, if such excess contributions are distributed later than two and one-half (2½) months (or such longer period as permitted by applicable law and/or regulatory guidance) following the last day of the Plan Year in which such excess contributions were made, a ten percent (10%) excise tax shall be imposed upon the Employer with respect to such excess contributions.
- (2) Excess Contributions. For purposes of this Section, "excess contributions" shall mean, with respect to any Plan Year, the excess of:
  - (A) The aggregate amount of Employer contributions actually taken into account in computing the numerator of the actual deferral percentage of Highly-Compensated Employees for such Plan Year, over

- (B) The maximum amount of such contributions permitted by the ADP Test under Section 10.2(a) (determined by hypothetically reducing contributions made on behalf of Highly-Compensated Employees in order of the actual deferral percentages, beginning with the highest of such percentages).

Excess contributions shall be allocated to the Highly-Compensated Employees with the highest dollar amounts of contributions taken into account in calculating the actual deferral percentage test for the year in which the excess arose, beginning with the Highly-Compensated Employee with the highest dollar amount of such contributions and continuing in descending order until all the excess contributions have been allocated. For purposes of the preceding sentence, the “highest dollar amount” is determined after distribution of any excess deferrals. To the extent a Highly-Compensated Employee has not reached his catch-up contribution limit (set forth in Section 4.1(e) of the Plan), excess deferrals allocated to such Highly-Compensated Employee shall be treated as catch-up contributions and shall not be treated as excess contributions.

Notwithstanding anything in this Section to the contrary, the amount of excess contributions to be distributed with respect to a Highly Compensated Employee for a Plan Year shall be reduced by the amount of excess deferrals previously distributed to such Highly Compensated Employee for the taxable year that ends in the same Plan Year. Further, the amount of excess deferrals to be distributed with respect to a Highly Compensated Employee for a taxable year shall be reduced by the amount of excess contributions previously distributed to such Highly Compensated Employee for the Plan Year which begins in such taxable year.

- (3) Determination of Income. Excess contributions shall be adjusted for any income or loss. The income or loss allocable to excess contributions allocated to each Participant shall be the income or loss allocable to the Participant’s deferred amounts for the Plan Year multiplied by a fraction, the numerator of which is the excess contributions made on behalf of the Participant for the Plan Year, and the denominator of which is the Participant’s Account balance attributable to the Participant’s deferred amounts on the last day of the Plan Year.
- (4) Accounting for Excess Contributions. Excess contributions shall be distributed from that portion of the Participant’s Account attributable to such deferred amounts as follows: first from any pre-tax contributions made under Section 4.1, then from any “designated Roth contributions” made under Section 4.1, unless the Participant specifies otherwise in accordance with the rules and procedures established by the Administrator.

### **10.3 NONDISCRIMINATION TEST FOR EMPLOYER MATCHING CONTRIBUTIONS AND AFTER-TAX CONTRIBUTIONS**

- (a) *Average Contribution Percentage Test (“ACP Test”)*. To the extent required by applicable law, the provisions of this Section shall apply if Employer matching contributions are made in any Plan Year under Section 4.2(a) and such matching contributions are not used to satisfy the actual deferral percentage test of Section 10.2 and/or in the event Employee after-tax contributions are made to the Plan under Section 4.6. Any Employee after-tax contributions that are used to satisfy the average contribution percentage test shall satisfy the requirements of Section 1.401(m)-2(a)(6) of the IRS Treasury Regulations.

As of the last day of each Plan Year, the average contribution percentage for Highly-Compensated Employees for the Plan Year shall satisfy either of the following tests:

- (1) The average contribution percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the average contribution percentage for eligible Participants who are Nonhighly-Compensated Employees for the current Plan Year multiplied by 1.25; or
- (2) The average contribution percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year shall not exceed the average contribution percentage for eligible Participants who are Nonhighly-Compensated Employees for the current Plan Year multiplied by two (2), provided that the average contribution percentage for eligible Participants who are Highly-Compensated Employees for the Plan Year does not exceed the average contribution percentage for eligible Participants who are Nonhighly-Compensated Employees by more than two (2) percentage points.

Notwithstanding the foregoing, if elected by the Employer by Plan amendment, the foregoing percentage tests shall be applied based on the average contribution percentage of the Nonhighly-Compensated Employees for the prior Plan Year; provided, however, the change in testing methods complies with the requirements set forth in the Final 401(k) and 401(m) Regulations and any other superseding guidance.

In the event the Plan changes from the current year testing method to the prior year testing method, then, for purposes of the first testing year for which the change is effective, the average contribution percentage for Nonhighly-Compensated Employees for the prior year shall be determined by taking into account only (a) after-tax contributions for those Nonhighly-Compensated Employees for the prior year, and (b) matching contributions for those Nonhighly-Compensated Employees that were taken into account for purposes of the average contribution percentage test (and not the average actual deferral percentage test) under the current year testing method for the prior year.

For purposes of the above tests, the “average contribution percentage” shall mean the average (expressed as a percentage) of the contribution percentages of the “eligible Participants” in each group. The “contribution percentage” shall mean the ratio (expressed as a percentage) that the sum of Employer matching contributions, and, if applicable, Employee after-tax contributions, and elective deferrals under Section 4.1 (to the extent such elective deferrals are not used to satisfy the actual deferral percentage test of Section 10.2) under the Plan on behalf of the eligible Participant for the Plan Year bears to the eligible Participant’s compensation (within the meaning of Section 1.6 of the Plan if such definition satisfies Section 414(s) of the Code) or, if the Employer chooses, Participant’s compensation determined by using any other definition of compensation that satisfies the nondiscrimination requirements of Section 414(s) of the Code and the regulations thereunder. For purposes hereof, the Participant’s compensation shall be referred to as “414(s) Compensation.” An Employer may limit the period taken into account for determining 414(s) Compensation to that part of the Plan Year or calendar year in which an Employee was a Participant in the component of the Plan being tested. The period used to determine 414(s) Compensation must be applied uniformly to all Participants for the Plan Year. Such average contribution percentage shall be determined without regard to matching contributions that are used either to correct excess contributions hereunder or because contributions to which they relate are excess deferrals under Section 10.1 or excess contributions under Section 10.2. “Eligible Participant” shall mean each Employee who is eligible to receive Employer matching contributions or make after-tax contributions.

For purposes of this Section 10.3, the contribution percentage for any eligible Participant who is a Highly-Compensated Employee for the Plan Year and who is eligible to have Employer matching contributions, elective deferrals and/or after- tax contributions allocated to his account under two (2) or more plans described in Section 401(a) of the Code or under arrangements described in Section 401(k) of the Code that are maintained by the Employer or any member of the Employer’s related group (within the meaning of Section 2.5(b)), shall be determined as if all such contributions were made under a single plan.

In the event that this Plan satisfies the requirements of Section 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one (1) or more other plans, or if one (1) or more other plans satisfy the requirements of such Sections of the Code only if aggregated with this Plan, then the provisions of this Section 10.3 shall be applied by determining the contribution percentages of eligible Participants as if all such plans were a single plan. If the Employer elects by Plan amendment to use the prior year testing method, any adjustments to the Nonhighly-Compensated Employee actual contribution percentage for the prior year shall be made in accordance with the Final 401(k) and 401(m) Regulations. Plans may be aggregated in order to satisfy Section 401(m) of the Code only if they have the same Plan Year and use the same average contribution percentage testing method.

The determination and treatment of the contribution percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

(b) Distribution of Excess Aggregate Contributions.

- (1) In General. If the nondiscrimination tests of Section 10.3(a) are not satisfied for a Plan Year, then the “excess aggregate contributions”, and any income allocable thereto, shall be forfeited, if otherwise forfeitable, no later than the last day of the Plan Year following the Plan Year for which the nondiscrimination tests are not satisfied, and shall be used to reduce Employer matching contributions under the Plan. To the extent that such “excess aggregate contributions” are nonforfeitable, such excess aggregate contributions shall be distributed to the Participant on whose behalf the excess contributions were made no later than the last day of the Plan Year following the Plan Year for which such “excess aggregate contributions” were made. However, if such excess aggregate contributions are distributed later than two and one-half (2½) months (or such longer period as permitted by applicable law and/or regulatory guidance) following the last day of the Plan Year in which such excess aggregate contributions were made, a ten percent (10%) excise tax shall be imposed upon the Employer with respect to such excess aggregate contributions. For purposes of the limitations of Section 11.1(b)(1) of the Plan, excess aggregate contributions shall be considered annual additions.

In accordance with the rules under Treasury Regulation Section 1.401(m)- 2(b), any distribution and/or forfeiture of excess aggregate contributions shall be made in the following order: any Employee after-tax contributions that are not matched, a pro rata amount of Employee after-tax contributions that are matched and associated matching contributions, matching contributions that matched elective deferrals.

- (2) Excess Aggregate Contributions. For purposes of this Section, “excess aggregate contributions” shall mean, with respect to any Plan Year, the excess of:
- (A) The aggregate amount of Employer matching contributions and, if applicable, Employee after-tax contributions, and elective deferrals under Section 4.1 (to the extent not used to satisfy the actual deferral percentage test of Section 10.2) actually taken into account in computing the numerator of the actual contribution percentage of Highly-Compensated Employees for such Plan Year, over
  - (B) The maximum amount of such contributions permitted by the ACP Test under Section 10.3(a) (determined by hypothetically reducing contributions made on behalf of Highly-Compensated Employees in order of the actual contribution percentages, beginning with the highest of such percentages).

Excess aggregate contributions shall be allocated to the Highly- Compensated Employee with the largest “contribution percentage amounts” (as defined below) taken into account in calculating the average contribution percentage test for the year in which the excess arose, beginning with the Highly-Compensated Employee with the largest amount of such contribution percentage amounts and continuing in descending order until all the excess aggregate contributions have been allocated. For purposes of the preceding sentence, the “largest amount” is determined after distribution of any excess aggregate contributions.

For purposes of the preceding paragraph, “contribution percentage amounts” shall mean the sum of Employer matching contributions and, if applicable, Employee after-tax contributions, and elective deferrals (to the extent not used to satisfy the actual deferral percentage test of Section 10.2) made under the Plan on behalf of the Participant for the Plan Year.

- (3) Determination of Income. Excess aggregate contributions shall be adjusted for any income or loss. The income or loss allocable to excess contributions allocated to each Participant shall be the income or loss allocable to the Employer matching contributions and, if applicable, Employee after-tax contributions, and such elective deferrals for the Plan Year multiplied by a fraction, the numerator of which is the excess aggregate contributions on behalf of the Participant for the Plan Year, and the denominator of which is the Participant’s Account balance attributable to Employer matching contributions and, if applicable, Employee after-tax contributions, and such elective deferrals (to the extent not used to satisfy the average actual deferral percentage test of Section 10.2) on the last day of the Plan Year.

Notwithstanding the foregoing, to the extent otherwise required to comply with the requirements of Section 401(a)(4) of the Code and the regulations thereunder, vested matching contributions may be forfeited.

To the extent permitted by applicable law, the Plan may be disaggregated under Section 1.410(b)-7(c) of the Income Tax Regulations, in which case the testing provisions of Sections 10.2 and 10.3 above may separately apply to the disaggregated plans.

**11.1 RULES AND DEFINITIONS**

- (a) *Rules.* The following rules shall limit additions to Participants' Accounts:
- (1) If the Participant does not participate, and has never participated, in another qualified plan maintained by the Employer, the amount of annual additions which may be credited to the Participant's Account for any limitation year shall not exceed the lesser of the "maximum permissible" amount (as hereafter defined) or any other limitation contained in this Plan. If the Employer contribution that would otherwise be allocated to the Participant's Account would cause the annual additions for the limitation year to exceed the maximum permissible amount, the amount allocated shall be reduced so that the annual additions for the limitation year shall equal the maximum permissible amount.
  - (2) Prior to determining the Participant's actual compensation for the limitation year, the Employer may determine the maximum permissible amount for a Participant on the basis of a reasonable estimation of the Participant's compensation for the limitation year, uniformly determined for all Participants similarly situated.
  - (3) As soon as is administratively feasible after the end of the limitation year, the maximum permissible amount for the limitation year shall be determined on the basis of the Participant's actual compensation for the limitation year.
  - (4) If the limitations of Section 415 of the Code are exceeded, such excess amount shall be corrected in accordance with the requirements of applicable law, including pursuant to the Employee Plans Compliance Resolution System.
  - (5) If, in addition to this Plan, the Participant is covered under another defined contribution plan maintained by the Employer, or a welfare benefit fund, as defined in Code Section 419(e), maintained by the Employer, or an individual medical account, as defined in Code Section 415(1)(2), maintained by the Employer which provides an annual addition, the annual additions which may be credited to a Participant's account under all such plans for any such limitation year shall not exceed the maximum permissible amount. Benefits shall be reduced under any discretionary defined contribution plan before they are reduced under any defined contribution pension plan. If both plans are discretionary contribution plans, they shall first be reduced under this Plan. Any excess amount attributable to this Plan shall be disposed of in the manner described in Section 11.1(a)(4).

(b) Definitions.

- (1) Annual additions: The following amounts credited to a Participant's Account for the limitation year shall be treated as annual additions:
- (A) Employer contributions;
  - (B) Elective deferrals (within the meaning of Section 4.1);
  - (C) Employee after-tax contributions, if any;
  - (D) Forfeitures, if any; and
  - (E) Amounts allocated to an individual medical account, as defined in Section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer. Also, amounts derived from contributions paid or accrued after December 31, 1985 in taxable years ending after such date which are attributable to post-retirement medical benefits allocated to the separate account of a Key Employee, as defined in Section 419A(d)(3), and amounts under a welfare benefit fund, as defined in Section 419(e), maintained by the Employer, shall be treated as annual additions to a defined contribution plan.

Employer and employee contributions taken into account as annual additions shall include "excess contributions" as defined in Section 401(k)(8)(B) of the Code, "excess aggregate contributions" as defined in Section 401(m)(6)(B) of the Code, and "excess deferrals" as defined in Section 402(g) of the Code, regardless of whether such amounts are distributed, recharacterized or forfeited, unless such amounts constitute excess deferrals that were distributed to the Participant no later than April 15 of the taxable year following the taxable year of the Participant in which such deferrals were made.

For this purpose, any excess amount applied under Section 11.1(a)(4) in the limitation year to reduce Employer contributions shall be considered annual additions for such limitation year.

- (2) Compensation: For purposes of determining maximum permitted benefits under this Section, compensation shall include all of a Participant's earned income, wages, differential wage payments as defined by Section 3401(h)(2) of the Code, salaries, and fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Employer, including, but not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and

bonuses, elective deferrals (as defined in Section 402(g)(3) of the Code) made by an Employee to the Plan and any amount contributed or deferred by an Employee on an elective basis and not includable in the gross income of the Employee under Section 125, 132(f), or 457 of the Code. Notwithstanding the foregoing, Compensation for purposes of this Section shall exclude the following:

- (A) Except as provided in the preceding paragraph of this Section 11.1(b)(2), Employer contributions to a plan of deferred compensation which are not included in the Employee's gross income for the taxable year in which contributed, or Employer contributions under a simplified employee pension plan (funded with individual retirement accounts or annuities) to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;
- (B) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;
- (C) Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option;
- (D) Other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) toward the purchase of an annuity described in Section 403(b) of the Code (whether or not the amounts are actually excludable from the gross income of the Employee); and
- (E) Amounts in excess of the applicable Code Section 401(a)(17) limit.

Compensation shall be measured on the basis of compensation paid in the limitation year.

Any compensation described in this Section 11.1(b)(2) does not fail to be Compensation merely because it is paid after the Participant's severance from employment with the Employer, provided the Compensation is paid by the later of 2½ months after severance from employment with the Employer or the end of the limitation year that includes the date of severance from employment. In addition, payment for unused bona fide sick, vacation or other leave shall be included as Compensation if (i) the Participant would have been able to use the leave if employment had continued, (ii) such amounts are paid by the later of 2½ months after severance from employment with the Employer or the end of the Plan Year that includes the date of severance from employment and (iii) such amounts would have been included as Compensation if they were paid prior to the Participant's severance from employment with the Employer.

- (3) Defined contribution dollar limitation: This shall mean \$40,000, as adjusted under Section 415(d) of the Code.
- (4) Employer: For purposes of this Section 11.1, this term refers to the Employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Section 414(b) of the Code, as modified by Section 415(h)), commonly-controlled trades or businesses (as defined in Section 414(c), as modified by Section 415(h)), or affiliated service groups (as defined in Section 414(m)) of which the Employer is a part, or any other entity required to be aggregated with the Employer under Code Section 414(o).
- (5) Limitation year: This shall mean the Plan Year, unless the Employer elects a different twelve (12) consecutive month period. The election shall be made by the adoption of a Plan amendment by the Employer. If the limitation year is amended to a different twelve (12) consecutive month period, the new limitation year must begin on a date within the limitation year in which the amendment is made.
- (6) Maximum permissible amount: Except to the extent permitted under Section 4.1(e) and Section 414(v) of the Code, if applicable, this shall mean an amount equal to the lesser of the defined contribution dollar limitation or one hundred percent (100%) of the Participant's compensation for the limitation year. If a short limitation year is created because of an amendment changing the limitation year to a different twelve (12)- consecutive month period, the maximum permissible amount shall not exceed the defined contribution dollar limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short limitation year}}{12}$$

**ARTICLE TWELVE—AMENDMENT AND TERMINATION**

**12.1 AMENDMENT.** The Employer reserves the right to amend, or modify the Plan at any time, or from time to time, in whole or in part. To the extent permitted by board resolutions of the Employer, any amendment may be adopted by action of a named fiduciary appointed pursuant to Section 9.1 to which the Employer as Administrator has delegated the authority to amend the Plan. Any such amendment shall become effective under its terms upon adoption by the Employer, or named fiduciary, as the case may be. However, no amendment affecting the duties, powers or responsibilities of the Trustee may be made without the written consent of the Trustee. No amendment shall be made to the Plan which shall:

- (a) make it possible (other than as provided in Section 14.3) for any part of the corpus or income of the Trust Fund (other than such part as may be required to pay taxes and administrative expenses) to be used for or diverted to purposes other than the exclusive benefit of the Participants or their Beneficiaries;
- (b) decrease a Participant's Account balance, or otherwise place greater restrictions or conditions on a Participant's rights to Section 411(d)(6) protected benefits, even if the amendment merely adds a restriction or condition that is permitted under the vesting rules in Section 411(a)(3) through (11) of the Code;
- (c) eliminate an optional form of payment (unless permitted by applicable law) with respect to benefits accrued as of the later of (i) the date such amendment is adopted, or (ii) the date the amendment becomes effective; or
- (d) alter the schedule for vesting in a Participant's Account with respect to any Participant with three (3) or more Years of Service for vesting purposes without his consent or deprive any Participant of any nonforfeitable portion of his Account.

Notwithstanding paragraph (b) above, a Participant's Account balance may be reduced to the extent permitted under Section 412(d)(2) of the Code or to the extent permitted under Treasury Regulations Sections 1.411(d)-3 and 1.411(d)-4. For purposes of paragraph (b) above, a Plan amendment which has the effect of decreasing a Participant's Account balance, with respect to benefits attributable to service before the amendment, shall be treated as reducing an accrued benefit. Furthermore, if the vesting schedule of the Plan is amended, in the case of an Employee who is a Participant as of the later of the date such amendment is adopted or the date it becomes effective, the nonforfeitable percentage (determined as of such date) of such Employee's employer-derived contribution will not be less than the percentage computed under the Plan without regard to such amendment. The application of Section 411(a) nonforfeatability provisions to Section 411(d)(6) protected benefits shall apply to amendments adopted after August 9, 2006.

Notwithstanding the other provisions of this Section or any other provisions of the Plan, any amendment or modification of the Plan may be made retroactively if necessary or appropriate within the remedial amendment period to conform to or to satisfy the conditions of any law, governmental regulation, or ruling, and to meet the requirements of the Employee Retirement Income Security Act of 1974, as it may be amended.

If any corrective amendment (within the meaning of Section 1.401(a)(4)-11(g) of the IRS Treasury Regulations) is made after the end of a Plan Year, such amendment shall satisfy the requirements of Section 1.401(a)(4)-11(g)(3) and (4) of the IRS Treasury Regulations.

**12.2 TERMINATION OF THE PLAN.** The Employer, by resolution of its board of directors, reserves the right at any time and in its sole discretion to discontinue payments under the Plan and to terminate the Plan. In the event the Plan is terminated, or upon complete discontinuance of contributions under the Plan by the Employer, the rights of each Participant to his Account on the date of such termination or discontinuance of contributions, to the extent of the fair market value under the Trust Fund, shall remain or become fully vested and nonforfeitable. The Employer shall direct the Trustee to distribute the Trust Fund in accordance with the Plan's distribution provisions to the Participants and their Beneficiaries, each Participant or Beneficiary receiving a portion of the Trust Fund equal to the value of his Account as of the date of distribution. These distributions may be implemented by the continuance of the Trust and the distribution of the Participants' Account shall be made at such time and in such manner as though the Plan had not terminated, or by any other appropriate method, including rollover into Individual Retirement Accounts. Upon distribution of the Trust Fund, the Trustee shall be discharged from all obligations under the Trust and no Participant or Beneficiary shall have any further right or claim therein. In the event of the partial termination of the Plan, the Accounts of all affected Participants shall remain or become fully vested and nonforfeitable.

In the event of the termination of the Plan, any amounts to be distributed to Participants or Beneficiaries who cannot be located shall be handled in accordance with the provisions of applicable law (which may include the establishment of an account for such Participant or Beneficiary).

**12.3 TERMINATION OF PARTICIPATION BY PARTICIPATING EMPLOYER.** Any Participating Affiliate (within the meaning of Section 1.10) may terminate its participation in the Plan by providing a written resolution to Unitil Corporation. Such Participating Affiliate may request a transfer of Trust assets attributable to its Employees from this Plan to any successor qualified retirement plan maintained by the Participating Affiliate or its successor. The Administrator may, however, refuse to make such transfer if it reasonably believes such transfer would jeopardize the continued qualification of the Plan, or if such transfer does not comply with any requirements of applicable law.

**ARTICLE THIRTEEN—TOP-HEAVY PROVISIONS**

**13.1 APPLICABILITY.** The provisions of this Article shall become applicable only for any Plan Year in which the Plan is a Top-Heavy Plan (as defined in Section 13.2(b)) and only if, and to the extent, required under Section 416 of the Code and the regulations issued thereunder. Notwithstanding the foregoing, this Article shall not apply in any Plan Year in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) or 401(k)(13) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) or 401(m)(12) of the Code are met.

**13.2 DEFINITIONS.** For purposes of this Article, the following definitions shall apply:

- (a) **“Key Employee”:** “Key Employee” shall mean any Employee or former Employee (including any deceased Employee) who, at any time during the Plan Year that includes the determination date, was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code), a five percent (5%) owner of the Employer, or a one percent (1%) owner of the Employer having annual compensation of more than \$150,000. For this purpose, annual compensation shall mean compensation as defined in Section 11.1(b)(2) of the Plan. The determination of who is a Key Employee (including the terms “5% owner” and “1% owner”) shall be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.
  
- (b) **“Top-Heavy Plan”:**
  - (1) The Plan shall constitute a “Top-Heavy Plan” if any of the following conditions exist:
    - (A) The top-heavy ratio for the Plan exceeds sixty percent (60%) and the Plan is not part of any required aggregation group or permissive aggregation group of plans; or
    - (B) The Plan is part of a required aggregation group of plans (but is not part of a permissive aggregation group) and the top-heavy ratio for the group of plans exceeds sixty percent (60%); or
    - (C) The Plan is a part of a required aggregation group of plans and part of a permissive aggregation group and the top-heavy ratio for the permissive aggregation group exceeds sixty percent (60%).
  - (2) If the Employer maintains one (1) or more defined contribution plans (including any simplified employee pension plan funded with individual retirement accounts or annuities) and the Employer maintains or has

maintained one (1) or more defined benefit plans which have covered or could cover a Participant in this Plan, the top-heavy ratio is a fraction, the numerator of which is the sum of account balances under the defined contribution plans for all Key Employees and the actuarial equivalents of accrued benefits under the defined benefit plans for all Key Employees, and the denominator of which is the sum of the account balances under the defined contribution plans for all Participants and the actuarial equivalents of accrued benefits under the defined benefit plans for all Participants. Both the numerator and denominator of the top-heavy ratio shall include any distribution of an account balance or an accrued benefit made in the one (1)- year period ending on the determination date and any contribution due to a defined contribution pension plan but unpaid as of the determination date. However, in the case of any distribution made for a reason other than severance from employment, death, or Disability, this provision shall be applied by substituting a five (5)-year period for a one (1)-year period. In determining the accrued benefit of a non-Key Employee who is participating in a plan that is part of a required aggregation group, the method of determining such benefit shall be either (i) in accordance with the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Employer or any member of the Employer's related group (within the meaning of Section 2.5(b)), or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code Section 411(b)(1)(C).

- (3) For purposes of (1) and (2) above, the value of account balances and the actuarial equivalents of accrued benefits shall be determined as of the most recent Valuation Date that falls within or ends with the twelve (12)-month period ending on the determination date. The account balances and accrued benefits of a Participant who is not a Key Employee but who was a Key Employee in a prior year shall be disregarded. The accrued benefits and account balances of Participants who have performed no service with any Employer maintaining the plan for the one (1)-year period ending on the determination date shall be disregarded. The calculations of the top-heavy ratio, and the extent to which distributions, rollovers, and transfers are taken into account shall be made under Section 416 of the Code and regulations issued thereunder. Deductible Employee contributions shall not be taken into account for purposes of computing the top-heavy ratio. When aggregating plans, the value of account balances and accrued benefits shall be calculated with reference to the determination dates that fall within the same calendar year.

(4) Definition of terms for Top-Heavy status:

- (A) **“Top-heavy ratio”** shall mean the following:
- (1) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan funded with individual retirement accounts or annuities) and the Employer has never maintained any defined benefit plans which have covered or could cover a Participant in this Plan, the top-heavy ratio is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the determination date, and the denominator of which is the sum of the account balances of all Participants as of the determination date. Both the numerator and the denominator shall be increased by any contributions due but unpaid to a defined contribution pension plan as of the determination date.
- (B) **“Permissive aggregation group”** shall mean the required aggregation group of plans plus any other plan or plans of the Employer which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.
- (C) **“Required aggregation group”** shall mean (i) each qualified plan of the Employer (including any terminated plan) in which at least one Key Employee participates or participated at any time during the Plan Year containing the Determination date or any of the four preceding Plan Years, and (ii) any other qualified plan of the Employer which enables a plan described in (i) to meet the requirements of Section 401(a)(4) or 410 of the Code.
- (D) **“Determination date”** shall mean, for any Plan Year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, “determination date” shall mean the last day of that Plan Year.
- (E) **“Valuation Date”** shall mean the last day of the Plan Year.
- (F) Actuarial equivalence shall be based on the interest and mortality rates utilized to determine actuarial equivalence when benefits are paid from any defined benefit plan. If no rates are specified in said plan, the following shall be utilized: pre- and post-retirement interest — five percent (5%); post-retirement mortality based on the Unisex Pension (1984) Table as used by the Pension Benefit Guaranty Corporation on the date of execution hereof.

### **13.3 ALLOCATION OF EMPLOYER CONTRIBUTIONS AND FORFEITURES FOR A TOP-HEAVY PLAN YEAR.**

- (a) Except as otherwise provided below, in any Plan Year in which the Plan is a Top- Heavy Plan, the Employer contributions and forfeitures allocated on behalf of any Participant who is a non-Key Employee shall not be less than the lesser of three percent (3%) of such Participant's compensation (as defined in Section 11.1(b)(2) and as limited by Section 401(a)(17) of the Code) or the largest percentage of Employer contributions, elective deferrals (within the meaning of Section 4.1), and forfeitures, as a percentage of the Key Employee's compensation (as defined in Section 11.1(b)(2) and as limited by Section 401(a)(17) of the Code), allocated on behalf of any Key Employee for that Plan Year. This minimum allocation shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation or would have received a lesser allocation for the Plan Year because of insufficient Employer contributions under Section 4.2, the Participant's failure to complete one thousand (1,000) Hours of Service, the Participant's failure to make elective deferrals under Section 4.1, or compensation is less than a stated amount.
- (b) The minimum allocation under this Section shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.
- (c) Elective deferrals may not be taken into account for the purpose of satisfying the minimum allocation. However, Employer matching contributions may be taken into account for the purpose of satisfying the minimum allocation.
- (d) For purposes of the Plan, a non-Key Employee shall be any Employee or Beneficiary of such Employee, any former Employee, or Beneficiary of such former Employee, who is not or was not a Key Employee during the Plan Year ending on the determination date.
- (e) If no defined benefit plan has ever been part of a permissive or required aggregation group of plans of the Employer, the contributions and forfeitures under this Section shall be offset by any allocation of contributions and forfeitures under any other defined contribution plan of the Employer with a Plan Year ending in the same calendar year as this Plan's Valuation Date.
- (f) There shall be no duplication of the minimum benefits required under Code Section 416. Benefits shall be provided under defined contribution plans before under defined benefit plans. If a defined benefit plan (active or terminated) is part of the permissive or required aggregation group of plans, the allocation method of subparagraph (a) above shall apply, except that "3%" shall be increased to "5%."

**13.4 VESTING.** The provisions contained in Section 6.1 relating to vesting shall continue to apply in any Plan Year in which the Plan is a Top-Heavy Plan, and apply to all benefits within the meaning of Section 411(a)(7) of the Code except those attributable to Employee contributions and elective deferrals under Section 4.1, including benefits accrued before the effective date of Section 416 and benefits accrued before the Plan became a Top-Heavy Plan.



**ARTICLE FOURTEEN—MISCELLANEOUS PROVISIONS**

**14.1** **PLAN DOES NOT AFFECT EMPLOYMENT.** Neither the creation of this Plan, any amendment thereto, the creation of any fund nor the payment of benefits hereunder shall be construed as giving any legal or equitable right to any Employee or Participant against the Employer, or its officers or Employees. All liabilities under this Plan shall be satisfied, if at all, only out of the Trust Fund held by the Trustee. Participation in the Plan shall not give any Participant any right to be retained in the employ of the Employer, and the Employer hereby expressly retains the right to hire and discharge any Employee at any time with or without cause, as if the Plan had not been adopted, and any such discharged Participant shall have only such rights or interests in the Trust Fund as may be specified in the Trust Agreement.

**14.2** **SUCCESSOR TO THE EMPLOYER.** In the event of the merger, consolidation, reorganization or sale of assets of the Employer, under circumstances in which a successor person, firm, or corporation shall carry on all or a substantial part of the business of the Employer, and such successor shall employ a substantial number of Employees of the Employer and shall elect to carry on the provisions of the Plan, such successor shall be substituted for the Employer under the terms and provisions of the Plan upon the filing in writing with the Trustee of its election to do so.

**14.3** **REPAYMENTS TO THE EMPLOYER.** Notwithstanding any provisions of this Plan to the contrary:

- (a) Any monies or other Plan assets attributable to any contribution made to this Plan by the Employer because of a mistake of fact shall be returned to the Employer within one (1) year after the date of contribution.
- (b) Any monies or other Plan assets attributable to any contribution made to this Plan by the Employer shall be refunded to the Employer, to the extent such contribution is predicated on the deductibility thereof under the Code and the income tax deduction for such contribution is disallowed. Such amount shall be refunded within one (1) taxable year after the date of such disallowance or within one (1) year of the resolution of any judicial or administrative process with respect to the disallowance. All Employer contributions hereunder are expressly contributed based upon such contributions' deductibility under the Code.

**14.4** **BENEFITS NOT ASSIGNABLE.** Except as provided in Section 414(p) of the Code with respect to "qualified domestic relations orders," or except as provided in Section 401(a)(13)(C) of the Code with respect to certain judgments and settlements, the rights of any Participant or his Beneficiary to any benefit or payment hereunder shall not be subject to voluntary or involuntary alienation or assignment.

With respect to any “qualified domestic relations order” relating to the Plan, the Plan shall permit distribution to an alternate payee under such order at any time, irrespective of whether the Participant has attained his “earliest retirement age” (within the meaning of Section 414(p)(4)(B) of the Code) under the Plan. A distribution to an alternate payee prior to the Participant’s attainment of his earliest retirement age shall, however, be available only if the order specifies distribution at that time or permits an agreement between the Plan and the alternate payee to authorize an earlier distribution. Nothing in this paragraph shall, however, give a Participant a right to receive distribution at a time otherwise not permitted under the Plan nor does it permit the alternate payee to receive a form of payment not otherwise permitted under the Plan or under said Section 414(p) of the Code. Furthermore, a domestic relations order shall not fail to be a qualified domestic relations order solely because (a) the order is issued after, or revises, another domestic relations order or qualified domestic relations order, or (b) of the date on which the order is issued, including issuance after a Participant’s annuity starting date or death.

- 14.5 MERGER OF PLANS.** In the case of any merger or consolidation of this Plan with, or transfer of the assets or liabilities of the Plan to, any other plan, the terms of such merger, consolidation or transfer shall be such that each Participant would receive (in the event of termination of this Plan or its successor immediately thereafter) a benefit which is no less than what the Participant would have received in the event of termination of this Plan immediately before such merger, consolidation or transfer.
- 14.6 INVESTMENT EXPERIENCE NOT A FORFEITURE.** The decrease in value of any Account due to adverse investment experience shall not be considered an impermissible “forfeiture” of any vested balance.
- 14.7 CONSTRUCTION.** Wherever appropriate, the use of the masculine gender shall be extended to include the feminine and/or neuter or vice versa; and the singular form of words shall be extended to include the plural; and the plural shall be restricted to mean the singular.
- 14.8 GOVERNING DOCUMENTS.** A Participant’s rights shall be determined under the terms of the Plan as in effect at the Participant’s date of termination from employment, or, if later, and to the extent permitted by applicable law, as determined under the terms of the Plan.
- 14.9 GOVERNING LAW.** The provisions of this Plan shall be construed under the laws of the state of the situs of the Trust, except to the extent such laws are preempted by Federal law.

**14.10 HEADINGS.** The Article headings and Section numbers are included solely for ease of reference. If there is any conflict between such headings or numbers and the text of the Plan, the text shall control.

**14.11 COUNTERPARTS.** This Plan may be executed in any number of counterparts, each of which shall be deemed an original; said counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by any one counterpart.

**14.12 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN.** In the event that all or any portion of the distribution payable to a Participant or to a Participant's Beneficiary hereunder shall, at the expiration of five (5) years after it shall become payable, remain unpaid solely by reason of the inability of the Administrator to ascertain the whereabouts of such Participant or Beneficiary, after sending a registered letter, return receipt requested, to the last known address, and after further diligent effort, the amount so distributable may be forfeited and used to pay Plan administrative expenses and/or used to reduce future Employer contributions. In the event a Participant or Beneficiary is located subsequent to the forfeiture of his Account balance, such Account balance shall be restored.

**14.13 DISTRIBUTION TO MINOR OR LEGALLY INCAPACITATED.** In the event any benefit is payable to a minor or to a person deemed to be incompetent or to a person otherwise under legal disability, or who is by sole reason of advanced age, illness, or other physical or mental incapacity incapable of handling the disposition of his property, the Administrator, may direct the Trustee to make payment of such benefit to the minor's or legally incapacitated person's court appointed guardian, person designated in a valid power of attorney, or any other person authorized under state law. The receipt of any such payment or distribution shall be a complete discharge of liability for Plan obligations.

**14.14 CORRECTIVE ACTION.** The Administrator with the Employer's consent and approval, may correct mistakes in distributions or crediting amounts to Accounts or pursuant to a settlement or judgement awarding back pay, or such other matters as may be appropriate. The Employer may, in Employer's sole discretion, elect to make special contributions to the Plan in order to correct such mistakes. Any such contribution shall be allocated as specified by the Administrator.

**14.15 ERRONEOUS PAYMENTS.** If any person receives any amount of benefits that the Administrator in its sole discretion later determines that such person was not entitled to receive under the terms of the Plan, the Administrator shall have the right to require such person to make reimbursement to the Plan and/or to offset or adjust any future claims for benefits under the Plan against amounts that such person was not otherwise entitled to receive.

---

**14.16 COMPLIANCE WITH SECTION 410.** Notwithstanding the foregoing provisions, if, for any Plan Year, the requirements of Code Section 410(b) are not satisfied, the Plan Administrator may take such action as is necessary to bring the Plan into compliance with such Code Section, including, without limitation, specifying that additional individual(s) are also entitled to share in the allocation process.

**14.17 PROVISION REGARDING CONFLICTING TRUST PROVISIONS.** The provisions of the Plan shall govern and override any conflicting provision contained in the Trust Agreement or, if applicable, custody agreement used in connection with the Plan.

**ARTICLE FIFTEEN—PRE-APPROVED PLAN PROVIDER PROVISIONS**

**15.1 STATUS OF PLAN.** The Plan is based on a pre-approved defined contribution with a cash or deferred arrangement (“Pre-Approved Plan”) sponsored by John Hancock Retirement Plan Services, LLC (“Pre-Approved Plan Provider”). The Plan has been approved by the Internal Revenue Service for which an opinion letter (“IRS Opinion Letter”) has been issued. The failure to properly complete the Plan provisions may result in failure of the Plan to qualify under Section 401(a) of the Code. Questions regarding the adoption of the pre-approved plan, the meaning of Plan provisions, or the effect of the IRS Opinion Letter should be directed to John Hancock Retirement Plan Services LLC, 200 Berkeley Street, Boston, MA 02116, Attention: Pre-Approved Defined Contribution Plan Coordinator; phone number: (800) 294-3575.

**15.2 AMENDMENT AUTHORITY.** The Pre-Approved Plan Provider may amend or restate the Pre-Approved Plan to ensure continued compliance with the qualification requirements of Section 401(a) of the Code, including any correction of prior pre-approved plans and to reflect changes in the Code, related Treasury Regulations and other guidance issued in the Internal Revenue Bulletin. Any such amendments or restatement must first be approved by the Internal Revenue Service, unless approval is not required due to the nature of the change or provisions of the pre-approved document program.

The Pre-Approved Plan Provider shall inform any Employer that adopts the Plan of any amendments made to the Plan or the discontinuance of the Pre-Approved Plan. The Pre- Approved Plan Provider shall send any such amendments to the Employer as soon as administratively practicable and make reasonable and diligent efforts to ensure that the Employers have received and are aware of such amendments (including if any action is required by the Employers).

The Pre-Approved Plan Provider shall no longer have the authority to amend the Pre- Approved Plan on behalf of an Employer as of the date the Plan is treated as an individually designed plan.

**15.3 LIMITATIONS ON EMPLOYER RELIANCE ON OPINION LETTER.** An Employer that adopts the Pre-Approved Plan shall be able to rely on the IRS Opinion Letter issued for the Pre-Approved Plan as to the qualification in form of the Pre-Approved Plan under Section 401(a) of the Code, to the extent provided in Revenue Procedure 2017-41. The Adopting Employer may not rely on the opinion letter in certain circumstances or with respect to certain qualification requirements outlined in the IRS Opinion Letter and in Revenue Procedure 2017-41.

The Employer may not rely on the IRS Opinion Letter if it makes changes that are not available under the Pre-Approved Plan and not otherwise permitted in Revenue Procedure 2017-41. If such changes are made to the Pre-Approved Plan and the Employer wants to obtain approval from the Internal Revenue Service, the Employer must submit an

application for determination of qualification of the modified Pre-Approved Plan to the office of the Employee Plan Determinations of the Internal Revenue Service in accordance with Section 8 of Revenue Procedure 2017-41.

**IN WITNESS WHEREOF**, the Employer, by its duly authorized officer, has caused this Plan to be executed on the      day of      , 2021.

**UNITIL CORPORATION**

By /s/ Robert B. Hevert  
Authorized Officer

## APPENDIX A

Notwithstanding the provisions of Section 4.1(a) to the contrary and solely with respect to the unions named below, such Participants may elect to defer a portion of their Compensation for a Plan Year in accordance with the following:

- I. **Utility Workers Union of America, AFL-CIO, Local Union No. B340, The Brotherhood of Utility Workers Council (“Local B340”),** June 1, 2013 as extended through May 31, 2022. (This contract covers Fitchburg Gas and Electric Light Company employees.)

Each Local B340 Participant may elect to contribute in the aggregate from one percent (1%) to eighty-five percent (85%) of such Participant’s Compensation as a pre-tax and/or Roth contribution.

Any Local B340 FGE Employee, who either (i) elected to opt-out of the Employer’s defined benefit plan as of January 1, 2014, or (ii) who is first hired or rehired on or after June 1, 2013, and who, upon first becoming eligible to participate in the Plan in accordance with Section 3.1 of the Plan, fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer three percent (3%) of his Compensation as a pre-tax contribution (“deemed elective deferral”). Effective April 1, 2019, any Participant who first becomes eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after April 1, 2019, who fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer six percent (6%) of his Compensation as a pre- tax contribution (“deemed elective deferral”).

At least thirty (30) days and no more than ninety (90) days, prior to the beginning of each Plan Year, the Administrator shall provide each Local B340 FGE Employee eligible to participate in the Plan with a notice in writing in a manner calculated to be understood by the average eligible Local B340 FGE Employee, or through an electronic medium reasonably accessible to such Local B340 FGE Employee, of the deemed elective deferral, his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals, and how deemed elective deferrals will be invested in the absence of the Employee’s investment instructions. The Administrator shall also provide each such Local B340 FGE Employee a reasonable period to exercise such rights before the date on which the cash is currently available. During the ninety (90) day period ending with the day the Local B340 FGE Employee becomes eligible to participate in the Plan, the same notice shall be provided to that Local B340 FGE Employee.

Participants who are Local B340 FGE Employees who either (i) elected to opt-out of the Employer’s defined benefit plan as of January 1, 2014, or (ii) who are hired or rehired, on or after June 1, 2013, shall, upon first becoming eligible to participate

in the Plan in accordance with Section 3.1 of the Plan, also be enrolled in the Plan's "Managed Savings" feature unless they elect to opt out of such feature. Such Participants, as of January 1st of each Plan Year, shall have their rate of elective deferral contributions automatically increased by one percent (1%). Such rate of elective deferral contributions shall be further increased by an additional one percent (1%) per year as of each subsequent January 1st. Notwithstanding the above, a Participant shall not have his rate of elective deferral contributions automatically increased beyond ten percent (10%). A Participant's election to participate in the "Managed Savings" feature shall remain in place until the Participant revokes such election.

Notwithstanding anything in the foregoing to the contrary, in no event shall any Local B340 FGE Employee who opted out of the Employer's defined benefit plan prior to meeting the eligibility requirements set forth under Section 3.1 of the Plan, become a participant in the Plan, be enrolled in the Plan's "Managed Savings" feature, and/or be eligible for any Employer Contributions as described in Section 4.2 of the Plan, until such Local B340 FGE Employee has satisfied the age and service requirements set forth in Section 3.1 of the Plan.

II. **Local Union No. 1837, International Brotherhood of Electrical Workers ("Local 1837")**, June 1, 2018 through May 31, 2023. (This contract covers Unital Energy Systems employees.)

Each Local 1837 Participant may elect to contribute in the aggregate from one percent (1%) to eighty-five percent (85%) of such Participant's Compensation as a pre-tax and/or Roth contribution.

Any Local 1837 UES Employee, who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2013, or (ii) who is first hired or rehired on or after June 1, 2012, and who, upon first becoming eligible to participate in the Plan in accordance with Section 3.1 of the Plan fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer three percent (3%) of his Compensation as a pre-tax contribution ("deemed elective deferral"). Effective April 1, 2019, any Participant who first becomes eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after April 1, 2019, who fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer six percent (6%) of his Compensation as a pre-tax contribution ("deemed elective deferral").

At least thirty (30) days and no more than ninety (90) days, prior to the beginning of each Plan Year, the Administrator shall provide each Local 1837 UES Employee eligible to participate in the Plan with a notice in writing in a manner calculated to be understood by the average eligible Local 1837 UES Employee, or through an electronic medium reasonably accessible to such Local 1837 UES Employee, of the

deemed elective deferral, his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals, and how deemed elective deferrals will be invested in the absence of the Employee's investment instructions. The Administrator shall also provide each such Local 1837 UES Employee a reasonable period to exercise such rights before the date on which the cash is currently available. During the ninety (90) day period ending with the day the Local 1837 UES Employee becomes eligible to participate in the Plan, the same notice shall be provided to that Local 1837 UES Employee.

Participants who are Local 1837 UES Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2013, or (ii) who are hired or rehired, on or after June 1, 2012, shall upon first becoming eligible to participate in the Plan in accordance with Section 3.1 of the Plan, also be enrolled in the Plan's "Managed Savings" feature unless they elect to opt out of such feature. Such Participants, as of January 1<sup>st</sup> of each Plan Year, shall have their rate of elective deferral contributions automatically increased by one percent (1%). Such rate of elective deferral contributions shall be further increased by an additional one percent (1%) per year as of each subsequent January 1<sup>st</sup>. Notwithstanding the above, a Participant shall not have his rate of elective deferral contributions automatically increased beyond ten percent (10%). A Participant's election to participate in the "Managed Savings" feature shall remain in place until the Participant revokes such election.

Notwithstanding anything in the foregoing to the contrary, in no event shall any Local 1837 UES Employee who opted out of the Employer's defined benefit plan prior to meeting the eligibility requirements set forth under Section 3.1 of the Plan, become a participant in the Plan, be enrolled in the Plan's "Managed Savings" feature, and/or be eligible for any Employer Contributions as described in Section 4.2 of the Plan, until such Local 1837 UES Employee has satisfied the age and service requirements set forth in Section 3.1

III. **United Steel Workers, AFL-CIO, Local No. 12012-6 ("Local 12012-6")**, September 6, 2020 – June 7, 2025. (This contract covers Northern Utilities, Inc.-Portsmouth employees.)

Each Local 12012-6 Participant may elect to contribute in the aggregate from one percent (1%) to eighty-five percent (85%) of such Participant's Compensation as a pre-tax and/or Roth contribution.

Any Local 12012-6 NU-Portsmouth Employee, who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2011, or (ii) who is first hired or rehired on or after January 1, 2011 and who, upon first becoming eligible to participate in the Plan in accordance with Section 3.1, fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer three percent (3%) of his Compensation as a pre-tax contribution ("deemed elective deferral"). Effective April 1, 2019, any

Participant who first becomes eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after April 1, 2019, who fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer six percent (6%) of his Compensation as a pre-tax contribution (“deemed elective deferral”).

At least thirty (30) days and no more than ninety (90) days, prior to the beginning of each Plan Year, the Administrator shall provide each Local 12012-6 NU- Portsmouth Employee eligible to participate in the Plan with a notice in writing in a manner calculated to be understood by the average eligible Local 12012-6 NU-Portsmouth Employee, or through an electronic medium reasonably accessible to such Local 12012-6 NU-Portsmouth Employee, of the deemed elective deferral, his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals, and how deemed elective deferrals will be invested in the absence of the Employee’s investment instructions. The Administrator shall also provide each such Local 12012-6 NU-Portsmouth Employee a reasonable period to exercise such right before the date on which the cash is currently available. During the ninety (90) day period ending with the day the Local 12012-6 NU-Portsmouth Employee becomes eligible to participate in the Plan, the same notice shall be provided to that Local 12012-6 NU-Portsmouth Employee.

Participants who are Local 12012-6 NU-Portsmouth Employees who either (i) elected to opt-out of the Employer’s defined benefit plan as of January 1, 2011, or (ii) who are hired, or rehired, on or after January 1, 2011, shall, upon first becoming eligible to participate in the Plan in accordance with Section 3.1, also be enrolled in the Plan’s “Managed Savings” feature unless they elect to opt out of such feature. Such Participants, as of January 1<sup>st</sup> of each Plan Year, shall have their rate of elective deferral contributions automatically increased by one percent (1%). Such rate of elective deferral contributions shall be further increased by an additional one percent (1%) per year as of each subsequent January 1<sup>st</sup>. Notwithstanding the above, a Participant shall not have his rate of elective deferral contributions automatically increased beyond ten percent (10%). A Participant’s election to participate in the “Managed Savings” feature shall remain in place until the Participant revokes such election.

Notwithstanding anything in the foregoing to the contrary, in no event shall any Local 12012-6 NU-Portsmouth Employee who opted out of the Employer’s defined benefit plan prior to meeting the eligibility requirements set forth under Section 3.1 of the Plan, become a participant in the Plan, be enrolled in the Plan’s ‘Managed Savings’ feature, and/or be eligible for any Employer Contributions as described in Section 4.2 of the Plan, until such Local 12012-6 NU-Portsmouth Employee has satisfied the age and service requirements set forth in Section 3.1.

IV. **Utility Workers Union of America, Local No. 341 (“Local 341”)**, April 1, 2021 – March 30, 2026. (This contract covers both Northern Utilities, Inc.-Portland and Granite State Gas Transmission, Inc. employees.)

Each Local 341 Participant may elect to contribute in the aggregate from one percent (1%) to eighty-five percent (85%) of such Participant’s Compensation as a pre-tax and/or Roth contribution.

Any Local 341 NU-Portland or GS Employee, who elected to (i) either opt-out of the Employer’s defined benefit plan as of January 1, 2013, or (ii) who is first hired or rehired on or after April 1, 2012, and who, upon first becoming eligible to participate in the Plan in accordance with Section 3.1 of the Plan fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer three percent (3%) of his Compensation as a pre-tax contribution (“deemed elective deferral”). Effective April 1, 2019, any Participant who first becomes eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after April 1, 2019, who fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer six percent (6%) of his Compensation as a pre-tax contribution (“deemed elective deferral”).

At least thirty (30) days and no more than ninety (90) days, prior to the beginning of each Plan Year, the Administrator shall provide each Local 341 NU-Portland or GS Employee eligible to participate in the Plan with a notice in writing in a manner calculated to be understood by the average eligible Local 341 NU-Portland or GS Employee, or through an electronic medium reasonably accessible to such Local 341 NU-Portland or GS Employee, of the deemed elective deferral, his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals, and how deemed elective deferrals will be invested in the absence of the Employee’s investment instructions. The Administrator shall also provide each such Local 341 NU-Portland or GS Employee a reasonable period to exercise such rights before the date on which the cash is currently available. During the ninety (90) day period ending with the day the Local 341 NU-Portland or GS Employee becomes eligible to participate in the Plan, the same notice shall be provided to that Local 341 NU-Portland or GS Employee.

Participants who are Local 341 NU-Portland or GS Employees who either (i) elected to opt-out of the Employer’s defined benefit plan as of January 1, 2013, or (ii) who are hired or rehired, on or after April 1, 2012, shall, upon first becoming eligible to participate in the Plan in accordance with Section 3.1 of the Plan, also be enrolled in the Plan’s “Managed Savings” feature unless they elect to opt out of such feature. Such Participants, as of January 1<sup>st</sup> of each Plan Year, shall have their rate of elective deferral contributions automatically increased by one percent (1%). Such rate of elective deferral contributions shall be further increased by an additional one percent (1%) per year as of each subsequent January 1<sup>st</sup>.

Notwithstanding the above, a Participant shall not have his rate of elective deferral contributions automatically increased beyond ten percent (10%). A Participant's election to participate in the "Managed Savings" feature shall remain in place until the Participant revokes such election.

Notwithstanding anything in the foregoing to the contrary, in no event shall any Local 341 NU-Portland or GS Employee who opted out of the Employer's defined benefit plan prior to meeting the eligibility requirements set forth under Section 3.1 of this Plan, become a participant in the Plan, be enrolled in the Plan's "Managed Savings" feature, and/or be eligible for any Employer Contributions as described in Section 4.2 of the Plan, until such Local 341 NU-Portland or GS Employee has satisfied the age and service requirements set forth in Section 3.1.

V. **Local Union No. 1837, International Brotherhood of Electrical Workers ("Local 1837")**, June 1, 2018 – May 31, 2023. (This contract covers Unifil Service Corp. employees.)

Each Local 1837 Participant may elect to contribute in the aggregate from one percent (1%) to eighty-five percent (85%) of such Participant's Compensation as a pre-tax and/or Roth contribution.

Any Local 1837 USC Employee, who elected to (i) either opt-out of the Employer's defined benefit plan as of January 1, 2010, or (ii) who is first hired or rehired on or after January 1, 2010, and who, upon first becoming eligible to participate in the Plan in accordance with Section 3.1 fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer three percent (3%) of his Compensation as a pre-tax contribution ("deemed elective deferral"). Effective April 1, 2019, any Participant who first becomes eligible to participate in the Plan pursuant to Section 3.1 (including those rehired) on and after April 1, 2019, who fails to affirmatively make any deferral election (including an election to contribute zero percent (0%) of his Compensation to the Plan) within the time prescribed by the Administrator, shall be deemed to have elected to defer six percent (6%) of his Compensation as a pre-tax contribution ("deemed elective deferral").

At least thirty (30) days and no more than ninety (90) days, prior to the beginning of each Plan Year, the Administrator shall provide each Local 1837 USC Employee eligible to participate in the Plan with a notice in writing in a manner calculated to be understood by the average eligible Local 1837 USC Employee, or through an electronic medium reasonably accessible to such Local 1837 USC Employee, of the deemed elective deferral, his right to receive the amount of the deemed elective deferral in cash and his right to increase or decrease his rate of elective deferrals, and how deemed elective deferrals will be invested in the absence of the Employee's investment instructions. The Administrator shall also provide each such Local 1837 USC Employee a reasonable period to exercise such right before the date on which the cash is currently available. During the ninety (90) day period ending with the day the Local 1837 USC Employee becomes eligible to participate in the Plan, the same notice shall be provided to that Local 1837 USC Employee.

Participants who are Local 1837 USC Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2010, or (ii) who are hired or rehired, on or after January 1, 2010, shall upon first becoming eligible to participate in the Plan in accordance with Section 3.1 of the Plan, also be enrolled in the Plan's "Managed Savings" feature unless they elect to opt out of such feature. Such Participants, as of January 1<sup>st</sup> of each Plan Year, shall have their rate of elective deferral contributions automatically increased by one percent (1%). Such rate of elective deferral contributions shall be further increased by an additional one percent (1%) per year as of each subsequent January 1<sup>st</sup>. Notwithstanding the above, a Participant shall not have his rate of elective deferral contributions automatically increased beyond ten percent (10%). A Participant's election to participate in the "Managed Savings" feature shall remain in place until the Participant revokes such election.

Notwithstanding anything in the foregoing to the contrary, in no event shall any Local 1837 USC Employee who opted out of the Employer's defined benefit plan prior to meeting the eligibility requirements set forth under Section 3.1 of the Plan, become a participant in the Plan, be enrolled in the Plan's 'Managed Savings' feature, and/or be eligible for any Employer Contributions as described in Section 4.2 of the Plan, until such Local 1837 USC Employee has satisfied the age and service requirements set forth in Section 3.1.

**APPENDIX B**

Notwithstanding the provisions of Section 4.2(a) to the contrary and solely with respect to the unions named below, Employer matching contributions shall be calculated as follows:

- I. **Utility Workers Union of America, AFL-CIO, Local Union No. B340, The Brotherhood of Utility Workers Council**, June 1, 2013 as extended through May 31, 2022. (This contract covers Fitchburg Gas and Electric Light Company employees.)

Employer Matching Contribution for Local B340 Participants - For each payroll period, the Employer shall contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by the Employer's board of directors) of the elective deferrals (within the meaning of Section 4.1 of the Plan) and/or after-tax contributions (under Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by each such Participant; provided, however, that the amount of such Employer matching contribution for any Participant in a Plan Year shall not exceed three percent (3%) of the Participant's Compensation for the period during which elective deferrals and/or after-tax contributions are made by the Participant.

Notwithstanding the foregoing, and solely with respect to Local B340 FGE Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2014, or (ii) who are hired or rehired on or after June 1, 2013, shall, in lieu of receiving Employer matching contributions pursuant to the previous provisions of this section, instead receive an increased Employer matching contribution for each payroll period in an amount equal to 100% of the elective deferrals (within the meaning of Section 4.1 of the Plan) and/or after-tax contributions (within the meaning of Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by such Participant; provided, however, that the amount of such Employer matching contribution for any such Participant in a Plan Year shall not exceed six percent (6%) of the Participant's Compensation for that payroll period. Such contributions shall be nonforfeitable when made. Those Participants who elect to continue participating in the Employer's defined benefit plan shall not be eligible for this increased matching contribution and shall instead receive Employer discretionary matching contributions in accordance with the previous provisions of this section.

Notwithstanding the foregoing, in no event shall any Local B340 FGE Employee be eligible to participate in the Plan and receive Employer matching contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

- II. **International Brotherhood of Electrical Workers Local Union No. 1837**, June 1, 2018 through May 31, 2023. (This contract covers Unitil Energy Systems employees.)

Employer Matching Contribution for Local 1837 Participants - For each payroll period, the Employer shall contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by the Employer's board of directors) of the elective deferrals (within the meaning of Section 4.1 of the Plan) and/or after-tax contributions (under Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by each such Participant; provided, however, that the amount of such Employer matching contribution for any Participant in a Plan Year shall not exceed three percent (3%) of the Participant's Compensation for the period during which elective deferrals and/or after-tax contributions are made by the Participant.

Notwithstanding the foregoing, and solely with respect to Local 1837 UES Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2013, or (ii) who are hired or rehired on or after June 1, 2012, shall, in lieu of receiving Employer matching contributions pursuant to the previous provisions of this section, instead receive Employer matching contribution for each payroll period in an amount equal to 100% of the elective deferrals (within in the meaning of Section 4.1) and/or after-tax contributions (within the meaning of Section 4.5) made or could have been made but for the limitations of Code Section 402(g)(3) by such Participant; provided, however, that the amount of such Employer matching contribution for any such Participant in a Plan Year shall not exceed six percent (6%) of the Participant's Compensation for that payroll period. Such contributions shall be nonforfeitable when made. Those Participants who elect to continue participating in the Employer's defined benefit plan shall not be eligible for this increased matching contribution and shall instead receive Employer discretionary matching contributions in accordance with the previous provisions of this section.

Notwithstanding the foregoing, in no event shall any Local 1837 UES Employee be eligible to participate in the Plan and received Employer matching contributions prior to satisfying the eligibility provisions of Section 3.1 of the plan.

III. **United Steel Workers, Local No. 12012-6**, September 6, 2020 – June 7, 2025. (This contract covers Northern Utilities, Inc.-Portsmouth employees.)

Employer Matching Contribution for Local 12012-6 Participants - For each payroll period, the Employer shall contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by the Employer's board of directors) of the elective deferrals (within the meaning of Section 4.1) and/or after-tax contributions (under Section 4.5) made or could have been made but for the limitations of Code Section 402(g)(3) by each such Participant; provided; however, that the amount of such Employer matching contribution for any Participant in a Plan Year shall not exceed three percent (3%) of the Participant's Compensation for the period during which elective deferrals and/or after-tax contributions are made by the Participant.

Notwithstanding the foregoing, and solely with respect to Local 12012-6 NU-Portsmouth Employees who elected to either (i) opt-out of the Employer's defined benefit plan as of January 1, 2011, or (ii) who are hired or rehired on or after January 1, 2011, shall in lieu of receiving Employer matching contributions pursuant to the previous provisions of this section, instead receive an increased Employer matching contribution for each payroll period in an amount equal to 100% of the elective deferrals (within in the meaning of Section 4.1 of the Plan) and/or after-tax contributions (within the meaning of Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by such Participant; provided, however, that the amount of such Employer matching contribution for any such Participant in a Plan Year shall not exceed six percent (6%) of the Participant's base compensation for that payroll period. Such contributions shall be nonforfeitable when made. Those Participants who elect to continue participating in the Employer's defined benefit plan shall not be eligible for this increased matching contribution and shall instead receive Employer discretionary matching contributions in accordance with the previous provisions of this section.

Notwithstanding the foregoing, in no event shall any Local 12012-6 NU-Portsmouth Employee be eligible to participate in the Plan and receive Employer matching contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

IV. **Utility Workers Union of America, Local No. 341** April 1, 2021 – March 30, 2026. (This contract covers both Northern Utilities, Inc.-Portland and Granite State Gas Transmission, Inc. employees.)

Employer Matching Contribution for Local 341 Participants - For each payroll period, the Employer shall contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by the Employer's board of directors) of the elective deferrals (within the meaning of Section 4.1 of the Plan) and/or after-tax contributions (under Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by each such Participant; provided, however, that the amount of such Employer matching contribution for any Participant in a Plan Year shall not exceed three percent (3%) of the Participant's Compensation for the period during which elective deferrals and/or after-tax contributions are made by the Participant.

Notwithstanding the foregoing, and solely with respect to Local 341 NU-Portland and GS Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2013, or (ii) who are hired or rehired on or after April 1, 2012, shall, in lieu of receiving Employer matching contributions pursuant to the previous provisions of this section, instead receive an increased Employer matching contribution for each pay period in an amount equal to 100% of the elective deferrals (within in the meaning of Section 4.1 of the Plan) and/or after-tax contributions (within the meaning of Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by such

Participant; provided, however, that the amount of such Employer matching contribution for any such Participant in a Plan Year shall not exceed six percent (6%) of the Participant's Compensation for that payroll period. Such contributions shall be nonforfeitable when made. Those Participants who elect to continue participating in the Employer's defined benefit plan shall not be eligible for this increased matching contribution and shall instead receive Employer discretionary matching contributions in accordance with the previous provisions of this section.

Notwithstanding the foregoing, in no event shall any Local 341 NU-Portland and GS Employee be eligible to participate in the Plan and receive Employer matching contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

V. **International Brotherhood of Electrical Workers, Local Union No. 1837**, June 1, 2018 – May 31, 2023. (This contract covers Unitil Service Corp. employees.)

Employer Matching Contribution for Local 1837 Participants - For each payroll period, the Employer shall contribute to the Plan, on behalf of each Participant, a discretionary matching contribution equal to a percentage (as determined by the Employer's board of directors) of the elective deferrals (within the meaning of Section 4.1 of the Plan) and/or after-tax contributions (under Section 4.5 of the Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by each such Participant; provided, however, that the amount of such Employer matching contribution for any Participant in a Plan Year shall not exceed three percent (3%) of the Participant's Compensation for the period during which elective deferrals and/or after-tax contributions are made by the Participant.

Notwithstanding the foregoing, and solely with respect to Local 1837 USC Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2010, or (ii) who are hired or rehired on or after January 1, 2010, shall, in lieu of receiving Employer matching contributions pursuant to the previous provisions of this section, instead receive an increased Employer matching contribution for each payroll period in an amount equal to 100% of the elective deferrals (within the meaning of Section 4.1 of the Plan) and/or after-tax contributions (within the meaning of Section 4.5 of that Plan) that were made or could have been made but for the limitations of Code Section 402(g)(3) by such Participant; provided, however, that the amount of such Employer matching contribution for any such Participant in a Plan Year shall not exceed six percent (6%) of the Participant's Compensation for that payroll period. Such contributions shall be nonforfeitable when made. Those Participants who elect to continue participating in the Employer's defined benefit plan shall not be eligible for this increased matching contribution and shall instead receive Employer discretionary matching contributions in accordance with the previous provisions of this section.

Notwithstanding the foregoing, in no event shall any Local 1837 USC Employee be eligible to participate in the Plan and receive Employer matching contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

## APPENDIX C

Notwithstanding the provisions of Section 4.2(b) to the contrary and solely with respect to the unions named below, Company Contributions shall be calculated as follows:

- I. **Utility Workers Union of America, AFL-CIO, Local Union No. B340, The Brotherhood of Utility Workers Council**, June 1, 2013 as extended through May 31, 2022. (This contract covers Fitchburg Gas and Electric Light Company employees.)

Each payroll period the Employer shall make a "Company Contribution" on behalf of Participants who are Local B340 FGE Employees who either (i) elected to opt- out of the Employer's defined benefit plan as of January 1, 2014, or (ii) are hired or rehired on or after June 1, 2013. Such "Company Contributions" shall be in the amount equal to four percent (4%) of each such Participant's Compensation for each payroll period. Notwithstanding the foregoing, in no event shall any Local B340 FGE Employee be eligible to participate in the Plan and receive Employer contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

- II. **International Brotherhood of Electrical Workers, Local Union No. 1837**, June 1, 2018 through May 31, 2023. (This contract covers Unitil Energy Systems employees.)

Each payroll period the Employer shall make a "Company Contribution" on behalf of Participants who are Local 1837 UES Employees who either (i) elected to opt- out of the Employer's defined benefit plan as of January 1, 2013, or (ii) are hired or rehired on or after June 1, 2012. Such "Company Contributions" shall be in the amount equal to four percent (4%) of each such Participant's Compensation for each payroll period. Notwithstanding the foregoing, in no event shall any Local 1837 UES Employee be eligible to participate in the Plan and receive Employer contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

- III. **United Steel Workers, AFL-CIO, Local No. 12012-6**, September 6, 2020 through June 7, 2025. (This contract covers Northern Utilities, Inc.- Portsmouth employees.)

Each payroll period the Employer shall make a "Company Contribution" on behalf of Participants who are Local 12012-6 NU-Portsmouth Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2011, or (ii) were hired or rehired on or after January 1, 2011. Such "Company Contributions" shall be in the amount equal to four percent (4%) of each such Participant's Compensation for each payroll period. Notwithstanding the foregoing, in no event shall any Local 12012-6 NU-Portsmouth Employee be eligible to participate in the Plan and receive Employer contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

IV. **Utility Workers Union of America, Local No. 341**, April 1, 2021 through March 31, 2026. (This contract covers both Northern Utilities, Inc.-Portland and Granite State Gas Transmission, Inc.)

Each payroll period the Employer shall make a "Company Contribution" on behalf of Participants who are Local 341 NU-Portland or GS Employees who either (i) elected to opt-out of the Employer's defined benefit plan as of January 1, 2013, or (ii) are hired or rehired on or after April 1, 2012. Such "Company Contributions" shall be in the amount equal to four percent (4%) of each such Participant's Compensation for each payroll period. Notwithstanding the foregoing, in no event shall any Local 341 NU-Portland or GS Employee be eligible to participate in the Plan and receive Employer contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

V. **International Brotherhood of Electrical Workers, Local Union No. 1837**, June 1, 2018 through May 31, 2023. (This contract covers Unitil Service Corp. employees.)

Each payroll period the Employer shall make a "Company Contribution" on behalf of Participants who are Local 1837 USC Employees who either (i) elected to opt- out of the Employer's defined benefit plan as of January 1, 2010, or (ii) are hired or rehired on or after January 1, 2010. Such "Company Contributions" shall be in the amount equal to four percent (4%) of each such Participant's Compensation for each payroll period. Notwithstanding the foregoing, in no event shall any Local 1837 USC Employee be eligible to participate in the Plan and receive Employer contributions prior to satisfying the eligibility provisions of Section 3.1 of the Plan.

## UNITIL CORPORATION

## Compensation of Directors

On October 27, 2021, the Board of Directors of Unitil Corporation (“Unitil”) approved and adopted a revised compensation arrangement for members of the Board of Directors. The revised compensation arrangement became effective as of January 1, 2022.

The revised compensation arrangement applies to members of the Board of Directors who are not employees of Unitil or any of its subsidiaries.

The following table summarizes the material terms of the revised compensation arrangement.

Category	Description	Amount
Board of Directors—Annual Cash Retainer	Each member of the Board of Directors will receive an annual cash retainer. Unitil will pay one-fourth of the annual cash retainer on the first business day of each fiscal quarter.	\$65,000 per year
Board of Directors—Annual Equity Retainer	Each member of the Board of Directors will receive an annual equity retainer. Unitil will issue the equity retainer on the first business day of October each year. Each member of the Board may elect to receive restricted stock units (with any phantom dividends reinvested in additional restricted stock units), in lieu of Unitil’s common stock, as his or her annual equity retainer.	\$80,000 per year (payable in kind as common stock or restricted stock units)
Board of Directors—Lead Director—Annual Cash Retainer Premium	The Lead Director of the Board of Directors will receive an annual cash retainer premium. Unitil will pay one-fourth of the annual cash retainer premium on the first business day of each fiscal quarter.	\$25,000 per year
Board of Directors—Special Meetings	Each member of the Board of Directors will receive a fee for each special meeting of the Board of Directors that such member attends.	\$2,000 per special meeting

Audit, Compensation, Nominating and Governance, and Pension Committees—Annual Cash Retainer for Chair	Each chair of the Audit, Compensation, Nominating and Governance, and Pension committees of the Board of Directors will receive an annual cash retainer. Unitil will pay one-fourth of the annual cash retainer on the first business day of each fiscal quarter.	\$16,000 per committee per year
Audit, Compensation, Nominating and Governance, and Pension Committees—Annual Cash Retainer for Non-Chair Members	Each non-chair Board member who serves on the Audit, Compensation, Nominating and Governance, and/or Pension committees of the Board of Directors will receive an annual cash retainer for each committee upon which he or she serves. Unitil will pay one-fourth of the annual cash retainer on the first business day of each fiscal quarter.	\$7,000 per committee per year
Executive Committee—Meetings	Each member of the Executive Committee will receive a fee for each meeting of the Executive Committee that such member attends.	\$1,500 per meeting

In addition, Unitil will reimburse each member of the Board of Directors for reasonable expenses that such member incurs in connection with attending meetings of the Board of Directors or committees thereof.

## UNITIL CORPORATION

## COMPUTATION IN SUPPORT OF EARNINGS PER SHARE

	Year Ended December 31,		
	2021	2020	2019
<b>EARNINGS PER SHARE (000's, except per share data)</b>			
Net Income	<b>\$36,084</b>	\$32,166	\$44,238
Less: Dividend Requirements on Preferred Stock	<b>11</b>	11	11
Net Income Applicable to Common Stock	<b>\$36,073</b>	\$32,155	\$44,227
Average Number of Common Shares Outstanding - Basic	<b>15,373</b>	14,951	14,894
Dilutive Effect of Stock Options and Restricted Stock	<b>3</b>	1	6
Average Number of Common Shares Outstanding - Diluted	<b>15,376</b>	14,952	14,900
Earnings Per Share - Basic	<b>\$ 2.35</b>	\$ 2.15	\$ 2.97
Earnings Per Share - Diluted	<b>\$ 2.35</b>	\$ 2.15	\$ 2.97

**Subsidiaries of Registrant**

The Company or the registrant has eight wholly-owned subsidiaries, seven of which are corporations organized under the laws of the State of New Hampshire: Unitil Energy Systems, Inc., Northern Utilities, Inc., Granite State Gas Transmission, Inc., Unitil Power Corp., Unitil Realty Corp., Unitil Resources, Inc. and Unitil Service Corp. The eighth, Fitchburg Gas and Electric Light Company, is organized under the laws of the Commonwealth of Massachusetts. Usource, Inc., which is a corporation organized under the laws of the State of Delaware, was a wholly-owned subsidiary of Unitil Resources, Inc. and was divested of by the Company in the first quarter of 2019. Usource, Inc. is the sole member of Usource L.L.C., which is a limited liability company formed under the laws of the State of Delaware and was also divested of by the Company in the first quarter of 2019.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-258405 and 333-168394 on Form S-3 and Nos. 333-234391 and 333-184849 on Form S-8 of our report dated February 1, 2022, relating to the consolidated financial statements of Unitil Corporation and subsidiaries and the effectiveness of Unitil Corporation and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K of Unitil Corporation for the year ended December 31, 2021.

/s/ Deloitte and Touche LLP

Boston, Massachusetts  
February 1, 2022

## CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas P. Meissner, Jr., certify that:

- 1) I have reviewed this annual report on Form 10-K of Unitil Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal controls over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2022

/s/ Thomas P. Meissner, Jr.

---

Thomas P. Meissner, Jr.  
Chief Executive Officer and President

## CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert B. Hevert, certify that:

- 1) I have reviewed this annual report on Form 10-K of Unitil Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal controls over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2022

/s/ Robert B. Hevert

---

Robert B. Hevert  
Chief Financial Officer

## CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel J. Hurstak, certify that:

- 1) I have reviewed this annual report on Form 10-K of Unitil Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal controls over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2022

/s/ Daniel J. Hurstak

---

Daniel J. Hurstak  
Chief Accounting Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Unifil Corporation (the "Company") on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned Thomas P. Meissner, Jr., Chief Executive Officer and President, Robert B. Hevert, Chief Financial Officer and Daniel J. Hurstak, Chief Accounting Officer, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
/s/ Thomas P. Meissner, Jr. Thomas P. Meissner, Jr.	Chief Executive Officer and President	February 1, 2022
/s/ Robert B. Hevert Robert B. Hevert	Chief Financial Officer	February 1, 2022
/s/ Daniel J. Hurstak Daniel J. Hurstak	Chief Accounting Officer	February 1, 2022



**FOR RELEASE**

### Unitil Reports Year-End Earnings

---

**HAMPTON, N.H., FEBRUARY 1, 2022** — Unitil Corporation (NYSE: UTL) ([unitil.com](http://unitil.com)) today announced Net Income of \$36.1 million, or \$2.35 in Earnings Per Share (EPS), for the year ended December 31, 2021, an increase of \$3.9 million in Net Income, or \$0.20 in EPS, compared to 2020. The Company's Electric and Gas GAAP Gross Margins were \$71.5 million and \$100.5 million, respectively, for 2021. Weighted average common shares outstanding for the year-ended December 31, 2021 of approximately 15.4 million reflect the issuance of 920,000 common shares during the third quarter of 2021.

"We are pleased with our strong financial results in 2021 as EPS increased by more than 9% year-over-year, reflecting the Company's continued focus on operating excellence and strategy execution," said Thomas P. Meissner, Jr., Unitil's Chairman and Chief Executive Officer. "Heading into 2022, the Company is well-positioned to deliver sustainable long-term value and exceptional customer service as we execute on our strategic priorities, regulatory initiatives, and environmental, social, and governance objectives."

Electric GAAP Gross Margin was \$71.5 million in 2021, an increase of \$2.4 million compared to 2020. The increase was driven by higher rates and customer growth of \$4.5 million, partially offset by higher depreciation and amortization expense of \$2.1 million.

Electric Adjusted Gross Margin (a non-GAAP financial measure) was \$97.4 million in 2021, an increase of \$4.5 million compared with 2020. The increase was driven by higher rates and customer growth of \$4.5 million.

Electric kilowatt-hour (kWh) sales increased 2.2% in 2021 compared to 2020. Sales to Residential customers increased 0.5% and sales to Commercial and Industrial (C&I) customers increased 3.5% in 2021 compared to 2020. The increase in sales to Residential customers

---

6 Liberty Lane West  
Hampton, NH 03842  
T 603.772.0775  
[unitil.com](http://unitil.com)

principally reflects positive customer growth. The increase in sales to C&I customers reflects customer growth and increased usage due to improving economic conditions. As of December 31, 2021, the number of electric customers served increased by approximately 600 over the previous year.

Gas GAAP Gross Margin was \$100.5 million in 2021, an increase of \$7.7 million compared to 2020. The increase was driven by higher rates and customer growth of \$9.4 million, and \$1.1 million from the favorable effect of colder weather during the peak heating season in 2021, which the Company defines as the months of January – April, and November – December, partially offset by higher depreciation and amortization of \$2.8 million.

Gas Adjusted Gross Margin (a non-GAAP financial measure) was \$133.1 million in 2021, an increase of \$10.5 million compared to 2020. The increase was driven by higher rates and customer growth of \$9.4 million and \$1.1 million from the favorable effect of colder weather during the peak heating season in 2021.

Gas therm sales increased 3.3% in 2021 compared to 2020. Sales to Residential customers decreased 0.7% and sales to C&I customers increased 4.4% in 2021 compared to 2020. The overall increase in gas therm sales reflects customer growth and colder weather in the peak heating season. As of December 31, 2021, the number of gas customers served increased by approximately 1,000, including seasonal accounts, over the previous year. Based on weather data collected in the Company's gas service areas, on average there were 0.4% fewer Effective Degree Days (EDD) in 2021 compared to 2020 and 8.2% fewer EDD compared to normal. However, there were 3.4% more EDD in the peak heating season in 2021 compared to the same period in 2020. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were 2.8% higher in 2021 compared to 2020.

Operation and Maintenance (O&M) expenses increased \$3.0 million in 2021 compared to 2020, reflecting higher labor costs of \$1.6 million and higher utility operating costs of \$1.4 million.

Depreciation and Amortization expense increased \$5.0 million in 2021 compared to 2020, reflecting additional depreciation associated with higher levels of utility plant in service and higher amortization.

Taxes Other Than Income Taxes increased \$0.6 million in 2021 compared to 2020, reflecting higher payroll taxes and higher local property taxes on higher utility plant in service.

---

6 Liberty Lane West  
Hampton, NH 03842  
T 603.772.0775  
unitil.com

Interest Expense, Net increased \$1.8 million in 2021 compared to 2020 primarily reflecting higher interest on long-term debt and lower interest income, partially offset by lower rates on lower levels of short-term debt.

Other Expense (Income), Net decreased \$0.6 million in 2021 compared to 2020, reflecting lower retirement benefit and other costs.

Federal and State Income Taxes increased \$1.3 million in 2021 compared to 2020, reflecting higher pre-tax earnings in the current period.

In 2021, Unital's annual common dividend was \$1.52 per share, representing an unbroken record of quarterly dividend payments since trading began in Unital's common stock. At its January 2022 meeting, the Unital Corporation Board of Directors declared a quarterly dividend on the Company's common stock of \$0.39 per share, an increase of \$0.01 per share on a quarterly basis, resulting in an increase in the effective annualized dividend rate to \$1.56 per share from \$1.52 per share.

The Company's earnings are seasonal and are typically higher in the first and fourth quarters when customers use natural gas for heating purposes.

The Company will hold a quarterly conference call to discuss fourth quarter and full year 2021 results on Tuesday, February 1, 2022, at 10:00 a.m. Eastern Time. This call is being webcast. This call, financial and other statistical information contained in the Company's presentation on this call, and information required by Regulation G regarding non-GAAP financial measures can be accessed in the Investor Relations section of Unital's website, [unitil.com](http://unitil.com).

#### About Unital Corporation

Unital Corporation provides energy for life by safely and reliably delivering electricity and natural gas in New England. We are committed to the communities we serve and to developing people, business practices, and technologies that lead to the delivery of dependable, more efficient energy. Unital Corporation is a public utility holding company with operations in Maine, New Hampshire and Massachusetts. Together, Unital's operating utilities serve approximately 107,700 electric customers and 86,600 natural gas customers. For more information about our people, technologies, and community involvement please visit [unitil.com](http://unitil.com).

---

6 Liberty Lane West  
Hampton, NH 03842  
T 603.772.0775  
[unitil.com](http://unitil.com)

Forward-Looking Statements

This press release may contain forward-looking statements. All statements, other than statements of historical fact, included in this press release are forward-looking statements. Forward-looking statements include declarations regarding Unitil's beliefs and current expectations. These forward-looking statements are subject to the inherent risks and uncertainties in predicting future results and conditions that could cause the actual results to differ materially from those projected in these forward-looking statements. Some, but not all, of the risks and uncertainties include the following: the COVID-19 pandemic, which could adversely affect the Company's business, including by disrupting the Company's employees' and contractors' ability to provide ongoing services to the Company, by reducing customer demand for electricity or natural gas, or by reducing the supply of electricity or natural gas; Unitil's regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, the demand for, and the prices of, energy commodities and transmission and transportation 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; variations in weather; long-term global climate change; unforeseen or changing circumstances, which could adversely affect the reduction of company-wide direct greenhouse gas emissions; 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. These forward looking statements speak only as of the date they are made. Unitil undertakes no obligation, and does not intend, to update these forward-looking statements except as required by law.

**For more information please contact:**

Todd Diggins – Investor Relations  
Phone: 603-773-6504

Alec O'Meara – Media Relations  
Phone: 603-773-6404

Email: [diggins@unitil.com](mailto:diggins@unitil.com)

Email: [omeara@unitil.com](mailto:omeara@unitil.com)

---

6 Liberty Lane West  
Hampton, NH 03842  
T 603.772.0775  
[unitil.com](http://unitil.com)

Supplemental Information: Non-GAAP Financial Measures

The Company analyzes operating results using Electric and Gas Adjusted Gross Margins, which are non-GAAP financial measures. Electric Adjusted Gross Margin is calculated as Total Electric Operating Revenue less Cost of Electric Sales. Gas Adjusted Gross Margin is calculated as Total Gas Operating Revenues less Cost of Gas Sales. The Company's management believes Electric and Gas Adjusted Gross Margins provide useful information to investors regarding profitability. Also, the Company's management believes Electric and Gas Adjusted Gross Margins are important measures to analyze revenue from the Company's ongoing operations because the approved cost of electric and gas sales are tracked, reconciled and passed through directly to customers in electric and gas tariff rates, resulting in an equal and offsetting amount reflected in Total Electric and Gas Operating Revenue.

In the following tables the Company has reconciled Electric and Gas Adjusted Gross Margin to GAAP Gross Margin, which we believe to be the most comparable GAAP financial measure. GAAP Gross Margin is calculated as Revenue less Cost of Sales, and Depreciation and Amortization. The Company calculates Electric and Gas Adjusted Gross Margin as Revenue less Cost of Sales. The Company believes excluding Depreciation and Amortization, which are period costs and not related to volumetric sales, is a meaningful measure to inform investors of the Company's profitability from electric and gas sales in the period.

**Twelve Months Ended December 31, 2021 (\$ millions)**

	<u>Electric</u>	<u>Gas</u>	<u>Non-Regulated and Other</u>	<u>Total</u>
Total Operating Revenue	\$ 248.5	\$224.8	\$ —	\$ 473.3
Less: Cost of Sales	(151.1)	(91.7)	—	(242.8)
Less: Depreciation and Amortization	(25.9)	(32.6)	(1.0)	(59.5)
GAAP Gross Margin	71.5	100.5	(1.0)	171.0
Depreciation and Amortization	25.9	32.6	1.0	59.5
Adjusted Gross Margin	<u>\$ 97.4</u>	<u>\$133.1</u>	<u>\$ —</u>	<u>\$ 230.5</u>

**Twelve Months Ended December 31, 2020 (\$ millions)**

	<u>Electric</u>	<u>Gas</u>	<u>Non-Regulated and Other</u>	<u>Total</u>
Total Operating Revenue	\$ 227.2	\$191.4	\$ —	\$ 418.6
Less: Cost of Sales	(134.3)	(68.8)	—	(203.1)
Less: Depreciation and Amortization	(23.8)	(29.8)	(0.9)	(54.5)
GAAP Gross Margin	69.1	92.8	(0.9)	161.0
Depreciation and Amortization	23.8	29.8	0.9	54.5
Adjusted Gross Margin	<u>\$ 92.9</u>	<u>\$122.6</u>	<u>\$ —</u>	<u>\$ 215.5</u>

6 Liberty Lane West  
Hampton, NH 03842  
T 603.772.0775  
unitil.com

Selected financial data for 2021 and 2020 is presented in the following table:

<b>Unitil Corporation - Condensed Consolidated Financial Data</b>			
<i>(Millions, except Per Share data) (Unaudited)</i>			
	Twelve Months Ended		
	2021	December 31, 2020	Change
<b>Electric kWh Sales:</b>			
Residential	694.2	690.6	0.5%
Commercial/Industrial	936.8	905.3	3.5%
<b>Total Electric kWh Sales</b>	<b><u>1,631.0</u></b>	<b><u>1,595.9</u></b>	<b>2.2%</b>
<b>Gas Therm Sales:</b>			
Residential	44.4	44.7	(0.7%)
Commercial/Industrial	177.5	170.1	4.4%
<b>Total Gas Therm Sales</b>	<b><u>221.9</u></b>	<b><u>214.8</u></b>	<b>3.3%</b>
<b>Electric Revenues</b>	<b>\$ 248.5</b>	<b>\$ 227.2</b>	<b>\$ 21.3</b>
Cost of Electric Sales	151.1	134.3	16.8
<b>Electric Adjusted Gross Margin (a non-GAAP financial measure<sup>1</sup>):</b>	<b><u>97.4</u></b>	<b><u>92.9</u></b>	<b>4.5</b>
<b>Gas Revenues</b>	<b>224.8</b>	<b>191.4</b>	<b>33.4</b>
Cost of Gas Sales	91.7	68.8	22.9
<b>Gas Adjusted Gross Margin (a non-GAAP financial measure<sup>1</sup>):</b>	<b><u>133.1</u></b>	<b><u>122.6</u></b>	<b>10.5</b>
<b>Total Adjusted Gross Margin: (a non-GAAP financial measure<sup>1</sup>):</b>	<b><u>230.5</u></b>	<b><u>215.5</u></b>	<b>15.0</b>
Operation & Maintenance Expenses	68.7	65.7	3.0
Depreciation & Amortization	59.5	54.5	5.0
Taxes Other Than Income Taxes	24.5	23.9	0.6
Other Expense (Income), Net	4.6	5.2	(0.6)
Interest Expense, Net	25.6	23.8	1.8
<b>Income Before Income Taxes</b>	<b><u>47.6</u></b>	<b><u>42.4</u></b>	<b>5.2</b>
Provision for Income Taxes	11.5	10.2	1.3
<b>Net Income</b>	<b><u>\$ 36.1</u></b>	<b><u>\$ 32.2</u></b>	<b><u>\$ 3.9</u></b>
<b>Earnings Per Share</b>	<b><u>\$ 2.35</u></b>	<b><u>\$ 2.15</u></b>	<b><u>\$ 0.20</u></b>

<sup>1</sup> The accompanying Supplemental Information more fully describes the non-GAAP financial measures used in this press release and includes a reconciliation of the non-GAAP financial measures to the financial measures that the Company's management believes are the most comparable GAAP financial measures. The Supplemental Information also includes a discussion of the changes in the most comparable GAAP financial measures for the periods presented.