



# Unitil Corporation Earnings Conference Call

Second Quarter 2018

*Financial and Other Information – July 26, 2018*

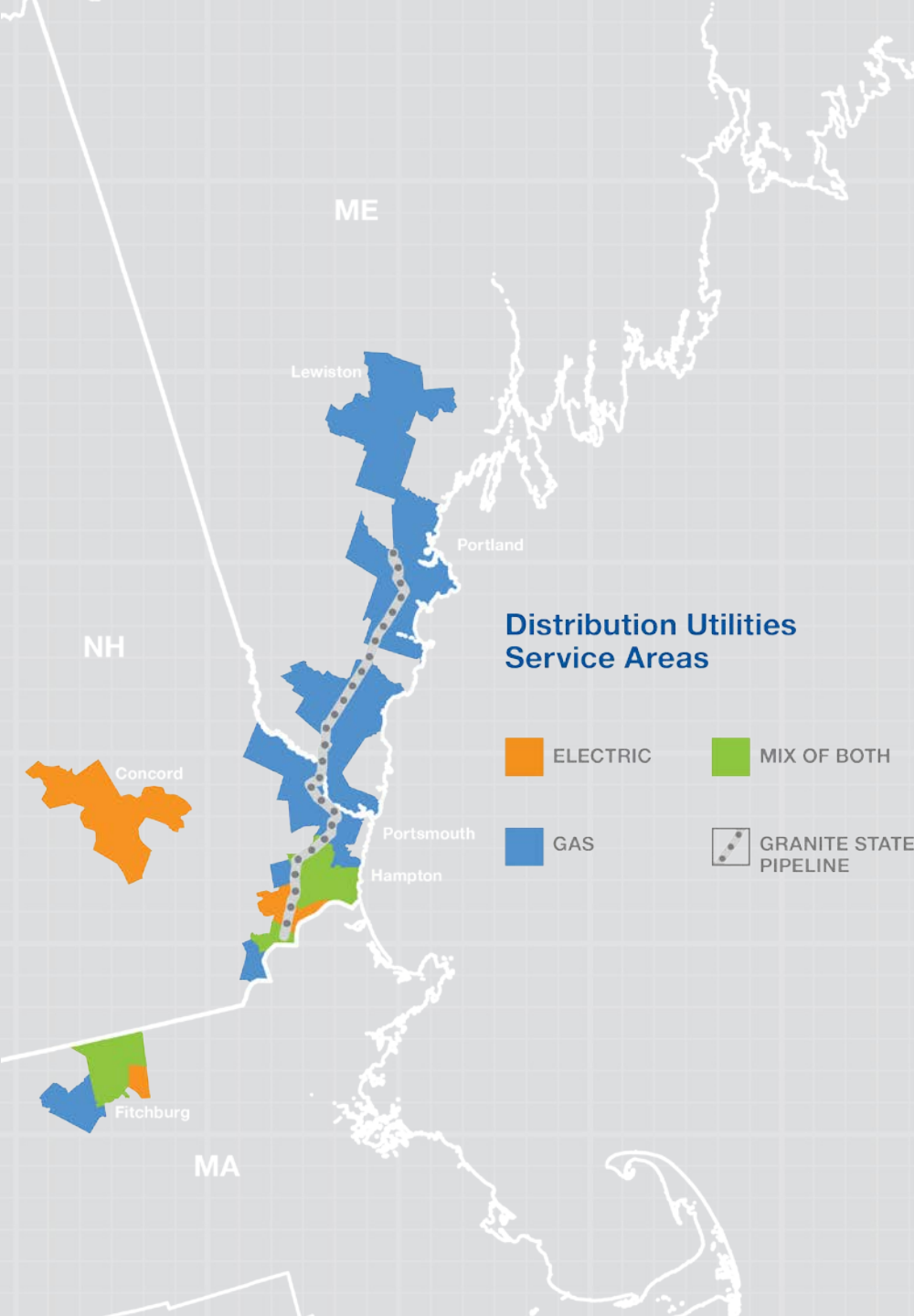
# Safe Harbor Provision

This presentation contains “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding Unitil Corporation’s (“Unitil”) financial condition, results of operations, capital expenditures, business strategy, regulatory strategy, market opportunities, and other plans and objectives. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue”, the negative of such terms, or other comparable terminology.

These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that could cause the actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include: Unitil’s regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, demand for, and the prices of energy commodities and transmission capacity and Unitil’s ability to recover energy commodity costs in its rates; customers’ preferred energy sources; severe storms and Unitil’s ability to recover storm costs in its rates; general economic conditions; changes in taxation; variations in weather; long-term global climate change; catastrophic events; numerous hazards and operating risks relating to Unitil’s electric and natural gas distribution activities; Unitil’s ability to retain its existing customers and attract new customers; Unitil’s energy brokering customers’ performance and energy used under multi-year energy brokering contracts; increased competition; integrity and security of operational and information systems; publicity and reputational risks; and other risks detailed in Unitil’s filings with the Securities and Exchange Commission, including those appearing under the caption “Risk Factors” in Unitil’s Annual Report on Form 10-K for the year ended December 31, 2017.

Readers should not place undue reliance on any forward looking statements, which speak only as of the date they are made. Except as may be required by law, Unitil undertakes no obligation to update any forward-looking statements to reflect any change in Unitil’s expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.





## About Unitil

**Our mission is to provide energy for life—safely, reliably, cost-effectively and responsibly—to a growing number of customers with a high-performing workforce**

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

# Q2 2018 Financial Results

- Second quarter 2018 Net Income of \$3.6 million, or \$0.24 per share
  - Increase of \$0.5 million, or \$0.01 per share, compared to 2017
- Year-to-date 2018 Net Income of \$19.2 million, or \$1.30 per share
  - Increase of \$3.7 million, or \$0.19 per share, compared to 2017
- Increased earnings in 2018 were driven by higher sales margin, reflecting: customer growth, colder winter weather, and new distribution rates compared to 2017

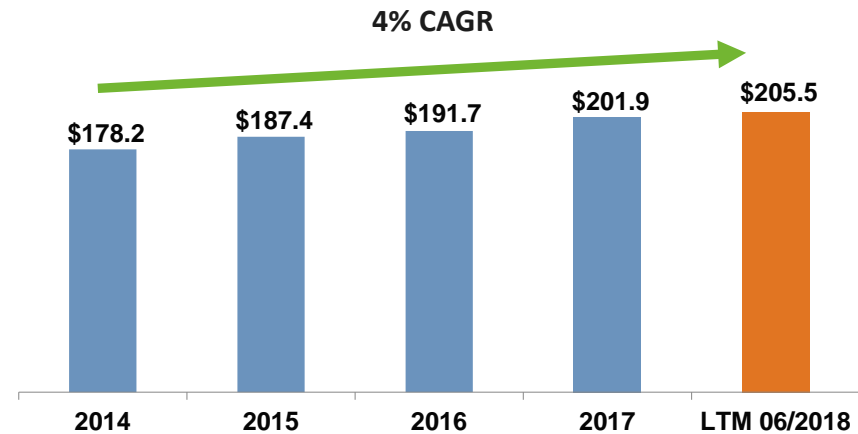
	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions excluding EPS)	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net Income	\$3.6	\$3.1	\$19.2	\$15.5
Earnings Per Share	\$0.24	\$0.23	\$1.30	\$1.11

# Recent Highlights

- Generating record earnings and serving record levels of customers
  - 8% annual growth in Net Income since 2014
- Continue to focus on superior operational performance to ensure the safe and reliable delivery of natural gas and electricity
  - Exceeding all service quality metrics for safety, reliability, and customer service
- Robust capital spending
  - Gas expansion and infrastructure replacement
  - Electric grid modernization reliability, capacity enhancement and substation investments
- Successfully executing on regulatory strategy achieving an ROE of 10.1%
  - Received regulatory approval of all filings related to Tax Cuts and Jobs Act of 2017 (TCJA)

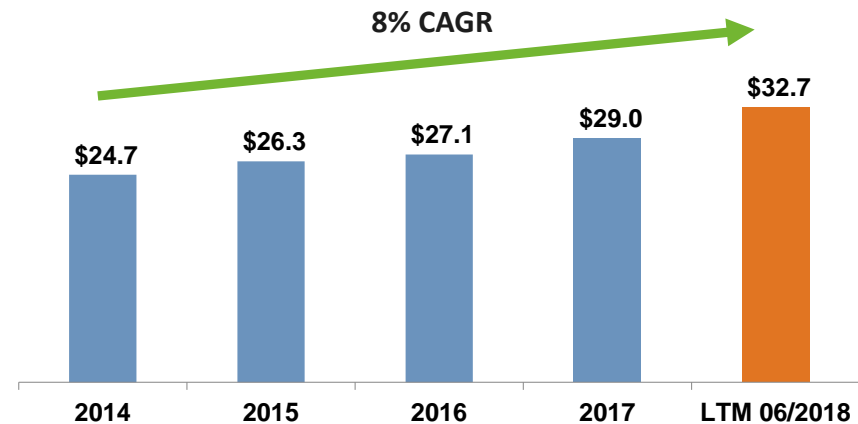
## Gas & Electric Sales Margin

(\$ in millions)



## Net Income

(\$ in millions)



# Service Area Highlights

- **Portland & Southern Maine**
  - Portland is the largest city north of Boston and generates over half of the total gross state product
  - \$3.4 billion of new construction
- **Portsmouth and Seacoast NH**
  - NH's fastest growing area and is a cultural hub located evenly between Boston and Portland
  - \$1.7 billion of new construction
- **Concord & Capital Region NH**
  - Stable government-driven economy and regional spending
  - Over \$0.4 billion of new construction
- **Salem NH**
  - Attractive tax environment spawning influx of MA residents
  - Over \$1.1 billion of new construction
- **Central Massachusetts**
  - Fitchburg area is revitalizing and becoming a bedroom community for Boston commuters
  - More than \$200 million of new construction



**Over \$6.8 billion of new construction within existing service areas**



# Robust Economic Development

## Some of New England's Fastest Growing Service Areas

The Greater Portsmouth region, New Hampshire's fastest growing area, has \$1.7 billion of new construction either planned or underway, and \$3.2 billion across our entire New Hampshire service area

- \$500 million expansion planned for a research and manufacturing facility which will include 3 new buildings adding about 1 million square feet
- More than 20 projects planned or underway each valued at \$10 million or more, including various residential, retail, and hotel developments
- Over 1,000 housing units in/or awaiting construction in the city of Portsmouth, increasing the amount of households in the city by 10%

Billion dollar mixed-use development in Salem

- 2.75 million square feet
- 750 housing units
- Retail, office, hotel, healthcare, and more
- 6,000 new permanent jobs over next 3 years

Fitchburg area has more than \$200 million of new construction either planned or underway

Greater Portland is the economic engine of Maine with \$2.4 billion of new construction either planned or underway, and \$3.4 billion across our entire Maine service area

- New \$50 million 23-story multi-residential development in planning phase
- 9 new hotels in/awaiting construction adding over 1,000 rooms to the city of Portland
- \$500 million expansion of hospital adding new jobs and parking to the city
- Over 1,000 housing units in/or awaiting construction in the city of Portland, increasing the amount of households in the city by 3%

Mixed-use urban development launched in Westbrook

- 750 housing units
- 1 million square feet

Expansion of industrial laboratory in Westbrook

- 135,000 square foot expansion

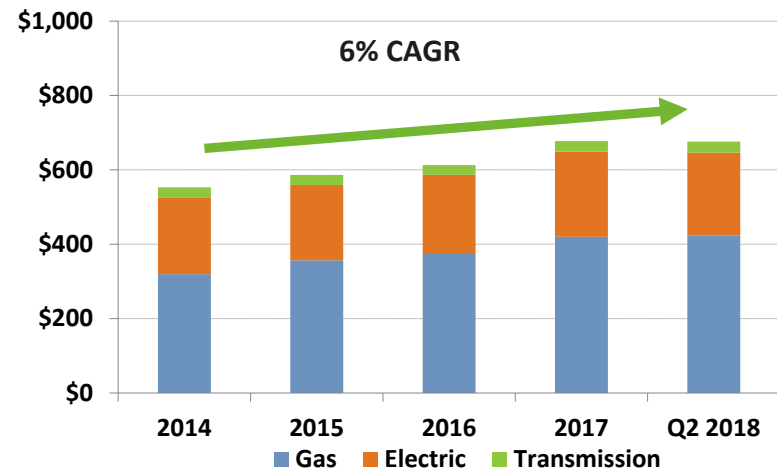
Southern Maine economy boosted by Naval Shipyard; proposed \$150 million expansion and the creation of 800 more jobs in the next twelve months

# Robust Growth

- Gas growth investments including on-the-main growth opportunities, system expansion projects, Targeted Area Buildout (TAB) program and infrastructure replacement
  - 60% on the main penetration providing thousands of potential low cost customer conversions
  - Installed approximately 100 miles of new distribution mains since 2013 contributing to an annual increase in rate base of 6%
  - Two TAB programs currently in place targeting entire towns with the potential to add 3,000 customers
  - Recently filed for franchise approval to provide service to 3 additional towns in NH that border existing service areas
- Grid Modernization policy initiatives in MA and NH support new investment in the electric distribution system
  - Initial three-year regulatory approval received – total spending of over \$25 million expected over ten years in MA
  - NH plan in development with preliminary spending of over \$60 million

## Growth in Rate Base

(\$ in millions)



## Grid Modernization Initiatives

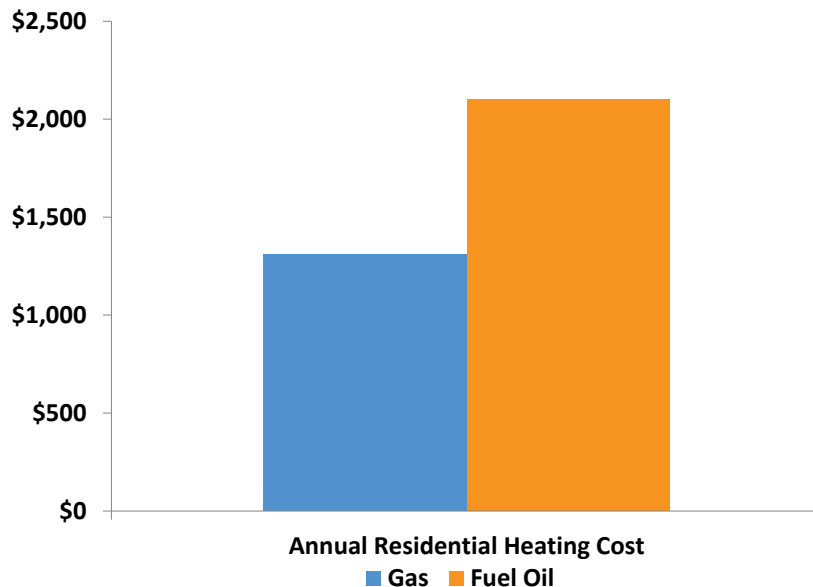




# Natural Gas Advantage

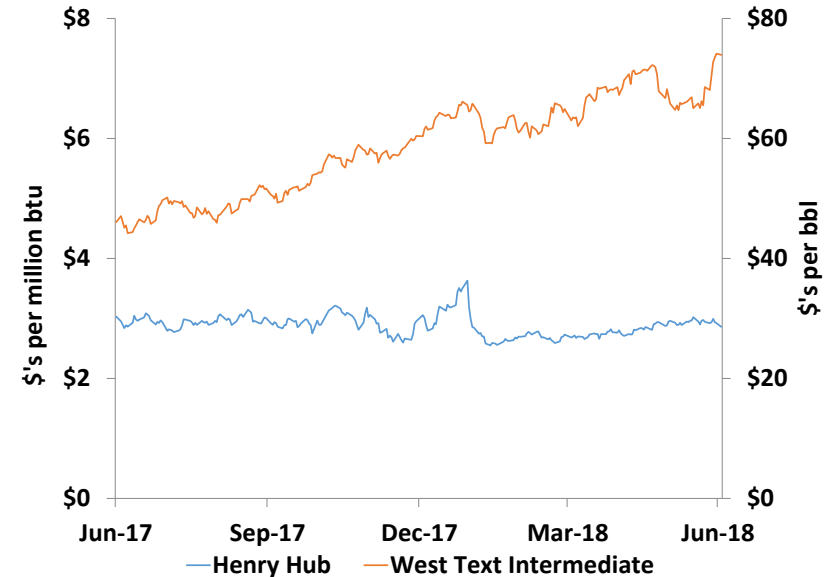
- On a retail-delivered basis, natural gas is approximately 40% less expensive than retail fuel oil
- Recently, natural gas prices have been low and relatively stable while oil prices have experienced volatility and price increases
- Long-term growth potential
  - High heating oil-use region with relatively low penetration of natural gas in service areas provides favorable conditions for growth

## Current Retail Cost Comparison



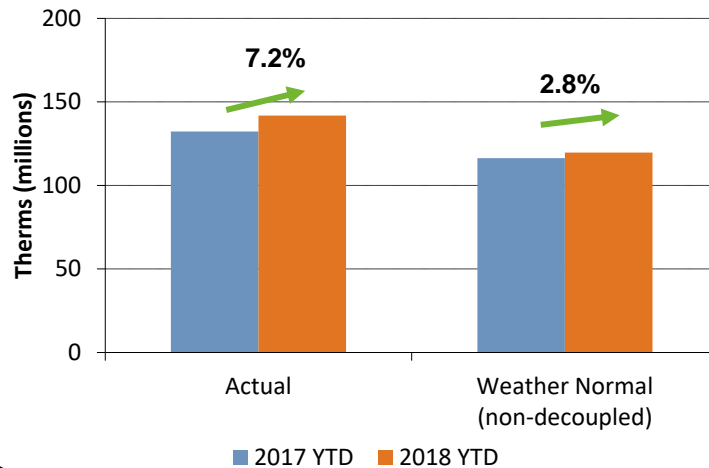
Source: Unitil estimates for residential customers

## Historical Price Comparison



# Gas Units Sales & Margin

## Natural Gas Unit Sales



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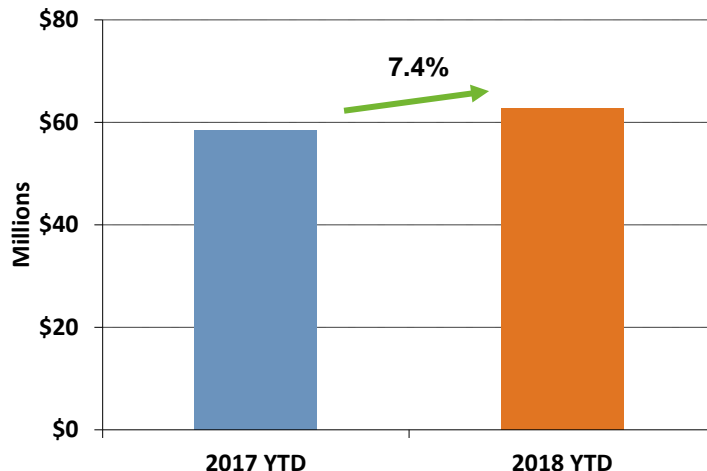


### Key Performance Drivers

#### Unit Sales up 7.2%

- Growth in residential / C&I customers – ~1,550 in the last twelve months
- 9% more Heating Degree Days compared to 2017
- Weather normalized sales up 2.8%

## Natural Gas Sales Margin



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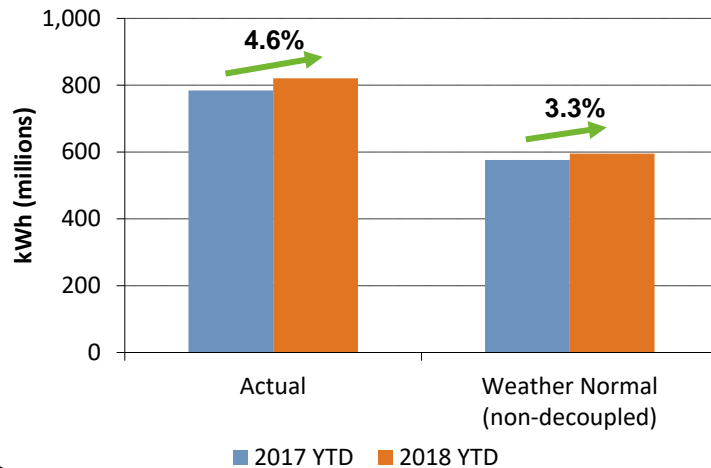
### Key Performance Drivers

#### Sales Margin up \$4.3 million

- \$2.0 million increase due to colder weather and customer growth
- \$4.8 million increase due to higher natural gas distribution rates, offset by lower revenue of \$2.5 million to account for the reduction in rates due to the lower corporate income tax rate of 21% under the TCJA

# Electric Units Sales & Margins

**Electric Unit Sales**



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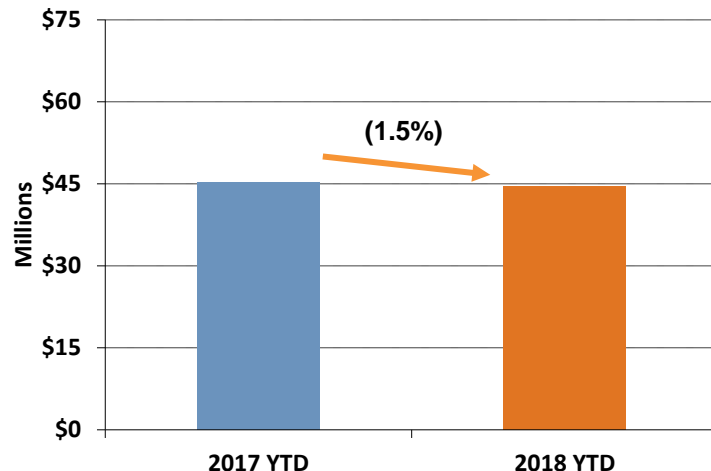


## Key Performance Drivers

### Unit Sales up 4.6%

- Growth in residential / C&I customers up ~600 in the last twelve months
- Weather normalized sales up 3.3%

**Electric Sales Margin**



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## Key Performance Drivers

### Sales Margin down \$0.7 million

- \$0.5 million favorable impact due to colder weather and customer growth
- \$1.7 million favorable impact from higher electric distribution rates, offset by lower revenue of \$1.5 million to account for the reduction in rates due to the lower corporate income tax rate of 21% under the TCJA and a \$1.4 million non-recurring adjustment in 2017 to reconcile temp rates

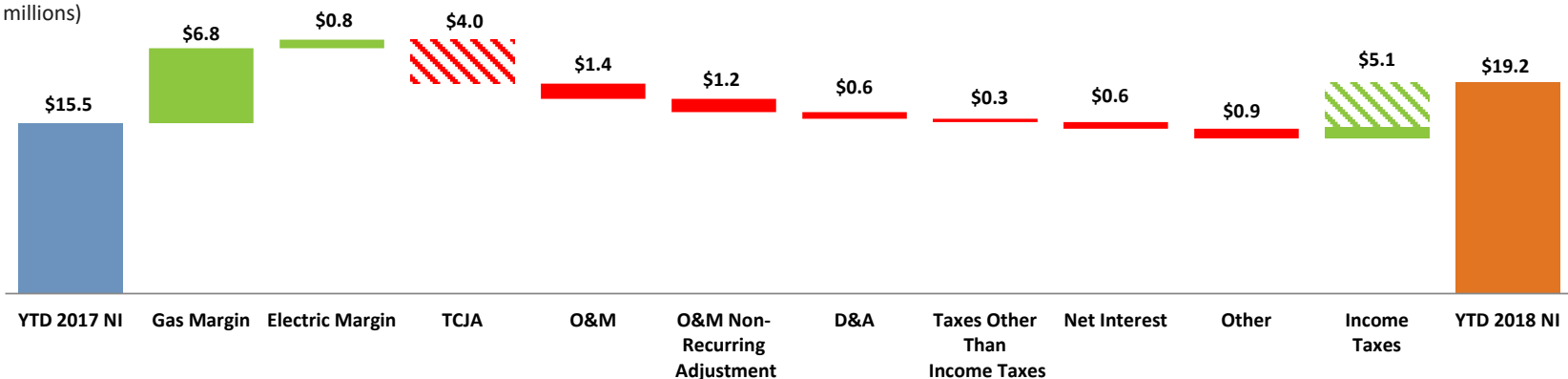


# YTD Variance: 2018 vs 2017

- Net Income up \$3.7 million or 24%
- Gas margin up \$6.8 million or 12%, before the impact of the TCJA. Includes \$1.2 million concurrent non-recurring adjustment to increase revenue and O&M for the reconciliation of permanent to temp rates
- Electric margin up \$0.8 million or 2%, before the impact of the TCJA
- TCJA resulted in revenue reductions of \$4.0 million (\$2.5 million in gas, \$1.5 million in electric) which is also reflected in a lower provision for income taxes
- O&M up \$1.4 million excluding \$1.2 million concurrent non-recurring adjustment. Reflects higher labor expense, bad debt expense, and utility operating costs
- D&A increase of \$0.6 million reflecting higher utility plant in service and higher amortization of software costs, partially offset by lower amortization of deferred major storm costs
- Taxes Other Than Income Taxes increase of \$0.3 million reflecting higher payroll taxes
- Interest Expense, net increase of \$0.6 million reflecting interest on higher levels of long-term debt
- Income Taxes decreased \$5.1 million consisting of \$4.0 million due to the lower income tax rate and \$1.1 million due to the current tax benefit related to book/tax items turning at the lower tax rate

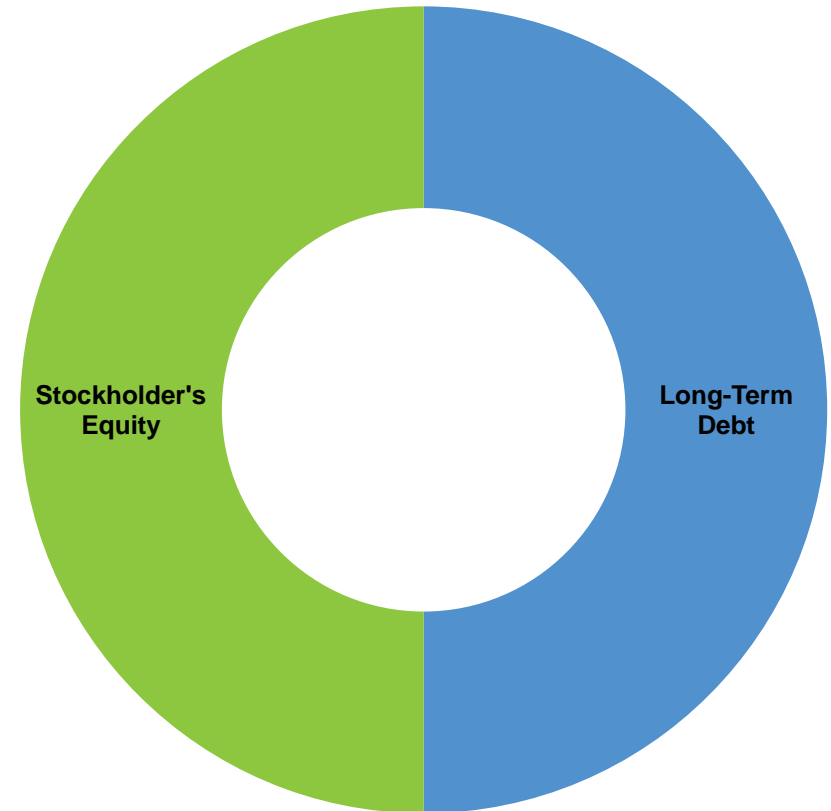
## Variance Analysis

(\$ in millions)



# Financial Strength

- Investment grade rating
  - Standard & Poor's issuer rating of BBB+ across Unitil Corporation and its subsidiaries
  - Moody's issuer rating of Baa2 (Unitil Corporation and Granite State) and Baa1 (Unitil Energy, Fitchburg, and Northern Utilities)
- Balanced capital structure
  - Approximately 50% equity and 50% long-term debt
  - Well positioned to refinance higher cost long-term debt over the next few years (over \$80 million maturing 2019-2023)
- Entered into new credit facility – Second Amended and Restated Credit Agreement
  - New maturity date of July 2023 with two one-year extension options
  - Increased accordion size of \$50 million
  - New pricing of Libor + 1.125%, a reduction of 0.125%



# 2018 Regulatory Activity

## Subsidiary Q2 2018 Return on Equity – Authorized ROE Range of 9.5%-9.8%

Company	Average Common Equity	06/18 LTM ROE <sup>(1)</sup>	Rate Cases / Capital Trackers/ TCJA Activity		Date Effective
Northern Utilities (New Hampshire)	\$177.1	8.6%	Rate Case (NH) Capital Tracker (NH) TCJA	\$2.6 mm \$2.3 mm (\$1.7) mm	08/01/2017 05/01/2018 01/01/2018
Northern Utilities (Maine)			Rate Case (ME) Capital Tracker (ME) TCJA	\$2.1 mm \$1.1 mm (\$2.2) mm	03/01/2018 05/01/2018 03/01/2018
Unitil Energy	\$80.5	10.5%	Capital Tracker TCJA	\$1.9 mm (\$2.2) mm	05/01/2018 01/01/2018
Fitchburg (Electric)	\$75.1	7.9%	Capital Tracker (Electric) Solar Capital Tracker TCJA	\$0.4 mm \$0.3 mm (\$0.8) mm	01/01/2018 06/01/2018 01/01/2018
Fitchburg (Gas)			Capital Tracker (Gas) TCJA	\$0.9 mm (\$0.8) mm	05/01/2018 01/01/2018
Granite State	\$13.6	9.9%	Settlement approved for no rate change		06/27/18
Unitil Corporation	\$323.6	10.1%			

(1) ROE calculated by dividing last twelve months GAAP Net Income by Average Common Equity



# Key Investment Highlights

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

