
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2020

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 office)

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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding at October 26, 2020
Common Stock, no par value	15,007,088 Shares

[Table of Contents](#)

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
FORM 10-Q
For the Quarter Ended September 30, 2020

Table of Contents

	Page No.
Cautionary Statement	2
Part I. Financial Information	
Item 1. Financial Statements - Unaudited	
Consolidated Statements of Earnings - Three and Nine Months Ended September 30, 2020 and 2019	21
Consolidated Balance Sheets, September 30, 2020, September 30, 2019 and December 31, 2019	22-23
Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2020 and 2019	24
Consolidated Statements of Changes in Common Stock Equity – Three and Nine Months Ended September 30, 2020 and 2019	25-26
Notes to Consolidated Financial Statements	27-53
Item 2. Management’s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations	3-20
Item 3. Quantitative and Qualitative Disclosures About Market Risk	53
Item 4. Controls and Procedures	53
Part II. Other Information	
Item 1. Legal Proceedings	54
Item 1A. Risk Factors	54
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 3. Defaults Upon Senior Securities	Inapplicable
Item 4. Mine Safety Disclosures	Inapplicable
Item 5. Other Information	55
Item 6. Exhibits	55-57
Signatures	58

[Table of Contents](#)

In this Quarterly Report on Form 10-Q, 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 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 Company’s future operations, 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 Item 1A (Risk Factors) and the following:

- the novel coronavirus (COVID-19) pandemic could adversely impact 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;
- 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;
- fluctuations in the supply of, demand for, and the prices of, gas and electric energy commodities and transmission and transportation capacity and the Company’s ability to recover energy supply costs in its rates;
- customers’ preferred energy sources;
- severe storms and the Company’s ability to recover storm costs in its rates;
- declines in the valuation of capital markets, 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;
- 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;
- restrictive covenants contained in the terms of the Company’s and its subsidiaries’ indebtedness, which restrict certain aspects of the Company’s business operations;
- variations in weather, which could decrease demand for the Company’s distribution services;

Table of Contents

- long-term global climate change, which could adversely affect customer demand or cause extreme weather events that could disrupt the Company's electric and gas distribution services;
- 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 reasons 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 impact our results of operations;
- numerous hazards and operating risks relating to the Company's electric and gas distribution activities, which could result in accidents and other operating risks and costs;
- catastrophic events;
- the Company's ability to retain its existing customers and attract new customers; and
- increased competition.

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 of these factors, nor can the Company assess the impact 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. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Unitil Corporation (Unitil or the Company) is a public utility holding company headquartered in Hampton, New Hampshire. Unitil is 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 gas 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 Systems, Inc. (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 Gas and Electric Light Company (Fitchburg), which provides both electric and gas service in the greater Fitchburg area of north central Massachusetts; and
- iii) Northern Utilities, Inc. (Northern Utilities), which provides 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.

[Table of Contents](#)

Unitil Energy, Fitchburg and Northern Utilities are collectively referred to as the “distribution utilities.” Together, the distribution utilities serve approximately 106,100 electric customers and 83,900 gas customers in their service territory.

In addition, Unitil is the parent company of Granite State Gas Transmission, Inc. (Granite State), an interstate 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 gas pipelines and access to domestic gas supplies in the south and Canadian gas supplies in the north.

Unitil had an investment in Net Utility Plant of \$1,185.3 million at September 30, 2020. Unitil’s total operating revenue includes revenue to recover the approved cost of purchased electricity and gas in rates on a fully reconciling basis. As a result of this reconciling rate structure, the Company’s earnings are not directly affected by changes in the cost of purchased electricity and gas. Earnings from Unitil’s utility operations are primarily derived from the return on investment in the utility assets of the three distribution utilities and Granite State.

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. See additional discussion of the divestiture of Usource in “Divestiture of Non-Regulated Business Subsidiary” in Note 1 to the Consolidated Financial Statements.

The Company’s other subsidiaries include Unitil Service Corp., which provides, at cost, a variety of administrative and professional services to Unitil’s affiliated companies, Unitil Realty Corp., which owns and manages Unitil’s corporate office building and property located in Hampton, New Hampshire and Unitil Power Corp., which formerly functioned as the full requirements wholesale power supply provider for Unitil Energy. Unitil’s consolidated net income includes the earnings of the holding company and these subsidiaries.

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 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 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 the Maine Public Utilities Commission (MPUC). Granite State, Unitil’s interstate 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 gas to all customers in their service territory, at rates established under cost of service regulation. Under this regulatory structure, Unitil’s distribution utilities 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 gas transmission pipeline company may also 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.

[Table of Contents](#)

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 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 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 Unital's total annual electric and gas sales volumes, respectively.

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 Unital's electric and gas subsidiary companies, issued orders directing how the tax law changes were to be reflected in rates. Unital 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 has been 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 impacts of the TCJA and future tax law changes on customer rates by accounting for "excess" or "deficient" Accumulated Deferred Income Taxes (ADIT). FERC also required transmission providers with stated rates to account for the ADIT impacts of the TCJA in their next rate case. The Company is complying with the new rule and there is no material impact 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, or 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.

Northern Utilities - Targeted Infrastructure Replacement Adjustment (TIRA) – Maine - The settlement in Northern Utilities' Maine division's 2013 rate case allowed 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 its annual base rates by \$1.4 million, effective May 1, 2020, to recover the revenue requirements for 2019 eligible facilities, was approved by the MPUC on April 29, 2020.

Northern Utilities - Base Rates - New Hampshire - On May 2, 2018, the NHPUC approved a settlement agreement providing for a net annual revenue increase of \$3.2 million, incorporating the effect of the TCJA, and an initial step increase to recover post-test year capital investments. The Company's second step increase of approximately \$1.4 million of annual revenue was approved by the NHPUC, effective May 1, 2019, to recover eligible capital investments in 2018. According to the terms of the settlement agreement, Northern Utilities' next distribution base rate case shall be based on a historical test year of no earlier than the twelve months ending December 31, 2020.

[Table of Contents](#)

Unitil Energy - Base Rates - On April 20, 2017 the NHPUC issued its final order providing for a permanent increase of \$4.1 million, effective May 1, 2017, followed by two annual rate step adjustments to recover the revenue requirements associated with certain capital expenditures. On April 30, 2018, the NHPUC approved Unitil Energy's first step increase, effective May 1, 2018. On April 22, 2019, the NHPUC approved Unitil Energy's second and final step adjustment, providing for a revenue increase of approximately \$340,000, effective May 1, 2019.

Fitchburg - Base Rates – Electric - Fitchburg's base rates are decoupled, 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 27, 2018, the filing was approved, effective January 1, 2019, subject to further investigation and reconciliation. Final approval of the 2018 filing remains pending. 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 16, 2019, the filing was approved, effective January 1, 2020, subject to further investigation and reconciliation. Final approval of the 2019 filing remains pending.

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, 2023, though the Company may seek cost recovery for certain exogenous events that meet a revenue impact 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 the Company's 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 impacts to the Company's revenues. The MDPU has consistently found that 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, effective on March 1, 2020; and (2) an increase of \$0.9 million, 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 impact 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 (GSEP) 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 (the "GSEP Filing"); 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 (the "GREC Filing"). The Company considers these to be routine regulatory proceedings and there are no material issues outstanding.

[Table of Contents](#)

In an Order issued on April 30, 2019, the MDPU approved Fitchburg's 2018 GSEP Filing and increased the annual cap on recovery. Because the increase in the amount for recovery, \$1.6 million, still exceeded the annual cap, the Order resulted in a revenue increase of \$1.0 million that went into effect on May 1, 2019, subject to reconciliation. The amount that exceeded the cap, \$0.6 million, has been deferred to be recovered in a later proceeding. On May 1, 2019, the Company made its 2019 GREC Filing, seeking a waiver of the annual cap and a revenue increase of \$1.0 million. The MDPU approved the Company's request in its Order issued October 31, 2019. On October 31, 2019, the Company made its annual filing for an increase in revenues associated with 2020 GSEP investment for rates effective May 1, 2020. On March 12, 2020, the Company made a revised GSEP filing to incorporate the inclusion of the 2015 through 2018 GSEP investments in base rates effective March 1, 2020. On April 30, 2020, the MDPU approved the Company's filing. On May 1, 2020, the Company made its 2020 GREC Filing. However, in accordance with the approved gas rate case settlement agreement, the Company decreased the Gas System Enhancement Reconciliation Adjustment Factors (GSERAF) and Gas System Enhancement Adjustment Factors to zero effective March 1, 2020 and will recover the February 29, 2020 GSEP deferral balance including interest over a 24 month period beginning March 1, 2021. This results in this year's GSERAF changing on March 1, 2021 instead of November 1, 2020. The preliminary GSERAF recovery amount to be recovered over 24 months beginning March 1, 2021 is \$2.1 million. This matter remains pending before the MDPU.

Granite State - Base Rates - On May 2, 2018, Granite State filed an uncontested rate settlement with the FERC which provided for no change in rates, and accounted for the effects of a capital step adjustment offset by the effect of the TCJA. The settlement was approved by the FERC on June 27, 2018, and complies with the FERC Notice of Proposed Rulemaking concerning the justness and reasonableness of rates in light of the corporate income tax reductions under the TCJA.

On October 20, 2020, Granite State filed an uncontested rate settlement with the FERC 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. The Settlement Agreement is pending approval by the FERC.

RESULTS OF OPERATIONS

The following section of MD&A compares the results of operations for each of the two fiscal periods ended September 30, 2020 and September 30, 2019 and should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and the accompanying Notes to unaudited Consolidated Financial Statements included in Part I, Item 1 of this report, which are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Company is responding to the COVID-19 pandemic (the "coronavirus pandemic") by taking steps to mitigate the potential risks posed by its spread. The Company's electric and gas service 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 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.

[Table of Contents](#)

The extent to which the coronavirus pandemic impacts the Company'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 pandemic, and the actions to contain the coronavirus pandemic or treat its impact, among others. In particular, the continued spread of the coronavirus could adversely impact 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 impact 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 measure discussed below) are derived from a higher percentage of fixed billing components, including customer charges. Therefore, gas revenues and gas adjusted gross margin will be less affected by the seasonal nature of the gas business. In addition, as previously discussed, 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.

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

In the following tables; the Company has reconciled Gas and Electric Adjusted Gross Margin to GAAP Gross Margin, which we believe to be the most comparable GAAP measure. GAAP Gross Margin is calculated as Revenue less Cost of Sales and Depreciation and Amortization. The Company calculates Gas and Electric 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 revenue, is a meaningful measure to inform investors of the Company's profitability from gas and electric sales in the period.

Three Months Ended September 30, 2020 (\$ millions)

	<u>Gas</u>	<u>Electric</u>	<u>Non-Regulated and Other</u>	<u>Total</u>
Total Operating Revenue	\$27.5	\$ 59.9	\$ —	\$ 87.4
Less: Cost of Sales	(9.5)	(35.4)	—	(44.9)
Less: Depreciation and Amortization	(7.5)	(6.0)	(0.2)	(13.7)
GAAP Gross Margin	10.5	18.5	(0.2)	28.8
Depreciation and Amortization	7.5	6.0	0.2	13.7
Adjusted Gross Margin	<u>\$18.0</u>	<u>\$ 24.5</u>	<u>\$ —</u>	<u>\$ 42.5</u>

[Table of Contents](#)

Three Months Ended September 30, 2019 (\$ millions)

	<u>Gas</u>	<u>Electric</u>	<u>Non-Regulated and Other</u>	<u>Total</u>
Total Operating Revenue	\$ 24.9	\$ 60.4	\$ —	\$ 85.3
Less: Cost of Sales	(6.2)	(35.3)	—	(41.5)
Less: Depreciation and Amortization	(7.0)	(5.6)	(0.2)	(12.8)
GAAP Gross Margin	11.7	19.5	(0.2)	31.0
Depreciation and Amortization	7.0	5.6	0.2	12.8
Adjusted Gross Margin	<u>\$ 18.7</u>	<u>\$ 25.1</u>	<u>\$ —</u>	<u>\$ 43.8</u>

Nine Months Ended September 30, 2020 (\$ millions)

	<u>Gas</u>	<u>Electric</u>	<u>Non-Regulated and Other</u>	<u>Total</u>
Total Operating Revenue	\$131.4	\$ 170.3	\$ —	\$ 301.7
Less: Cost of Sales	(48.1)	(100.3)	—	(148.4)
Less: Depreciation and Amortization	(22.3)	(17.8)	(0.6)	(40.7)
GAAP Gross Margin	61.0	52.2	(0.6)	112.6
Depreciation and Amortization	22.3	17.8	0.6	40.7
Adjusted Gross Margin	<u>\$ 83.3</u>	<u>\$ 70.0</u>	<u>\$ —</u>	<u>\$ 153.3</u>

Nine Months Ended September 30, 2019 (\$ millions)

	<u>Gas</u>	<u>Electric</u>	<u>Non-Regulated and Other</u>	<u>Total</u>
Total Operating Revenue	\$143.9	\$ 177.0	\$ 0.9	\$ 321.8
Less: Cost of Sales	(58.4)	(106.4)	—	(164.8)
Less: Depreciation and Amortization	(21.3)	(17.0)	(0.7)	(39.0)
GAAP Gross Margin	64.2	53.6	0.2	118.0
Depreciation and Amortization	21.3	17.0	0.7	39.0
Adjusted Gross Margin	<u>\$ 85.5</u>	<u>\$ 70.6</u>	<u>\$ 0.9</u>	<u>\$ 157.0</u>

Gas GAAP Gross Margin was \$10.5 million and \$61.0 million in the three and nine months ended September 30, 2020, respectively, decreases of \$1.2 million and \$3.2 million compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$1.0 million due to lower average usage primarily attributed to the economic slowdown associated with the coronavirus pandemic; and higher depreciation and amortization of \$0.5 million, partially offset by customer growth and higher rates of \$0.3 million. The decrease in the nine month period was driven by lower margin of \$3.2 million principally due to warmer winter weather in the first quarter of 2020; lower margin of \$1.3 million from lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic; and higher depreciation and amortization of \$1.0 million. These decreases were partially offset by customer growth and higher rates of \$2.3 million.

Electric GAAP Gross Margin was \$18.5 million and \$52.2 million in the three and nine months ended September 30, 2020, respectively, decreases of \$1.0 million and \$1.4 million compared to the same periods in 2019. Electric GAAP Gross Margin in the third quarter of 2020 reflects lower margin of \$1.0

[Table of Contents](#)

million from lower Commercial and Industrial (C&I) kilowatt-hour (kWh) sales and demand sales (a measure of peak usage by certain C&I customers during the period) due to lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic; and higher depreciation and amortization of \$0.4 million; partially offset by the positive effect of warmer summer weather on kWh sales and higher rates of \$0.4 million. Electric GAAP Gross Margin in the nine month period reflects lower margin of \$2.0 million from lower C&I kWh and demand sales due to lower average usage, primarily attributed to the economic slowdown caused by the coronavirus pandemic and warmer winter weather, partially offset by the positive effect of warmer summer weather on kWh sales and customer growth; and higher depreciation and amortization of \$0.8 million. Electric GAAP Gross Margin was also positively impacted in the nine month period by higher rates of \$1.2 million and higher margin of \$0.2 million from increased residential sales due to coronavirus pandemic stay-at-home orders.

Earnings Overview

The Company's Net Income was \$0.3 million, or \$0.02 in Earnings Per Share (EPS), for the third quarter of 2020, a decrease of \$2.0 million in Net Income, or \$0.13 per share, compared to the third quarter of 2019, driven by lower gas and electric sales margins and higher operating expenses.

For the nine months ended September 30, 2020, the Company reported Net Income of \$18.6 million, or \$1.25 per share, a decrease of \$14.2 million, or \$0.95 per share, compared to the same nine month period in 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 decrease in earnings for the first nine months of 2020 also reflects lower gas and electric sales margins due to warmer winter weather in 2020 compared to 2019 and the economic slowdown caused by the coronavirus pandemic. The Company estimates that the warmer than normal winter weather negatively affected Net Income by approximately \$3.1 million, or \$0.20 per share, in the first nine months of 2020.

Gas Adjusted Gross Margin (a non-GAAP measure) was \$18.0 million and \$83.3 million in the three and nine months ended September 30, 2020, respectively, decreases of \$0.7 million and \$2.2 million, respectively, compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$1.0 million due to lower average usage primarily attributed to the economic slowdown associated with the coronavirus pandemic, partially offset by customer growth and higher rates of \$0.3 million. The decrease in the nine month period was driven by lower margin of \$3.2 million principally due to warmer winter weather in the first quarter of 2020, and lower margin of \$1.3 million from lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic. These decreases were partially offset by customer growth and higher rates of \$2.3 million.

Gas therm sales decreased 5.5% and 7.1% in the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease in overall gas therm sales in the Company's service areas reflects warmer weather in the first nine months of 2020 compared to the same period in 2019, as well as lower sales to C&I customers, primarily in the second and third quarters, due to the economic slowdown caused by the coronavirus pandemic, partially offset by customer growth.

Based on weather data collected in the Company's gas service areas, there were 8.4% fewer Effective Degree Days (EDD) in the first nine months of 2020, on average, compared to the same period in 2019 and 8.7% fewer EDD compared to normal. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were down 1.9% in the first nine months of 2020 compared to the same period in 2019. As of September 30, 2020, the number of gas customers served has increased by 2,337, including seasonal accounts, over the previous year.

Electric Adjusted Gross Margin (a non-GAAP measure) was \$24.5 million and \$70.0 million in the three and nine months ended September 30, 2020, decreases of \$0.6 million and \$0.6 million, respectively, compared with the same periods in 2019. Electric Adjusted Gross Margin in the third quarter of 2020 reflects lower margin of \$1.0 million from lower C&I kWh sales and demand sales (a measure of peak usage by certain C&I customers during the period) due to lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic, partially offset by the positive effect of

[Table of Contents](#)

warmer summer weather on kWh sales, and higher rates of \$0.4 million. Electric Adjusted Gross Margin in the nine month period reflects lower margin of \$2.0 million from lower C&I kWh and demand sales due to lower average usage, primarily attributed to the economic slowdown caused by the coronavirus pandemic and warmer winter weather, partially offset by the positive effect of warmer summer weather on kWh sales, and customer growth. Electric Adjusted Gross Margin was also positively impacted in the nine month period by higher rates of \$1.2 million and higher margin of \$0.2 million from increased residential sales due to coronavirus pandemic stay-at-home orders.

Total electric kWh sales increased 4.3% and 1.2%, respectively in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. Sales to Residential customers increased 14.4% and 8.2%, respectively, in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. Sales to C&I customers decreased 2.8% and 3.6%, respectively, in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. The increases in sales to Residential customers reflect the coronavirus pandemic stay-at-home orders, warmer summer weather in 2020 compared to 2019 which resulted in higher use of air conditioning, and customer growth, partially offset by the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes. The decreases in sales to C&I customers reflect lower usage as a result of the economic slowdown caused by coronavirus pandemic, and the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes, partially offset by customer growth and warmer summer weather. Based on weather data collected in the Company's electric service areas, there were 22.3% more Cooling Degree Days (CDD) in the third quarter of 2020, on average, compared to the same period in 2019. As of September 30, 2020, the number of total electric customers served has increased by 1,048, including seasonal accounts, over the last year.

Operation and Maintenance (O&M) expenses increased \$0.6 million and decreased \$1.3 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects higher utility operating costs. The decrease in the nine month period includes \$0.4 million of lower labor and other costs attributed to Usource operations in the first quarter of 2019. The change in O&M expenses in the nine month period also reflects lower labor costs of \$1.2 million and lower utility operating costs of \$0.3 million, partially offset by higher bad debt expense of \$0.4 million, which includes a provision for the impact of the coronavirus pandemic, and higher professional fees of \$0.2 million. The lower labor costs in the nine month period reflect lower employee benefit costs.

Depreciation and Amortization expense increased \$0.9 million and \$1.7 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects increased depreciation on higher levels of utility plant in service and higher amortization of software. The increase in the nine month period reflects increased depreciation on higher levels of utility plant in service.

Taxes Other Than Income Taxes decreased \$0.2 million and increased \$0.9 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease in the three month period reflects lower payroll taxes, partially offset by higher local property taxes on higher utility plant in service. The increase in the nine month period reflects higher local property taxes on higher utility plant in service and the recognition of \$0.6 million in property tax abatements in the second quarter of 2019, partially offset by lower payroll taxes. The lower payroll taxes in both periods reflect the recognition of \$0.6 million of payroll tax credits associated with the Coronavirus Aid, Relief and Economic Security (CARES) Act in the third quarter of 2020.

Interest Expense, Net decreased \$0.2 million and \$0.2 million in the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. These decreases reflect lower interest rates on short-term debt and lower interest expense on regulatory liabilities, partially offset by higher levels of long-term debt.

[Table of Contents](#)

Other Expense (Income), Net increased \$0.1 million for the three months ended September 30, 2020 compared to the same period in 2019. Other Expense (Income), Net changed from income of \$9.8 million in the first nine months of 2019 to expense of \$4.0 million in the first nine months of 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 retirement benefit and other costs in 2020.

Federal and State Income Taxes decreased \$0.5 million and \$4.4 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily reflecting lower pre-tax earnings in the current periods.

At its January 2020, April 2020, July 2020 and October 2020 meetings, the Unital Corporation Board of Directors declared quarterly dividends on the Company's common stock of \$0.375 per share. These quarterly dividends result in a current effective annualized dividend rate of \$1.50 per share, representing an unbroken record of quarterly dividend payments since trading began in Unital's common stock.

A more detailed discussion of the Company's results of operations for the three and nine months ended September 30, 2020 is presented below.

Gas Sales, Revenues and Adjusted Gross Margin

Therm Sales – Unital's total therm sales of natural gas decreased 5.5% and 7.1% in the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. In the third quarter of 2020, sales to Residential customers increased 3.8% and sales to C&I customers decreased 6.4%, respectively, compared to the same period in 2019. For the nine months ended September 30, 2020, sales to Residential and C&I customers decreased 5.5% and 7.6%, respectively, compared to the same period in 2019. The decrease in overall gas therm sales in the Company's service areas reflects warmer weather in the first nine months of 2020 compared to the same period in 2019, as well as lower sales to C&I customers, primarily in the second and third quarters, due to the economic slowdown caused by the coronavirus pandemic, partially offset by customer growth. Based on weather data collected in the Company's gas service areas, there were 8.4% fewer EDD in the first nine months of 2020, on average, compared to the same period in 2019 and 8.7% fewer EDD compared to normal. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were down 1.9% in the first nine months of 2020 compared to the same period in 2019. As of September 30, 2020, the number of gas customers served has increased by 2,337, including seasonal accounts, over the previous year. As previously discussed, sales margins derived from decoupled unit sales (representing approximately 11% of total annual therm sales volume) are not sensitive to changes in gas therm sales.

The following table details total firm therm sales for the three and nine months ended September 30, 2020 and 2019, by major customer class:

Therm Sales (millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Residential	2.7	2.6	0.1	3.8%	34.2	36.2	(2.0)	(5.5%)
Commercial / Industrial	23.3	24.9	(1.6)	(6.4%)	125.9	136.2	(10.3)	(7.6%)
Total	26.0	27.5	(1.5)	(5.5%)	160.1	172.4	(12.3)	(7.1%)

Gas Operating Revenues and Adjusted Gross Margin – The following table details Total Gas Operating Revenues and Gas Adjusted Gross Margin for the three and nine months ended September 30, 2020 and 2019:

Table of Contents

Gas Operating Revenues and Gas Adjusted Gross Margin (\$ millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Gas Operating Revenue:								
Residential	\$ 10.2	\$ 8.9	\$ 1.3	14.6%	\$ 54.3	\$ 57.8	\$ (3.5)	(6.1%)
Commercial / Industrial	17.3	16.0	1.3	8.1%	77.1	86.1	(9.0)	(10.5%)
Total Gas Operating Revenue	\$ 27.5	\$ 24.9	\$ 2.6	10.4%	\$ 131.4	\$ 143.9	\$ (12.5)	(8.7%)
Cost of Gas Sales	\$ 9.5	\$ 6.2	\$ 3.3	53.2%	\$ 48.1	\$ 58.4	\$ (10.3)	(17.6%)
Gas Adjusted Gross Margin	\$ 18.0	\$ 18.7	\$ (0.7)	(3.7%)	\$ 83.3	\$ 85.5	\$ (2.2)	(2.6%)

Gas Adjusted Gross Margin (a non-GAAP measure) was \$18.0 million and \$83.3 million in the three and nine months ended September 30, 2020, respectively, decreases of \$0.7 million and \$2.2 million, respectively, compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$1.0 million due to lower average usage primarily attributed to the economic slowdown associated with the coronavirus pandemic, partially offset by customer growth and higher rates of \$0.3 million. The decrease in the nine month period was driven by lower margin of \$3.2 million principally due to warmer winter weather in the first quarter of 2020, and lower margin of \$1.3 million from lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic. These decreases were partially offset by customer growth and higher rates of \$2.3 million.

The increase in Total Gas Operating Revenue of \$2.6 million in the three months ended September 30, 2020, compared to the same period in 2019, reflects higher cost of gas sales, which are tracked and reconciled costs that are passed through directly to customers, partially offset by lower gas sales volumes. The decrease in Total Gas Operating Revenue of \$12.5 million in the nine months ended September 30, 2020, compared to the same period in 2019, reflects lower cost of gas sales and lower sales volumes.

Electric Sales, Revenues and Adjusted Gross Margin

Kilowatt-hour Sales – Unitil’s total electric kWh sales increased 4.3% and 1.2%, respectively in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. Sales to Residential customers increased 14.4% and 8.2%, respectively, in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. Sales to C&I customers decreased 2.8% and 3.6%, respectively, in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. The increases in sales to Residential customers reflect the coronavirus pandemic stay-at-home orders, warmer summer weather in 2020 compared to 2019 which resulted in higher use of air conditioning, and customer growth, partially offset by the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes. The decreases in sales to C&I customers reflect lower usage as a result of the economic slowdown caused by coronavirus pandemic, and the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes, partially offset by customer growth and warmer summer weather. Based on weather data collected in the Company’s electric service areas, there were 22.3% more CDD in the third quarter of 2020, on average, compared to the same period in 2019. As of September 30, 2020, the number of total electric customers served has increased by 1,048, including seasonal accounts, over the last year.

Table of Contents

The following table details total kWh sales for the three and nine months ended September 30, 2020 and 2019 by major customer class:

kWh Sales (millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Residential	207.0	180.9	26.1	14.4%	539.4	498.3	41.1	8.2%
Commercial / Industrial	250.4	257.7	(7.3)	(2.8%)	692.4	718.5	(26.1)	(3.6%)
Total	457.4	438.6	18.8	4.3%	1,231.8	1,216.8	15.0	1.2%

Electric Operating Revenues and Electric Adjusted Gross Margin - The following table details Total Electric Operating Revenues and Electric Adjusted Gross Margin for the three and nine month periods ended September 30, 2020 and 2019:

Electric Operating Revenues and Electric Adjusted Gross Margin (\$ millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Electric Operating Revenue:								
Residential	\$ 36.1	\$ 34.4	\$ 1.7	4.9%	\$ 102.3	\$ 101.9	\$ 0.4	0.4%
Commercial / Industrial	23.8	26.0	(2.2)	(8.5%)	68.0	75.1	(7.1)	(9.5%)
Total Electric Operating Revenue	\$ 59.9	\$ 60.4	\$ (0.5)	(0.8%)	\$ 170.3	\$ 177.0	\$ (6.7)	(3.8%)
Cost of Electric Sales	\$ 35.4	\$ 35.3	\$ 0.1	0.3%	\$ 100.3	\$ 106.4	\$ (6.1)	(5.7%)
Electric Adjusted Gross Margin	\$ 24.5	\$ 25.1	\$ (0.6)	(2.4%)	\$ 70.0	\$ 70.6	\$ (0.6)	(0.8%)

Electric Adjusted Gross Margin (a non-GAAP measure) was \$24.5 million and \$70.0 million in the three and nine months ended September 30, 2020, respectively, decreases of \$0.6 million and \$0.6 million, respectively, compared with the same periods in 2019. Electric Adjusted Gross Margin in the third quarter of 2020 reflects lower margin of \$1.0 million from lower C&I kWh sales and demand sales (a measure of peak usage by certain C&I customers during the period) due to lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic, partially offset by the positive effect of warmer summer weather on kWh sales, and higher rates of \$0.4 million. Electric Adjusted Gross Margin in the nine month period reflects lower margin of \$2.0 million from lower C&I kWh and demand sales due to lower average usage, primarily attributed to the economic slowdown caused by the coronavirus pandemic and warmer winter weather, partially offset by the positive effect of warmer summer weather on kWh sales, and customer growth. Electric Adjusted Gross Margin was also positively impacted in the nine month period by higher rates of \$1.2 million and higher margin of \$0.2 million from increased residential sales due to coronavirus pandemic stay-at-home orders.

The decreases in Total Electric Operating Revenue of \$0.5 million and \$6.7 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019 reflect lower cost of electric sales for the nine month period, which are tracked and reconciled to costs that are passed through directly to customers, and lower C&I sales.

Operating Revenue - Other

Total Other Operating Revenue (See “Other Operating Revenue – Non-regulated” in Note 1 to the accompanying Consolidated Financial Statements), which is comprised of revenues from the Company’s former non-regulated energy brokering business, Usource, decreased \$0.9 million in the first nine months of 2020, compared to the same period in 2019, reflecting the Company’s divestiture of Usource in the first quarter of 2019 (See “Divestiture of Non-Regulated Business Subsidiary” in Note 1 to the accompanying Consolidated Financial Statements).

Operating Expenses

Cost of Gas Sales – Cost of Gas Sales includes the cost of natural gas purchased and manufactured to supply the Company’s total gas supply requirements and spending on energy efficiency programs. Cost of Gas Sales increased \$3.3 million, or 53.2%, and decreased \$10.3 million, or 17.6%, in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects higher average gas prices and a decrease in the amount of gas purchased by customers directly from third-party suppliers, partially offset by lower gas sales. The decrease in the nine month period 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. 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.

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 efficiency programs. Cost of Electric Sales increased \$0.1 million, or 0.3%, and decreased \$6.1 million, or 5.7% in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects higher sales of electricity, partially offset by lower wholesale electricity prices. The decrease in the nine month period reflects lower wholesale electricity prices, partially offset by higher sales of electricity and a decrease 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.

Operation and Maintenance (O&M) – O&M expense includes gas and electric utility operating costs, and the operating cost of the Company’s corporate and other business activities. O&M expense increased \$0.6 million, or 3.9%, and decreased \$1.3 million, or 2.6%, in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects higher utility operating costs. The decrease in the nine month period includes \$0.4 million of lower labor and other costs attributed to Usource operations in the first quarter of 2019. The change in O&M expenses in the nine month period also reflects lower labor costs of \$1.2 million and lower utility operating costs of \$0.3 million, partially offset by higher bad debt expense of \$0.4 million, which includes a provision for the impact of the coronavirus pandemic, and higher professional fees of \$0.2 million. The lower labor costs in the nine month period reflect lower employee benefit costs.

Depreciation and Amortization - Depreciation and Amortization expense increased \$0.9 million, or 7.0%, and \$1.7 million, or 4.4%, in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects increased depreciation on higher levels of utility plant in service and higher amortization of software. The increase in the nine month period reflects increased depreciation on higher levels of utility plant in service.

Taxes Other Than Income Taxes – Taxes Other Than Income Taxes decreased \$0.2 million, or 3.6%, and increased \$0.9 million, or 5.3%, in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease in the three month period reflects lower payroll taxes, partially offset by higher local property taxes on higher utility plant in service. The increase in the nine month period reflects higher local property taxes on higher utility plant in service and the recognition of \$0.6 million in property tax abatements in the second quarter of 2019, partially offset by lower payroll taxes. The lower payroll taxes in both periods reflect the recognition of \$0.6 million of payroll tax credits associated with the CARES Act in the third quarter of 2020. See Note 8 (Income Taxes) to the accompanying Consolidated Financial Statements.

[Table of Contents](#)

Other Expense (Income), Net – Other Expense (Income), Net increased \$0.1 million, or 10.0%, for the three months ended September 30, 2020 compared to the same period in 2019. Other Expense (Income), Net changed from income of \$9.8 million in the first nine months of 2019 to expense of \$4.0 million in the first nine months of 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 higher retirement benefit and other costs in 2020.

Provision for Income Taxes - Federal and State Income Taxes decreased \$0.5 million and \$4.4 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily reflecting lower pre-tax earnings in the current periods.

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. 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 accrued.

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 tracking and reconciling process will produce either an under-collected or an over-collected position. In accordance with the distribution utilities' rate tariffs, interest is accrued on these balances and will produce either interest income or interest expense. 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.

Interest Expense, Net (\$ millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Interest Expense						
Long-term Debt	\$ 6.0	\$ 5.7	\$ 0.3	\$18.1	\$17.0	\$ 1.1
Short-term Debt	0.3	0.6	(0.3)	1.3	2.4	(1.1)
Regulatory Liabilities	0.1	0.2	(0.1)	0.2	0.5	(0.3)
Subtotal Interest Expense	6.4	6.5	(0.1)	19.6	19.9	(0.3)
Interest (Income)						
Regulatory Assets	(0.2)	(0.2)	—	(0.6)	(0.6)	—
AFUDC ⁽¹⁾ and Other	(0.6)	(0.5)	(0.1)	(1.3)	(1.4)	0.1
Subtotal Interest (Income)	(0.8)	(0.7)	(0.1)	(1.9)	(2.0)	0.1
Total Interest Expense, Net	<u>\$ 5.6</u>	<u>\$ 5.8</u>	<u>\$ (0.2)</u>	<u>\$17.7</u>	<u>\$17.9</u>	<u>\$ (0.2)</u>

⁽¹⁾ AFUDC – Allowance for Funds Used During Construction.

Interest Expense, Net decreased \$0.2 million and \$0.2 million in the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. These decreases reflect lower interest rates on short-term debt and lower interest expense on regulatory liabilities, partially offset by higher levels of long-term debt.

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.

The Company and its subsidiaries are individually and collectively members of the Unitil Cash Pool (the "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 (as defined below). At September 30, 2020, September 30, 2019 and December 31, 2019, the Company and all of its subsidiaries were in compliance with the regulatory requirements to participate in the Cash Pool.

On July 25, 2018, the Company entered into a Second Amended and Restated Credit Agreement and related documents (collectively, the "Credit Facility") with a syndicate of lenders, which amended and restated in its entirety the Company's prior credit facility. The Credit Facility extends to July 25, 2023, subject to two one-year extensions under certain circumstances, 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%. The Company may increase the borrowing limit under the Credit Facility by up to \$50 million under certain circumstances.

The Company utilizes the Credit Facility for cash management purposes related to its short-term operating activities. Total gross borrowings were \$186.0 million for the nine months ended September 30, 2020. Total gross repayments were \$227.3 million for the nine months ended September 30, 2020. The following table details the borrowing limits, amounts outstanding and amounts available under the Credit Facility as of September 30, 2020, September 30, 2019 and December 31, 2019:

	Revolving Credit Facility (\$ millions)		
	Sept 30, 2020	2019 Sept 30,	December 31, 2019
Limit	\$120.0	\$120.0	\$ 120.0
Short-Term Borrowings Outstanding	17.3	49.2	58.6
Letter of Credit Outstanding	0.1	0.1	0.1
Available	<u>\$102.6</u>	<u>\$ 70.7</u>	<u>\$ 61.3</u>

[Table of Contents](#)

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, the Company's and its subsidiaries' ability to permit liens or incur indebtedness, and restrictions on the Company'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 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 Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At September 30, 2020, September 30, 2019 and December 31, 2019, 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.)

The Company is monitoring the coronavirus pandemic and does not believe it will adversely affect the Company's access to capital and funding sources and its planned capital expenditures. The Company believes the future operating cash flows of the Company, along with its existing borrowing availability and access to financial markets for the issuance of new long-term debt, will be sufficient to meet any working capital and future operating requirements, and forecasted capital investment opportunities.

As discussed previously, the Company divested of its non-regulated subsidiary business, Usource, in the first quarter of 2019. The Company used the net proceeds of \$9.8 million from this divestiture 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 netted against 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 netted against 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 netted against Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

In April 2014, Unitil Service Corp. 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.

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.

[Table of Contents](#)

The Company provides limited guarantees on certain energy and gas storage management contracts entered into by the distribution utilities. The Company's policy is to limit the duration of these guarantees. As of September 30, 2020, there were approximately \$6.2 million of guarantees outstanding.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain gas pipeline and storage assets, resells the gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the gas heating season at the same price at which it sold the gas inventory to the asset manager. There was \$6.0 million, \$8.1 million and \$6.5 million of gas storage inventory at September 30, 2020, September 30, 2019 and December 31, 2019, respectively, related to these asset management agreements. The amount of gas inventory released in September 2020 and payable in October 2020 is less than \$0.1 million and is recorded in Accounts Payable at September 30, 2020. The amount of gas inventory released in September 2019 and payable in October 2019 was \$0.1 million and was recorded in Accounts Payable at September 30, 2019. The amount of gas inventory released in December 2019 and payable in January 2020 was \$1.0 million and was recorded in Accounts Payable at December 31, 2019.

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. Unitil Corporation's subsidiaries conduct a portion of their operations in leased facilities, and lease some of their vehicles, machinery and office equipment under both capital and operating lease arrangements. Additionally, as of September 30, 2020, there were approximately \$6.2 million of guarantees on certain energy and gas storage management contracts entered into by the distribution utilities outstanding. See Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company's 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 difficult, subjective and/or complex judgments about the impact 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. As of September 30, 2020, the Company's critical accounting policies and estimates had not changed significantly from December 31, 2019. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in the Company's 2019 Form 10-K for additional information.

LABOR RELATIONS

As of September 30, 2020, the Company and its subsidiaries had 505 employees. The Company considers its relationship with employees to be good and has not experienced any major labor disruptions.

As of September 30, 2020, a total of 165 employees 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 September 30, 2020:

[Table of Contents](#)

	<u>Employees Covered</u>	<u>CBA Expiration</u>
Fitchburg	43	05/31/2022
Northern Utilities NH Division	36	06/07/2025
Northern Utilities ME Division	36	03/31/2021
Granite State	5	03/31/2021
Unitil Energy	40	05/31/2023
Unitil Service Corp.	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.

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 or bonds 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 rates on the Company's short-term borrowings and intercompany money pool transactions for the three months ended September 30, 2020 and September 30, 2019 were 1.3% and 3.4%, respectively. The average interest rates on the Company's short-term borrowings for the nine months ended September 30, 2020 and September 30, 2019 were 1.8% and 3.6%, respectively. The average interest rate on the Company's short-term borrowings for the twelve months ended December 31, 2019 was 3.4%.

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.

REGULATORY MATTERS

Please refer to Note 6 to the Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of Regulatory Matters.

ENVIRONMENTAL MATTERS

Please refer to Note 7 to the Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of Environmental Matters.

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Millions except per share data)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Revenues				
Gas	\$ 27.5	\$ 24.9	\$ 131.4	\$ 143.9
Electric	59.9	60.4	170.3	177.0
Other	—	—	—	0.9
Total Operating Revenues	<u>87.4</u>	<u>85.3</u>	<u>301.7</u>	<u>321.8</u>
Operating Expenses				
Cost of Gas Sales	9.5	6.2	48.1	58.4
Cost of Electric Sales	35.4	35.3	100.3	106.4
Operation and Maintenance	16.1	15.5	48.6	49.9
Depreciation and Amortization	13.7	12.8	40.7	39.0
Taxes Other Than Income Taxes	5.3	5.5	17.9	17.0
Total Operating Expenses	<u>80.0</u>	<u>75.3</u>	<u>255.6</u>	<u>270.7</u>
Operating Income	7.4	10.0	46.1	51.1
Interest Expense, Net	5.6	5.8	17.7	17.9
Other Expense (Income), Net	1.1	1.0	4.0	(9.8)
Income Before Income Taxes	0.7	3.2	24.4	43.0
Provision for Income Taxes	0.4	0.9	5.8	10.2
Net Income	<u>\$ 0.3</u>	<u>\$ 2.3</u>	<u>\$ 18.6</u>	<u>\$ 32.8</u>
Net Income Per Common Share (Basic and Diluted)	<u>\$ 0.02</u>	<u>\$ 0.15</u>	<u>\$ 1.25</u>	<u>\$ 2.20</u>
Weighted Average Common Shares Outstanding – (Basic and Diluted)	14.9	14.9	14.9	14.9

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Millions)
(UNAUDITED)

	September 30,		December 31,
	2020	2019	2019
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 8.2	\$ 7.3	\$ 5.2
Accounts Receivable, Net	48.6	39.4	55.1
Accrued Revenue	39.1	35.3	50.0
Exchange Gas Receivable	6.5	8.6	6.1
Gas Inventory	0.6	0.8	0.8
Taxes Refundable	0.1	2.9	—
Materials and Supplies	8.5	7.7	7.9
Prepayments and Other	5.7	5.4	5.8
Total Current Assets	<u>117.3</u>	<u>107.4</u>	<u>130.9</u>
Utility Plant:			
Gas	876.8	783.2	837.7
Electric	545.9	514.8	529.7
Common	63.3	61.6	62.7
Construction Work in Progress	101.0	72.9	37.4
Utility Plant	1,587.0	1,432.5	1,467.5
Less: Accumulated Depreciation	401.7	348.6	356.0
Net Utility Plant	<u>1,185.3</u>	<u>1,083.9</u>	<u>1,111.5</u>
Other Noncurrent Assets:			
Regulatory Assets	104.4	98.7	112.0
Operating Lease Right of Use Assets	5.6	4.2	4.0
Other Assets	11.3	15.5	12.4
Total Other Noncurrent Assets	<u>121.3</u>	<u>118.4</u>	<u>128.4</u>
TOTAL ASSETS	<u>\$ 1,423.9</u>	<u>\$ 1,309.7</u>	<u>\$ 1,370.8</u>

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS (Cont.)
(Millions, except number of shares) (UNAUDITED)

	September 30, 2020	September 30, 2019	December 31, 2019
LIABILITIES AND CAPITALIZATION:			
Current Liabilities:			
Accounts Payable	\$ 25.1	\$ 22.9	\$ 37.6
Short-Term Debt	17.3	49.2	58.6
Long-Term Debt, Current Portion	6.3	19.5	19.5
Regulatory Liabilities	10.6	14.4	7.4
Energy Supply Obligations	12.1	12.5	10.5
Interest Payable	7.2	7.1	4.5
Environmental Obligations	0.3	0.6	0.6
Other Current Liabilities	19.3	18.2	21.1
Total Current Liabilities	<u>98.2</u>	<u>144.4</u>	<u>159.8</u>
Noncurrent Liabilities:			
Retirement Benefit Obligations	145.0	120.8	141.9
Deferred Income Taxes, net	109.4	108.3	103.6
Cost of Removal Obligations	107.1	98.4	96.0
Regulatory Liabilities	44.7	46.7	46.6
Environmental Obligations	1.9	2.2	2.1
Other Noncurrent Liabilities	7.8	8.0	6.5
Total Noncurrent Liabilities	<u>415.9</u>	<u>384.4</u>	<u>396.7</u>
Capitalization:			
Long-Term Debt, Less Current Portion	529.0	410.9	437.5
Stockholders' Equity:			
Common Equity (Authorized: 25,000,000 and Outstanding: 15,005,881, 14,925,898 and 14,930,170 Shares)	284.8	281.7	282.5
Retained Earnings	95.8	88.1	94.1
Total Common Stock Equity	<u>380.6</u>	<u>369.8</u>	<u>376.6</u>
Preferred Stock	0.2	0.2	0.2
Total Stockholders' Equity	<u>380.8</u>	<u>370.0</u>	<u>376.8</u>
Total Capitalization	<u>909.8</u>	<u>780.9</u>	<u>814.3</u>
Commitments and Contingencies (Notes 6 & 7)			
TOTAL LIABILITIES AND CAPITALIZATION	<u>\$1,423.9</u>	<u>\$1,309.7</u>	<u>\$ 1,370.8</u>

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

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

	Nine Months Ended	
	September 30,	
	2020	2019
Operating Activities:		
Net Income	\$ 18.6	\$ 32.8
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	40.7	39.0
Deferred Tax Provision	3.0	9.3
Gain on Divestiture, Net (See Note 1)	—	(13.4)
Changes in Working Capital Items:		
Accounts Receivable	6.5	27.4
Accrued Revenue	10.9	19.4
Exchange Gas Receivable	(0.4)	(0.5)
Regulatory Liabilities	3.2	2.9
Accounts Payable	(12.5)	(19.7)
Other Changes in Working Capital Items	0.9	(2.4)
Deferred Regulatory and Other Charges	5.3	(4.7)
Other, net	(1.3)	2.1
Cash Provided by Operating Activities	<u>74.9</u>	<u>92.2</u>
Investing Activities:		
Property, Plant and Equipment Additions	(93.6)	(76.7)
Proceeds from Divestiture, Net (See Note 1)	—	13.4
Cash (Used in) Investing Activities	<u>(93.6)</u>	<u>(63.3)</u>
Financing Activities:		
Repayment of Short-Term Debt, net	(41.3)	(33.6)
Repayment of Long-Term Debt	(15.9)	(15.2)
Issuance of Long-Term Debt	95.0	40.0
Long-Term Debt Issuance Costs	(0.5)	(0.2)
Decrease in Capital Lease Obligations	—	(5.1)
Net Increase in Exchange Gas Financing	0.5	0.5
Dividends Paid	(16.9)	(16.7)
Proceeds from Issuance of Common Stock	0.8	0.9
Cash Provided by (Used in) Financing Activities	<u>21.7</u>	<u>(29.4)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3.0	(0.5)
Cash and Cash Equivalents at Beginning of Period	5.2	7.8
Cash and Cash Equivalents at End of Period	<u>\$ 8.2</u>	<u>\$ 7.3</u>
Supplemental Cash Flow Information:		
Interest Paid	\$ 15.3	\$ 15.6
Income Taxes Paid	\$ 0.8	\$ 0.9
Payments on Capital Leases	\$ 0.2	\$ 5.4
Non-cash Investing Activity:		
Capital Expenditures Included in Accounts Payable	\$ 0.6	\$ 0.8
Right-of-Use Assets Obtained in Exchange for Lease Obligations	\$ 1.6	\$ 4.2

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCK EQUITY
(Millions, except number of shares)
(UNAUDITED)

	Common Equity	Retained Earnings	Total
Three Months Ended September 30, 2020			
Balance at July 1, 2020	\$ 284.4	\$ 101.1	\$ 385.5
Net Income		0.3	0.3
Dividends on Common Shares (\$0.375 per share)		(5.6)	(5.6)
Stock Compensation Plans	0.1		0.1
Issuance of 6,650 Common Shares	0.3		0.3
Balance at September 30, 2020	<u>\$ 284.8</u>	<u>\$ 95.8</u>	<u>\$ 380.6</u>
Three Months Ended September 30, 2019			
Balance at July 1, 2019	\$ 281.3	\$ 91.5	\$ 372.8
Net Income		2.3	2.3
Dividends on Common Shares (\$0.370 per share)		(5.7)	(5.7)
Stock Compensation Plans	0.1		0.1
Issuance of 4,727 Common Shares	0.3		0.3
Balance at September 30, 2019	<u>\$ 281.7</u>	<u>\$ 88.1</u>	<u>\$ 369.8</u>

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCK EQUITY
(Millions, except number of shares)
(UNAUDITED)

	Common Equity	Retained Earnings	Total
Nine Months Ended September 30, 2020			
Balance at January 1, 2020	\$ 282.5	\$ 94.1	\$376.6
Net Income		18.6	18.6
Dividends on Common Shares (\$1.125 per share)		(16.9)	(16.9)
Stock Compensation Plans	1.5		1.5
Issuance of 16,849 Common Shares	0.8		0.8
Balance at September 30, 2020	<u>\$ 284.8</u>	<u>\$ 95.8</u>	<u>\$380.6</u>
Nine Months Ended September 30, 2019			
Balance at January 1, 2019	\$ 279.1	\$ 72.0	\$351.1
Net Income		32.8	32.8
Dividends on Common Shares (\$1.11 per share)		(16.7)	(16.7)
Stock Compensation Plans	1.7		1.7
Issuance of 15,793 Common Shares	0.9		0.9
Balance at September 30, 2019	<u>\$ 281.7</u>	<u>\$ 88.1</u>	<u>\$369.8</u>

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Unitil Corporation (Unitil or the Company) is a public utility holding company headquartered in Hampton, New Hampshire. 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 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 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 referred to as the “distribution utilities”).

Granite State is an interstate 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 gas pipelines and access to domestic gas supplies in the south and Canadian 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, Unitil Power ceased being the wholesale supplier of Unitil Energy on May 1, 2003 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.

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 of 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. See additional discussion in the “Divestiture of Non-Regulated Business Subsidiary” section.

Basis of Presentation – The accompanying unaudited consolidated financial statements of Unitil have been prepared in accordance with the instructions to Form 10-Q and include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of results to be expected for the year ending December 31, 2020. For further information, please refer to Note 1 of Part II to the Consolidated Financial Statements – “Summary of Significant Accounting Policies” of the

[Table of Contents](#)

Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (SEC) on January 30, 2020, for a description of the Company's Basis of Presentation.

Divestiture of Non-Regulated Business Subsidiary – On March 1, 2019, the Company divested of 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 Expense (Income), Net on the Consolidated Statements of Earnings for the nine months ended September 30, 2019, while the income taxes associated with this transaction of \$3.6 million are included in the Provision For Income Taxes for that period.

Utility Revenue Recognition - Gas Operating Revenues and Electric 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.

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 980-605-25-3, 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 980-605-25-4. 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.

[Table of Contents](#)

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

Gas and Electric Operating Revenues (\$ millions):	Three Months Ended September 30, 2020		
	Gas	Electric	Total
Billed and Unbilled Revenue:			
Residential	\$ 7.0	\$ 35.3	\$ 42.3
C&I	11.6	24.1	35.7
Other	1.4	1.4	2.8
Total Billed and Unbilled Revenue	20.0	60.8	80.8
Rate Adjustment Mechanism Revenue	7.5	(0.9)	6.6
Total Gas and Electric Operating Revenues	\$ 27.5	\$ 59.9	\$ 87.4

Gas and Electric Operating Revenues (\$ millions):	Three Months Ended September 30, 2019		
	Gas	Electric	Total
Billed and Unbilled Revenue:			
Residential	\$ 6.9	\$ 31.3	\$ 38.2
C&I	12.5	24.5	37.0
Other	1.1	1.5	2.6
Total Billed and Unbilled Revenue	20.5	57.3	77.8
Rate Adjustment Mechanism Revenue	4.4	3.1	7.5
Total Gas and Electric Operating Revenues	\$ 24.9	\$ 60.4	\$ 85.3

Gas and Electric Operating Revenues (\$ millions):	Nine Months Ended September 30, 2020		
	Gas	Electric	Total
Billed and Unbilled Revenue:			
Residential	\$ 52.4	\$ 99.9	\$ 152.3
C&I	72.9	68.7	141.6
Other	5.6	4.9	10.5
Total Billed and Unbilled Revenue	130.9	173.5	304.4
Rate Adjustment Mechanism Revenue	0.5	(3.2)	(2.7)
Total Gas and Electric Operating Revenues	\$ 131.4	\$ 170.3	\$ 301.7

Gas and Electric Operating Revenues (\$ millions):	Nine Months Ended September 30, 2019		
	Gas	Electric	Total
Billed and Unbilled Revenue:			
Residential	\$ 61.4	\$ 94.8	\$ 156.2
C&I	89.5	72.2	161.7
Other	9.1	5.8	14.9
Total Billed and Unbilled Revenue	160.0	172.8	332.8
Rate Adjustment Mechanism Revenue	(16.1)	4.2	(11.9)
Total Gas and Electric Operating Revenues	\$ 143.9	\$ 177.0	\$ 320.9

[Table of Contents](#)

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 recorded as an increase or a decrease in 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.

Other Operating Revenue - Non-regulated - Other Operating Revenue - Non-regulated – Other Operating Revenue consists solely of revenue from Usource, Unitil's non-regulated subsidiary, which, as discussed previously, the Company divested of 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.

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 penalty 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.

Cash and Cash Equivalents - Cash and Cash Equivalents include 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. As of September 30, 2020, September 30, 2019 and December 31, 2019, the Unitil subsidiaries had deposited \$4.7 million, \$3.5 million and \$1.9 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 impact on the financial statements.

[Table of Contents](#)

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, which is adjusted for current conditions, customer trends, or other factors such as macroeconomic conditions, to customer account balances. 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 their 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.

The Allowance for Doubtful Accounts as of September 30, 2020, September 30, 2019 and December 31, 2019, was as follows:

<u>(\$ millions)</u>	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Allowance for Doubtful Accounts	<u>\$1.6</u>	<u>\$ 1.0</u>	<u>\$ 1.0</u>

Accounts Receivable, Net includes \$1.5 million, \$1.0 million, and \$1.0 million of the Allowance for Doubtful Accounts at September 30, 2020, September 30, 2019 and December 31, 2019, respectively. Unbilled Revenues, net (a component of Accrued Revenue, shown in the table below) includes \$0.1 million of the Allowance for Doubtful Accounts at September 30, 2020.

Accrued Revenue - Accrued Revenue includes the current portion of Regulatory Assets and unbilled revenues. The following table shows the components of Accrued Revenue as of September 30, 2020, September 30, 2019 and December 31, 2019.

<u>Accrued Revenue (\$ millions)</u>	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Regulatory Assets – Current	<u>\$31.7</u>	<u>\$24.9</u>	<u>\$ 35.8</u>
Unbilled Revenues	<u>7.4</u>	<u>10.4</u>	<u>14.2</u>
Total Accrued Revenue	<u>\$39.1</u>	<u>\$35.3</u>	<u>\$ 50.0</u>

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 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 September 30, 2020, September 30, 2019 and December 31, 2019.

<u>Exchange Gas Receivable (\$ millions)</u>	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Northern Utilities	<u>\$6.0</u>	<u>\$ 8.0</u>	<u>\$ 5.5</u>
Fitchburg	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>
Total Exchange Gas Receivable	<u>\$6.5</u>	<u>\$ 8.6</u>	<u>\$ 6.1</u>

[Table of Contents](#)

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 September 30, 2020, September 30, 2019 and December 31, 2019.

Gas Inventory (\$ millions)	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Natural Gas	\$0.2	\$ 0.4	\$ 0.4
Propane	0.3	0.3	0.3
Liquefied Natural Gas & Other	0.1	0.1	0.1
Total Gas Inventory	<u>\$0.6</u>	<u>\$ 0.8</u>	<u>\$ 0.8</u>

Utility Plant – The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). 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 September 30, 2020, September 30, 2019 and December 31, 2019, the Company estimates that the cost of removal amounts, which are recorded on the Consolidated Balance Sheets in Cost of Removal Obligations are \$107.1 million, \$98.4 million, and \$96.0 million, respectively.

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’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 to the Consolidated Financial Statements.

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 Massachusetts Department of Public Utilities (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.

Table of Contents

Regulatory Assets consist of the following (\$ millions)	September 30,		December 31,
	2020	2019	2019
Retirement Benefits	\$ 81.0	\$ 74.0	\$ 88.9
Energy Supply & Other Rate Adjustment Mechanisms	28.9	20.6	31.0
Deferred Storm Charges	4.4	5.0	5.6
Environmental	6.1	8.0	7.2
Income Taxes	3.6	4.3	4.2
Other Deferred Charges	12.1	11.7	10.9
Total Regulatory Assets	\$ 136.1	\$ 123.6	\$ 147.8
Less: Current Portion of Regulatory Assets ⁽¹⁾	31.7	24.9	35.8
Regulatory Assets – noncurrent	\$ 104.4	\$ 98.7	\$ 112.0

(1) Reflects amounts included in Accrued Revenue, discussed above, on the Company's Consolidated Balance Sheets.

Regulatory Liabilities consist of the following (\$ millions)	September 30,		December 31,
	2020	2019	2019
Income Taxes (Note 8)	\$45.8	\$47.6	\$ 47.6
Rate Adjustment Mechanisms	9.2	13.0	6.0
Other	0.3	0.5	0.4
Total Regulatory Liabilities	\$55.3	\$61.1	\$ 54.0
Less: Current Portion of Regulatory Liabilities	10.6	14.4	7.4
Regulatory Liabilities – noncurrent	\$44.7	\$46.7	\$ 46.6

Generally, the Company receives a return on investment on its regulatory assets for which a cash outflow has been made. Regulatory Assets at September 30, 2020 include \$7.5 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 impact 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 accounting rules for regulated operations, 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.

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 a normal purchase, or have contingencies that have not yet been met in order to establish a notional amount.

[Table of Contents](#)

As discussed in the “Fitchburg – Massachusetts RFP’s” section of Note 6 to the Consolidated Financial Statements, Fitchburg has entered into power purchase agreements for which contingencies exist. 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 impact on the contractual obligations and regulatory assets of Fitchburg, once these contracts qualify for derivative accounting.

Investments in Marketable Securities—The Company has a trust through which it invests in a variety of equity and fixed income mutual funds. These funds are intended to satisfy obligations under the Company’s SERP Plan (See further discussion of the SERP Plan in Note 9.)

The fair value of the Company’s investments in these trading securities, which are recorded on the Consolidated Balance Sheets in Other Assets, are 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 Expense (Income), Net.

Fair Value of Marketable Securities (\$ millions)	September 30,		December 31,
	2020	2019	2019
Money Market Funds	\$5.7	\$ 5.9	\$ 5.6
Total Marketable Securities	<u>\$5.7</u>	<u>\$ 5.9</u>	<u>\$ 5.6</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 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.

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, are 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 Expense (Income), Net.

Fair Value of Marketable Securities (\$ millions)	September 30,		December 31,
	2020	2019	2019
Equity Funds	\$0.2	\$ —	\$ 0.1
Money Market Funds	0.3	0.1	0.1
Total Marketable Securities	<u>\$0.5</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>

[Table of Contents](#)

Energy Supply Obligations - The following discussion and table summarize the nature and amounts of the items recorded as Energy Supply Obligations (current portion) and Other Noncurrent Liabilities (noncurrent portion) on the Company's Consolidated Balance Sheets.

Energy Supply Obligations (\$ millions)	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Current:			
Exchange Gas Obligation	\$ 6.0	\$ 8.0	\$ 5.5
Renewable Energy Portfolio Standards	5.8	4.2	4.7
Power Supply Contract Divestitures	0.3	0.3	0.3
Total Energy Supply Obligations - Current	12.1	12.5	10.5
Noncurrent:			
Power Supply Contract Divestitures	—	0.4	0.3
Total Energy Supply Obligations	\$12.1	\$12.9	\$ 10.8

Exchange Gas Obligation - As discussed in the "Exchange Gas Receivable" section, Northern Utilities enters into gas exchange agreements under which Northern Utilities releases certain gas pipeline and storage assets, resells the gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the gas heating season at the same price at which it sold the 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.

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 in the 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 ("Acts of 2012"), and An Act to Promote Energy Diversity ("Energy Diversity Act", 2016). For all the long-term contracts in place, six are currently operational and providing clean energy and RECs. These include one from the Green Communities Act 2008, and five from two separate procurements under the Acts of 2012. One additional contract from the Acts of 2012 is expected to become operational in the fourth quarter of 2020. Since 2017, the Company has participated in three major statewide procurements which resulted in contracts for imported hydroelectric power and associated transmission and two for offshore wind generation. The contract for imported hydroelectric power and one of the offshore wind contracts were approved by the MDPU in the second quarter of 2019 and the other offshore wind contract is pending approval by the MDPU.

[Table of Contents](#)

Additional long-term clean energy contracts are expected in compliance with the Energy Diversity Act and An Act to Promote a Clean Energy Future (2018). Fitchburg recovers the costs associated with long-term renewable contracts on a fully reconciling basis through a MDPU-approved cost recovery mechanism.

Power Supply Contract Divestitures - Unitil Energy's and Fitchburg's customers are entitled to purchase their electric or 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 September 30, 2020, Fitchburg has fully-recovered its power supply-related stranded costs and Unitil Energy has \$0.3 million remaining to recover. The obligations related to these divestitures are recorded in Energy Supply Obligations (current portion) and Other Noncurrent Liabilities (noncurrent portion) on the Company's Consolidated Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion) and Regulatory Assets (noncurrent portion).

Subsequent Events – The Company evaluates all events or transactions through the date of the related filing. During the period subsequent to the balance sheet date and 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 – DIVIDENDS DECLARED PER SHARE

<u>Declaration Date</u>	<u>Date Paid (Payable)</u>	<u>Shareholder of Record Date</u>	<u>Dividend Amount</u>
10/28/20	11/30/20	11/16/20	\$ 0.375
07/29/20	08/28/20	08/14/20	\$ 0.375
04/29/20	05/29/20	05/15/20	\$ 0.375
01/29/20	02/28/20	02/14/20	\$ 0.375
10/23/19	11/27/19	11/13/19	\$ 0.370
07/24/19	08/29/19	08/15/19	\$ 0.370
04/24/19	05/29/19	05/15/19	\$ 0.370
01/30/19	02/28/19	02/14/19	\$ 0.370

[Table of Contents](#)
NOTE 3 – SEGMENT INFORMATION

The following table provides significant segment financial data for the three and nine months ended September 30, 2020 and September 30, 2019:

	<u>Gas</u>	<u>Electric</u>	<u>Non-Regulated</u>	<u>Other</u>	<u>Total</u>
Three Months Ended Sept. 30, 2020 (\$ millions)					
Revenues:					
Billed and Unbilled Revenue	\$ 20.0	\$ 60.8	\$ —	\$ —	\$ 80.8
Rate Adjustment Mechanism Revenue	7.5	(0.9)	—	—	6.6
Other Operating Revenue – Non-Regulated	—	—	—	—	—
Total Operating Revenues	\$ 27.5	\$ 59.9	\$ —	\$ —	\$ 87.4
Segment Profit (Loss)	(3.6)	4.4	—	(0.5)	0.3
Capital Expenditures	27.4	16.0	—	1.4	44.8
Three Months Ended Sept. 30, 2019 (\$ millions)					
Revenues:					
Billed and Unbilled Revenue	\$ 20.5	\$ 57.3	\$ —	\$ —	\$ 77.8
Rate Adjustment Mechanism Revenue	4.4	3.1	—	—	7.5
Other Operating Revenue – Non-Regulated	—	—	—	—	—
Total Operating Revenues	\$ 24.9	\$ 60.4	\$ —	\$ —	\$ 85.3
Segment Profit (Loss)	(3.9)	4.4	—	1.8	2.3
Capital Expenditures	26.9	9.2	—	1.9	38.0
Nine Months Ended Sept. 30, 2020 (\$ millions)					
Revenues:					
Billed and Unbilled Revenue	\$130.9	\$173.5	\$ —	\$ —	\$ 304.4
Rate Adjustment Mechanism Revenue	0.5	(3.2)	—	—	(2.7)
Other Operating Revenue – Non-Regulated	—	—	—	—	—
Total Operating Revenues	\$131.4	\$170.3	\$ —	\$ —	\$ 301.7
Segment Profit (Loss)	8.6	10.1	—	(0.1)	18.6
Capital Expenditures	50.0	39.9	—	3.7	93.6
Segment Assets	845.0	556.3	—	22.6	1,423.9
Nine Months Ended Sept. 30, 2019 (\$ millions)					
Revenues:					
Billed and Unbilled Revenue	\$160.0	\$172.8	\$ —	\$ —	\$ 332.8
Rate Adjustment Mechanism Revenue	(16.1)	4.2	—	—	(11.9)
Other Operating Revenue – Non-Regulated	—	—	0.9	—	0.9
Total Operating Revenues	\$143.9	\$177.0	\$ 0.9	\$ —	\$ 321.8
Segment Profit	10.1	9.7	10.2	2.8	32.8
Capital Expenditures	48.3	24.1	—	4.3	76.7
Segment Assets	780.7	507.6	0.3	21.1	1,309.7

NOTE 4 –DEBT AND FINANCING ARRANGEMENTS

Details on long-term debt at September 30, 2020, September 30, 2019 and December 31, 2019 are shown below:

(\$ millions)	September 30,		December 31,
	2020	2019	2019
Unitil Corporation:			
6.33% Senior Notes, Due May 1, 2022	\$ 20.0	\$ 20.0	\$ 20.0
3.70% Senior Notes, Due August 1, 2026	30.0	30.0	30.0
3.43% Senior Notes, Due December 18, 2029	30.0	—	30.0
Unitil Energy First Mortgage Bonds:			
5.24% Senior Secured Notes, Due March 2, 2020	—	5.0	5.0
8.49% Senior Secured Notes, Due October 14, 2024	4.5	6.0	4.5
6.96% Senior Secured Notes, Due September 1, 2028	16.0	18.0	18.0
8.00% Senior Secured Notes, Due May 1, 2031	15.0	15.0	15.0
6.32% Senior Secured Notes, Due September 15, 2036	15.0	15.0	15.0
3.58% Senior Secured Notes, Due September 15, 2040	27.5	—	—
4.18% Senior Secured Notes, Due November 30, 2048	30.0	30.0	30.0
Fitchburg:			
6.75% Senior Notes, Due November 30, 2023	3.8	5.7	3.8
6.79% Senior Notes, Due October 15, 2025	10.0	10.0	10.0
3.52% Senior Notes, Due November 1, 2027	10.0	10.0	10.0
7.37% Senior Notes, Due January 15, 2029	10.8	12.0	12.0
5.90% Senior Notes, Due December 15, 2030	15.0	15.0	15.0
7.98% Senior Notes, Due June 1, 2031	14.0	14.0	14.0
3.78% Senior Notes, Due September 15, 2040	27.5	—	—
4.32% Senior Notes, Due November 1, 2047	15.0	15.0	15.0
Northern Utilities:			
5.29% Senior Notes, Due March 2, 2020	—	8.2	8.2
3.52% Senior Notes, Due November 1, 2027	20.0	20.0	20.0
7.72% Senior Notes, Due December 3, 2038	50.0	50.0	50.0
3.78% Senior Notes, Due September 15, 2040	40.0	—	—
4.42% Senior Notes, Due October 15, 2044	50.0	50.0	50.0
4.32% Senior Notes, Due November 1, 2047	30.0	30.0	30.0
4.04% Senior Notes, Due September 12, 2049	40.0	40.0	40.0
Granite State:			
3.72% Senior Notes, Due November 1, 2027	15.0	15.0	15.0
Total Long-Term Debt	539.1	433.9	460.5
Less: Unamortized Debt Issuance Costs	3.8	3.5	3.5
Total Long-Term Debt, net of Unamortized Debt Issuance Costs	535.3	430.4	457.0
Less: Current Portion	6.3	19.5	19.5
Total Long-term Debt, Less Current Portion	\$529.0	\$410.9	\$ 437.5

[Table of Contents](#)

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.

(\$ millions)	September 30,		December 31,
	2020	2019	2019
Estimated Fair Value of Long-Term Debt	\$631.7	\$495.1	\$ 518.7

On July 25, 2018, the Company entered into a Second Amended and Restated Credit Agreement and related documents (collectively, the "Credit Facility") with a syndicate of lenders, which amended and restated in its entirety the Company's prior credit facility. The Credit Facility extends to July 25, 2023, subject to two one-year extensions under certain circumstances, 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%. The Company may increase the borrowing limit under the Credit Facility by up to \$50 million under certain circumstances.

The Company utilizes the Credit Facility for cash management purposes related to its short-term operating activities. Total gross borrowings were \$186.0 million for the nine months ended September 30, 2020. Total gross repayments were \$227.3 million for the nine months ended September 30, 2020. The following table details the borrowing limits, amounts outstanding and amounts available under the Credit Facility as of September 30 2020, September 30, 2019 and December 31, 2019:

	Revolving Credit Facility (\$ millions)		
	September 30, 2020	2019	December 31, 2019
Limit	\$120.0	\$120.0	\$ 120.0
Short-Term Borrowings Outstanding	17.3	49.2	58.6
Letter of Credit Outstanding	0.1	0.1	0.1
Available	\$102.6	\$ 70.7	\$ 61.3

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, the Company's and its subsidiaries' ability to permit liens or incur indebtedness, and restrictions on the Company'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 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 Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At September 30, 2020, September 30, 2019 and December 31, 2019, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date.

[Table of Contents](#)

The average interest rates on all short-term borrowings and intercompany money pool transactions were 1.3% and 3.4% for the three months ended September 30, 2020 and September 30, 2019, respectively. The average interest rates on all short-term borrowings and intercompany money pool transactions were 1.8% and 3.6% for the nine months ended September 30, 2020 and September 30, 2019, respectively. The average interest rate on all short-term borrowings for the twelve months ended December 31, 2019 was 3.4%.

As discussed previously, the Company divested of its non-regulated subsidiary business, Usource, in the first quarter of 2019. The Company used the net proceeds of \$9.8 million from this divestiture 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 netted against 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 netted against 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 netted against Long-Term Debt for presentation purposes on the Consolidated Balance Sheets.

In April 2014, Unitil Service Corp. 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 off in the second quarter of 2019.

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.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain gas pipeline and storage assets, resells the gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the gas heating season at the same price at which it sold the gas inventory to the asset manager. There was \$6.0 million, \$8.1 million and \$6.5 million of gas storage inventory at September 30, 2020, September 30, 2019 and December 31, 2019, respectively, related to these asset management agreements. The amount of gas inventory released in September 2020 and payable in October 2020 is less than \$0.1 million and is recorded in Accounts Payable at September 30, 2020. The amount of gas inventory released in September 2019 and payable in October 2019 was \$0.1 million and was recorded in Accounts Payable at September 30, 2019. The amount of gas inventory released in December 2019 and payable in January 2020 was \$1.0 million and was recorded in Accounts Payable at December 31, 2019.

[Table of Contents](#)

Guarantees

The Company provides limited guarantees on certain energy and gas storage management contracts entered into by the distribution utilities. The Company's policy is to limit the duration of these guarantees. As of September 30, 2020, there were approximately \$6.2 million of guarantees outstanding.

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 three months ended September 30, 2020 and 2019 amounted to \$0.5 million and \$0.4 million, respectively. Total rental expense under operating leases charged to operations for the nine months ended September 30, 2020 and 2019 amounted to \$1.4 million and \$1.1 million, respectively.

The balance sheet classification of the Company's lease obligations was as follows:

<u>Lease Obligations (\$ millions)</u>	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Operating Lease Obligations:			
Other Current Liabilities (current portion)	\$ 1.6	\$ 1.2	\$ 1.2
Other Noncurrent Liabilities (long-term portion)	4.0	3.0	2.8
Total Operating Lease Obligations	\$ 5.6	\$ 4.2	\$ 4.0
Capital Lease Obligations:			
Other Current Liabilities (current portion)	\$ 0.2	\$ 0.3	\$ 0.2
Other Noncurrent Liabilities (long-term portion)	0.3	0.3	0.3
Total Capital Lease Obligations	\$ 0.5	\$ 0.6	\$ 0.5
Total Lease Obligations	\$ 6.1	\$ 4.8	\$ 4.5

Cash paid for amounts included in the measurement of operating lease obligations for the nine months ended September 30, 2020 was \$1.4 million and was included in Cash Provided by Operating Activities on the Consolidated Statements of Cash Flows.

Assets under capital leases amounted to approximately \$1.1 million, \$1.3 million and \$1.2 million as of September 30, 2020, September 30, 2019 and December 31, 2019, respectively, less accumulated amortization of \$0.6 million, \$0.6 million and \$0.6 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 September 30, 2020. The payments for capital leases consist of \$0.2 million of current capital lease obligations, which are included in Other Current Liabilities and \$0.3 million of noncurrent capital lease obligations, which are included in Other Noncurrent Liabilities, on the Company's Consolidated Balance Sheets as of September 30, 2020.

The payments for operating leases consist of \$1.6 million of current operating lease obligations, which are included in Other Current Liabilities and \$4.0 million of noncurrent operating lease obligations, which are included in Other Noncurrent Liabilities, on the Company's Consolidated Balance Sheets as of September 30, 2020.

[Table of Contents](#)

Lease Payments (\$000's)	Operating	Capital
Year Ending December 31,	Leases	Leases
Rest of 2020	\$ 462	\$ 66
2021	1,746	193
2022	1,468	130
2023	1,172	88
2024	842	33
2025-2029	425	—
Total Payments	6,115	510
Less: Interest	504	25
Amount of Lease Obligations Recorded on Consolidated Balance Sheets	\$ 5,611	\$ 485

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 September 30, 2020, the weighted average remaining lease term is four years and the weighted average operating discount rate used to determine the operating lease obligations was 4.4%.

NOTE 5 – COMMON STOCK AND PREFERRED STOCK

Common Stock

The Company's common stock trades on the New York Stock Exchange under the symbol, "UTL."

The Company had 14,925,898, 14,930,170 and 15,005,881 shares of common stock outstanding at September 30, 2019, December 31, 2019 and September 30, 2020, respectively.

Dividend Reinvestment and Stock Purchase Plan - During the first nine months of 2020, the Company sold 16,849 shares of its common stock, at an average price of \$48.75 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan (DRP) and its 401(k) plans resulting in net proceeds of approximately \$821,500. 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.

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

Table of Contents

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 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. For purposes of compensation expense, Restricted Shares vest immediately upon a participant becoming eligible for retirement, as defined in the Stock Plan. 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.

On January 28, 2020, 28,630 Restricted Shares were issued in conjunction with the Stock Plan with an aggregate market value at the date of issuance of approximately \$1.8 million. On July 28, 2020, 3,000 Restricted Shares were issued in conjunction with the Stock Plan with an aggregate market value at the date of issuance of approximately \$0.1 million. There were 59,813 and 50,917 non-vested shares under the Stock Plan as of September 30, 2020 and 2019, respectively. The weighted average grant date fair value of these shares was \$54.41 and \$46.41, respectively. The compensation expense associated with the issuance of shares under the Stock Plan is being recognized over the vesting period and was \$2.1 million and \$2.2 million for the nine months ended September 30, 2020 and 2019, respectively. At September 30, 2020, there was approximately \$1.0 million of total unrecognized compensation cost under the Stock Plan which is expected to be recognized over approximately three years. During the nine months ended September 30, 2020 there were 5,190 restricted shares forfeited and zero restricted shares cancelled under the Stock Plan.

Restricted Stock Units

Non-management members of the Company's Board of Directors (Directors) may elect to receive the equity portion of their annual retainer in the form of Restricted Stock Units (RSU). Restricted Stock Units 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 the nine months ended September 30, 2020 in conjunction with the Stock Plan is presented in the following table:

	Units	Weighted Average Stock Price
Restricted Stock Units as of December 31, 2019	70,364	\$ 41.20
Restricted Stock Units Granted	—	—
Dividend Equivalents Earned	1,115	\$ 49.62
Restricted Stock Units Settled	(32,422)	\$ 41.09
Restricted Stock Units as of September 30, 2020	39,057	\$ 41.54

There were 62,999 Restricted Stock Units outstanding as of September 30, 2019 with a weighted average stock price of \$38.61. Included in Other Noncurrent Liabilities on the Company's Consolidated Balance Sheets as of September 30, 2020, September 30, 2019 and December 31, 2019 is \$0.6 million, \$1.7 million and \$1.9 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 was \$0.2 million, or 1,887 shares, of Unitil Energy's 6.00% Series Preferred Stock outstanding as of September 30, 2020, September 30, 2019 and December 31, 2019. There were less than \$0.1 million of total dividends declared on Preferred Stock in each of the three and nine month periods ended September 30, 2020 and September 30, 2019, respectively.

NOTE 6 – REGULATORY MATTERS

UNITIL'S REGULATORY MATTERS ARE DESCRIBED IN NOTE 8 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S ANNUAL REPORT ON FORM 10-K FOR DECEMBER 31, 2019 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 30, 2020.

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 has been 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 impacts of the TCJA and future tax law changes on customer rates by accounting for "excess" or "deficient" Accumulated Deferred Income Taxes (ADIT). FERC also required transmission providers with stated rates to account for the ADIT impacts of the TCJA in their next rate case. The Company is complying with the new rule and there is no material impact 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, or 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.

Northern Utilities - Targeted Infrastructure Replacement Adjustment (TIRA) – Maine - The settlement in Northern Utilities' Maine division's 2013 rate case allowed 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 its annual base rates by \$1.4 million, effective May 1, 2020, to recover the revenue requirements for 2019 eligible facilities, was approved by the MPUC on April 29, 2020.

[Table of Contents](#)

Northern Utilities - Base Rates - New Hampshire - On May 2, 2018, the NHPUC approved a settlement agreement providing for a net annual revenue increase of \$3.2 million, incorporating the effect of the TCJA, and an initial step increase to recover post-test year capital investments. The Company's second step increase of approximately \$1.4 million of annual revenue was approved by the NHPUC, effective May 1, 2019, to recover eligible capital investments in 2018. According to the terms of the settlement agreement, Northern Utilities' next distribution base rate case shall be based on a historical test year of no earlier than the twelve months ending December 31, 2020.

Unitil Energy - Base Rates - On April 20, 2017 the NHPUC issued its final order providing for a permanent increase of \$4.1 million, effective May 1, 2017, followed by two annual rate step adjustments to recover the revenue requirements associated with certain capital expenditures. On April 30, 2018, the NHPUC approved Unitil Energy's first step increase, effective May 1, 2018. On April 22, 2019, the NHPUC approved Unitil Energy's second and final step adjustment, providing for a revenue increase of approximately \$340,000, effective May 1, 2019.

Fitchburg - Base Rates – Electric - Fitchburg's base rates are decoupled, 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 27, 2018, the filing was approved, effective January 1, 2019, subject to further investigation and reconciliation. Final approval of the 2018 filing remains pending. 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 16, 2019, the filing was approved, effective January 1, 2020, subject to further investigation and reconciliation. Final approval of the 2019 filing remains pending.

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, 2023, though the Company may seek cost recovery for certain exogenous events that meet a revenue impact 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 the Company's 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 impacts to the Company's revenues. The MDPU has consistently found that 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, effective on March 1, 2020; and (2) an increase of \$0.9 million, 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 impact 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 (GSEP) 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 (the “GSEP Filing”); 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 (the “GREC Filing”). The Company considers these to be routine regulatory proceedings and there are no material issues outstanding.

In an Order issued on April 30, 2019, the MDPU approved Fitchburg’s 2018 GSEP Filing and increased the annual cap on recovery. Because the increase in the amount for recovery, \$1.6 million, still exceeded the annual cap, the Order resulted in a revenue increase of \$1.0 million that went into effect on May 1, 2019, subject to reconciliation. The amount that exceeded the cap, \$0.6 million, has been deferred to be recovered in a later proceeding. On May 1, 2019, the Company made its 2019 GREC Filing, seeking a waiver of the annual cap and a revenue increase of \$1.0 million. The MDPU approved the Company’s request in its Order issued October 31, 2019. On October 31, 2019, the Company made its annual filing for an increase in revenues associated with 2020 GSEP investment for rates effective May 1, 2020. On March 12, 2020, the Company made a revised GSEP filing to incorporate the inclusion of the 2015 through 2018 GSEP investments in base rates effective March 1, 2020. On April 30, 2020, the MDPU approved the Company’s filing. On May 1, 2020, the Company made its 2020 GREC Filing. However, in accordance with the approved gas rate case settlement agreement, the Company decreased the Gas System Enhancement Reconciliation Adjustment Factors (GSERAF) and Gas System Enhancement Adjustment Factors to zero effective March 1, 2020 and will recover the February 29, 2020 GSEP deferral balance including interest over a 24 month period beginning March 1, 2021. This results in this year’s GSERAF changing on March 1, 2021 instead of November 1, 2020. The preliminary GSERAF recovery amount to be recovered over 24 months beginning March 1, 2021 is \$2.1 million. This matter remains pending before the MDPU.

Granite State - Base Rates - On May 2, 2018, Granite State filed an uncontested rate settlement with the FERC which provided for no change in rates, and accounted for the effects of a capital step adjustment offset by the effect of the TCJA. The settlement was approved by the FERC on June 27, 2018, and complies with the FERC Notice of Proposed Rulemaking concerning the justness and reasonableness of rates in light of the corporate income tax reductions under the TCJA.

On October 20, 2020, Granite State filed an uncontested rate settlement with the FERC 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. The Settlement Agreement is pending approval by the FERC.

Other Matters

Fitchburg - Independent Statewide Examination of the Safety of the Commonwealth’s Gas Distribution System – The MDPU engaged a third-party evaluator to conduct an independent statewide examination of the safety of the gas distribution system to complement the investigation of the National Transportation Safety Board focused on the gas incident on September 13, 2018 in the Merrimack Valley and its potential causes. The evaluator examined: (1) the physical integrity and safety of the gas distribution system; and (2) the operation and maintenance policies and practices of the gas companies and municipal gas companies, with respect to the Commonwealth’s gas distribution system, including recommendations for improvements. The evaluator issued its final report on January 31, 2020, which contained a number of observation and recommendations for the improvement of gas distribution safety. On February 28, 2020, the Company filed a response and plan to implement the Unitil specific recommendations as well as generic safety improvements.

Northern Utilities / Granite State – Firm Capacity Contract - Northern Utilities relies on the transport of gas supply over its affiliate Granite State pipeline to serve its customers in the Maine and New Hampshire service territories, as 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 as well as the 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 May 13, 2020, the MPUC approved Northern Utilities’ request to extend its contract for firm transmission service on its affiliate Granite State pipeline for another year, extending the current contract for the period of November 1, 2020 through October 31, 2021.

Reconciliation Filings – Fitchburg, Unitil Energy and Northern Utilities each have a number of regulatory reconciling accounts which require annual or semi-annual filings with the MDPU, NHPUC and MPUC, respectively, to reconcile costs and revenues and 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 RFPs - Pursuant to a comprehensive energy law enacted in 2016, “An Act to Promote Energy Diversity,” 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 (hydro, 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 each 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 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% is reasonable and in the public interest. Also, the MDPU 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 Order dated September 3, 2020. The Company believes that the power purchase obligations under these long-term contracts will have a material impact on the contractual obligations and regulatory assets 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. Final selection of projects was made 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

[Table of Contents](#)

also determined that the EDCs' request for remuneration equal to 2.75% is reasonable and in the public interest. Also, the MDPU approved the EDCs' proposal to amend their respective tariffs to include the recovery of costs associated with the contracts. The Company believes that the power purchase obligations under these long-term contracts will have a material impact on the contractual obligations of Fitchburg, once certain conditions and contingencies are met.

The EDCs issued an RFP pursuant to Section 83C for Long-Term Contracts for Offshore Wind Energy Generation on May 23, 2019. This is the second solicitation pursuant to Section 83C and with the MDPU's approval of the Vineyard Wind contracts for 800 MW of offshore wind energy generation as a result of the first solicitation, the remaining obligation under 83C is to procure an additional 800 MW of offshore wind energy generation. The EDCs selected an 800 MW project submitted by Mayflower Wind 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. This filing remains pending before the MDPU.

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 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 had 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.

Also pending at FERC is a 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. 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 NETO's filed an unopposed motion to suspend the procedural schedule and waiver of answer period indicating that the NETO's, Municipal PTF 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. An order is requested by November 1, 2020. Fitchburg and Unitil Energy are Participating Transmission Owners, although Unitil Energy does not own transmission plant. To the extent that these proceedings result in any changes to the rates being charged, a retroactive reconciliation may be required. The Company does not believe that these proceedings will have a material adverse impact on the Company's financial condition or results of operations.

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 impact on its financial position, operating results or cash flows.

NOTE 7 – ENVIRONMENTAL MATTERS

UNITIL'S ENVIRONMENTAL MATTERS ARE DESCRIBED IN NOTE 8 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S ANNUAL REPORT ON FORM 10-K FOR DECEMBER 31, 2019 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 30, 2020.

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 September 30, 2020, 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 the Company's 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; both the review and extension are expected to be completed by the end of the fourth quarter of 2020. While any recommendation is subject to approval by the NH DES, the Company has accrued \$0.8 million for estimated costs to complete the remediation at the Rochester site, which is included in the Environmental Obligations table below.

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 below 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 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 2021 or 2022. Depending upon the final agreement between Fitchburg and Mass DOT, additional minor costs are expected prior to completion.

[Table of Contents](#)

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.

The following table sets forth a summary of changes in the Company's liability for Environmental Obligations for the nine months ended September 30, 2020 and 2019.

Environmental Obligations

	(\$ millions)					
	Fitchburg		Northern Utilities		Total	
	Nine months ended September 30,					
	2020	2019	2020	2019	2020	2019
Total Balance at Beginning of Period	\$ —	\$ —	\$ 2.7	\$ 2.0	\$ 2.7	\$ 2.0
Additions	—	—	0.1	1.0	0.1	1.0
Less: Payments / Reductions	—	—	0.6	0.2	0.6	0.2
Total Balance at End of Period	—	—	2.2	2.8	2.2	2.8
Less: Current Portion	—	—	0.3	0.6	0.3	0.6
Noncurrent Balance at End of Period	\$ —	\$ —	\$ 1.9	\$ 2.2	\$ 1.9	\$ 2.2

NOTE 8: INCOME TAXES

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 (NOL) carryback periods, increases to interest deductibility limitations, and accelerated Alternative Minimum Tax (AMT) refunds. The Company has evaluated these items and included them in its tax computation as of September 30, 2020. Additionally, the CARES Act enacted the Employment 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. The ERC is taken as a credit on employment tax form 941. In Q3 2020 the Company recorded an ERC of \$0.6 million as a reduction to employment tax expense.

Income tax filings for the year ended December 31, 2019 have been filed with the IRS, Massachusetts Department of Revenue, the Maine Revenue Service, and the New Hampshire Department of Revenue Administration. The Company evaluated its tax positions at September 30, 2020 in accordance with the FASB Codification, and has concluded that no adjustment for recognition, de-recognition, settlement and foreseeable future 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, 2017; December 31, 2018; and December 31, 2019.

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 GAAP Accounting Standard 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.

In March 2020, the MPUC approved Northern Utilities' base rate increase effective April 1, 2020. Part of the base rate increase is the flow back of excess ADIT through base rates. Northern Utilities was ordered to begin flowing back to customer excess ADIT of \$12.3 million to gas ratepayers over approximately 20 years.

[Table of Contents](#)

The MDPU issued a multi-utility Order D.P.U. 18-15-E (the “Order”) on December 21, 2018. The Order clarified the categories of Excess ADIT for Massachusetts ratemaking: 1) Excess protected ADIT directly related to utility plant fixed assets (rate base), 2) other non-plant excess ADIT amounts (unprotected), and 3) excess ADIT created through reconciling mechanisms. In the Order, all Massachusetts utilities were ordered to begin flow back of protected and unprotected excess ADIT on February 1, 2019 and to reconcile excess ADIT amounts previously collected from ratepayers through reconciliation mechanisms in the next filing of each of those individual reconciling mechanisms. Fitchburg was ordered to begin flowing back to customers excess ADIT of \$10.1 million and \$10.4 million to electric and gas ratepayers, respectively, over approximately fifteen years. Fitchburg filed its compliance filing under D.P.U.18-15-E on January 4, 2019 for rates effective February 1, 2019. The MDPU approved this filing on January 16, 2019. The filing will be updated and the balances of excess ADIT will be reconciled annually.

On November 15, 2018 the FERC issued two pronouncements regarding the accounting for income taxes due to the TCJA; 1) Notice of Proposed Rulemaking Docket No. RM 19-5-000 and 2) Policy Statement PL 19-2-000 providing specific guidance on the flow back of excess ADIT created by the implementation of the TCJA. According to the FERC guidance; the amount of the reduction to ADIT that was previously collected from customers but is no longer payable to the IRS is excess ADIT and should be flowed back to ratepayers under general ratemaking principles. On November 21, 2019 the FERC issued a final order Docket No. RM19-5-000 regarding the 2018 Notice of Proposed Rulemaking and Policy Statement (“Notice”) and affirmed the regulatory treatment outlined in the 2018 Notice.

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 September 30, 2020, the Company flowed back \$1.6M to customers in Massachusetts and Maine.

In addition to the protected excess \$47.1 million ADIT amounts the Company expects to flow through to customers in utility rates, as noted above, there is approximately \$1.8 million of excess ADIT created through reconciling mechanisms at December 31, 2017, related to the implementation of the new federal tax rate of the TCJA, which had not been previously collected from customers through utility rates. The Company will reconcile these excess ADIT amounts through the specific reconciliation mechanisms in the next filing of each of those individual reconciling mechanisms which will be subject to the review of state regulators.

In addition to the \$48.9 million of net excess ADIT noted above, as of December 31, 2018, there was \$2.0 million of remaining excess ADIT created by the recognition of Net Operating Loss Carryforward assets (NOLC), discussed below, 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 is recognizing the benefit of this excess ADIT in accordance with the regulatory treatment of excess ADIT for each of jurisdiction. As of December 31, 2019 there was \$0.3 million remaining; of which, \$0.2 million was recognized as of September 30, 2020. The remaining \$0.1 million will be recognized in 2020.

The Company has received regulatory orders in its Massachusetts and Maine jurisdictions regarding the flow-back of excess deferred income taxes. The Company’s New Hampshire regulators are expected to issue additional ratemaking guidance in future periods that will determine the final disposition of the re-measurement of regulatory deferred income tax balances. At this time, the Company has applied a reasonable interpretation of the TCJA and a reasonable estimate of the regulatory resolution. Future clarification of TCJA matters with the Company’s regulators may change the amounts estimated.

[Table of Contents](#)

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 filed its tax returns for the year ended December 31, 2019 with the IRS in October 2020 and utilized federal NOLC assets of \$8.2 million. As of September 30, 2020, the Company had recorded cumulative federal NOLC assets of \$2.7 million to offset against taxes payable in future periods. If unused, the Company's NOLC carryforward assets will begin to expire in 2029. The Company received \$0.9 million of the Alternative Minimum Tax (AMT) credits in 2019 and will receive \$0.9 million of the AMT credits in 2020 as provided for in the CARES Act. In addition, at September 30, 2020, the Company had \$1.9 million of cumulative general business tax credit and other state tax credit carryforwards to offset future income taxes payable.

In assessing the near-term use of NOLCs and tax credits, the Company evaluates the expected level of future taxable income, available tax planning strategies, reversals of existing taxable temporary differences and taxable income available in carryback years. Based on all available evidence, both positive and negative, and the weight of that evidence to the extent such evidence can be objectively verified, the Company expects to utilize all of its NOLCs by December 31, 2020 prior to their expiration in 2029.

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 unaudited Consolidated Statements of Earnings.

NOTE 9: RETIREMENT BENEFIT OBLIGATIONS

The Company co-sponsors the Unitil Corporation Retirement Plan (Pension Plan), the Unitil Retiree Health and Welfare Benefits Plan (PBOP Plan), and the Unitil Corporation Supplemental Executive Retirement Plan (SERP Plan) to provide certain pension and postretirement benefits for its retirees and current employees. Please see Note 10 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the SEC on January 30, 2020 for additional information regarding these plans.

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

<u>Used to Determine Plan Costs</u>	<u>2020</u>	<u>2019</u>
Discount Rate	3.25%	4.25%
Rate of Compensation Increase	3.00%	3.00%
Expected Long-term rate of return on plan assets	7.40%	7.75%
Health Care Cost Trend Rate Assumed for Next Year	7.00%	7.00%
Ultimate Health Care Cost Trend Rate	4.50%	4.50%
Year that Ultimate Health Care Cost Trend Rate is reached	2029	2024

Table of Contents

The following tables provide the components of the Company's Retirement plan costs (\$000's):

	Pension Plan		PBOP Plan		SERP Plan	
	2020	2019	2020	2019	2020	2019
Three Months Ended September 30,						
Service Cost	\$ 829	\$ 776	\$ 673	\$ 576	\$ 70	\$ 62
Interest Cost	1,445	1,621	782	857	137	142
Expected Return on Plan Assets	(2,254)	(2,119)	(515)	(412)	—	—
Prior Service Cost Amortization	80	80	301	304	15	14
Actuarial Loss Amortization	1,618	1,081	187	56	259	157
Sub-total	1,718	1,439	1,428	1,381	481	375
Amounts Capitalized and Deferred	(861)	(650)	(860)	(650)	(144)	(107)
Net Periodic Benefit Cost Recognized	\$ 857	\$ 789	\$ 568	\$ 731	\$ 337	\$ 268

	Pension Plan		PBOP Plan		SERP Plan	
	2020	2019	2020	2019	2020	2019
Nine Months Ended September 30,						
Service Cost	\$ 2,491	\$ 2,328	\$ 2,023	\$ 1,728	\$ 212	\$ 185
Interest Cost	4,332	4,863	2,341	2,569	412	426
Expected Return on Plan Assets	(6,764)	(6,356)	(1,547)	(1,234)	—	—
Prior Service Cost Amortization	240	240	907	910	43	42
Actuarial Loss Amortization	4,854	3,243	559	170	777	471
Sub-total	5,153	4,318	4,283	4,143	1,444	1,124
Amounts Capitalized and Deferred	(2,298)	(1,659)	(2,087)	(1,730)	(434)	(322)
Net Periodic Benefit Cost Recognized	\$ 2,855	\$ 2,659	\$ 2,196	\$ 2,413	\$ 1,010	\$ 802

Employer Contributions

As of September 30, 2020, the Company had made \$4.7 million and \$2.8 million of contributions to its Pension and PBOP Plans, respectively in 2020. The Company, along with its subsidiaries, expects to continue to make contributions to its Pension and PBOP Plans in 2020 and future years at minimum required and discretionary funding levels consistent with the amounts recovered in the distribution utilities' rates for these Pension and PBOP Plan costs.

As of September 30, 2020, the Company had made \$0.5 million of benefit payments under the SERP Plan in 2020. The Company presently anticipates making an additional \$0.2 million of benefit payments under the SERP Plan in 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to the "Interest Rate Risk" and "Market Risk" sections of Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" (above).

Item 4. 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, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2020. Based upon this evaluation, the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded as of September 30, 2020 that the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) are effective.

[Table of Contents](#)

There have been no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. Certain specific matters are discussed in Notes 6 and 7 to the Consolidated Financial Statements. In the opinion of Management, based upon information furnished by counsel and others, the ultimate resolution of these claims will not have a material impact on the Company's financial position.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year-ended December 31, 2019 as filed with the SEC on January 30, 2020, except for the following, which was disclosed on a Current Report on Form 8-K, filed with the SEC on March 26, 2020, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2020, filed with the SEC on April 30, 2020 and the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020, filed with the SEC on July 30, 2020.

The novel coronavirus outbreak could adversely impact Unutil'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, it has now spread to several other countries and infections have been reported globally. The extent to which the coronavirus impacts Unutil'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 impact, among others. In particular, the continued spread of the coronavirus could adversely impact Unutil's business, including (i) by disrupting Unutil's employees and contractors ability to provide ongoing services to Unutil, (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 impact on Unutil's financial condition, results of operations, and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

There were no sales of unregistered equity securities by the Company during the fiscal quarter ended September 30, 2020.

Issuer Purchases of Equity Securities

Pursuant to the Company's written trading plan under Rule 10b5-1 under the Exchange Act, adopted and announced by the Company on May 1, 2020, 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 \$516,000 in value of shares have been purchased or, if sooner, on May 1, 2021.

Table of Contents

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.

The following table shows information regarding repurchases by the Company of shares of its common stock pursuant to the trading plan for each month in the quarter ended September 30, 2020.

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
7/1/20 – 7/31/20	—	—	—	\$ 516,000
8/1/20 – 8/31/20	—	—	—	\$ 516,000
9/1/20 – 9/30/20	—	—	—	\$ 516,000
Total	—	—	—	

Item 5. Other Information

On October 29, 2020, the Company issued a press release announcing its results of operations for the three and nine month periods ended September 30, 2020. The press release is furnished with this Quarterly Report on Form 10-Q as Exhibit 99.1.

Item 6. Exhibits

(a) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Reference</u>
4.1	<u>Note Purchase Agreement dated September 15, 2020 by and among Northern Utilities, Inc. and the several purchasers named therein.</u>	Exhibit 4.1 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)
4.2*	<u>3.78% Senior Note, Series 2020, due September 15, 2040, issued by Northern Utilities, Inc. to Metropolitan Life Insurance Company.</u>	Exhibit 4.2 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)
4.3	<u>Note Purchase Agreement dated September 15, 2020 by and among Fitchburg Gas and Electric Light Company and the several purchasers named therein.</u>	Exhibit 4.3 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)
4.4*	<u>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.</u>	Exhibit 4.4 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)

Table of Contents

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Reference</u>
4.5	<u>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.</u>	Exhibit 4.5 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)
4.6	<u>Sixteenth Supplemental Indenture dated September 15, 2020 by and between Unitil Energy Systems, Inc. and U.S. Bank National Association (as trustee).</u>	Exhibit 4.6 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)
4.7*	<u>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).</u>	Exhibit 4.7 to Form 8-K dated September 15, 2020 (SEC File No. 1-8858)
10.1**	<u>Severance Agreement dated July 29, 2020 between the Company and Robert B. Hevert</u>	Exhibit 10.1 to Form 8-K dated July 29, 2020 (SEC File No. 1-8858)
11	<u>Computation in Support of Earnings Per Weighted Average Common Share</u>	Filed herewith
31.1	<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>	Filed herewith
31.2	<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>	Filed herewith
31.3	<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>	Filed herewith
32.1	<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>	Filed herewith
99.1	<u>Unitil Corporation Press Release Dated October 29, 2020 Announcing Earnings For the Quarter Ended September 30, 2020.</u>	Filed herewith

Table of Contents

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Reference</u>
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

* This note or bond is substantially identical in all material respects to other notes or bonds that are otherwise required to be filed as exhibits, except as to the registered payee of such note or bond, the identifying number of such note or bond, and the principal amount of such note or bond. In accordance with instruction

This note or bond is substantially identical in all material respects to other notes or bonds that are otherwise required to be filed as exhibits, except as to the registered payee of such note or bond, the identifying number of such note or bond, and the principal amount of such note or bond. In accordance with instruction no. 2 to Item 601 of Regulation S-K, the Registrant has filed a copy of only one of such notes or bonds, with a schedule identifying the other notes or bonds omitted and setting forth the material details in which such notes or bonds differ from the note or bond 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 notes or bonds so omitted.

** This exhibit represents a management contract or compensatory plan.

SIGNATURES

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

UNITIL CORPORATION
(Registrant)

Date: October 29, 2020

/s/ Robert B. Hevert

Robert B. Hevert
Chief Financial Officer

Date: October 29, 2020

/s/ Daniel J. Hurstak

Daniel J. Hurstak
Chief Accounting Officer

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF EARNINGS PER WEIGHTED AVERAGE COMMON SHARE OUTSTANDING

(Millions except common shares and per share data)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net Income	\$ 0.3	\$ 2.3	\$ 18.6	\$ 32.8
Weighted Average Number of Common Shares Outstanding – Basic (000's)	14,954	14,898	14,946	14,889
Dilutive Effect of Restricted Stock (000's)	0	8	1	6
Weighted Average Number of Common Shares Outstanding – Diluted (000's)	14,954	14,906	14,947	14,895
Earnings Per Share – Basic and Diluted	\$ 0.02	\$ 0.15	\$ 1.25	\$ 2.20

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas P. Meissner, Jr., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q 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: October 29, 2020

/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 quarterly report on Form 10-Q 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: October 29, 2020

/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 quarterly report on Form 10-Q 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: October 29, 2020

/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 Quarterly Report of Unitil Corporation (the "Company") on Form 10-Q for the period ending September 30, 2020 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>
<u>/s/ Thomas P. Meissner, Jr.</u> Thomas P. Meissner, Jr.	Chief Executive Officer and President	October 29, 2020
<u>/s/ Robert B. Hevert</u> Robert B. Hevert	Chief Financial Officer	October 29, 2020
<u>/s/ Daniel J. Hurstak</u> Daniel J. Hurstak	Chief Accounting Officer	October 29, 2020

FOR RELEASE**Unitil Reports Third Quarter Earnings**

HAMPTON, N.H., OCTOBER 29, 2020 — Unitil Corporation (NYSE: UTL) (www.unitil.com) today announced Net Income of \$0.3 million, or \$0.02 in Earnings Per Share (EPS), for the third quarter of 2020, a decrease of \$2.0 million in Net Income, or \$0.13 per share, compared to the third quarter of 2019, driven by lower gas and electric sales margins and higher operating expenses.

For the nine months ended September 30, 2020, the Company reported Net Income of \$18.6 million, or \$1.25 per share, a decrease of \$14.2 million, or \$0.95 per share, compared to the same nine month period in 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 decrease in earnings for the first nine months of 2020 also reflects lower gas and electric sales margins primarily due to warmer winter weather in 2020 compared to 2019 and the economic slowdown caused by the coronavirus pandemic. The Company estimates that the warmer than normal winter weather negatively affected Net Income by approximately \$3.1 million, or \$0.20 per share, in the first nine months of 2020. The Company's GAAP Gas and Electric Gross Margins were \$10.5 million and \$18.5 million, respectively, for the three months ended September 30, 2020 and were \$61.0 million and \$52.2 million, respectively for the nine month period ended September 30, 2020, including the impact on margins of the COVID-19 pandemic.

"As the COVID-19 pandemic carries on, I am proud of the dedication our employees have shown in ensuring that our customers continue to receive reliable service," said Thomas P. Meissner, Jr., Unitil's Chairman and Chief Executive Officer. "We remain focused on the health and safety of our employees, customers, and the communities we serve during these unprecedented times."

Gas Adjusted Gross Margin (a non-GAAP measure¹) was \$18.0 million and \$83.3 million in the three and nine months ended September 30, 2020, respectively, decreases of \$0.7 million and

¹ The accompanying Supplemental Information more fully describes the non-GAAP measures used in this press release and includes a reconciliation of the non-GAAP measures to what the Company's management believes are the most comparable GAAP measures. The Supplemental Information also includes a discussion of the changes in the most comparable GAAP measures for the periods presented.

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

\$2.2 million, respectively, compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$1.0 million due to lower average usage primarily attributed to the economic slowdown associated with the coronavirus pandemic, partially offset by customer growth and higher rates of \$0.3 million. The decrease in the nine month period was driven by lower margin of \$3.2 million principally due to warmer winter weather in the first quarter of 2020, and lower margin of \$1.3 million from lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic. These decreases were partially offset by customer growth and higher rates of \$2.3 million.

Gas therm sales decreased 5.5% and 7.1% in the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease in overall gas therm sales in the Company's service areas reflects warmer weather in the first nine months of 2020 compared to the same period in 2019, as well as lower sales to Commercial and Industrial (C&I) customers, primarily in the second and third quarters, due to the economic slowdown caused by the coronavirus pandemic, partially offset by customer growth.

Based on weather data collected in the Company's gas service areas, there were 8.4% fewer Effective Degree Days (EDD) in the first nine months of 2020, on average, compared to the same period in 2019 and 8.7% fewer EDD compared to normal. The Company estimates that weather-normalized gas therm sales, excluding decoupled sales, were down 1.9% in the first nine months of 2020 compared to the same period in 2019. As of September 30, 2020, the number of gas customers served has increased by 2,337, including seasonal accounts, over the previous year.

Electric Adjusted Gross Margin (a non-GAAP measure¹) was \$24.5 million and \$70.0 million in the three and nine months ended September 30, 2020, decreases of \$0.6 million and \$0.6 million, respectively, compared with the same periods in 2019. Electric Adjusted Gross Margin in the third quarter of 2020 reflects lower margin of \$1.0 million from lower C&I kilowatt-hour (kWh) sales and demand sales (a measure of peak usage by certain C&I customers during the period) due to lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic, partially offset by the positive effect of warmer summer weather on kWh sales, and higher rates of \$0.4 million. Electric Adjusted Gross Margin in the nine month period reflects lower margin of \$2.0 million from lower C&I kWh and demand sales due to lower average usage, primarily attributed to the economic slowdown caused by the coronavirus pandemic and warmer winter weather, partially offset by the positive effect of warmer summer weather on kWh sales, and customer growth. Electric Adjusted Gross Margin was also positively impacted in the nine month period by higher rates of \$1.2 million and higher margin of \$0.2 million from increased residential sales due to coronavirus pandemic stay-at-home orders.

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

Total electric kWh sales increased 4.3% and 1.2%, respectively in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. Sales to Residential customers increased 14.4% and 8.2%, respectively, in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. Sales to C&I customers decreased 2.8% and 3.6%, respectively, in the three and nine month periods ended September 30, 2020 compared to the same periods in 2019. The increases in sales to Residential customers reflect the coronavirus pandemic stay-at-home orders, warmer summer weather in 2020 compared to 2019 which resulted in higher use of air conditioning, and customer growth, partially offset by the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes. The decreases in sales to C&I customers reflect lower usage as a result of the economic slowdown caused by coronavirus pandemic, and the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes, partially offset by customer growth and warmer summer weather. Based on weather data collected in the Company's electric service areas, there were 22.3% more Cooling Degree Days in the third quarter of 2020, on average, compared to the same period in 2019. As of September 30, 2020, the number of total electric customers served has increased by 1,048, including seasonal accounts, over the last year.

Operation and Maintenance (O&M) expenses increased \$0.6 million and decreased \$1.3 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects higher utility operating costs. The decrease in the nine month period includes \$0.4 million of lower labor and other costs attributed to Usource operations in the first quarter of 2019. The change in O&M expenses in the nine month period also reflects lower labor costs of \$1.2 million and lower utility operating costs of \$0.3 million, partially offset by higher bad debt expense of \$0.4 million, which includes a provision for the impact of the coronavirus pandemic, and higher professional fees of \$0.2 million. The lower labor costs in the nine month period reflect lower employee benefit costs.

Depreciation and Amortization expense increased \$0.9 million and \$1.7 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase in the three month period reflects increased depreciation on higher levels of utility plant in service and higher amortization of software. The increase in the nine month period reflects increased depreciation on higher levels of utility plant in service.

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

Taxes Other Than Income Taxes decreased \$0.2 million and increased \$0.9 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease in the three month period reflects lower payroll taxes, partially offset by higher local property taxes on higher utility plant in service. The increase in the nine month period reflects higher local property taxes on higher utility plant in service and the recognition of \$0.6 million in property tax abatements in the second quarter of 2019, partially offset by lower payroll taxes. The lower payroll taxes in both periods reflect the recognition of \$0.6 million of payroll tax credits associated with the Coronavirus Aid, Relief and Economic Security (CARES) Act in the third quarter of 2020.

Interest Expense, Net decreased \$0.2 million and \$0.2 million in the three and nine month periods ended September 30, 2020, respectively, compared to the same periods in 2019. These decreases reflect lower interest rates on short-term debt and lower interest expense on regulatory liabilities, partially offset by higher levels of long-term debt.

Other Expense (Income), Net increased \$0.1 million for the three months ended September 30, 2020 compared to the same period in 2019. Other Expense (Income), Net changed from income of \$9.8 million in the first nine months of 2019 to expense of \$4.0 million in the first nine months of 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 higher retirement benefit and other costs in 2020.

Federal and State Income Taxes decreased \$0.5 million and \$4.4 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily reflecting lower pre-tax earnings in the current periods.

At its January 2020, April 2020, July 2020 and October 2020 meetings, the Unitil Corporation Board of Directors declared quarterly dividends on the Company's common stock of \$0.375 per share. These quarterly dividends result in a current effective annualized dividend rate of \$1.50 per share, representing an unbroken record of quarterly dividend payments since trading began in Unitil's common stock.

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

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

The Company will hold a quarterly conference call to discuss second quarter 2020 results on Thursday, October 29, 2020, at 2:00 p.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 Until's website, www.unitil.com.

About Until Corporation

Unitil Corporation provides energy for life by safely and reliably delivering natural gas and electricity 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. Unitil Corporation is a public utility holding company with operations in Maine, New Hampshire and Massachusetts. Together, Unitil's operating utilities serve approximately 106,100 electric customers and 83,900 natural gas customers. Other subsidiaries include Usource, Unitil's non-regulated business segment, which the Company divested in the first quarter of 2019. For more information about our people, technologies, and community involvement please visit www.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 impact 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, gas and electric energy commodities and transmission and transportation capacity and Unitil's ability to recover energy supply 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; 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.

For more information please contact:

Todd Diggins – Investor Relations
Phone: 603-773-6504
Email: diggins@unitil.com

Alec O'Meara – Media Relations
Phone: 603-773-6404
Email: omeara@unitil.com

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

Selected financial data for 2020 and 2019 is presented in the following table:

Unitil Corporation – Condensed Consolidated Financial Data						
<i>(Millions, except Per Share data)(Unaudited)</i>						
	<u>Three Months Ended Sept. 30,</u>			<u>Nine Months Ended Sept. 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Gas Therm Sales:						
Residential	2.7	2.6	3.8%	34.2	36.2	(5.5%)
Commercial/Industrial	23.3	24.9	(6.4%)	125.9	136.2	(7.6%)
Total Gas Therm Sales	26.0	27.5	(5.5%)	160.1	172.4	(7.1%)
Electric kWh Sales:						
Residential	207.0	180.9	14.4%	539.4	498.3	8.2%
Commercial/Industrial	250.4	257.7	(2.8%)	692.4	718.5	(3.6%)
Total Electric kWh Sales	457.4	438.6	4.3%	1,231.8	1,216.8	1.2%
Gas Revenues	\$ 27.5	\$ 24.9	\$ 2.6	\$ 131.4	\$ 143.9	\$ (12.5)
Cost of Gas Sales	9.5	6.2	3.3	48.1	58.4	(10.3)
Gas Adjusted Gross Margin	18.0	18.7	(0.7)	83.3	85.5	(2.2)
Electric Revenues	59.9	60.4	(0.5)	170.3	177.0	(6.7)
Cost of Electric Sales	35.4	35.3	0.1	100.3	106.4	(6.1)
Electric Adjusted Gross Margin	24.5	25.1	(0.6)	70.0	70.6	(0.6)
Other Revenues	—	—	—	—	0.9	(0.9)
Total Adjusted Gross Margin:	42.5	43.8	(1.3)	153.3	157.0	(3.7)
Operation & Maintenance Expenses	16.1	15.5	0.6	48.6	49.9	(1.3)
Depreciation & Amortization	13.7	12.8	0.9	40.7	39.0	1.7
Taxes Other Than Income Taxes	5.3	5.5	(0.2)	17.9	17.0	0.9
Other Expense (Income), Net	1.1	1.0	0.1	4.0	(9.8)	13.8
Interest Expense, Net	5.6	5.8	(0.2)	17.7	17.9	(0.2)
Income Before Income Taxes	0.7	3.2	(2.5)	24.4	43.0	(18.6)
Provision for Income Taxes	0.4	0.9	(0.5)	5.8	10.2	(4.4)
Net Income	\$ 0.3	\$ 2.3	\$ (2.0)	\$ 18.6	\$ 32.8	\$ (14.2)
Earnings Per Share	\$ 0.02	\$ 0.15	\$ (0.13)	\$ 1.25	\$ 2.20	\$ (0.95)

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

Supplemental Information

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

In the tables below; the Company has reconciled Gas and Electric Adjusted Gross Margin to GAAP Gross Margin, which we believe to be the most comparable GAAP measure. GAAP Gross Margin is calculated as Revenue less Cost of Sales and Depreciation and Amortization. The Company calculates Gas and Electric 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 revenue, is a meaningful measure to inform investors of the Company's profitability from gas and electric sales in the period.

Three Months Ended September 30, 2020 (\$ millions)

	Gas	Electric	Non-Regulated and Other	Total
Total Operating Revenue	\$27.5	\$ 59.9	\$ —	\$ 87.4
Less: Cost of Sales	(9.5)	(35.4)	—	(44.9)
Less: Depreciation and Amortization	(7.5)	(6.0)	(0.2)	(13.7)
GAAP Gross Margin	10.5	18.5	(0.2)	28.8
Depreciation and Amortization	7.5	6.0	0.2	13.7
Adjusted Gross Margin	<u>\$18.0</u>	<u>\$ 24.5</u>	<u>\$ —</u>	<u>\$ 42.5</u>

Three Months Ended September 30, 2019 (\$ millions)

	Gas	Electric	Non-Regulated and Other	Total
Total Operating Revenue	\$24.9	\$ 60.4	\$ —	\$ 85.3
Less: Cost of Sales	(6.2)	(35.3)	—	(41.5)
Less: Depreciation and Amortization	(7.0)	(5.6)	(0.2)	(12.8)
GAAP Gross Margin	11.7	19.5	(0.2)	31.0
Depreciation and Amortization	7.0	5.6	0.2	12.8
Adjusted Gross Margin	<u>\$18.7</u>	<u>\$ 25.1</u>	<u>\$ —</u>	<u>\$ 43.8</u>

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com

Nine Months Ended September 30, 2020 (\$ millions)

	Gas	Electric	Non-Regulated and Other	Total
Total Operating Revenue	\$131.4	\$170.3	\$ —	\$ 301.7
Less: Cost of Sales	(48.1)	(100.3)	—	(148.4)
Less: Depreciation and Amortization	(22.3)	(17.8)	(0.6)	(40.7)
GAAP Gross Margin	61.0	52.2	(0.6)	112.6
Depreciation and Amortization	22.3	17.8	0.6	40.7
Adjusted Gross Margin	\$ 83.3	\$ 70.0	\$ —	\$ 153.3

Nine Months Ended September 30, 2019 (\$ millions)

	Gas	Electric	Non-Regulated and Other	Total
Total Operating Revenue	\$143.9	\$177.0	\$ 0.9	\$ 321.8
Less: Cost of Sales	(58.4)	(106.4)	—	(164.8)
Less: Depreciation and Amortization	(21.3)	(17.0)	(0.7)	(39.0)
GAAP Gross Margin	64.2	53.6	0.2	118.0
Depreciation and Amortization	21.3	17.0	0.7	39.0
Adjusted Gross Margin	\$ 85.5	\$ 70.6	\$ 0.9	\$ 157.0

Gas GAAP Gross Margin was \$10.5 million and \$61.0 million in the three and nine months ended September 30, 2020, respectively, decreases of \$1.2 million and \$3.2 million compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$1.0 million due to lower average usage primarily attributed to the economic slowdown associated with the coronavirus pandemic; and higher depreciation and amortization of \$0.5 million, partially offset by customer growth and higher rates of \$0.3 million. The decrease in the nine month period was driven by lower margin of \$3.2 million principally due to warmer winter weather in the first quarter of 2020; lower margin of \$1.3 million from lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic; and higher depreciation and amortization of \$1.0 million. These decreases were partially offset by customer growth and higher rates of \$2.3 million.

Electric GAAP Gross Margin was \$18.5 million and \$52.2 million in the three and nine months ended September 30, 2020, respectively, decreases of \$1.0 million and \$1.4 million compared to the same periods in 2019. Electric GAAP Gross Margin in the third quarter of 2020 reflects lower margin of \$1.0 million from lower C&I kWh and demand sales due to lower average usage primarily attributed to the economic slowdown caused by the coronavirus pandemic; and higher depreciation and amortization of \$0.4 million; partially offset by the positive effect of warmer summer weather on kWh sales, and higher rates of \$0.4 million. Electric GAAP Gross Margin in the nine month period reflects lower margin of \$2.0 million from lower C&I kWh and demand sales due to lower average usage, primarily attributed to the economic slowdown caused by the coronavirus pandemic and warmer winter weather, partially offset by the positive effect of warmer summer weather on kWh sales, and customer growth; and higher depreciation and amortization of \$0.8 million. Electric GAAP Gross Margin was also positively impacted in the nine month period by higher rates of \$1.2 million and higher margin of \$0.2 million from increased residential sales due to coronavirus pandemic stay-at-home orders.

6 Liberty Lane West
Hampton, NH 03842
T 603.772.0775
www.unitil.com