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 Quarter Ended September 30, 2004

Commission File Number 1-8858

UNITIL CORPORATION
(Exact name of registrant as specified in its charter)

New Hampshire	**02-0381573**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
6 Liberty Lane West, Hampton, New Hampshire	**03842-1720**
(Address of principal executive office)	*(Zip Code)*

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

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 is an accelerated filer (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 27, 2004
Common Stock, No par value	5,538,604 Shares

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PART I. FINANCIAL INFORMATION

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

SAFE HARBOR CAUTIONARY STATEMENT

This report and the documents we incorporate by reference into this report contain statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 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 Management'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 the following:

- Variations in weather;
- Changes in the regulatory environment;
- Customers' preferences on energy sources;
- Interest rate fluctuation and credit market concerns;
- General economic conditions;
- Increased competition; and
- Fluctuations in supply, demand, transmission capacity and prices for energy commodities.

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. 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.

RESULTS OF OPERATIONS

Earnings Overview

The Company's Net Income was $1.2 million for the third quarter of 2004 compared to $1.4 million for the third quarter of 2003. Results for the third quarter of 2004 compared to the prior year reflect lower quarterly sales and higher operating and maintenance expenses which were partially offset by lower interest expense. Electric and gas sales margins were adversely affected, by ($0.1 million), due to abnormally mild summer weather in our utility service territories. The mild summer temperatures in our area were 33% below normal and that resulted in reduced usage of electricity for air conditioning and other cooling purposes. In addition, the Company recorded a reserve in Operating and Maintenance Expenses for uncollectible amounts, of ($0.2 million), from a large customer who filed bankruptcy in September 2004. Other increases in Operating and Maintenance Expenses in the quarter, of ($0.3 million), primarily relate to higher retiree and employee benefit costs. Interest Expense in the third quarter was $0.3 million favorable to the same period last year and the total of all other changes in revenues and expenses and taxes, as discussed below, were a net $0.1 million favorable to prior year. Through the first nine months of 2004, Net Income was $5.5 million, an increase of 3% over the first nine months of 2003.

Earnings per common share were $0.22 for the third quarter of 2004 compared with earnings of $0.30 per share for the third quarter of 2003. Through the first nine months of 2004, earnings per share were $1.00 compared with earnings of $1.12 per share in the first nine months of 2003. The Earnings per share figures in 2004 reflect approximately 16% more shares outstanding due to the Company's public offering in the fourth quarter of 2003.

Operating Revenues — Electric

Electric Operating Revenues - Electric Operating Revenues, decreased by $2.8 million, or 5.7%, and by $7.9 million, or 5.4%, in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003. Electric Operating Revenues include the recovery of costs of electric sales, which are recorded as Purchased Electricity and Conservation & Load Management (C&LM) in Operating Expenses. The decreases in Operating Revenues primarily reflect lower Purchased Electricity costs compared to prior periods. The Purchased Electricity cost of sales component decreased $2.6 million, or 7.6%, and $8.9 million, or 8.6%, in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003, reflecting lower electric commodity prices. Purchased Electricity expenses include the cost of electric supply as well as the other energy supply related restructuring costs, including long-term power supply contract buyout costs. The Company recovers the cost of Purchased Electricity in its rates at cost on a pass through basis. C&LM revenues related to electric operations decreased $0.1 million, or 14.1% in the three month period ended September 30, 2004 and increased $0.4 million, or 21.6% in the nine month period ended September 30, 2004, compared to the same periods in 2003. The net increase in the nine month period reflects increased spending on energy efficiency programs that were implemented during that period. The Company also recovers the costs of C&LM on a pass through basis.

Electric sales margin (Electric Operating Revenues less cost of electric sales) was $13.7 million and $40.5 million in the three and nine month periods ended September 30, 2004, respectively. This represents a decrease of less than $0.1 million in the three month period and an increase of $0.5 million in the nine month period, compared to the same periods in 2003. The decrease in the three month period reflects the impact on sales of the abnormally mild summer weather which drove lower kilowatt-hour (kWh) unit sales to residential customers as well as a 1.0% decrease in peak demand billings to large industrial customers, as compared to the same period in 2003. Peak demand billings are the primary determinant of electric service margins earned from the Company's commercial and industrial customer classes. On the other hand, kWh unit sales are the primary driver of electric service margins earned from the Company's residential customer class. The increase in the nine month period reflects increased kWh unit sales to both residential and commercial and industrial customer classes during these periods, partially offset by lower peak demand billings in 2004.

The following table details total Electric Operating Revenues and Sales Margin for the three and nine month periods ended September 30, 2004 and 2003:

Electric Operating Revenues and Sales Margin (000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	**2004**	2003	% Change
Electric Operating Revenue	**$ 46,547**	$ 49,362	(5.7%)	**$ 137,540**	$ 145,448	(5.4%)
Purchased Electricity	**32,010**	34,641	(7.6%)	**94,573**	103,463	(8.6%)
Conservation & Load Management	**854**	994	(14.1%)	**2,505**	2,060	21.6%
Electric Sales Margin	**$ 13,683**	$ 13,727	(0.3%)	**$ 40,462**	$ 39,925	1.3%

Kilowatt-hour Sales – Unitil's total electric kilowatt-hour (kWh) sales decreased (1.0%) in the three months ended September 30, 2004 compared to the same period in 2003 and increased 1.6% in the nine month period ended September 30, 2004 compared to the same period in 2003. The decrease in the three month period reflects lower kWh sales to residential customers, driven primarily by 33% cooler summer weather than in the same period of 2003, offset partially by increased kWh sales to commercial and industrial customer classes The increase in the nine month period was driven primarily by increased kWh sales to commercial and industrial customer classes. Despite higher kWh sales to commercial and industrial customers in the current periods, peak demand billings for this group of customers declined 1.0% and 0.1% in the three month and nine month periods, respectively. Peak demand billings are a measure of the maximum amount of electricity supply a customer requires from the system at a point in time during the billing period. This decline in peak demand billings reflects changes in usage patterns of commercial and industrial customers due to the impact of such factors as the cooler summer weather, energy efficiency improvements and changes in production processes. In addition, we have experienced the decline in peak demand billings for certain of our large manufacturing customers that are experiencing a slower-than-expected recovery during the current economic business cycle.

The following table details total kWh sales for the three and nine months ended September 30, 2004 and 2003 by major customer class:

kWh Sales (000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	**2004**	2003	% Change
Residential	**168,290**	174,657	(3.6%)	**499,021**	497,164	0.4%
Commercial/Industrial	**291,236**	289,491	0.6%	**831,378**	811,990	2.4%
Total	**459,526**	464,148	(1.0%)	**1,330,399**	1,309,154	1.6%

Operating Revenues - Gas

Gas Operating Revenues – Gas Operating Revenues decreased $0.1 million, or 3.2%, and $1.5 million, or 7.1%, in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003. Gas Operating Revenues include the recovery of the cost of sales, which are recorded as Purchased Gas and C&LM in Operating Expenses.

Purchased Gas decreased $0.1 million, or 2.4%, and $1.1 million, or 8.6%, in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003. The decrease in Purchased Gas in the three month period is primarily attributable to lower gas commodity costs while the decrease in the nine month period is primarily attributable to lower gas unit sales. Purchased Gas costs include the cost of gas supply as well as the other energy supply related costs. The Company recovers the cost of Purchased Gas in its rates at cost on a pass through basis. C&LM expenses related to gas operations decreased less than $0.1 million in the three month period ended September 30, 2004 and increased less than $0.1million in the nine month period ended September 30, 2004, compared to the same periods in 2003. The Company also recovers the costs of C&LM on a pass through basis.

Gas sales margin (Gas Operating Revenue less the costs of gas sales) was $1.3 million and $7.5 million in the three and nine month periods ended September 30, 2004, respectively. This represents decreases of less than $0.1 million and $0.4 million compared to the same periods in 2003, respectively. Although total firm therm unit sales increased 2.7% in the three month period ended September 30, 2004 compared to the same period in 2003, peak demand billings to large industrial gas customers decreased 2.9% resulting in lower period over period margins for these customers. The decrease in the nine month period is attributable to lower firm therm unit sales, reflecting milder weather through the first nine months of 2004 compared to the same period in 2003, as well as lower peak demand billings to large industrial gas customers, which decreased 7.8% period over period. This decline in peak demand billings reflects changes in usage patterns of commercial and industrial customers due to the impact of such factors as the cooler summer weather, energy efficiency improvements and changes in production processes. As discussed above, certain of our manufacturing customers have also been negatively affected by the slower-than-expected recovery during the current economic business cycle.

The following table details total Gas Operating Revenues and Margin for the three and nine months ended September 30, 2004 and 2003:

Gas Operating Revenues and Sales Margin (000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	**2004**	2003	% Change
Gas Operating Revenue	**$ 3,164**	$ 3,269	(3.2%)	**$ 19,531**	$ 21,029	(7.1%)
Purchased Gas	**1,727**	1,769	(2.4%)	**11,794**	12,909	(8.6%)
Conservation & Load Management	**95**	110	(13.6%)	**278**	229	21.4%
Gas Sales Margin	**$ 1,342**	$ 1,390	(3.5%)	**$ 7,459**	$ 7,891	(5.5%)

Therm Sales – Unitil's total firm therm sales of natural gas increased 2.7% in the three months ended September 30, 2004 compared to the same period in 2003 and decreased 6.3% in the nine months ended September 30, 2004 compared to the same period in 2003. The decrease in the nine month period was primarily due to a milder winter heating season in 2004 compared to the prior year and lower gas usage by our largest customers for production processes. Sales to residential customers decreased 0.9% and 6.7% in the three and nine months ended September 30, 2004, respectively, compared to the same periods in 2003. Sales to commercial and industrial customers increased 5.4% in the in the three months ended September 30, 2004 compared to the same period in 2003 and decreased 5.8% in the nine months ended September 30, 2004 compared to the same period in 2003.

The following table details total firm therm sales for the three and nine months ended September 30, 2004 and 2003, by major customer class:

Firm Therm Sales (000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	**2004**	2003	% Change
Residential	**777**	784	(0.9%)	**8,822**	9,454	(6.7%)
Commercial/Industrial	**1,087**	1,031	5.4%	**8,898**	9,448	(5.8%)
Total	**1,864**	1,815	2.7%	**17,720**	18,902	(6.3%)

Operating Revenue** - **Other

Total Other Revenues increased $0.1 million, or 29.5%, and $0.2 million, or 27.3% in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003. These increases were the result of growth in revenues from the Company's unregulated energy brokering business, Usource.

The following table details total Other Revenue for the three and nine months ended September 30, 2004 and 2003:

Other Revenue (000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	**2004**	2003	% Change
Usource	**$338**	$254	33.1%	**$1,077**	$824	30.7%
Other	**—**	7	—	**—**	22	—
Total Other Revenue	**$338**	$261	29.5%	**$1,077**	$846	27.3%

Operating Expenses

Purchased Electricity – Purchased Electricity expenses include the cost of electric supply as well as the other energy supply related restructuring costs, including long-term power supply contract buyout costs. Purchased Electricity expenses decreased $2.6 million, or 7.6%, and $8.9 million, or 8.6%, in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003, reflecting lower wholesale electric purchased power prices. The Company recovers the costs of Purchased Electricity in its rates at cost on a pass through basis and therefore changes in these expenses do not impact Net Income.

Purchased Gas – Purchased Gas expenses include the cost of gas purchased and manufactured to supply the Company's total gas supply requirements. Purchased Gas decreased $0.1 million, or 2.4%, and $1.1 million, or 8.6%, in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003. The decrease in Purchased Gas in the three month period is primarily attributable to lower wholesale gas commodity costs while the decrease in the nine month period is primarily attributable to lower gas unit sales. The Company recovers the costs of Purchased Gas in its rates at cost on a pass through basis and therefore changes in these expenses do not impact Net Income.

Operation and Maintenance (O&M) - O&M expense includes electric and gas utility operating costs, and the operating cost of the Company's unregulated business activities. Total O&M expense increased $0.5 million, or 9.1%, and $0.7 million, or 4.3% in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003.

The increase in the three month period reflects the recording by the Company of a reserve for uncollectible amounts from a large customer which filed bankruptcy in September, $0.2 million, and higher compensation, and retiree and employee benefit and other costs of $0.3 million. The increase in the nine month period reflects higher compensation expenses of $0.5 million and higher retiree and employee benefit expenses of $0.4 million, partially offset by lower other net utility operating expenses, ($0.2 million).

Conservation & Load Management – C&LM expenses are associated with the development, management, and delivery of the Company's Energy Efficiency programs. Energy Efficiency programs are designed, in conformity with state regulatory requirements, to help consumers use natural gas and electricity more efficiently and thereby decrease their energy costs. Programs are tailored to residential, small business and large business customer groups and provide educational materials, technical assistance, and rebates that contribute toward the cost of purchasing and installing approved measures. Approximately 90% of these costs are related to electric operations and 10% to gas operations.

Total C&LM expenses decreased $0.2 million, or 14.0%, in the three month period ended September 30, 2004 and increased $0.5 million, or 21.6%, in the nine month period ended September 30, 2004, compared to the same periods in 2003. The decrease in the three month period and the increase in the nine month period reflect changes in spending on Energy Efficiency programs that were implemented in 2004. These costs are collected from customers on a pass through basis and therefore, fluctuations in program costs have no impact on Net Income.

Depreciation, Amortization and Taxes

Depreciation and Amortization - Depreciation and Amortization expense increased $0.2 million, or 3.9% and $0.1 million, or less than 1.0%, for the three and nine month periods ended September 30, 2004 compared to the same periods in 2003. These increases were primarily due to increased depreciation and amortization on normal plant additions and regulatory assets, partially offset by lower amortization of corporate intangible assets compared to last year.

Local Property and Other Taxes - Local Property and Other Taxes increased by less than $0.1 million, or 1.0%, and $0.1 million, or 2.5%, the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003. These increases were due to increases in payroll and property taxes.

Federal and State Income Taxes - Federal and State Income Taxes are lower by $0.3 million in the third quarter of 2004 compared to 2003 reflecting lower pre-tax earnings and lower by $0.1 million for the nine months ended September 30, 2004 due to higher amortization of deferred tax credits on Regulatory Assets through the first nine months of 2004.

Interest Expense, net

Interest expense is presented in the financial statements net of interest income. Interest expense is mainly comprised of interest on short- and long-term debt and interest on regulatory liabilities. Interest income is mainly derived from carrying charges on restructuring related stranded costs and other deferred costs recorded as regulatory assets by the Company's retail distribution utilities as approved by regulators in New Hampshire and Massachusetts. Over the long run, as deferred costs are recovered through rates, the interest costs associated with these deferrals are expected to decrease together with a decrease in interest income.

Interest Expense, net, decreased by $0.3 million and $0.8 million in the three and nine month periods ended September 30, 2004, respectively, as compared to the same periods in 2003. The decrease in the nine month period was the result of a reduction of $0.5 million in short-term interest expense due to lower levels of short-term borrowings, and increased interest income on regulatory assets of $0.6 million, offset by an increase in long-term interest expense of $0.3 million due to a higher level of long-term debt.

CAPITAL REQUIREMENTS

Cash provided by operating activities was $28.7 million during the first nine months of 2004, an increase of $13.7 million over the comparable period last year. This increase in cash provided by operating activities compared to last year primarily reflects changes in current assets and liabilities which taken together represent the Company's working capital requirements. A major source of cash in working capital through September 30, 2004, was the collection of Accrued Revenues, which represents an improvement of $8.8 million in operating cash flow compared to last year. This change in Accrued Revenues principally reflects the recovery of previously deferred energy costs from 2003 that that are being recovered over a 22-month period ending in April 2005. Cash flow from Other Current Liabilities increased $6.6 million over the comparable period in 2003 mainly due to the absence in 2004 of funding that was required in 2003 of approximately $3.5 million for an environmental remediation project and $1.4 million for nonrecurring restructuring charges. Other sources and uses of operating cash flow for the period are a net ($1.7million), including a $0.2 million source of cash from increases in Net Income.

Cash used in investing activities for the nine months ended September 30, 2004 was $17.1 million compared with $16.3 million during the same period last year, an increase of $0.8 million. Cash used in investing activities reflects normal electric and gas utility system capital additions, improvements and replacements.

Cash flows used in financing activities were $11.5 million in the first nine months of 2004 compared with $2.1 million in the comparable period of 2003. Cash used for financing activities in the current period includes repayment of short-term debt of $2.7 million, repayment of long-term debt of $3.2 million and payment of dividends to shareholders of $5.9 million. Other net sources provided $0.3 million. The repayment of long-term debt fully retired the FG&E 8.55% Notes that matured in March 2004. On October 15, 2004, UES redeemed all of its three Series of Redeemable Cumulative Preferred Stock in the amount of approximately $0.9 million. This transaction will be recorded in the Company's financial statements in the fourth quarter of 2004. (See Note 9.)

At September 30, 2004 and December 31, 2003, Unitil had an aggregate of $33.0 and $52.0 million, respectively, in unsecured revolving lines of credit through three banks. The revolving lines of credit were reduced after the October 2003 receipt of approximately $16.9 million (after deducting underwriting discounts, commissions and the other expenses of the offering) through the sale of Common Stock and the issuance of $10.0 million of long-term Notes by the Company's subsidiary, FG&E. The Company expects to renew its lines of credit annually on or about June 30, 2005 and anticipates that it will be able to secure, renew or replace its revolving lines of credit in the future in accordance with its projected requirements. Average daily short-term borrowings during the first nine months of 2004 were approximately $26.3 million, a decrease of approximately $14.3 million over the comparable period in 2003. At September 30, 2004, the Company had available approximately $13.3 million of unused bank lines of credit and had short-term debt outstanding through bank borrowings of approximately $19.7 million. In addition, Unitil had $3.8 million in cash at September 30, 2004.

The Company provides limited guarantees on certain energy contracts entered into by its regulated subsidiary companies. The Company's policy is to limit these guarantees to two years or less. As of September 30, 2004, there are $0.3 million of guarantees outstanding and these guarantees extend through October 21, 2005.

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 management 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, management 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 judgments, the financial position of the Company could be materially affected and the results of operations of the Company could be materially different than reported. The following is a summary of the Company's most critical accounting policies, which are defined as those policies where judgments or uncertainties could materially affect the application of those policies. For a complete discussion of the Company's significant accounting policies, refer to the financial statements and Note 1: Summary of Significant Accounting Policies.

Regulatory Accounting - The Company's principal business is the distribution of electricity and natural gas in the Company-owned retail distribution utilities: Fitchburg Gas and Electric Light Company (FG&E), and Unitil Energy Systems, Inc. (UES). Both FG&E and UES are subject to regulation by the Federal Energy Regulatory Commission (FERC) and FG&E is regulated by the Massachusetts Department of Telecommunications and Energy (MDTE) and UES is regulated by the New Hampshire Public Utilities Commission (NHPUC). Accordingly, the Company uses the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." In accordance with SFAS No. 71, the Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered or refunded in future electric and gas retail rates.

SFAS No. 71 recognizes the economic effects that result from the cause and effect relationship of costs and revenues in the rate-regulated environment and specifies how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or “regulatory assets” under SFAS No. 71. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or “regulatory liabilities” under SFAS No. 71.

The Company’s principal regulatory assets and liabilities are detailed on the Company’s Consolidated Balance Sheet. The Company is currently receiving or being credited with a return on all of its regulatory assets for which a cash outflow has been made. The Company is currently paying or being charged with a return on all of its regulatory liabilities for which a cash inflow has been received. The Company’s regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

The application of SFAS No. 71 results in the deferral of costs as regulatory assets that, in some cases, have not yet been approved for recovery by the applicable regulatory commission. Management must conclude that any costs deferred as regulatory assets are probable of future recovery in rates. However, regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company’s consolidated financial statements. Management believes it is probable that the Company’s regulated utility companies will recover their investments in long-lived assets, including regulatory assets. The Company also has commitments under contracts for the purchase of electricity from various suppliers. The annual costs under these contracts are included in Purchased Electricity and Purchased Gas in the Consolidated Statements of Earnings and these costs are recoverable in current and future rates under various orders issued by the FERC, MDTE and NHPUC.

If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of SFAS No. 71. If unable to continue to apply the provisions of SFAS No. 71, the Company would be required to apply the provisions of SFAS No. 101, “Regulated Enterprises – Accounting for the Discontinuation of Application of Financial Accounting Standards Board Statement No. 71.” In management’s opinion, the Company’s regulated subsidiaries will be subject to SFAS No. 71 for the foreseeable future.

Utility Revenue Recognition - Regulated utility revenues are based on rates approved by state and federal regulatory commissions. These regulated rates are applied to customers’ accounts based on their actual or estimated use of energy. Energy sales to customers are 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 revenue is recorded. This unbilled revenue is estimated each month based on estimated customer usage by class and applicable customer rates.

Allowance for Doubtful Accounts - The Company recognizes a Provision for Doubtful Accounts as a percent of revenues each month. The amount of the monthly Provision is based upon the Company’s experience in collecting electric and gas utility service accounts receivable in prior years. Account write-offs, net of recoveries, are processed monthly. At the end of each month, an analysis of the delinquent receivables is performed and the adequacy of the Allowance for Doubtful Accounts is reviewed. The analysis takes into account an assumption about the cash recovery of delinquent receivables and also uses calculations related to customers who have chosen payment plans to resolve their arrears. The analysis also calculates the amount of bad debts that are recoverable through regulatory rate reconciling mechanisms. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis. Also, the Company has experienced periods when State regulators have extended the periods during which certain standard credit and collection activities of utility companies are suspended. In periods when account write-offs exceed estimated levels, the Company adjusts the Provision for Doubtful Accounts to maintain an adequate Allowance for Doubtful Accounts balance.

Pension and Postretirement Benefit Obligations - The Company has a defined benefit pension plan covering substantially all its employees and also provides certain other post-retirement benefits, primarily medical and life insurance benefits to retired employees. The Company also has a Supplemental Executive Retirement Plan (SERP) covering certain executives of the Company. The Company accounts for these benefits in accordance with SFAS No. 87, “Employers’ Accounting for Pensions” and SFAS No. 106, “Employers’ Accounting for Postretirement Benefits other than Pensions”, (PBOP). In applying these accounting policies, the Company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation, health care cost trends, and appropriate discount rates. For each of these plans, the development of the benefit obligation, fair value of plan assets, funded status and net periodic benefit cost is based on several significant assumptions. The Company’s reported costs of providing pension and PBOP benefits are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. The Company’s health care cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Pension and PBOP costs (collectively “postretirement costs”) are affected by actual employee demographics, the level of contributions made to the plans, earnings on plan assets, and health care cost trends. Changes made to the provisions of these plans may also affect current and future postretirement costs. Postretirement costs may also be significantly affected by changes in key actuarial assumptions, including, anticipated rates of return on plan assets and the discount rates used in determining the postretirement costs and benefit obligations. If these assumptions were changed, the resultant change in benefit obligations, fair values of plan assets, funded status and net periodic benefit costs could have a material impact on the Company’s consolidated financial statements. Approximately 40% of the Company’s net pension expense is capitalized as capital additions to utility plant.

Income Taxes - Income tax expense is calculated in each of the jurisdictions in which the Company operates for each period for which a statement of income is presented. This process involves estimating the Company’s actual current tax liabilities as well as assessing temporary differences resulting from differing treatment of items, such as timing of the deduction of expenses for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheets. The Company must also assess the likelihood that the deferred tax assets will be recovered from future taxable income, and to the extent that recovery is not likely, a valuation allowance must be established. Significant management judgment is required in determining income tax expense, deferred tax assets and liabilities and valuation allowances. The Company accounts for deferred taxes under SFAS No. 109, “Accounting for Income Taxes.” The Company does not currently have any valuation allowances against its recorded deferred tax amounts.

Depreciation - Depreciation expense is calculated based on an asset’s useful life and judgment is involved when estimating the useful lives of certain assets. A change in the estimated useful lives of these assets could have a material impact on the Company’s consolidated financial statements if the effect of those changes is not recoverable in regulatory rate mechanisms. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company’s fixed assets.

Commitments and Contingencies - The Company’s accounting policy is to record and/or disclose commitments and contingencies in accordance with SFAS No. 5, “Accounting for Contingencies.” SFAS No. 5 applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur.

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

INTEREST RATE RISK

The Company meets its external financing needs by issuing short-term debt. The majority of the Company’s debt outstanding represents long-term notes bearing fixed rates of interest. Changes in market interest rates do not affect interest expense resulting from these outstanding long-term debt securities. However, the Company periodically repays its short-term debt borrowings through the issuance of new long-term debt securities. Changes in market interest rates may affect the interest rate and corresponding interest expense on any new long-term debt securities issued by the Company. In addition, the Company's short-term debt borrowings bear a variable rate of interest. As a result, changes in short-term interest rates will increase or decrease the Company's interest expense in future periods. For example, if the Company had an average amount of short-term debt outstanding of $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 (pre-tax). The average interest rates on the Company's short-term borrowings for the three months ended September 30, 2004 and September 30, 2003 were 1.97% and 1.74%, respectively. The average interest rates on the Company's short-term borrowings for the nine months ended September 30, 2004 and September 30, 2003 were 1.70% and 1.82%, respectively.

MARKET RISK

Although Unitil's utility operating companies 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 power and gas costs in rates on a pass-through basis. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, as discussed above and below in Regulatory Matters, the Company has divested its commodity-related contracts and therefore, has further reduced its exposure to commodity risk.

REGULATORY MATTERS

PLEASE ALSO REFER TO NOTE 6 TO THE CONSOLIDATED FINANCIAL STATEMENTS IN PART I, ITEM 1 OF THIS REPORT FOR A DETAILED DISCUSSION OF REGULATORY MATTERS.

As a registered holding company under PUHCA, Unitil and its subsidiaries are regulated by the Securities and Exchange Commission (SEC) with respect to various matters, including: the issuance of securities, our capital structure and certain acquisitions and dispositions of assets. UES and FG&E are subject to regulation by the New Hampshire Public Utilities Commission (NHPUC) and the Massachusetts Department of Telecommunications and Energy (MDTE), respectively, with respect to their rates, issuance of securities and other accounting and operational matters. Certain aspects of the Company's utility operations as they relate to wholesale and interstate business activities are also regulated by the Federal Energy Regulatory Commission (FERC). Over the past several years, the Company has completed the restructuring of its electric and natural gas operations in order to implement retail choice as mandated in New Hampshire and Massachusetts.

Unitil's retail distribution utilities have the franchise to deliver electricity and/or natural gas to all customers in our franchise areas, at rates established under traditional cost of service regulation. Under this regulatory structure, UES and FG&E recover the cost of providing distribution service to their customers based on a historical test year, in addition to earning a return on their capital investment in utility assets. In 2002, the retail distribution utilities completed rate proceedings and were authorized by the NHPUC and MDTE to implement increased rates for electric and natural gas distribution operations beginning in December of that year. UES and FG&E also recover the actual cost of any electricity or natural gas they supply to their customers, as well as certain costs associated with industry restructuring, through periodically adjusted rates.

In recent years, there has been significant legislative and regulatory activity to restructure the utility industry in order to introduce greater competition in the supply and sale of electricity and natural gas, while continuing to regulate the delivery operations of Unitil's retail distribution utilities. Unitil implemented the restructuring of its electric and gas operations in Massachusetts in 1998 and 2000, respectively, and implemented the final phase of a restructuring settlement for its New Hampshire electric operations on May 1, 2003. Following electric industry restructuring, Unitil's retail distribution companies have a continuing obligation to submit filings in both states that demonstrate their compliance with regulatory mandates and provide for timely recovery of costs in accordance with their approved restructuring plans.

In connection with industry restructuring and the implementation of retail choice for our customers in New Hampshire and Massachusetts, Unitil Power divested its long-term power supply contracts and FG&E divested its long-term power supply contracts and owned generation assets. Unitil Power divested its long-term power supply contracts to a subsidiary of Mirant Corporation (Mirant) and FG&E divested its owned generation assets and long-term power supply contracts to Select Energy, Inc. (Select Energy). Unitil Power and FG&E divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. UES and FG&E recover in their rates all the costs associated with the divestiture of their power supply portfolios as a result of electric industry restructuring.

Unitil's customers in both New Hampshire and Massachusetts now have the opportunity to purchase their electric supply from third party vendors, though most customers continue to purchase such supplies through Unitil as the provider of last resort. Accordingly, UES and FG&E contract with wholesale power suppliers for the electricity necessary to meet their regulated default service energy supply obligations. Similarly, FG&E's natural gas customers have the option to contract for their natural gas supply with third-party suppliers and FG&E remains the default service provider for these natural gas customers. The costs associated with the acquisition of such wholesale electric and natural gas supplies for customers who do not contract with third-party suppliers are recovered from those customers through reconciling rate mechanisms.

UES and FG&E have secured regulatory approval from the NHPUC and MDTE, respectively, for the recovery of power supply-related stranded costs and other restructuring-related regulatory assets. The remaining balance of these assets, to be recovered principally over the next 6 to 8 years, is $181 million as of September 30, 2004 and is included in Regulatory Assets on the Company's Consolidated Balance Sheet. Unitil's retail distribution utilities have also implemented comprehensive customer and financial information systems to accommodate the transition to competitive energy markets and retail choice.

On March 17, 2004, UES filed its first annual reconciliation and rate filing with the NHPUC under its restructuring plan, seeking revised rates for the Transition Service Charge, Default Service Charge, Stranded Cost Charge, and External Delivery Charge. In this filing, UES also sought an accounting order to defer and amortize transaction and issuance costs associated with the merger of E&H with and into CECo to form UES. The NHPUC issued orders approving the deferal and proposed rates, as modified by UES during the course of the proceeding, for effect on May 1, 2004. The net impact of the proposed rate changes (see discussion of UES' March 15, 2004 rate filing regarding PBOP costs, in "*Other Regulatory Procedings*, below) was a retail rate decrease of 1.8 percent.

On October 26, 2004, UES filed a Petition for Approval for a one year extension of Transition Service and Default Service for rate class G1, and approval of the associated solicitation process whereby UES intends to secure energy supplies for such extended service. UES' restructuring settlement provided that the provision of Transition and Default Service may be extended for the G1 class one year. If approved, UES' Transition Service supply obligation for all rate classes would end at the same time on April 30, 2006. The Company recovers the costs of Transition Service and Default Service in its rates at cost on a pass through basis and therefore changes in these expenses do not impact Net Income.

Other Regulatory Proceedings – Between December 2002 and January 2003, FG&E and UES received approval from their respective state regulatory commissions for accounting orders to mitigate certain accounting requirements related to prepaid pension plan assets, which have been triggered by the substantial decline in the capital markets and a sharp decrease in interest rates. These approvals allowed FG&E and UES to offset the additional minimum pension liability obligation as a Regulatory Asset and avoid the reduction in equity that would otherwise have been required. These regulatory orders did not pre-approve the amount of pension expense to be recovered in future rates, which recovery will be determined in future proceedings. Based on these approvals, FG&E's and UES' additional minimum pension liability obligations are offset by amounts included in Regulatory Assets on the Company's balance sheet.

On April 30, 2004, FG&E filed new tariffs with the MDTE to establish a reconciliation adjustment mechanism for both its Gas Division and Electric Division to provide for the recovery of costs associated with the Company's employee pension benefits and Post Retirement Benefits Other than Pension (PBOP) expenses. On October 27, 2004 the MDTE approved FG&E's request for a reconciliation rate adjustment mechanism related to pension and PBOP costs. As part of this ruling, FG&E is allowed to record a regulatory asset in lieu of taking a charge to expense for the difference between the level of pension and PBOP expenses that are included in its base rates and the amounts that are required to be recorded in accordance with SFAS No. 87 and SFAS No. 106, since the effective date of its last base rate change. This mechanism removes the volatility in earnings that may result from requirements of existing accounting standards and provides for an annual filing and rate adjustment with the MDTE. For the nine month period ended September 30, 2004, FG&E was allowed to defer for recovery, through the rate adjustment mechanism, pension and PBOP expenses of $1.0 million. As of September 30, 2004, FG&E has recorded a regulatory asset of $1.6 million which is included as part of Regulatory Assets in the Company's Consolidated Balance Sheets.

On December 19, 2003, UES filed with the NHPUC a Petition for Deferral of its PBOP expenses not recovered in base rates. On January 30, 2004 the NHPUC issued an order approving UES's request for this accounting order to defer these costs. On March 15, 2004 UES filed a petition with the NHPUC for recovery of PBOP costs. UES proposed an increase to its distribution base rates of $1.0 million to provide for the recovery of these costs, effective May 1, 2004. The NHPUC issued orders approving the proposed rates, for effect on May 1, 2004.

On January 30, 2004 the MDTE granted FG&E's request to voluntarily decrease its Cost of Gas Adjustment Clause (CGAC) during the remainder of the 2004 winter period by accelerating the payment of a multi-year refund that was ordered by the MDTE in May 2001, based upon a finding that FG&E had over-collected certain fuel inventory finance charges. In January 2004, the Massachusetts Supreme Judicial Court (SJC) affirmed the MDTE's May 2001 Order requiring the refund, which Order FG&E had appealed. The MDTE subsequently approved FG&E's request to prepay the balance of the refund outstanding of approximately $1.2 million by reducing the CGAC in February through April 2004. The MDTE also approved FG&E's request to amortize these charges against future revenues. On March 18, 2004 FG&E filed its summer CGAC for effect May 1, 2004. The rates were approved as filed on April 29, 2004. Gas costs included in the new rates were projected to be approximately 2.3 percent lower on average than in the previous rates. However, the temporary refund which had reduced rates in February, March and April ended, resulting in a net average increase to customers of 8.6 percent. On September 17, 2004 FG&E filed its winter CGAC for effect November 1, 2004. The proposed rates result in an average increase to customers of 16.3% versus current summer rates.

In March 2003, the MDTE opened an investigation into FG&E's dealings with Enermetrix, Inc. (Enermetrix). Enermetrix provides an internet-based energy auction service that is used by utilities to post their natural gas and electric power needs for bids. FG&E used the Enermetrix Exchange to post its electric default service solicitations in September 2001 and March 2002, and Enermetrix earned approximately $19,000 in fees from these transactions. In Management's view, these successful solicitations ultimately resulted in significant lower default service costs to FG&E's customers. At the time of these solicitations, FG&E's parent, Unitil Corporation, had an approximately 9% ownership interest in Enermetrix. The MDTE is investigating whether FG&E is in compliance with relevant statutes and regulations pertaining to transactions with affiliated companies and the MDTE's Order setting forth the requirements for the pricing and procurement of default service. FG&E and the Attorney General have completed briefing the case and an MDTE decision is pending. Management believes the outcome of this matter will not have a material adverse effect on the financial position of the Company.

In August 2003, Northeast Utilities (NU) filed with FERC to revise its comprehensive network service transmission rates to establish and implement a formula based rate, replacing a fixed rate tariff. As filed, the proposed rate change would increase UES' external transmission costs paid under the NU tariff for comprehensive network service by about $600,000 per year. The Company has filed a Motion to Intervene and Limited Protest in this FERC proceeding, and has claimed that certain provisions of NU's filing are contrary to a settlement reached in 1997 with NU for comprehensive network transmission service. The FERC set NU's filing for settlement discussions and accepted the new tariff effective October 28, 2003, subject to refund. A settlement among certain parties to the proceeding was approved by the FERC on September 16, 2004. The settlement, among other things, reduces the allowed Return on Equity that NU can use in the formula rates and will result in refunds to the tariff customers, including UES. The settlement does not address a specific issue raised by UES. A formal hearing on UES' protest was held and briefs and reply briefs were submitted to the Administrative Law Judge during the third quarter of 2004. The Administrative Law Judge's decision is expected during the fourth quarter of 2004, to be followed by review and final order by the FERC. Management cannot predict the outcome of this proceeding but believes it will not have a material impact on results of operations because of rate reconciling cost recovery mechanisms approved by the NHPUC.

ENVIRONMENTAL MATTERS

PLEASE ALSO REFER TO NOTE 7 TO THE CONSOLIDATED FINANCIAL STATEMENTS IN PART I, ITEM 1 OF THIS REPORT FOR A DETAILED DISCUSSION OF ENVIRONMENTAL MATTERS.

As discussed in Note 7 to the Consolidated Financial Statements included in this report, the Company continues to work with environmental regulatory agencies to identify and assess environmental issues at the former manufactured gas plant (MGP) site at Sawyer Passway, located in Fitchburg, Massachusetts. FG&E proceeded with site remediation work as specified on the Tier 1B permit issued by the Massachusetts Department of Environmental Protection (DEP), which allows the Company to work towards temporary remediation of the site. Work performed in 2002 was associated with the five-year review of the Temporary Solution submittal (Class C Response Action Outcome) under the Massachusetts Contingency Plan that was filed for the site in 1997. Completion of this work has confirmed the Temporary Solution status of the site for an additional five years, to January 2008. A status of temporary closure requires FG&E to monitor the site until a feasible permanent remediation alternative can be developed and completed.

On May 13, 2004 FG&E discovered an unauthorized excavation by a third party on the site at Sawyer Passway in which tainted soils related to MGP by-products were exposed and relocated by another property owner at the site onto property owned by FG&E. FG&E promptly reported this discovery to DEP and subsequently received a Notice of Responsibility on May 20, 2004. FG&E has properly disposed of the relocated materials and taken other steps in accordance with DEP directives to remedy the situation. Remediation costs related to this event are recoverable in gas rates, as discussed in the paragraph below, and should not have a material impact on the Company’s financial status.

Since 1991, FG&E has recovered the environmental response costs incurred at this former MGP site pursuant to an MDTE approved settlement agreement between the Massachusetts Attorney General and the natural gas utilities of the Commonwealth of Massachusetts (Agreement). The Agreement allows FG&E to amortize and recover from gas customers over succeeding seven-year periods the environmental response costs incurred each year. Environmental response costs are defined to include liabilities related to manufactured gas sites, waste disposal sites or other sites onto which hazardous material may have migrated as a result of the operation or decommissioning of Massachusetts gas manufacturing facilities from 1822 through 1978. In addition, any recovery that FG&E receives from insurance or third parties with respect to environmental response costs, net of the unrecovered costs associated therewith, are split equally between FG&E and its gas customers. The total annual charge for such costs assessed to gas customers cannot exceed five percent of FG&E’s total revenue for firm gas sales during the preceding year. Costs in excess of five percent will be deferred for recovery in subsequent years.

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Item 1. Financial Statements

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS
(000's except common shares and per share data)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	**2004**	2003
Operating Revenues				
Electric	**$ 46,547**	$ 49,362	**$ 137,540**	$ 145,448
Gas	**3,164**	3,269	**19,531**	21,029
Other	**338**	261	**1,077**	846
Total Operating Revenues	**50,049**	52,892	**158,148**	167,323
Operating Expenses				
Purchased Electricity	**32,010**	34,641	**94,573**	103,463
Purchased Gas	**1,727**	1,769	**11,794**	12,909
Operation and Maintenance	**6,038**	5,533	**17,728**	16,989
Conservation & Load Management	**949**	1,104	**2,783**	2,289
Depreciation and Amortization	**4,664**	4,488	**13,821**	13,752
Provisions for Taxes:				
Local Property and Other	**1,213**	1,201	**3,873**	3,780
Federal and State Income	**493**	804	**2,692**	2,745
Total Operating Expenses	**47,094**	49,540	**147,264**	155,927
Operating Income	**2,955**	3,352	**10,884**	11,396
Non-Operating (Income) Expenses	**41**	(71)	**150**	31
Income Before Interest Expense	**2,914**	3,423	**10,734**	11,365
Interest Expense, Net	**1,648**	1,926	**5,058**	5,853
Net Income	**1,266**	1,497	**5,676**	5,512
Less: Dividends on Preferred Stock	**59**	59	**176**	177
Earnings Applicable to Common Shareholders	**$ 1,207**	$ 1,438	**$ 5,500**	$ 5,335
Average Common Shares Outstanding – Basic	**5,514,611**	4,758,295	**5,504,582**	4,750,203
Average Common Shares Outstanding – Diluted	**5,529,433**	4,783,642	**5,519,380**	4,770,469
Earnings Per Common Share (Basic and Diluted)	**$ 0.22**	$ 0.30	**$ 1.00**	$ 1.12
Dividends Declared Per Share of Common Stock	**$ 0.345**	$ 0.345	**$ 1.38**	$ 1.38

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

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(000's)

	(UNAUDITED) September 30, 2004	(UNAUDITED) September 30, 2003	(AUDITED) December 31, 2003
ASSETS:			
Utility Plant:			
Electric	**$218,455**	$207,302	$ 209,288
Gas	**50,284**	46,285	48,700
Common	**27,987**	27,408	27,441
Construction Work in Progress	**6,328**	3,244	3,228
Total Utility Plant	**303,054**	284,239	288,657
Less: Accumulated Depreciation	**100,947**	91,122	93,592
Net Utility Plant	**202,107**	193,117	195,065
Current Assets:			
Cash	**3,821**	3,728	3,766
Accounts Receivable – Net of Allowance for Doubtful Accounts of $645, $709 and $541	**15,712**	17,276	17,461
Accrued Revenue	**5,607**	9,200	10,029
Refundable Taxes	**(2,930)**	262	3,816
Materials and Supplies	**3,519**	3,664	2,861
Prepayments	**1,632**	1,380	6,146
Total Current Assets	**27,361**	35,510	44,079
Noncurrent Assets:			
Regulatory Assets	**206,444**	230,969	227,528
Prepaid Pension Costs	**9,486**	10,161	10,972
Debt Issuance Costs	**2,290**	1,711	1,844
Other Noncurrent Assets	**4,236**	4,413	4,389
Total Noncurrent Assets	**222,456**	247,254	244,733
TOTAL	**$451,924**	$475,881	$ 483,877

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

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS (Cont.)
(000's)

	(UNAUDITED) September 30, 2004	(UNAUDITED) September 30, 2003	(AUDITED) December 31, 2003
CAPITALIZATION AND LIABILITIES:			
Capitalization:			
Common Stock Equity	**$ 91,515**	$ 73,470	$ 92,805
Preferred Stock, Non-Redeemable, Non-Cumulative	**225**	225	225
Preferred Stock, Redeemable, Cumulative	**3,017**	3,044	3,044
Long-Term Debt, Less Current Portion	**110,749**	101,029	110,961
Total Capitalization	**205,506**	177,768	207,035
Current Liabilities:			
Long-Term Debt, Current Portion	**279**	3,257	3,263
Capitalized Leases, Current Portion	**490**	601	567
Accounts Payable	**13,444**	13,834	15,024
Short-Term Debt	**19,745**	42,305	22,410
Dividends Declared and Payable	**1,981**	1,716	70
Refundable Customer Deposits	**1,513**	1,415	1,429
Interest Payable	**2,195**	1,884	1,356
Other Current Liabilities	**5,497**	3,717	4,254
Total Current Liabilities	**45,144**	68,729	48,373
Deferred Income Taxes	**51,540**	51,660	56,900
Noncurrent Liabilities:			
Power Supply Contract Obligations	**146,811**	174,826	167,341
Capitalized Leases, Less Current Portion	**249**	528	403
Other Noncurrent Liabilities	**2,674**	2,370	3,825
Total Noncurrent Liabilities	**149,734**	177,724	171,569
TOTAL	**$451,924**	$475,881	$ 483,877

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

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

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Cash Flow from Operating Activities:		
Net Income	**$ 5,676**	$ 5,512
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	**13,821**	13,752
Deferred Tax Provision	**(2,397)**	1,010
Changes in Current Assets and Liabilities:		
Accounts Receivable	**1,749**	2,237
Accrued Revenue	**4,422**	(4,358)
Refundable Taxes	**6,746**	4,589
Materials and Supplies	**(658)**	(1,341)
Prepayments and Other	**914**	355
Accounts Payable	**(1,580)**	(387)
Interest Payable	**839**	573
Other Current Liabilities	**1,243**	(5,345)
Other, net	**(2,111)**	(1,643)
Cash Provided by Operating Activities	**28,664**	14,954
Cash Flows from Investing Activities:		
Property, Plant and Equipment Additions	**(17,074)**	(16,336)
Cash (Used in) Investing Activities	**(17,074)**	(16,336)
Cash Flows from Financing Activities:		
Proceeds From (Repayment of) Short-Term Debt	**(2,665)**	6,312
(Repayment of) Long-Term Debt	**(3,196)**	(3,183)
Dividends Paid	**(5,887)**	(5,102)
Issuance of Common Stock	**718**	476
(Retirement of) Preferred Stock	**(27)**	(53)
(Repayment of) Capital Lease Obligations	**(478)**	(503)
Cash (Used in Financing) Activities	**(11,535)**	(2,050)
Net Increase (Decrease) in Cash	**55**	(3,432)
Cash at Beginning of Period	**3,766**	7,160
Cash at End of Period	**$ 3,821**	$ 3,728
Supplemental Cash Flow Information:		
Interest Paid	**$ (5,910)**	$ (6,327)
Income Taxes (Paid) Refunded	**(869)**	2,581
Supplemental Schedule of Noncash Activities:		
Capital Leases Incurred	**$ 246**	$ 95

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNITIL'S SIGNIFICANT ACCOUNTING POLICIES ARE DESCRIBED IN NOTE 1 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S FORM 10-K FOR DECEMBER 31, 2003 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 27, 2004.

Nature of Operations - Unitil Corporation (Unitil or the Company) is registered with the Securities and Exchange Commission (SEC) as a public utility holding company under the Public Utility Holding Company Act of 1935 (PUCHA). The following companies are wholly-owned subsidiaries of Unitil: Unitil Energy Systems, Inc. (UES) (formed in 2002 by the combination and merger of Unitil's former utility subsidiaries Concord Electric Company (CECo) and Exeter & Hampton Electric Company (E&H)), Fitchburg Gas and Electric Light Company (FG&E), 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). Usource, Inc. and Usource L.L.C. are subsidiaries of Unitil Resources.

Unitil's principal business is the retail distribution of electricity in the southeastern seacoast and capital city areas of New Hampshire and the retail distribution of both electricity and natural gas in the greater Fitchburg area of north central Massachusetts, through the Company's two wholly-owned subsidiaries, UES and FG&E, collectively referred to as the retail distribution utilities.

A third utility subsidiary, Unitil Power, formerly functioned as the full requirements wholesale power supply provider for UES. In connection with the implementation of electric industry restructuring in New Hampshire, Unitil Power ceased being the wholesale supplier of UES 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 UES' customers.

Unitil also has three wholly-owned subsidiaries: Unitil Service, Unitil Realty and Unitil Resources. Unitil Realty owns and manages the Company's corporate office building and property located in Hampton, New Hampshire and leases this facility to Unitil Service under a long-term lease arrangement. Unitil Service provides, at cost, a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology and management services on a centralized basis to its affiliated Unitil companies. Unitil Resources is the Company's wholly-owned unregulated subsidiary that provides energy brokering, consulting and management related services. Usource, Inc. and Usource L.L.C. (collectively, Usource) are wholly-owned subsidiaries of Unitil Resources. Usource provides energy brokering services, as well as various energy consulting services to large commercial and industrial customers in the northeastern United States.

Basis of Presentation

Principles of Consolidation - In accordance with current accounting pronouncements, the Company's consolidated financial statements include the accounts of Unitil and all of its wholly-owned subsidiaries and all intercompany transactions are eliminated in consolidation.

Regulatory Accounting - The Company's principal business is the distribution of electricity and natural gas in the Company-owned retail distribution utilities: FG&E and UES. Both FG&E and UES are subject to regulation by the Federal Energy Regulatory Commission (FERC) and FG&E is regulated by the Massachusetts Department of Telecommunications and Energy (MDTE) and UES is regulated by the New Hampshire Public Utilities Commission (NHPUC). Accordingly, the Company uses the provisions of SFAS No. 71, "Accounting for the

Effects of Certain Types of Regulation." In accordance with SFAS No. 71, the Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered in future electric and gas retail rates.

SFAS No. 71 specifies the economic effects that result from the cause and effect relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or "regulatory assets" under SFAS No. 71. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities" under SFAS No. 71.

The Company's principal regulatory assets and liabilities are detailed on the Company's Consolidated Balance Sheet. The Company is currently receiving or being credited with a return on all of its regulatory assets for which a cash outflow has been made. The Company is currently paying or being charged with a return on all of its regulatory liabilities for which a cash inflow has been received. The Company's regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

The application of SFAS No. 71 results in the deferral of costs as regulatory assets that, in some cases, have not yet been approved for recovery by the applicable regulatory commission. Management must conclude that any costs deferred as regulatory assets are probable of future recovery in rates. However, regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company's consolidated financial statements. Management believes it is probable that the Company's regulated utility companies will recover their investments in long-lived assets, including regulatory assets. The Company also has commitments under long-term contracts for the purchase of electricity from various suppliers. The annual costs under these contracts are included in Purchased Electricity and Purchased Gas in the Consolidated Statements of Earnings and these costs are recoverable in current and future rates under various orders issued by the FERC, MDTE and NHPUC.

Massachusetts and New Hampshire have both passed utility industry restructuring legislation and the Company has filed and implemented its restructuring plans in both states. In Massachusetts, the Company is allowed to recover certain types of costs through ongoing assessments to be included in future regulated service rates. The Company is also deferring the recovery of certain restructuring related costs in order to meet the retail rate cap imposed under the Massachusetts restructuring legislation. Based on the recovery mechanism that allows recovery of all of its stranded costs and deferred costs related to restructuring, the Company has recorded regulatory assets that it expects to fully recover in future periods. The Company expects to continue to meet the criteria for the application of SFAS No. 71 for the distribution portion of its assets and operations for the foreseeable future. If a change in accounting were to occur to the distribution portion of the Company's operations, it could have a material adverse effect on the Company's earnings and retained earnings in that year and could have a material adverse effect on the Company's ongoing financial condition as well.

On January 25, 2002, the Company's New Hampshire electric utility subsidiaries, CECo, E&H and Unitil Power, filed a comprehensive restructuring proposal with the NHPUC. This proposal included the introduction of customer choice consistent with the New Hampshire restructuring law, the divestiture of Unitil Power's power supply portfolio, the recovery of stranded costs, the combination of CECo and E&H into a planned successor, UES, and new distribution rates for UES. On October 25, 2002, the NHPUC approved a multi-party settlement on all major issues in the proceeding. Under Unitil's approved restructuring plan, Unitil divested its existing New Hampshire power supply portfolio and conducted a solicitation for new power supplies from which to meet its ongoing transition and default service energy obligations. In early 2003, Unitil filed for final NHPUC approval of the executed agreements resulting from these divestiture and solicitation processes, including final tariffs for stranded cost recovery and transition and default services. The implementation of customer choice occurred on May 1, 2003.

Upon receipt of all requested approvals in the proceeding by the NHPUC, and the expiration of all periods of appeal with respect thereto, UES implemented retail choice and Unitil withdrew its intervention in a pending federal court action, with prejudice. In June 1997, Unitil and other utilities in NH intervened as plaintiffs in a suit filed in U.S. District Court by Northeast Utilities' affiliate Public Service Company of New Hampshire for protection from the NHPUC Final Plan to restructure the New Hampshire electric utility industry. Although the NHPUC found that UES' predecessor companies, CECo and E&H, were entitled to full interim stranded costs recovery, the NHPUC also made certain legal rulings that, if implemented, could affect the Company's long-term ability to recover all of their stranded costs. The Unitil Settlement approved in October 2002, provides for full stranded cost recovery by UES, and otherwise resolves all of the issues in the federal court action.

If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of SFAS No. 71. If unable to continue to apply the provisions of SFAS No. 71, the Company would be required to apply the provisions of SFAS No. 101, "Regulated Enterprises – Accounting for the Discontinuation of Application of Financial Accounting Standards Board Statement No. 71." In management's opinion, the Company's regulated subsidiaries will be subject to SFAS No. 71 for the foreseeable future.

Cash – Cash includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits.

Goodwill and Intangible Assets – The Company does not have any goodwill recorded on its balance sheet as of September 30, 2004. There are no significant intangible assets recorded by the Company at September 30, 2004. Therefore, the Company is not currently involved in making estimates or seeking valuations of these items.

Off-Balance Sheet Arrangements – As of September 30, 2004, the Company does not have any significant arrangements that would be classified as Off-Balance Sheet Arrangements. In the ordinary course of business, the Company does contract for certain office and other equipment under operating leases and, in management's opinion, the amount of these transactions is not material.

Investments and Trading Activities – During the year, the Company does invest in U.S. Treasuries and short-term investments which traditionally have very little fluctuation in fair value. The Company does not engage in investing or trading activities involving non-exchange traded contracts or other instruments where a periodic analysis of fair value would be required for book accounting purposes.

Utility Revenue Recognition - Regulated utility revenues are based on rates approved by federal and state regulatory commissions. These regulated rates are applied to customers' accounts based on their actual or estimated use of energy. Energy sales to customers are 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 revenue is recorded. This unbilled revenue is estimated each month based on estimated customer usage by class and applicable customer rates.

Revenue Recognition - - **Non-regulated Operations** - Usource, Unitil's competitive energy brokering subsidiary, records energy brokering revenues based upon the estimated amount of electricity and gas delivered to customers through the end of the accounting period.

Allowance for Doubtful Accounts - The Company recognizes a Provision for Doubtful Accounts as a percent of revenues each month. The amount of the monthly Provision is based upon the Company's experience in collecting electric and gas utility service accounts receivable in prior years. Account write-offs, net of recoveries, are processed monthly. At the end of each month, an analysis of the delinquent receivables is performed and the adequacy of the Allowance for Doubtful Accounts is reviewed. The analysis takes into account an assumption about the cash recovery of delinquent receivables and also uses calculations related to customers who have chosen payment plans to resolve their arrears. The analysis also calculates the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis. Also, the Company has experienced periods when State regulators have extended the periods during which certain standard credit and collection activities of utility companies are suspended. In periods when account write-offs exceed estimated levels, the Company adjusts the Provision for Doubtful Accounts to maintain an adequate Allowance for Doubtful Accounts balance.

Pension and Postretirement Benefit Obligations - The Company has a defined benefit pension plan covering substantially all its employees and also provides certain other post-retirement benefits (PBOP), primarily medical and life insurance benefits to retired employees. The Company also has a Supplemental Executive Retirement Plan (SERP) covering certain executives of the Company. The Company accounts for these benefits in accordance with SFAS No. 87, “Employers’ Accounting for Pensions” and SFAS No. 106, “Employers’ Accounting for Postretirement Benefits other than Pensions.” In applying these accounting policies, the Company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation, health care cost trends, and appropriate discount rates. For each of these plans, the development of the benefit obligation, fair value of plan assets, funded status and net periodic benefit cost is based on several significant assumptions. The Company’s reported costs of providing pension and PBOP benefits are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. The Company’s health care cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Pension and PBOP costs (collectively “postretirement costs”) are affected by actual employee demographics, the level of contributions made to the plans, earnings on plan assets, and health care cost trends. Changes made to the provisions of these plans may also affect current and future postretirement costs. Postretirement costs may also be significantly affected by changes in key actuarial assumptions, including, anticipated rates of return on plan assets and the discount rates used in determining the postretirement costs and benefit obligations. If these assumptions were changed, the resultant change in benefit obligations, fair values of plan assets, funded status and net periodic benefit costs could have a material impact on the Company’s consolidated financial statements. Approximately 40% of the Company’s net pension expense is capitalized as capital additions to utility plant.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company prepares its financial statements in conformity with the guidance provided in The American Institute of Certified Public Accountant’s Statement of Position 94-6, “Disclosure of Certain Significant Risks and Uncertainties”.

Commitments and Contingencies - The Company’s accounting policy is to record and/or disclose commitments and contingencies in accordance with SFAS No. 5, “Accounting for Contingencies.” SFAS No. 5 applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur.

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. 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 and the cost of removal, less salvage, are charged to the accumulated provision for depreciation. Consistent with regulatory utility accounting guidance, the Company does not account separately for negative salvage, or cost of retirement obligations as defined in SFAS No. 143. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, depreciation amounts to provide for future negative salvage value.

The Company owns and maintains local utility distribution systems and assets. The Company has not identified any material legal obligations associated with the operational retirement and replacement of its distribution property, plant and equipment which would require recording a liability for an Asset Retirement Obligation as defined in SFAS No. 143. The cost of removal that the Company is allowed to recover in its rates relates to removal cost estimates used for mass asset accounting for the various functional components of its local distribution system. Those removal costs are not asset specific and do not rise to the level of legal obligations as defined in SFAS No. 143. The Company has effectively divested of its ownership interest in generation facilities and has no ownership interest in nuclear power plants, and has no decommissioning obligations.

Depreciation and Amortization – Depreciation expense is calculated based on an asset's useful life, and judgment is involved when estimating the useful lives of certain assets. A change in the estimated useful lives of these assets could have a material impact on the Company's consolidated financial statements if the effect of those changes is not recoverable in regulatory rate mechanisms. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company's fixed assets.

Amortization provisions include the recovery of a portion of FG&E's former investment in Seabrook Station, a nuclear generating unit, in rates to its customers through the Seabrook Amortization Surcharge as ordered by the MDTE. In addition, FG&E is amortizing the balance of its unrecovered electric generating related assets, which are recorded as Regulatory Assets, in accordance with its electric restructuring plan approved by the MDTE (See Note 6).

Environmental Matters - The Company's past and present operations include activities that are generally subject to extensive federal and state environmental laws and regulations. The Company has recently performed work on two environmental remediation projects, the Sawyer Passway MGP Site and the Former Electric Generating Station. The Company has or will recover substantially all of the cost of the work performed to date from customers or from its insurance carriers. The Company is in general compliance with all applicable environmental and safety laws and regulations, and management believes that as of September 30, 2004, there are no material losses that would require additional liability reserves to be recorded. Changes in future environmental compliance regulations or in future cost estimates of environmental remediation costs could have a material effect on the Company's financial position if those amounts are not recoverable in regulatory rate mechanisms.

Stock-based Employee Compensation - Unitil accounts for stock-based employee compensation currently using the fair value based method.

Income Taxes – Income tax expense is calculated in each of the jurisdictions in which the Company operates for each period for which a statement of income is presented. This process involves estimating the Company's actual current tax liabilities as well as assessing temporary differences resulting from differing treatment of items, such as timing of the deduction of expenses for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheets. The Company must also assess the likelihood that the deferred tax assets will be recovered from future taxable income, and to the extent that recovery is not likely, a valuation allowance must be established. Significant management judgment is required in determining income tax expense, deferred tax assets and liabilities and valuation allowances. The Company accounts for deferred taxes under SFAS No. 109, "Accounting for Income Taxes." The Company does not currently have any valuation allowances against its recorded deferred tax amounts.

Dividends – The Company is currently paying a dividend at an annual rate of $1.38 per common share. The Company's dividend policy is reviewed annually by the Board of Directors. The amount and timing of all dividend payments is subject to the discretion of the Board of Directors and will depend upon business conditions, results of operations, financial conditions and other factors.

Recently Issued Pronouncements - In April 2003, the FASB issued Statement No. 149 (SFAS 149), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting requirements for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company has determined that adoption of this statement will not have a material impact on the Company's financial position or results of operations.

In January 2004 and May 2004, the FASB issued, respectively, Statement No. 106-1 (SFAS 106-1) and Statement No. 106-2 (SFAS 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", (the Act). The Act includes a subsidy to a plan sponsor that is based on 28 percent of an individual beneficiary's annual prescription drug costs between $250 and $5,000 and the opportunity for a retiree to obtain a prescription drug benefit under Medicare. SFAS 106-1 and SFAS 106-2 require the disclosure of the effects, if any, of the Act on the reported measure of the accumulated postretirement benefit obligation, how that effect has been, or will be, reflected in the net postretirement benefit costs of current or subsequent periods and the effects of any changes in estimates of participation rates on per capita claims cost as a result of the Act. However, since specific authoritative guidance on the accounting for the federal subsidy associated with the Act is pending, a Plan sponsor can elect to defer recognition of the effects of the Act in the accounting for its Plan under SFAS 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions” and in providing disclosures related to the Plan required by SFAS 132 (revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits”, until that guidance is issued. The Company has elected to defer recognition of the effects of the Act until specific authoritative guidance on the accounting for the federal subsidy associated with the Act is issued. Please refer to Note 8 to the Consolidated Financial Statements, Pension and Postretirement Benefit Plans, for required disclosures related to the Company’s deferral of the recognition of the effects of the Act.

Reclassifications - Certain amounts previously reported have been reclassified to conform to current year presentation. Most significant has been the reclassification of certain expenses between Purchased Electricity, Purchased Gas and Operation and Maintenance Expenses.

NOTE 2 – DIVIDENDS DECLARED PER SHARE

Declaration Date	Date Paid (Payable)	Shareholder of Record Date	Dividend Amount
09/24/04	11/15/04	11/01/04	$ 0.345
06/24/04	08/13/04	07/30/04	$ 0.345
03/31/04	05/14/04	04/30/04	$ 0.345
01/15/04	02/13/04	01/30/04	$ 0.345
09/26/03	11/14/03	10/31/03	$ 0.345
06/26/03	08/15/03	08/01/03	$ 0.345
03/21/03	05/15/03	05/01/03	$ 0.345
01/16/03	02/15/03	02/01/03	$ 0.345

NOTE 3 – COMMON STOCK AND PREFERRED STOCK

During the third quarter of 2004, the Company sold 8,454 shares of its Common Stock, at an average price of $25.35 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan and its 401(k) plans. Net proceeds of $214,284 were used to reduce short-term borrowings.

On April 17, 2003, the Company’s shareholders ratified and approved a Restricted Stock Plan (the Plan) which had been approved by the Company’s Board of Directors at its January 16, 2003 meeting. Participants in the Plan are selected by the Compensation Committee of the Board of Directors from the eligible Participants to receive an annual award of restricted shares of Company Common Stock. The Compensation Committee has the power to determine the sizes of awards; determine the terms and conditions of awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan as they apply to participants; establish, amend, or waive rules and regulations for the Plan’s administration as they apply to participants; and, subject to the provisions of the 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 in the Plan. Awards fully vest over a period of four years at a rate of 25% each year. 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. The maximum number of shares of Restricted Stock available for awards to participants under the Plan is 177,500. The maximum aggregate number of shares of Restricted Stock that may be awarded in any one calendar year to any one participant is 20,000. In the event of any change in capitalization of the Company, the Compensation Committee is authorized to make proportionate adjustments to prevent dilution or enlargement of rights, including, without limitation, an adjustment in the maximum number and kinds of shares available for awards and in the annual award limit. On May 12, 2003, 10,600 shares were issued in conjunction with the Plan. The aggregate market value of the restricted stock at the date of issuance, May 12, 2003, was $259,170. On April 29, 2004, 10,700 shares were issued in conjunction with the Plan. The aggregate market value of the restricted stock at the date of issuance, April 29, 2004, was $293,715. The compensation expense associated with the issuance of shares under the Plan is being accrued on a monthly basis over the vesting period.

During the third quarter of 2003, the Company sold 9,242 shares of its Common Stock, at an average price of $25.46 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan and its 401(k) plans. Net proceeds of $235,317 were used to reduce short-term borrowings.

Details on preferred stock at September 30, 2004, September 30, 2003 and December 31, 2003 are shown below:

(Amounts in Thousands)

	(Unaudited) September 30,		(Audited) December 31,
	2004	2003	2003
Preferred Stock			
UES Preferred Stock, Non-Redeemable, Non-Cumulative:			
6.00% Series, $100 Par Value	**$ 225**	$ 225	$ 225
UES Preferred Stock, Redeemable, Cumulative:			
8.70% Series, $100 Par Value	**215**	215	215
8.75% Series, $100 Par Value	**314**	314	314
8.25% Series, $100 Par Value	**375**	375	375
FG&E Preferred Stock, Redeemable, Cumulative:			
5.125% Series, $100 Par Value	**899**	922	922
8.00% Series, $100 Par Value	**1,214**	1,218	1,218
Total Preferred Stock	**$3,242**	$3,269	$ 3,269

NOTE 4 – LONG-TERM DEBT

Details on long-term debt at September 30, 2004, September 30, 2003 and December 31, 2003 are shown below:

(Amounts in Thousands)

	(Unaudited) September 30,		(Audited) December 31,
	2004	2003	2003
Unitil Energy Systems, Inc.:			
First Mortgage Bonds:			
8.49% Series, Due October 14, 2024	**$ 15,000**	$ 15,000	$ 15,000
6.96% Series, Due September 1, 2028	**20,000**	20,000	20,000
8.00% Series, Due May 1, 2031	**15,000**	15,000	15,000
Fitchburg Gas and Electric Light Company:			
Long-Term Notes:			
8.55% Notes, Due March 31, 2004	**—**	3,000	3,000
6.75% Notes, Due November 30, 2023	**19,000**	19,000	19,000
7.37% Notes, Due January 15, 2029	**12,000**	12,000	12,000
7.98% Notes, Due June 1, 2031	**14,000**	14,000	14,000
6.79% Notes, Due October 15, 2025	**10,000**	—	10,000
Unitil Realty Corp.			
Senior Secured Notes:			
8.00% Notes, Due August 1, 2017	**6,028**	6,286	6,224
Total	**111,028**	104,286	114,224
Less: Installments due within one year	**279**	3,257	3,263
Total Long-term Debt	**$110,749**	$101,029	$ 110,961

The Company provides limited guarantees on certain energy contracts entered into by its regulated subsidiary companies. The Company's policy is to limit these guarantees to two years or less. As of September 30, 2004, there are $0.3 million of guarantees outstanding and these guarantees extend through October 21, 2005.

NOTE 5 – SEGMENT INFORMATION

The following table provides significant segment financial data for the three and nine months ended September 30, 2004 and September 30, 2003:

Three Months Ended September 30, 2004 (000's)	Electric	Gas	Other	Non-Regulated	Total
Revenues	**$ 46,547**	**$ 3,164**	**$ —**	**$ 338**	**$ 50,049**
Segment Profit (Loss)	**1,784**	**(596)**	**51**	**(32)**	**1,207**
Identifiable Segment Assets	**358,978**	**82,888**	**9,316**	**742**	**451,924**
Capital Expenditures	**4,359**	**2,071**	**8**	**—**	**6,438**
Three Months Ended September 30, 2003 (000's)					
Revenues	$ 49,361	$ 3,269	$ 7	$ 255	$ 52,892
Segment Profit (Loss)	1,936	(497)	134	(135)	1,438
Identifiable Segment Assets	384,458	81,818	8,138	1,467	475,881
Capital Expenditures	3,341	1,363	258	—	4,962

Nine Months Ended September 30, 2004 (000's)	Electric	Gas	Other	Non-Regulated	Total
Revenues	**$137,540**	**$19,531**	**$ —**	**$ 1,077**	**$158,148**
Segment Profit (Loss)	**5,213**	**251**	**202**	**(166)**	**5,500**
Identifiable Segment Assets	**358,978**	**82,888**	**9,316**	**742**	**451,924**
Capital Expenditures	**12,919**	**3,955**	**200**	**—**	**17,074**
Nine Months Ended September 30, 2003 (000's)					
Revenues	$145,448	$21,029	$ 23	$ 823	$167,323
Segment Profit (Loss)	5,016	757	146	(584)	5,335
Identifiable Segment Assets	384,458	81,818	8,138	1,467	475,881
Capital Expenditures	13,150	2,865	320	1	16,336

NOTE 6 – REGULATORY MATTERS

UNITIL'S REGULATORY MATTERS ARE DESCRIBED IN NOTE 15 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S FORM 10-K FOR DECEMBER 31, 2003 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 27, 2004.

As a registered holding company under PUHCA, Unitil and its subsidiaries are regulated by the Securities and Exchange Commission (SEC) with respect to various matters, including: the issuance of securities, our capital structure and certain acquisitions and dispositions of assets. UES and FG&E are subject to regulation by the New Hampshire Public Utilities Commission (NHPUC) and the Massachusetts Department of Telecommunications and Energy (MDTE), respectively, with respect to their rates, issuance of securities and other accounting and operational matters. Certain aspects of the Company's utility operations as they relate to wholesale and interstate business activities are also regulated by the Federal Energy Regulatory Commission (FERC). Over the past several years, the Company has completed the restructuring of its electric and natural gas operations in order to implement retail choice as mandated in New Hampshire and Massachusetts.

Unitil's retail distribution utilities have the franchise to deliver electricity and/or natural gas to all customers in our franchise areas, at rates established under traditional cost of service regulation. Under this regulatory structure, UES and FG&E recover the cost of providing distribution service to their customers based on a historical test year, in addition to earning a return on their capital investment in utility assets. In 2002, the retail distribution utilities completed rate proceedings and were authorized by the NHPUC and MDTE to implement increased rates for electric and natural gas distribution operations beginning in December of that year. UES and FG&E also recover the actual cost of any electricity or natural gas they supply to their customers, as well as certain costs associated with industry restructuring, through periodically adjusted rates.

In recent years, there has been significant legislative and regulatory activity to restructure the utility industry in order to introduce greater competition in the supply and sale of electricity and natural gas, while continuing to regulate the delivery operations of Unitil's retail distribution utilities. Unitil implemented the restructuring of its electric and gas operations in Massachusetts in 1998 and 2000, respectively, and implemented the final phase of a restructuring settlement for its New Hampshire electric operations on May 1, 2003. Following electric industry restructuring, Unitil's retail distribution companies have a continuing obligation to submit filings in both states that demonstrate their compliance with regulatory mandates and provide for timely recovery of costs in accordance with their approved restructuring plans.

In connection with industry restructuring and the implementation of retail choice for our customers in New Hampshire and Massachusetts, Unitil Power divested its long-term power supply contracts and FG&E divested its long-term power supply contracts and owned generation assets. Unitil Power divested its long-term power supply contracts to a subsidiary of Mirant Corporation (Mirant) and FG&E divested its owned generation assets and long-term power supply contracts to Select Energy, Inc. (Select Energy). Unitil Power and FG&E divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. UES and FG&E recover in their rates all the costs associated with the divestiture of their power supply portfolios as a result of electric industry restructuring.

Unitil's customers in both New Hampshire and Massachusetts now have the opportunity to purchase their electric supply from third party vendors, though most customers continue to purchase such supplies through Unitil as the provider of last resort. Accordingly, UES and FG&E contract with wholesale power suppliers for the electricity necessary to meet their regulated default service energy supply obligations. Similarly, FG&E's natural gas customers have the option to contract for their natural gas supply with third-party suppliers and FG&E remains the default service provider for these natural gas customers. The costs associated with the acquisition of such wholesale electric and natural gas supplies for customers who do not contract with third-party suppliers are recovered from those customers through reconciling rate mechanisms.

UES and FG&E have secured regulatory approval from the NHPUC and MDTE, respectively, for the recovery of power supply-related stranded costs and other restructuring-related regulatory assets. The remaining balance of these assets, to be recovered principally over the next 6 to 8 years, is $181 million as of September 30, 2004 and is included in Regulatory Assets on the Company's Consolidated Balance Sheet. Unitil's retail distribution utilities have also implemented comprehensive customer and financial information systems to accommodate the transition to competitive energy markets and retail choice.

Massachusetts Electric Operations Restructuring – Beginning March 1, 1998, FG&E implemented its Restructuring Plan under the Massachusetts Electric Utility Restructuring Act of 1997 (Restructuring Act). FG&E completed the divestiture of its entire regulated power supply business in 2000 in accordance with the Restructuring Plan. FG&E's rates provide for the recovery of stranded costs associated with the divestiture of FG&E's power portfolio, including previously-owned generation assets. The Regulatory Assets that are being recovered in FG&E's rates have been approved by the MDTE as part of FG&E's Restructuring Plan and are reviewed each year as part of FG&E's annual rate reconciliation filings.

The Restructuring Act also requires FG&E to purchase and provide power as the default service provider, through either Standard Offer Service (SOS) or Default Service, for retail customers who choose not to buy, or are unable to purchase, energy from a competitive supplier. FG&E must provide SOS through February 2005 at rate levels which provide rate reductions as required by the Restructuring Act. New distribution customers and customers no longer eligible for SOS are eligible to receive Default Service at prices set periodically based on market solicitations as approved by the MDTE. As of September 30, 2004, competitive suppliers were serving approximately 39 percent of FG&E's electric load, primarily for FG&E's largest customers.

As a result of the restructuring and the divestiture of FG&E's owned generation assets, FG&E recorded stranded generation-related costs as Regulatory Assets, which are included in Unitil Corporation's consolidated financial statements. These stranded generation-related Regulatory Assets are being amortized and recovered through the year 2009. FG&E earns carrying charges on the unamortized balance of these stranded generation-related Regulatory Assets. In addition, as a result of the Restructuring Act, the total rate FG&E may charge for the combination of distribution service, stranded costs and purchase power costs is subject to an inflation adjusted total rate cap for a seven year period, which ends on February 28, 2005. Any unrecovered balance of purchased power costs and stranded costs as a result of the total rate cap is deferred for future rate recovery as a Regulatory Asset. These deferred costs also earn carrying charges until their subsequent recovery in future periods. The value of FG&E's generation-related and deferred-cost Regulatory Assets was approximately $33.9 million at September 30, 2004 and $31.7 million at September 30, 2003, and is expected to be recovered in FG&E's rates over the next 6 to 8 years. In addition, as of September 30, 2004, FG&E had recorded on its balance sheets $67.7 million as Power Supply Buyout Obligations and corresponding Regulatory Assets associated with the divestiture of its long-term purchase power contracts, which are included in Unitil Corporation's consolidated financial statements. FG&E does not earn a carrying charge on this power supply component of Regulatory Assets as there is no significant difference between the time periods when payments are made to satisfy these purchase power contract obligations and their recovery in rates from FG&E's customers.

Massachusetts Gas Operations Restructuring – Following a three year state-wide collaborative process on the unbundling, or separation, of services offered by natural gas local distribution companies (LDCs), the MDTE approved regulations and tariffs for FG&E to provide full customer choice effective November 1, 2000. The MDTE ruled that LDCs would continue to have an obligation to provide gas supply and delivery services for a five-year transition period, with a review after three years. The MDTE also required mandatory assignment of LDCs' pipeline capacity to competitive marketers supplying customers during the transition period. This mandatory capacity assignment protects LDCs from exposure to certain stranded gas supply costs during the transition period. In January 2004, the MDTE opened an investigation on whether the mandatory assignment of pipeline capacity should be continued, and that proceeding is ongoing.

New Hampshire Restructuring – In 2002, UES' predecessor companies, Concord Electric Company (CECo) and Exeter & Hampton Electric Company (E&H), received approval for a comprehensive restructuring proposal from the NHPUC. This restructuring included the merger of E&H with and into CECo under a new name, Unitil Energy Systems, Inc. (UES). Pursuant to the approved restructuring plan, Unitil Power agreed to divest its existing long-term power supply portfolio and UES agreed to conduct a solicitation for new power supplies from which to meet its ongoing Transition and Default Service obligations in order to implement customer choice for its customers May 1, 2003. In March 2003, the NHPUC approved the contract among Unitil Power, UES and Mirant Americas Energy Marketing, LP (MAEM), under which MAEM purchased the entitlements to Unitil Power's long-term power supply portfolio for the remaining term of those contracts and agreed to provide Transition and Default

Service supply to UES for up to three years. The NHPUC also approved final tariffs for UES for stranded cost recovery and Transition and Default Service, including certain surcharges that are subject to annual or periodic reconciliation or future review. As of September 30, 2004, UES had recorded on its balance sheets $79.1 million as Power Supply Contract Obligations and corresponding Regulatory Assets associated with these long-term purchase power stranded costs, which are included in Unitil Corporation's consolidated financial statements. These Power Supply Contract Obligations are expected to be recovered principally over a period of approximately 7 years. UES does not earn carrying charges on these Power Supply Regulatory Assets as there is no significant difference between the time periods when payments are made to satisfy these purchase power buyout obligations and their recovery in rates from UES's customers.

In July 2003, MAEM and its parent, Mirant Corporation (Mirant), filed for reorganization under Chapter 11 of the bankruptcy code. Under the contract with UES and Unitil Power discussed above, Mirant guaranteed the performance by MAEM. Unitil Power and UES filed a motion with the Bankruptcy Court in September 2003, requesting that MAEM be required to make a decision to assume or reject the contract by December 1, 2003. On November 14, 2003, MAEM, Unitil Power and UES filed a Settlement with the bankruptcy court. Under the terms of the Settlement, MAEM agreed to assume and continue to fulfill its power purchase and sale obligations under the contract, to cure all pre-petition obligations, and to settle certain other disputes. UES and Unitil Power agreed to accelerate the payment of amounts held back from MAEM. On December 10, 2003, the settlement was approved by the federal bankruptcy court and MAEM is continuing to fulfill its obligations under the Mirant Agreement. UES and Unitil Power continue to pursue claims in the bankruptcy proceeding in regard to the Mirant guarantee of MAEM's performance in the event of a future default.

On March 17, 2004, UES filed its first annual reconciliation and rate filing with the NHPUC under its restructuring plan, seeking revised rates for the Transition Service Charge, Default Service Charge, Stranded Cost Charge, and External Delivery Charge. In this filing, UES also sought an accounting order to defer and amortize transaction and issuance costs associated with the merger of E&H with and into CECo to form UES. The NHPUC issued orders approving the deferal and proposed rates, as modified by UES during the course of the proceeding, for effect on May 1, 2004. The net impact of the proposed rate changes (see discussion of UES' March 15, 2004 rate filing regarding PBOP costs, in "*Other Regulatory Procedings*, below) was a retail rate decrease of 1.8 percent.

On October 26, 2004, UES filed a Petition for Approval for a one year extension of Transition Service and Default Service for rate class G1, and approval of the associated solicitation process whereby UES intends to secure energy supplies for such extended service. UES' restructuring settlement provided that the provision of Transition and Default Service may be extended for the G1 class one year. If approved, UES' Transition Service supply obligation for all rate classes would end at the same time on April 30, 2006. The Company recovers the costs of Transition Service and Default Service in its rates at cost on a pass through basis and therefore changes in these expenses do not impact Net Income.

Wholesale Power Market Restructuring – FG&E, Unitil Power, and UES are members of NEPOOL. NEPOOL was formed in 1971 to assure reliable operation of the bulk power system in the most economic manner for the region. NEPOOL is governed by an agreement (NEPOOL Agreement) that is filed with and subject to the jurisdiction of the FERC. Under the NEPOOL Agreement and the NEPOOL Open Access Transmission Tariff (OATT), to which virtually all New England electric utilities are parties, substantially all operation and dispatching of electric generation and bulk transmission capacity in New England is performed on a regional basis. The NEPOOL Agreement and the OATT impose generating capacity and reserve obligations, and provide for the use of major transmission facilities and support payments associated therewith. The most notable benefits of NEPOOL are coordinated power system operation in a reliable manner and a supportive business environment for the development of a competitive electric marketplace. The regional bulk power system is operated by an independent corporate entity, the ISO-NE, in order to avoid any opportunity for conflicting financial interests between the system operator and the market-driven participants.

There continue to be ongoing legislative and regulatory initiatives that are primarily focused on the deregulation of the generation and supply of electricity and the corresponding development of a competitive market place from which customers choose their electric energy supplier. As a result, the NEPOOL Agreement continues to be restructured. NEPOOL's membership provisions have been broadened to cover all entities engaged in the electricity business in New England, including power marketers and brokers, independent power producers, load aggregators and retail customers in states that have enacted retail access statutes. Various energy and capacity products are traded in open markets, with transmission access and pricing subject to the regional OATT designed to promote competition among power suppliers.

On March 1, 2003, ISO-NE implemented a Standard Market Design (SMD) that is intended to improve the ability to trade power between New England and other regions throughout the Northeast. On October 31, 2003, ISO-NE and the major transmission owners in New England filed with the FERC to form a Regional Transmission Organization (RTO). The filing proposed eliminating NEPOOL as an organization and required all current NEPOOL members to be part of the RTO system. On March 24, 2004, FERC issued an order accepting the RTO proposal of the New England transmission owners and ISO-NE. In its order, FERC granted the request of UES and FG&E to be allowed to provide wholesale transmission services on a similar basis to other wholesale services provided by transmission owners in New England. The continuation of NEPOOL was affirmed in the FERC order although it would only have advisory review of future RTO changes. FG&E and UES were part of the transmission owners' compliance filing with the FERC on June 22, 2004. That filing included local transmission service tariffs for FG&E and UES. The RTO is scheduled to be implemented not earlier than December 1, 2004. A Settlement filed in September 2004 is actively being contested by several state regulatory agencies, and the FERC proceedings continue to be subject to possible regulatory or judicial challenges which could further delay the implementation of an RTO in New England.

On March 1, 2004, ISO-NE filed a proposal to implement Locational Installed Capacity (LICAP) in New England to allow for the imposition of incentive pricing for transmission constrained areas. FGE and UES have intervened in the proceeding. Both FG&E and UES are located in a non-constrained area of the power pool which should have modest LICAP prices for several years under the filed proposal. ISO-NE also requested that FERC indicate what market entities should have the long-term obligation to contract for LICAP and recommended that the obligation should be the responsibility of distribution utilities. FG&E and UES commented that this question has significant implications on state retail choice programs and potentially on financial assurance issues for the distribution companies. On June 2, 2004 the FERC issued an order generally accepting the ISO-NE approach to LICAP, but delayed implementation until January 1, 2006 and set many of the issues for hearing, with an initial decision due June 1, 2005. On August 31, 2004, ISO-NE substantially replaced the March 1, 2004 filing with a major updated proposal. Some settlement and informational discussions were held in September, 2004, but this case continues to be heavily contested at FERC.

SMD, the formation of an RTO, LICAP and other wholesale market changes are not expected to have a material impact on Unitil's operations because of the cost recovery mechanisms for wholesale energy costs approved by the Company's regulators.

Other Regulatory Proceedings – Between December 2002 and January 2003, FG&E and UES received approval from their respective state regulatory commissions for accounting orders to mitigate certain accounting requirements related to prepaid pension plan assets, which have been triggered by the substantial decline in the capital markets and a sharp decrease in interest rates. These approvals allowed FG&E and UES to offset the additional minimum pension liability obligation as a Regulatory Asset and avoid the reduction in equity that would otherwise have been required. These regulatory orders did not pre-approve the amount of pension expense to be recovered in future rates, which recovery will be determined in future proceedings. Based on these approvals, FG&E's and UES' additional minimum pension liability obligations are offset by amounts included in Regulatory Assets on the Company's balance sheet.

On April 30, 2004, FG&E filed new tariffs with the MDTE to establish a reconciliation adjustment mechanism for both its Gas Division and Electric Division to provide for the recovery of costs associated with the Company's employee pension benefits and Post Retirement Benefits Other than Pension (PBOP) expenses. On October 27, 2004 the MDTE approved FG&E's request for a reconciliation rate adjustment mechanism related to pension and PBOP costs. As part of this ruling, FG&E is allowed to record a regulatory asset in lieu of taking a charge to expense for the difference between the level of pension and PBOP expenses that are included in its base rates and the amounts that are required to be recorded in accordance with SFAS No. 87 and SFAS No. 106, since the effective date of its last base rate change. This mechanism removes the volatility in earnings that may result from requirements of existing accounting standards and provides for an annual filing and rate adjustment with the MDTE. For the nine month period ended September 30, 2004, FG&E was allowed to defer for recovery, through the rate adjustment mechanism, pension and PBOP expenses of $1.0 million. As of September 30, 2004, FG&E has recorded a regulatory asset of $1.6 million which is included as part of Regulatory Assets in the Company's Consolidated Balance Sheets.

On December 19, 2003, UES filed with the NHPUC a Petition for Deferral of its PBOP expenses not recovered in base rates. On January 30, 2004 the NHPUC issued an order approving UES's request for this accounting order to defer these costs. On March 15, 2004 UES filed a petition with the NHPUC for recovery of PBOP costs. UES proposed an increase to its distribution base rates of $1.0 million to provide for the recovery of these costs, effective May 1, 2004. The NHPUC issued orders approving the proposed rates, for effect on May 1, 2004.

On January 30, 2004 the MDTE granted FG&E's request to voluntarily decrease its Cost of Gas Adjustment Clause (CGAC) during the remainder of the 2004 winter period by accelerating the payment of a multi-year refund that was ordered by the MDTE in May 2001, based upon a finding that FG&E had over-collected certain fuel inventory finance charges. In January 2004, the Massachusetts Supreme Judicial Court (SJC) affirmed the MDTE's May 2001 Order requiring the refund, which Order FG&E had appealed. The MDTE subsequently approved FG&E's request to prepay the balance of the refund outstanding of approximately $1.2 million by reducing the CGAC in February through April 2004. The MDTE also approved FG&E's request to amortize these charges against future revenues. On March 18, 2004 FG&E filed its summer CGAC for effect May 1, 2004. The rates were approved as filed on April 29, 2004. Gas costs included in the new rates were projected to be approximately 2.3 percent lower on average than in the previous rates. However, the temporary refund which had reduced rates in February, March and April ended, resulting in a net average increase to customers of 8.6 percent. On September 17, 2004 FG&E filed its winter CGAC for effect November 1, 2004. The proposed rates result in an average increase to customers of 16.3% versus current summer rates.

In March 2003, the MDTE opened an investigation into FG&E's dealings with Enermetrix, Inc. (Enermetrix). Enermetrix provides an internet-based energy auction service that is used by utilities to post their natural gas and electric power needs for bids. FG&E used the Enermetrix Exchange to post its electric default service solicitations in September 2001 and March 2002, and Enermetrix earned approximately $19,000 in fees from these transactions. In Management's view, these successful solicitations ultimately resulted in significant lower default service costs to FG&E's customers. At the time of these solicitations, FG&E's parent, Unitil Corporation, had an approximately 9% ownership interest in Enermetrix. The MDTE is investigating whether FG&E is in compliance with relevant statutes and regulations pertaining to transactions with affiliated companies and the MDTE's Order setting forth the requirements for the pricing and procurement of default service. FG&E and the Attorney General have completed briefing the case and an MDTE decision is pending. Management believes the outcome of this matter will not have a material adverse effect on the financial position of the Company.

In August 2003, Northeast Utilities (NU) filed with FERC to revise its comprehensive network service transmission rates to establish and implement a formula based rate, replacing a fixed rate tariff. As filed, the proposed rate change would increase UES' external transmission costs paid under the NU tariff for comprehensive network service by about $600,000 per year. The Company has filed a Motion to Intervene and Limited Protest in this FERC proceeding, and has claimed that certain provisions of NU's filing are contrary to a settlement reached in 1997 with NU for comprehensive network transmission service. The FERC set NU's filing for settlement discussions and accepted the new tariff effective October 28, 2003, subject to refund. A settlement among certain parties to the proceeding was approved by the FERC on September 16, 2004. The settlement, among other things, reduces the allowed Return on Equity that NU can use in the formula rates and will result in refunds to the tariff customers, including UES. The settlement does not address a specific issue raised by UES. A formal hearing on UES' protest was held and briefs and reply briefs were submitted to the Administrative Law Judge during the third quarter of 2004. The Administrative Law Judge's decision is expected during the fourth quarter of 2004, to be followed by review and final order by the FERC. Management cannot predict the outcome of this proceeding but believes it will not have a material impact on results of operations because of rate reconciling cost recovery mechanisms approved by the NHPUC.

NOTE 7 – ENVIRONMENTAL MATTERS

UNITIL'S ENVIRONMENTAL MATTERS ARE DESCRIBED IN NOTE 6 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S FORM 10-K FOR DECEMBER 31, 2003 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 27, 2004.

The Company's past and present operations include activities that are generally subject to extensive federal and state environmental laws and regulations. The Company is in general compliance with all applicable environmental and safety laws and regulations, and Management believes that as of September 30, 2004, there are no material losses reasonably possible in excess of recorded amounts. However, there can be no assurance 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.

Sawyer Passway MGP Site – The Company continues to work with environmental regulatory agencies to identify and assess environmental issues at the former manufactured gas plant (MGP) site at Sawyer Passway, located in Fitchburg, Massachusetts. FG&E proceeded with site remediation work as specified on the Tier 1B permit issued by the Massachusetts Department of Environmental Protection (DEP), which allows the Company to work towards temporary remediation of the site. Work performed in 2002 was associated with the five-year review of the Temporary Solution submittal (Class C Response Action Outcome) under the Massachusetts Contingency Plan that was filed for the site in 1997. Completion of this work has confirmed the Temporary Solution status of the site for an additional five years, to January 2008. A status of temporary closure requires FG&E to monitor the site until a feasible permanent remediation alternative can be developed and completed.

On May 13, 2004 FG&E discovered an unauthorized excavation by a third party on the site at Sawyer Passway in which tainted soils related to MGP by-products were exposed and relocated by another property owner at the site onto property owned by FG&E. FG&E promptly reported this discovery to DEP and subsequently received a Notice of Responsibility on May 20, 2004. FG&E has properly disposed of the relocated materials and taken other steps in accordance with DEP directives to remedy the situation. Remediation costs related to this event are recoverable in gas rates, as discussed in the paragraph below, and should not have a material impact on the Company's financial status.

Since 1991, FG&E has recovered the environmental response costs incurred at this former MGP site pursuant to an MDTE approved settlement agreement between the Massachusetts Attorney General and the natural gas utilities of the Commonwealth of Massachusetts (Agreement). The Agreement allows FG&E to amortize and recover from gas customers over succeeding seven-year periods the environmental response costs incurred each year. Environmental response costs are defined to include liabilities related to manufactured gas sites, waste disposal sites or other sites onto which hazardous material may have migrated as a result of the operation or decommissioning of Massachusetts gas manufacturing facilities from 1822 through 1978. In addition, any recovery that FG&E receives from insurance or third parties with respect to environmental response costs, net of the unrecovered costs associated therewith, are split equally between FG&E and its gas customers. The total annual charge for such costs assessed to gas customers cannot exceed five percent of FG&E's total revenue for firm gas sales during the preceding year. Costs in excess of five percent will be deferred for recovery in subsequent years.

NOTE 8: Pension and Postretirement Benefit Plans

The Company provides certain pension and postretirement benefit plans for its retirees and current employees including defined benefit plans, postretirement health and welfare plans, a supplemental executive retirement plan and an employee 401(k) savings plan.

Defined Benefit Pension Plan – The Company sponsors the Unitil Corporation Retirement Plan (the Plan), a defined benefit pension plan covering substantially all its employees. Under the Plan retirement benefits are based upon an employee's level of compensation and length of service. The Company records annual expense and accounts for its defined benefit pension plan in accordance with SFAS No. 87, "Employers' Accounting for Pensions."

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The following tables show the components of net periodic pension cost (income), (NPPC), as well as key actuarial assumptions used in determining the various pension plan values:

Components of NPPC (000's)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Service Cost	**$ 325**	$ 287	**$ 975**	$ 861
Interest Cost	**757**	735	**2,271**	2,205
Expected Return on Plan Assets	**(848)**	(893)	**(2,544)**	(2,679)
Amortization of Prior Service Cost	**25**	26	**75**	78
Amortization of Net (Gain) Loss	**236**	122	**708**	366
Subtotal NPPC	**495**	277	**1,485**	831
Amounts Capitalized and Deferred	**(338)**	(190)	**(930)**	(570)
NPPC Recognized	**$ 157**	$ 87	**$ 555**	$ 261

Included in the 2004 amounts above for Amounts Capitalized and Deferred are $147 thousand and $438 thousand for the three and nine months ended September 30, 2004, respectively, deferred and recorded as a Regulatory Asset on the Company's Balance Sheet. The remaining amounts in 2004 and the amounts in 2003 represent amounts capitalized to construction overheads.

Employer Contributions – As of September 30, 2004, the Company has not made any contributions to the Plan for 2004. The Company is not required to make a funding of its pension plan this year but may elect to do so. The Company contributed $1.2 million in 2003.

Postretirement Benefits – Prior to October 1, 2003, the Company funded certain postretirement benefits through the Unitil Retiree Trust (URT). URT was an organization of retirees, incorporated in 1993 to provide social, health and welfare benefits to its members, who are eligible former employees of the Company. URT was under the direction of an independent Board of Trustees whose voting members were comprised of former employees of the Company, elected by and from the membership of URT.

URT was determined to be a Variable Interest Entity (VIE) under Financial Interpretation No. 46 (FIN 46). In the fourth quarter of 2003, URT was dissolved by a vote of its trustees and the Company assumed the obligations of URT as of October 1, 2003 under its Employee Health and Welfare Benefits Plan discussed below. At October 1, 2003, the Transition Obligation for benefits previously provided by URT was $29.2 million and this obligation is being recognized on a delayed basis over the average remaining service period of active participants, not to exceed 20 years.

The Company also sponsors the Unitil Employee Health and Welfare Benefits Plan to provide health care and life insurance benefits to active employees. Effective January 1, 2004, this plan was amended to provide healthcare and life insurance benefits to Company retirees following their retirement (PBOP Plan).

The Company has established Voluntary Employee Benefit Trusts, into which it began funding contributions to the PBOP Plan in the first quarter of 2004. The Company expects to recover these amounts as part of normal operating expenses in utility rates. In January 2004, FG&E and UES received approval in their respective jurisdictions from their regulators to defer the amount of current PBOP cost above that which is currently recovered in rates until the Company can complete the necessary filings for retail rate cost recovery. On March 15, 2004, UES submitted its filing for retail rate cost recovery with the New Hampshire Public Utilities Commission (NHPUC). On May 3, 2004, the NHPUC approved UES' request for retail rate cost recovery. Accordingly, UES increased its distribution base rates, effective May 1, 2004, to recover PBOP costs. The Company expects to complete its FG&E filing in 2004.

In January 2004 and May 2004, the FASB issued, respectively, Statement No. 106-1 (SFAS 106-1) and Statement No. 106-2 (SFAS 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", (the Act). The Act includes a subsidy to a plan sponsor that is based on 28 percent of an individual beneficiary's annual prescription drug costs between $250 and $5,000 and the opportunity for a retiree to obtain a prescription drug benefit under Medicare. SFAS 106-1 and SFAS 106-2 require the disclosure of the effects, if any, of the Act on the reported measure of the accumulated postretirement benefit obligation, how that effect has been, or will be, reflected in the net postretirement benefit costs of current or subsequent periods and the effects of any changes in estimates of participation rates on per capita claims cost as a result of the Act. However, since specific authoritative guidance on the accounting for the federal subsidy associated with the Act is pending, a Plan sponsor can elect to defer recognition of the effects of the Act in the accounting for its Plan under SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and in providing disclosures related to the Plan required by SFAS 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits", until that guidance is issued. The Company has elected to defer recognition of the effects of the Act until specific authoritative guidance on the accounting for the federal subsidy associated with the Act is issued. Accordingly, the effects of the Act on the measurement of the Accumulated Postretirement Benefit Obligation and the Net Periodic Postretirement Benefit Cost are not reflected in the Company's financial statements or footnotes because, with specific authoritative guidance, the Company is unable to conclude whether the benefits provided by its postretirement medical benefits plan are actuarially equivalent to the benefits under Medicare Part D under the Act. The specific authoritative guidance on the accounting for the federal subsidy, when issued, could require the Company to change previously reported information.

The following tables show the components of net periodic postretirement benefit cost (NPPBC), as well as key actuarial assumptions used in determining the various PBOP Plan values:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Components of NPPBC (000's)	**2004**	2003	**2004**	2003
Service Cost	**$ 245**	$ 7	**$ 735**	$ 22
Interest Cost	**497**	16	**1,491**	49
Expected Return on Plan Assets	**—**	—	**—**	—
Amortization of Prior Service Cost	**365**	11	**1,095**	32
Amortization of Transition (Asset) Obligation	**5**	1	**15**	2
Amortization of Net (Gain) Loss	**—**	—	**—**	—
Subtotal NPPBC	**1,112**	35	**3,336**	105
Amounts Capitalized and Deferred	**(644)**	(9)	**(2,140)**	(27)
NPPBC Recognized	**$ 468**	$ 26	**$ 1,196**	$ 78

Included in the 2004 amounts above for Amounts Capitalized and Deferred are $179 thousand and $926 thousand for the three and nine months ended September 30, 2004, respectively, deferred and recorded as a Regulatory Asset on the Company's Balance Sheet. The remaining amounts in 2004 and the amounts in 2003 represent amounts capitalized to construction overheads.

In addition to the amounts shown above, the Company also recorded expense for payments to URT of $0.4 million and $1.1 million in the three and nine months ended September 30, 2003, respectively.

Employer Contributions – As of September 30, 2004, the Company has made $1.3 million of contributions to the PBOP Plan. The Company presently anticipates contributing an additional $0.8 million to fund the Plan in 2004 for an estimated total of $2.1 million.

Supplemental Executive Retirement Plan – The Company also sponsors an unfunded retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (the SERP), with participation limited to executives selected by the Board of Directors.

The components of net periodic SERP cost are as follows:

Components of NPPC (000's)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Service Cost	**$ 19**	$ 15	**$ 55**	$ 45
Interest Cost	**17**	17	**53**	51
Expected Return on Plan Assets	**—**	—	**—**	—
Amortization of Prior Service Cost	**(1)**	(1)	**(3)**	(3)
Amortization of Transition Obligation	**4**	4	**12**	12
Amortization of Net Loss	**1**	—	**3**	—
Net Periodic SERP Cost	**$ 40**	$ 35	**$120**	$105

Employer Contributions – As of September 30, 2004, the Company has made payments of $54,000 to beneficiaries. The Company presently anticipates making additional benefit payments of $16,000 in 2004 for a total of $70,000.

Note 9: Subsequent Events

Unitil Energy Systems, Inc. Preferred Stock Redemption and Retirement - On October 15, 2004, Unitil Corporation's wholly owned subsidiary, Unitil Energy Systems, Inc. (UES), redeemed and retired the three outstanding issues of its Redeemable, Cumulative Preferred Stock at par, aggregating $904,100. The three issues redeemed and retired were the 8.70% Series (aggregate par value of $215,000), the 8.75% Series (aggregate par value of $313,600) and the 8.25% Series (aggregate par value of $375,500). UES used operating cash to effect this transaction.

Fitchburg Gas and Electric Light Company Pension and Postretirement Benefits Other Than Pension (PBOP) Adjustment Mechanism Tariff Filing - On April 30, 2004, Unitil Corporation's wholly owned subsidiary, Fitchburg Gas and Electric Light Company (FG&E), filed new tariffs with the MDTE to establish a reconciliation adjustment mechanism for both its Gas Division and Electric Division to provide for the recovery of costs associated with the Company's employee pension benefits and Post Retirement Benefits Other than Pension (PBOP) expenses. On October 27, 2004 the MDTE approved FG&E's request for a reconciliation rate adjustment mechanism related to pension and PBOP costs. As part of this ruling, FG&E is allowed to record a regulatory asset in lieu of taking a charge to expense for the difference between the level of pension and PBOP expenses that are included in its base rates and the amounts that are required to be recorded in accordance with SFAS No. 87 and SFAS No. 106, since the effective date of its last base rate change. This mechanism removes the volatility in earnings that may result from requirements of existing accounting standards and provides for an annual filing and rate adjustment with the MDTE. For the nine month period ended September 30, 2004, FG&E was allowed to defer for recovery, through the rate adjustment mechanism, pension and PBOP expenses of $1.0 million. As of September 30, 2004, FG&E has recorded a regulatory asset of $1.6 million which is included as part of Regulatory Assets in the Company's Consolidated Balance Sheets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Chief Financial Officer and Controller, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer, Chief Financial Officer and Controller concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings.

There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

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

(a) There were no sales of unregistered equity securities by the Company for the fiscal period ended September 30, 2004.

(b) Not applicable.

(c) Issuer repurchases are shown in the table below for the monthly periods noted:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
7/1/04 – 7/31/04	—	—	—	n/a
8/1/04 – 8/31/04	365	$ 26.90	365	n/a
9/1/04 – 9/30/04	—	—	—	n/a
Total	365	$ 26.90	365	n/a

(1) Represents Common Stock purchased on the open market related to Board of Director Retainer Fees and Employee Length of Service Awards. Shares are not purchased as part of a specific plan or program and therefore there is no pool or maximum number of shares related to these purchases.

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Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description of Exhibit	Reference
10.1	Unitil Corporation Tax Deferred Savings and Investment Plan-Trust Agreement	Filed herewith
11	Computation in Support of Earnings Per Average Common Share	Filed herewith
31.1	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	Filed herewith
31.2	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	Filed herewith
31.3	Certification of Controller Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certifications of Chief Executive Officer, Chief Financial Officer and Controller Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
99.1	Unitil Corporation Press Release Dated October 28, 2004 Announcing Earnings For the Quarter Ended September 30, 2004	Filed herewith

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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 28, 2004	/s/ MARK H. COLLIN
	Mark H. Collin **Chief Financial Officer**
Date: October 28, 2004	/s/ LAURENCE M. BROCK
	Laurence M. Brock **Controller**

Exhibit 10.1

UNITIL CORPORATION TAX DEFERRED SAVINGS AND INVESTMENT PLAN

TRUST AGREEMENT

UNITIL CORPORATION TAX DEFERRED SAVINGS AND INVESTMENT PLAN

TRUST AGREEMENT

This Trust Agreement is entered into as of July 30, 2004, by and between Unitil Service Corp. (the “Sponsor”) and New York Life Trust Company, a New York corporation (the “Trustee”), with respect to a trust (“Trust”) forming part of the Unitil Corporation Tax Deferred Savings and Investment Plan (the “Plan”) and shall supersede any previous trust agreements.

The Sponsor and the Trustee hereby agree as follows:

ARTICLE I

ESTABLISHMENT OF TRUST AND APPOINTMENT AND ACCEPTANCE OF TRUSTEE

1.01 **Establishment of Trust.** The Trust is intended to be a qualified trust under section 401(a) of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), and exempt from taxation pursuant to section 501(a) of the Code. If this Trust is established as a successor trust, the Trustee shall have no duty to ascertain the qualified status of any prior trust.

1.02 **Title of Trust.** The Trust shall be known as the Unitil Corporation Tax Deferred Savings and Investment Trust.

1.03 **Appointment and Acceptance of Trustee.** The Sponsor hereby appoints New York Life Trust Company as Trustee of the Trust and represents that this Trust Agreement constitutes a legal, valid and binding obligation of the Sponsor.

The Trustee accepts its appointment as Trustee hereunder.

1.04 **Effectiveness.** This Trust Agreement shall become effective as of July 30, 2004.

ARTICLE II

FIDUCIARIES

2.01 **Administrative and Investment Fiduciaries.** The Sponsor hereby appoints the Administrative Fiduciary and the Investment Fiduciary set forth on Schedule A. The Sponsor further agrees that it shall ensure that such Administrative Fiduciary and Investment Fiduciary adhere to their respective responsibilities set forth in this Trust Agreement. “Administrative Fiduciary” refers to the person(s) or entity which is responsible for the administration and operation of the Plan. Subject to Section 4.04, “Investment Fiduciary” refers to the person(s) or entity responsible for the investment and management of Plan assets. The Administrative Fiduciary and the Investment Fiduciary may be the same person(s) or entity. If the Administrative and/or Investment Fiduciaries designated on

Schedule A are not then serving, the Sponsor shall be the Administrative Fiduciary or the Investment Fiduciary or both, as the case may be. In no event shall the Trustee be either the Administrative Fiduciary or the Investment Fiduciary.

2.02 **Identification of Fiduciaries and Designees.** The Administrative Fiduciary and the Investment Fiduciary under the Plan shall each be identified to the Trustee by the Sponsor on Schedule A attached hereto, and specimen signatures of each member thereof shall be provided to the Trustee by the Sponsor in a form acceptable to the Trustee. The Sponsor shall promptly give written notice to the Trustee of a change in the identity of the Administrative Fiduciary or Investment Fiduciary, or any member thereof, by submitting a revised Schedule A to the Trustee, and until such revised Schedule A is received by the Trustee, the Trustee shall be fully protected in assuming that the identity on Schedule A of the Administrative Fiduciary or Investment Fiduciary, and the members thereof, is unchanged. Each person authorized in accordance with the Plan to give a direction to the Trustee on behalf of the Administrative Fiduciary or the Investment Fiduciary shall be identified to the Trustee and such Schedule A shall contain a specimen of the signature of each such authorized person. The Trustee shall be entitled to rely on Schedule A as evidence of the identity and authority of the persons appointed until a revised Schedule A setting forth the appointment of a successor is received by the Trustee from the Sponsor, the Administrative Fiduciary, or Investment Fiduciary, as the case may be. A revision to Schedule A hereunder shall not require or constitute a formal amendment of this Trust Agreement.

ARTICLE III

TRUST FUND

3.01 **Receipts.** The Trustee shall receive in cash or other assets acceptable to the Trustee, subject to any applicable minimum amount established by the Trustee, all contributions paid or delivered to it which are allocable under the Plan and to the Trust and all transfers paid or delivered under the Plan to the Trust from a predecessor trustee or another trust of a plan qualified under section 401(a) of the Code, provided that the Trustee shall not be obligated to receive any such contribution or transfer unless prior thereto, as the Trustee may specify, the Trustee has received such reconciliation, allocation, investment or other information concerning, or such direction, contribution or representation with respect to, the contribution or transfer or the source thereof as the Trustee, in its sole discretion, may require. The Trustee shall have no duty or authority to (a) require any contributions or transfers to be made under the Plan to the Trustee, (b) compute any amount to be contributed or transferred under the Plan to the Trustee, or (c) determine whether amounts received by the Trustee comply with the Plan. The Trustee shall not be responsible for any assets until it receives such assets.

3.02 **Trust.** The Trust shall consist of all money and other property acceptable to and received by the Trustee pursuant to Section 3.01 hereof, plus any income or gains on such assets and less any investment loss or expense, benefit or disbursement paid pursuant to this Trust Agreement or the Plan. The Trustee shall hold the Trust, without distinction between principal and income, as a nondiscretionary trustee pursuant to the terms of this Trust Agreement. The Trustee may use a general disbursement account for distributions from the Trust, without incurring any liability for payment of interest thereon, notwithstanding the Trustee's receipt of income or interest in respect of funds held in such disbursement account.

3.03 **Another Trust.** If the Sponsor so elects, and the Trustee consents, the Sponsor may appoint another trustee under the Plan with respect to assets which the Sponsor desires to contribute or have transferred to the Trustee, but which the Trustee does not choose to accept. The Trustee shall discharge its duties and responsibilities solely with respect to those assets of the Trust delivered into its possession and, except pursuant to the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), shall have no duties or responsibilities or obligations with respect to property of the other trust nor any liability for the acts or omissions of the other trustee. As a condition to the Trustee's consent to the appointment of another trustee, the Sponsor shall assure that recordkeeping, distribution and reporting procedures are established on a coordinated basis between the Trustee and the other trustee as the Trustee considers necessary or appropriate with respect to the Trust.

ARTICLE IV

INVESTMENTS

4.01 **Investment Management.** Subject to Section 4.04 below, the Investment Fiduciary shall manage the investment of the Trust except insofar as (a) a person (an "Investment Manager") who meets the requirements of section 3(38) of ERISA has authority to manage Trust assets as referred to in Section 4.02 hereof, or (b) the Plan provides for participant or beneficiary direction of the investment of assets allocable under the Plan to the accounts of such participants and beneficiaries. Except as may otherwise be required by ERISA and Section 4.04, the Trustee shall invest the Trust as directed by the Investment Fiduciary, an Investment Manager or a Plan participant or beneficiary, as the case may be. The Investment Fiduciary may permit participants to direct the investment of their accounts under the Plan and to purchase assets selected by such participants through a broker/dealer designated by the Investment Fiduciary for such purpose (the portion of a participant's account so invested is hereinafter referred to as a "Self-Directed Brokerage Account"). The Trustee shall have no discretionary control over, nor any other discretion regarding, the investment or reinvestment of any asset of the Trust.

4.02 **Investment Managers.** Notwithstanding any provision of the Plan to the contrary, the Investment Fiduciary may appoint one or more Investment Managers, who may be an affiliate of the Trustee, provided such appointment does not violate any law or regulation, to direct the Trustee in the investment of all or a specified portion of the assets of the Trust. Any such Investment Manager shall be directed by the Investment Fiduciary to act in accordance with the procedures referred to in Section 4.08. The Investment Fiduciary shall notify the Trustee in writing before the effectiveness of the appointment or removal of any Investment Manager.

If there is more than one Investment Manager whose appointment is effective under the Plan at any one time, the Trustee shall, upon written instructions from the Investment Fiduciary, establish separate funds for control by each such Investment Manager. The funds shall consist of those Trust assets designated by the Investment Fiduciary.

4.03 **Participant Direction.** Except as otherwise may be set forth herein in connection with Self-Directed Brokerage Accounts, in the event the Plan provides for participant or beneficiary direction of investment of assets allocable under the Plan to the accounts of such participants and beneficiaries, such information as the Trustee may specify shall be provided by the Sponsor or the Administrative

Fiduciary to the Trustee, and/or such other person(s) as are necessary, for the implementation of the directions in accordance with procedures established by the Trustee.

4.04 **Selection of Investments.** Set forth on Schedule B are those investments, from among the permitted investments listed in Section 6.01 hereof, in which the assets of the Trust shall be invested. Schedule B may be revised from time to time in writing by the Investment Fiduciary or any duly appointed Investment Manager, as the case may be, and delivered to the Trustee, without formal amendment of this Trust Agreement.

4.05 **Funds Awaiting Investment.** It is understood that the Trustee may, from time to time, have on hand funds which are awaiting investment, or funds from the sale of Trust assets which are awaiting reinvestment. In such event, the Trustee shall cause such funds to be held on deposit with the Trustee's custodian until such funds are used to settle transactions or as may otherwise be contemplated hereunder. Notwithstanding the foregoing, if by the close of the business day following the day on which the funds are received, the Trustee is unable to identify the plan and trust to which any of such funds are to be credited, the Trustee shall return such funds to the originating financial or other institution. The interest on the aggregate cash balances the Trustee has on deposit with such custodian shall be paid in accordance with Section 8.01 of this Agreement.

4.06 **Voting, Tendering and Other Rights.** Except as otherwise set forth below the Trustee shall vote all proxy and other materials for all investments held by the Trust, other than "employer securities" (within the meaning of Section 407(d)(l) of ERISA) in accordance with the recommendations made by the applicable common or collective trust's or mutual fund's board of trustees, board of directors, or other governing body. If all or any part of the Trust Fund consists of "employer securities" (within the meaning of Section 407(d)(l) of ERISA), the voting of such securities shall be made in accordance with the provisions of Schedule C of this Trust Agreement.

Notwithstanding anything set forth herein or elsewhere to the contrary, in the event the Plan permits participants to direct the investment of assets through Self-Directed Brokerage Accounts, the Trustee shall not be responsible for distributing or voting any proxy or other materials for securities held in any Self-Directed Brokerage Accounts maintained under the Plan. The Sponsor acknowledges that it has entered into a separate agreement with the broker/dealer designated by the Investment Fiduciary on Schedule A and consented to in writing by the Investment Fiduciary ("Broker/Dealer Agreement") relating to the distribution and voting of any proxy or other materials for securities held in any such Self-Directed Brokerage Accounts.

4.07 **Services Through Affiliated Organizations.** The Trustee may enter into agreements with New York Life Insurance Company ("NYLIFE"), NYLIFE Securities Inc. ("Broker"), NYLIFE Distributors LLC ("Underwriter"), and any of their affiliates and/or subsidiaries, successors and assigns for the provision of services to the Trust. The Trustee is specifically authorized to place securities orders, settle securities trades, hold securities in custody and perform related activities on behalf of the Trust through or with the Broker. The Broker shall perform such acts for the participants' accounts only if the Investment Fiduciary has designated the Broker as the brokerage firm for participants' accounts under the Plan and the Investment Fiduciary and participants have received disclosure as described below in this Section 4.07.

Trades and related activities effected through the Broker shall be subject to fees and commissions established by the Broker, which may be paid from the Trust or netted from the proceeds of trades.

No trades shall be executed through the Broker or other services provided unless the Sponsor or Investment Fiduciary has received disclosure concerning the relationship of NYLIFE, Broker, Underwriter, or their affiliates and/or subsidiaries, as the case may be, to the Trustee, and notice of the fees and commissions that may be paid to NYLIFE, the Broker, the Underwriter, Trustee and/or their affiliates or subsidiaries in connection with such trades or other services.

4.08 **Investment Directions.** Directions for the investment or reinvestment of Trust assets from the Investment Fiduciary, an Investment Manager or a Plan participant or beneficiary, as the case may be, shall be communicated to, and implemented by, the Trustee, the Trustee's designee or, with the Trustee's consent, a broker/dealer designated for the purpose by the Investment Fiduciary. Communication of any such direction to the Trustee or to such a designee or broker/dealer shall be in a manner acceptable to the Trustee and shall conclusively be deemed an authorization to the Trustee, such designee or broker/dealer to implement the direction. The Trustee shall have no liability for it or any other person following such directions or failing to act in the absence of any such directions. The Trustee shall have no liability for the acts or omissions of any person directing the investment or reinvestment of Trust assets or making or failing to make any direction referred to in Section 4.06. Neither shall the Trustee have any duty or obligation to review any such investment or other direction, act or omission or, except upon receipt of a proper direction, to invest or otherwise manage any asset of the Trust which is subject to the control of any such person or to exercise any voting or other right referred to in Section 4.06.

In the event the Plan provides for participant and/or beneficiary direction of the investment of assets allocable under the Plan to the accounts of such participants and/or beneficiaries, and no direction is received with respect to the investment or reinvestment of uninvested Trust assets allocable to such accounts, the Sponsor hereby directs that such assets shall be invested by the Trustee in the investment specified on Schedule B attached hereto.

Notwithstanding anything set forth herein or elsewhere to the contrary, in the event the Plan permits participants to direct the investment of assets through Self-Directed Brokerage Accounts, all investment directions shall be communicated to, and implemented by, the broker/dealer designated by the Investment Fiduciary on Schedule A for such purposes pursuant to the terms of the Broker/Dealer Agreement; provided, however, that a participant may not direct the broker/dealer to purchase (i) "employer securities" (within the meaning of Section 407(d)(l) of ERISA), if any, or (ii) any other investment prohibited under the terms of the Broker/Dealer Agreement.

The Trustee shall have no fiduciary responsibility under ERISA or any other liability relating to the investment or reinvestment of Trust assets. The Trustee and its affiliates shall not be deemed to provide investment advice for any purposes whatsoever.

4.09 **Custody of Participant Loan Documentation.** If participant loans are permitted under the Plan, New York Life Investment Management LLC, or its successor, ("NYLIM"), an affiliate of the Trustee, shall act as the Trustee's agent for the purpose of holding all participant loan notes and related documentation and as such shall (a) hold physical custody of and keep safe the notes and other loan documents, (b) collect and remit all principal and interest payments to the Trustee, (c) advise the Trustee of the date, amount and payee of the checks to be drawn representing loans, and (d) cancel and surrender the notes and other loan documentation when a loan has been paid in full.

4.10 **Common and Collective Trust Funds.** The Investment Fiduciary may direct the Trustee to invest the assets of the Trust in a common, group or collective trust established for the investment of the assets of employee benefit plans qualified under Section 401(a) of the Code, individual retirement accounts under section 408(a) of the Code and plans of governmental units described in section 818(a)(6) of the Code which may be (but is not required to be) maintained by the Trustee or its affiliates. The documents governing any such group, common or collective trust fund in which Trust assets have been invested are hereby incorporated into this Trust Agreement by reference as if set forth herein at length.

4.11 **Mutual and Other Investment Funds.** The Investment Fiduciary may direct the Trustee to purchase shares of a regulated investment company, or an interest in another pooled investment fund (individually and collectively referred to hereafter as “Investment Fund”) advised, managed or offered by NYLIFE, Broker, Underwriter or Trustee, or an affiliate or subsidiary of any of them. If any such Investment Fund held on behalf of the Trust or a participant account is terminated or reorganized, or a new series or class of such Investment Fund is issued, pursuant to the terms set forth in the prospectus, statement of additional information or other documents governing such Investment Fund, the Trustee shall be authorized to surrender any shares or interests in such Investment Fund, and accept and hold shares or interests of equivalent value issued in connection with such termination, reorganization or issuance on behalf of the Trust and participant accounts, as applicable.

Purchases and sales of units of Investment Funds shall be made on the date on which the Trustee has received from the Sponsor or Investment Fiduciary, in good order, all information and documentation necessary to effect the transactions and is able to effect such transactions.

In the event the Plan permits participants to direct the investment of assets through Self-Directed Brokerage Accounts, all aspects related to the execution of such directions, including, but not limited to, the date on which such transactions shall occur, shall be determined under the terms of the Broker/Dealer Agreement. The Trustee shall have no duty to ensure that such transactions occur within the time specified under the terms of the Broker/Dealer Agreement and shall have no liability for the broker/dealer’s failure to comply with the terms of the Broker/Dealer Agreement.

ARTICLE V

DISBURSEMENTS, ADMINISTRATIVE DIRECTIONS AND EXPENSES

5.01 **Disbursements.** Disbursements of money or property from the Trust shall be made by the Trustee upon direction from the Administrative Fiduciary or its designee. Disbursements by the Trustee shall be transmitted to the Administrative Fiduciary or its designee for delivery to the proper payees or to the payees’ addresses supplied by the Administrative Fiduciary or its designee, and the Trustee’s obligation to make such payments shall be satisfied upon such transmittal. The Trustee shall have no obligation to determine the identity of persons entitled to disbursements under the Plan or their addresses furnished by the Administrative Fiduciary, its designee or agent in accordance with the terms of this Trust. The Trustee shall not be required to make any disbursement in excess of the liquidated value of the Trust at the time of the disbursement. The Trustee shall not be responsible for the adequacy of the Trust to meet and discharge any and all disbursements and liabilities under the Plan.

5.02 **Administrative Fiduciary’s Directions.** Directions from or on behalf of the Administrative Fiduciary or its designee shall be communicated to the Trustee or the Trustee’s designee only in a manner and in accordance with procedures acceptable to the Trustee. The Trustee's designee shall be empowered to implement any such directions, provided they are in accordance with procedures acceptable to the Trustee. The Trustee shall have no liability for following any such directions or failing to act in the absence of any such directions. The Trustee shall have no liability for the acts or omissions of any person making or failing to make any directions under the Plan or this Trust Agreement nor any duty or obligation to review any such direction, act or omission.

5.03 **Disputed Payments.** If a dispute arises over the propriety of the Trustee making any payment from the Trust, the Trustee may withhold the payment until the dispute has been resolved by a court of competent jurisdiction or settled by the parties to the dispute. The Trustee may consult legal counsel and shall be fully protected in acting upon the advice of counsel. The Sponsor hereby indemnifies the Trustee pursuant to Section 7.07 of this Trust Agreement for any acts taken or failed to be taken in good faith by the Trustee under this Section 5.03.

5.04 **Taxes**. The Trustee is authorized, with or without direction from the Administrative Fiduciary or any other person, to deduct from and charge against the Trust any taxes or assessments by any lawful taxing or governmental authority, including interest and penalties with respect thereto, which may be imposed upon the Trust or any account or the income thereof, or which the Trustee is required to pay with respect to the interest of any person therein, under existing or future laws. The Trustee shall have full power to pay any such tax or assessment, in the case of an individual account plan as defined in section 3(34) of ERISA, only out of any money or other property in the account of the person whose interest is liable therefor, provided that at least fifteen (15) days prior to making such payment the Trustee shall give notice to the Administrative Fiduciary of its intention to make such payment. Until paid, such taxes shall be a lien against the Trust. The Trustee shall not be personally liable for any such taxes, charges or assessments.

5.05 **Expenses of Administration.** Expenses incurred by the Sponsor, Administrative Fiduciary, Investment Fiduciary, any Investment Manager designated pursuant to Section 4.02, or any other persons designated to act on behalf of the Sponsor, Administrative Fiduciary or Investment Fiduciary, including reimbursement for expenses incurred in the performance of their respective duties shall be paid from the Trust unless paid directly by the Sponsor.

ARTICLE VI

POWERS OF TRUSTEE

6.01 **Nondiscretionary Investment Powers.** At the direction of the person authorized to direct such action as referred to in Article IV hereof, but limited to those assets or categories of assets acceptable to the Trustee as referred to in Sections 3.01, the Trustee, or the Trustee's designee or a broker/dealer as referred to in Section 4.07 and 4.08, is authorized and empowered:

(a) To invest and reinvest the Trust Fund, together with the income therefrom, in:

(i) Common stock, preferred stock, convertible preferred stock, bonds, debentures, convertible debentures and bonds, mortgages, notes, commercial paper and other evidences of indebtedness;

(ii) Bank investment contracts;

(iii) Shares of regulated investment companies, including those advised, managed or offered by the Trustee, or an affiliate of the Trustee;

(iv) Common, pooled, group or commingled investment funds established for the investment of the assets of employee benefit plans qualified under section 401 of the Code, individual retirement accounts under section 408(a) of the Code and plans of governmental units described in section 818(a)(6) of the Code which may be (but is not required to be) maintained by the Trustee or its affiliates. The commingling of assets of this Trust with assets of other qualified trusts in such funds is hereby specifically authorized; provided, however, the declaration of trust establishing any such fund, as amended from time to time, will be a part of this Trust Agreement;

(v) Options to buy or sell securities or other assets, provided same are within regulated investment companies or common, pooled, group or commingled investment funds;

(vi) Notes evidencing loans to participants in accordance with the terms of the Plan;

(vii) Equity securities issued by the Sponsor or an affiliate which are "qualifying employer securities" within the meaning of Section 407(d)(5) of ERISA, as amended;

(viii) Stable value investments, whether or not issued by an affiliate of the Trustee, including, without limitation, separate account contracts, guaranteed investment contracts ("GICs"), and synthetic guaranteed investment contracts;

(ix) Guaranteed investment and annuity contracts heretofore entered into by the predecessor trustee and specifically identified on Schedule D attached hereto ("Existing GICs") provided, however, that the Investment Fiduciary hereby directs the Trustee to continue to hold such Existing GICs until the Investment Fiduciary directs otherwise, it being expressly understood that such direction is given in accordance with Section 403(a) of ERISA; and

(x) Other marketable securities traded on a national securities exchange which are acceptable to the Trustee.

(b) To sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.

(c) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees or to be held in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(d) To keep that portion of the Trust in cash or cash balances as the Investment Fiduciary may, from time to time, deem to be in the best interest of the Trust.

(e) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(f) To consent to or participate in any plans for the reorganization, recapitalization, consolidation or merger, or sale or lease of assets of any corporation, any security of which is held in the Trust, and to pay any and all costs and assessments imposed upon the owners of such securities as a condition of their participation therein, and to consent to any contract, lease, mortgage, purchase or sale of property, by or between such corporation and any other corporation or person.

(g) To grant options to purchase any property.

(h) To foreclose any obligation by judicial proceedings or otherwise.

(i) To disclose any information concerning the existence, condition, management and administration of the assets of the Trust as may be required by law or as may be necessary to prepare any reports required by law.

(j) To lend, through a common, collective, or Investment Fund, any securities held in such fund to brokers, dealers or other borrowers and to permit the loaned securities to be transferred into the name and custody and be voted by the borrower or others.

(k) To retain any assets in the Trust for such period of time as the Trustee deems appropriate.

(l) To exercise or dispose of any conversion privilege or subscription right which the Trustee may have as a holder of any security or otherwise.

(m) To deposit any security in any voting trust or under any pooling agreement or with any protective or reorganization committee, or with depositories designated by such trust, agreement or committee, and to delegate such power and authority with relation thereto as the Trustee may deem proper, and to agree to pay and to pay out of the Trust assets such portion of the expenses and compensation of such trust, agreement or committee as the Trustee may deem proper.

(n) To execute and deliver any general or specific proxies or powers of attorney, with or without power of substitution, to such person or persons as the Trustee may deem proper, granting to such persons such power and authority with relation to any property or securities at any time held by the Trust as the Trustee may deem proper.

(o) To borrow money from any source other than a “party in interest” (as such term is defined by Section 3(14) of ERISA) with or without giving security, and to encumber the Trust assets by mortgage, deed of trust, pledge or otherwise.

(p) To renew or extend the time of payments of any obligation due or becoming due.

(q) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(r) To employ legal, accounting, clerical, and other assistance as may be required in carrying out the provisions of this Trust Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(s) To do all other acts although not specifically mentioned herein, as the Trustee may deem necessary to carry out any of the foregoing powers and the purposes of this Trust Agreement.

6.02 **Standard of Care.** The Trustee shall discharge its duties hereunder with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. As a directed trustee, the Trustee assumes no responsibility and shall not be liable for any losses sustained by the Trust by reason of the purchase, retention, sale or exchange of any investment in accordance with the provisions of this Trust Agreement and in accordance with ERISA and the regulations promulgated thereunder.

6.03 **Location and Indicia of Ownership.** Except as permitted by ERISA, the Trustee shall not maintain the indicia of ownership of any assets of the Trust outside the jurisdiction of the district courts of the United States.

6.04 **Preservation of Liquidity Ratio for Stock Fund.** Any direction to invest assets of the Trust in a stock fund of the Sponsor, or affiliate of the Sponsor, shall be subject to maintaining a liquidity ratio (as defined below) for such stock fund. To the extent a transaction shall cause the liquidity ratio to fall below the designated percentage, the Trustee is authorized and directed to sell sufficient shares of the stock fund to restore the liquidity ratio, and shall have no authority or responsibility to follow the investment directions of a Plan participant or beneficiary, the Administrative Fiduciary, the Investment Fiduciary or an Investment Manager, as the case may be, until such time as the liquidity ratio can be restored.

For purposes of this Section 6.04, the term “liquidity ratio” means the ratio of short-term cash investments to the total value of the stock fund, which ratio shall be agreed to by the Investment Fiduciary and the Trustee. The liquidity ratio shall be rebalanced periodically by the Trustee or its agent, but in no event less often than quarterly. The purpose of the liquidity ratio is to provide the Trustee with sufficient liquidity in combination with the sale of shares of the stock fund to satisfy intra-fund transfers, Plan loans (if any) and Plan distributions. The Investment Fiduciary, with the consent of the Trustee, may change the liquidity ratio from time to time.

ARTICLE VII

RESPONSIBILITIES, AGENTS, INDEMNIFICATION AND BONDING

7.01 **Relationship of Fiduciaries.** Each fiduciary of the Plan and this Trust shall be solely responsible for its own acts or omissions. The Trustee shall have no duty to question any Plan fiduciary’s performance of fiduciary duties allocated to such fiduciary pursuant to the Plan or this Trust Agreement. The Trustee shall not be responsible for a breach of responsibility by any Plan fiduciary except as provided for in ERISA.

7.02 **Benefit of Participants.** Each fiduciary, within the meaning of the Code and ERISA, shall discharge its duties with respect to the Trust solely in the interest of participants in the Plan and their beneficiaries and for the exclusive purpose of providing benefits to such participants and beneficiaries and defraying reasonable expenses of administering the Plan.

7.03 **Agents of Administrative Fiduciary and Investment Fiduciary.** The Sponsor hereby designates New York Life Investment Management LLC, or its successor, ("NYLIM"), by its authorized individuals, as the party who may provide the Trustee with directions from the Administrative Fiduciary and Investment Fiduciary upon which the Trustee shall be fully protected in relying to the extent consistent with this Trust Agreement. The signature of each authorized NYLIM individual shall be provided and certified to the Trustee by NYLIM.

7.04 **Agents of Trustee.** The Sponsor, Administrative Fiduciary and Investment Fiduciary acknowledge and authorize the Trustee to use and employ agents, including its affiliates, in the performance of its responsibilities under this Agreement. The expenses and compensation for the services of any such agent as specified in Schedule E attached hereto, shall be paid from the Trust unless paid directly by the Sponsor as set forth in Section 8.01 of this Trust Agreement.

7.05 **Protection of Designees.** To the extent that any designee of the Trustee is performing a function of the Trustee under this Trust Agreement, the designee shall have the benefit of all of the applicable limitations on the scope of the Trustee's duties and liabilities, all applicable rights of indemnification granted hereunder to the Trustee and all other applicable protections of any nature afforded to the Trustee provided the designation is pursuant to this Trust Agreement and consistent with the requirements of ERISA.

7.06 **Bond.** The Trustee hereby warrants that it complies with the bonding provisions of Section 412 of ERISA.

7.07 **Indemnification.** The Sponsor hereby indemnifies the Trustee against, and shall hold the Trustee harmless from, any and all loss, claim, liability, and expense, including reasonable attorneys fees, imposed upon the Trustee or incurred by the Trustee as a result of any acts taken, or any failure to act, in accordance with directions from the Administrative Fiduciary, Investment Fiduciary, Investment Manager or any other person specified in Article IV or V hereof, or any designee of any such person, or by reason of the Trustee's good faith execution of its duties with respect to the Trust, including, but not limited to, its holding of assets of the Trust as provided for in Section 3.02, the Sponsor's obligations in die foregoing regard to be satisfied promptly on request by the Trustee, provided that in the event that the loss, claim, liability or expense involved is determined by a no longer appealable final judgment entered in a lawsuit or proceeding to have resulted from the gross negligence or willful misconduct of the Trustee, the Trustee shall promptly thereafter return to the Sponsor any amount previously received by the Trustee under this Section with respect to such loss, claim, liability or expense.

7.08 **Trustee's Reliance.** The Trustee shall have no duty to inquire whether directions by the Sponsor, the Administrative Fiduciary, the Investment Fiduciary or any other person conform to the Plan, and the Trustee shall be fully protected in relying on such directions communicated in accordance with procedures acceptable to the Trustee from any person who the Trustee reasonably believes is a proper person to give the directions. The Trustee shall have no liability to any participant, any beneficiary or any other person for payments made, any failure to make payments, or any discontinuance of payments, on direction of the Administrative Fiduciary, the Investment Fiduciary or any designee of either of them, or for any failure to make payments in the absence of directions from the Administrative Fiduciary or any person responsible for or purporting to be responsible for directing the investment of Trust assets. The Trustee shall have no obligation to request proper directions from any person. The Trustee may request instructions from the Administrative Fiduciary or the Investment Fiduciary and shall have no duty to act or liability for failure to act if such instructions are not forthcoming.

7.09 **Survival of Provisions.** The provisions of this Article VII shall survive the termination of this Trust Agreement.

ARTICLE VIII

PAYMENTS TO TRUSTEE AND AGENTS

8.01 **Payments to the Trustee.** The Sponsor understands and acknowledges that the Trustee's fees would be higher if the Trustee did not earn income and/or interest on funds awaiting investment or reinvestment in accordance with Section 4.05, or pending distribution from the Trust in accordance with Section 3.02. Except as otherwise provided by ERISA, regulations promulgated thereunder, and interpretations by the Department of Labor, the Sponsor hereby authorizes the Trustee to retain, as compensation hereunder, the Trust's pro rata portion of any such income or interest and such additional amount as is set forth on Schedule E attached hereto, as amended from time to time in writing. In addition, the Trustee shall be entitled to reimbursement for all reasonable expenses incurred by it in the performance of its duties hereunder, including reasonable fees for legal services rendered to the Trustee (whether in connection with any litigation or otherwise), and all other proper charges and disbursements.

8.02 **Expenses and Compensation.** The Trustee shall not be obligated to transfer Trust assets until the Trustee is provided assurance by the Sponsor satisfactory to the Trustee that all fees and expenses reasonably anticipated will be paid.

ARTICLE IX

RECORDS, ACCOUNTINGS AND VALUATIONS

9.01 **Records.** The Trustee shall maintain or cause to be maintained records generated by the Trustee and accounts of all Trust transactions and assets. The records and accounts of all Trust transactions and assets shall be available at reasonable times during normal business hours for inspection or audit by the Administrative Fiduciary and the Investment Fiduciary or any person designated for the purpose by either of them.

9.02 **Accountings.** The Trustee shall, not less than quarterly, and within 90 days following the close of each fiscal year of the Plan or the effective date of the removal or resignation of the Trustee, file with the Administrative Fiduciary a written accounting setting forth all transactions since the end of the period covered by the last previous accounting. The accounting shall include a listing of the assets of the Trust showing the value of such assets at the close of the period covered by the accounting. On direction of the Administrative Fiduciary, and if previously agreed to by the Trustee in writing, the Trustee shall submit to the Administrative Fiduciary interim valuations, reports or other information pertaining to the Trust.

The Administrative Fiduciary may approve the accounting by written approval delivered to the Trustee or by failure to deliver written objections to the Trustee within 60 days after receipt of the accounting. Any such approval shall be binding on the Sponsor, the Administrative Fiduciary, the Investment Fiduciary and, to the extent permitted by ERISA, all other persons.

9.03 **Valuation.** The assets of the Trust shall be valued as of each valuation date as specified under the Plan at fair market value as determined by the Trustee based upon such sources of information as it may deem reliable. The reasonable costs incurred in establishing values of the Trust shall be a charge against the Trust, unless paid by the Sponsor pursuant to Section 8.01 hereof.

Except as otherwise provided by ERISA and regulations promulgated thereunder, the Trustee, may, when unable to arrive at a value based upon information from independent sources, rely upon information from the Sponsor, Administrative Fiduciary, Investment Fiduciary, appraisers, or other sources, and shall not incur any liability for inaccurate valuation based in good faith upon such information.

ARTICLE X

AMENDMENT AND TERMINATION OF TRUST

10.01 **Amendment.** This Trust Agreement may be amended by agreement between the Trustee and the Sponsor, provided that no amendment of this Trust Agreement or the Plan shall be effective which would (a) cause any assets of the Trust to be used for, or diverted to, purposes other than the exclusive benefit of Plan participants or their beneficiaries other than an amendment permissible under the Code and ERISA, or (b) affect the rights, duties, responsibilities, obligations or liabilities of the Trustee without the Trustee's written consent. The Sponsor shall amend this Trust Agreement as requested by the Trustee to reflect changes in law which counsel for the Trustee advises the Trustee require such changes. Any proposed amendment under consideration by the Sponsor shall be communicated to the Trustee in writing to permit the Trustee to review and comment thereon in due course before the Sponsor acts on the proposed amendment. Final amendments to the Trust Agreement or a certified copy thereof shall be delivered to the Trustee promptly after adoption by the Sponsor.

NYLIM is authorized to act as the Trustee's agent for the purpose of holding an original executed copy of the Plan and all amendments of the Plan. The Sponsor, prior to the execution of this Trust Agreement by both parties, has delivered to NYLIM the text of the Plan and all amendments of the Plan as in effect as of the date of this Trust Agreement. The Sponsor shall deliver to NYLIM promptly after adoption thereof a certified copy of each other amendment of the Plan.

10.02 **Termination.** The Trust may be terminated by the Sponsor upon at least 60 days written notice to the Trustee. Upon such termination, and subject to Section 12.01 hereof, the Trust shall be distributed as directed by the Administrative Fiduciary.

ARTICLE XI

RESIGNATION AND REMOVAL OF TRUSTEE

11.01 **Resignation.** The Trustee may resign at any time upon at least 60 days written notice to the Sponsor, unless the parties agree to a shorter period.

11.02 **Removal.** The Sponsor may remove the Trustee upon at least 60 days written notice to the Trustee, unless the parties agree to a shorter period.

11.03 **Appointment of a Successor.** Upon resignation or removal of the Trustee, the Sponsor shall appoint a successor trustee. Upon failure of the Sponsor to appoint, or the failure of the effectiveness of the appointment by the Sponsor of, a successor trustee by the effective date of the resignation or removal, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor.

Promptly after receipt by the Trustee of notice of the effectiveness of the appointment of the successor trustee, the Trustee shall deliver to the successor trustee such records as may be reasonably requested to enable the successor trustee to properly administer the Trust and all property of the Trust after deducting therefrom such amounts as the Trustee deems necessary to provide for expenses, taxes, compensation or other amounts due to or by the Trustee pursuant to the provisions of this Trust Agreement not paid by the Sponsor prior to the delivery, provided such expenses, taxes, compensation or other amounts are reasonable and such deduction is consistent with the requirements of ERISA.

11.04 **Settlement of Account.** Upon resignation or removal of the Trustee, the Trustee shall have the right to a settlement of its account, which settlement shall be made by a settlement agreement between the Trustee and the Sponsor or, if no settlement is reached within 60 days, by a judicial settlement in an action instituted by the Trustee. The Sponsor shall bear their costs of any such judicial settlement. The parties shall bear the fees of their own attorneys.

11.05 **Termination of Responsibility and Liability.** Upon settlement of the account and transfer of the Trust to the successor trustee, all rights and privileges under this Trust Agreement shall vest in the successor trustee and all responsibility and liability of the Trustee with respect to the Trust and assets thereof shall, except as otherwise required by ERISA, terminate subject only to the requirement that the Trustee execute all necessary documents to transfer the Trust assets to the successor trustee.

ARTICLE XII

MISCELLANEOUS

12.01 **Exclusive Benefit Rule.** Except as otherwise provided in this Trust Agreement or permitted or required by ERISA or the Code, no asset of this Trust shall be used for, or diverted to, purposes other than the exclusive benefit of Plan participants or their beneficiaries or for the reasonable expenses of administering the Plan and Trust until all liabilities for benefits due Plan participants or their beneficiaries have been satisfied.

Notwithstanding the foregoing, the Trustee shall, upon the written direction of the Administrative Fiduciary which shall include a certification that such action is proper under the Plan, ERISA and the Code specifying any relevant sections thereof, return to the Sponsor any amount referred to in section 403(c)(2) of ERISA or excess sums contributed to the Trust as a result of a mistake of fact.

12.02 **Conflict with Plan.** The rights, duties, responsibilities, obligations and liabilities of the Trustee are as set forth in this Trust Agreement, and no provision of the Plan or any other document shall be deemed to affect such rights, duties, responsibilities, obligations and liabilities. If there is a conflict between provisions of the Plan and this Trust Agreement with respect to any subject involving the Trustee, including but not limited to the responsibility, authority or powers of the Trustee, the provisions of this Trust Agreement shall be controlling.

12.03 **Failure to Maintain Qualification.** If the Plan fails to qualify as a qualified plan under section 401(a) of the Code, or loses its status as such a qualified plan, the Sponsor shall immediately so notify the Trustee, and the Trustee shall, without further notice or direction, remove the Trust assets from any common or collective trust fund for investments by qualified trusts. Absent receipt by the Trustee of a direction from the proper person(s) for the investment of such removed assets, the Trustee shall cause such removed assets to be invested in accordance with Section 4.05.

12.04 **Appointment of a Successor.** Any action to be taken under this Trust Agreement by a Sponsor or other person which is: (a) a corporation shall be taken by the board of directors of the corporation or any person or persons duly empowered by the board of directors to take the action involved, (b) a partnership shall be taken by an authorized general partner of the partnership, (c) a sole proprietorship by the sole proprietor, and (d) a committee shall be taken (i) at a meeting at which a quorum is present by the vote or concurrence of a majority of the members present or (ii) without a meeting by unanimous written consent of the members.

12.05 **Restriction on Alienation.** Except as provided in Section 12.06 hereof, under section 401(a)(13) of the Code or other provision of ERISA, the interest of any Plan participant or beneficiary in the Trust shall not be subject to the claims of such person’s creditors and may not be assigned, sold, transferred, alienated or encumbered. Any attempt to do so shall be void; and the Trustee shall disregard any attempt. Trust assets shall not in any manner be liable for or subject to debts, contracts, liabilities, engagement or torts of any Plan participant or beneficiary, and benefits shall not be considered an asset of any such a person in the event of the person’s insolvency or bankruptcy.

12.06 **Payment on Court Order.** The Trustee is authorized to make any payments directed by court order in any action in which the Trustee is a party or pursuant to a domestic relations order that has been determined by the administrator of the Plan to constitute a “qualified domestic relations order” under section 4l4(p) of the Code; provided that the Trustee shall not make such payment if the Trustee is indemnified and held harmless by the Sponsor in a manner satisfactory to the Trustee against all consequences of such failure to pay. The Trustee is not obligated to defend actions in which the Trustee is named but shall notify the Sponsor or Administrative Fiduciary of any such action and may tender defense of the action to the Sponsor, Administrative Fiduciary or the participant or beneficiary whose interest is affected. The Trustee may in its discretion defend any action in which the Trustee is named and any expenses, including reasonable attorneys fees, incurred by the Trustee in that connection shall be paid or reimbursed in accordance with Section 8.01 hereof.

12.07 **Arbitration.** The Sponsor hereby agrees that all controversies or claims that may arise between the Sponsor and the Trustee and its affiliates in connection with the Trust shall be settled by arbitration.

The Sponsor further agrees that the arbitration shall be held in the State, City and County of New York and administered by the American Arbitration Association under its Commercial Arbitration Rules, applying New York law.

The arbitration shall be submitted to a panel (the “Panel”) consisting of one arbitrator appointed by the claimant(s), one arbitrator appointed by the respondent(s) and a third arbitrator (the “neutral arbitrator”) chosen by the party-appointed arbitrators. The Panel shall be impartial and disinterested. The arbitrators shall be persons who are experienced and knowledgeable in securities and trust or pension law and shall be attorneys duly licensed to practice law in one or more states.

The Panel shall not have the authority to grant any remedy which contravenes or changes any term of this Trust Agreement and shall not have the authority to award punitive, exemplary or extracontractual damages under any circumstances. Each party shall bear the expense of the arbitrator selected by it and shall jointly and equally bear the expenses of the neutral arbitrator and of any stenographer present at the arbitration. The remaining costs of the arbitration shall be finally allocated by the Panel, except that the Panel shall not have the power to award attorney’s fees.

The Panel shall render its decision within 30 days after termination of the arbitration proceeding, which decision shall be in writing, stating the reasons therefor and including a brief description of each element of any damages awarded. The decision of the majority shall be final and binding. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

The Sponsor and the Trustee understand, agree and intend that in no event (i) will any of the rights of any participant or any beneficiary of any participant be subject to arbitration pursuant to the arbitration provisions of this Section 12.07, nor (ii) will any provisions of this Section 12.07 be applied to or be interpreted to limit any right of any participant or any beneficiary of any participant to pursue any remedy or take any other action in connection with this Trust Agreement in any court or with any regulatory body having jurisdiction over the relevant matter.

12.08 **Governing Law and Construction.** This Trust Agreement and the Trust shall by construed, administered and governed under ERISA and other pertinent federal law, and to the extent that federal law is inapplicable, under the laws of the State of New York. If any provision of this Trust Agreement is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the Trust being a qualified trust under section 401(a) of the Code. If any provision of this Trust Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions shall continue to be fully effective to the extent possible under the circumstances.

12.09 **Successors and Assigns.** This Trust Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

12.10 **Gender.** As used in this Trust Agreement, the masculine gender shall include the feminine and the neuter genders and the singular shall include the plural and the plural the singular as the context requires.

12.11 **Headings.** Headings and subheadings in this Trust Agreement are for convenience of reference only and are not to be considered in the construction of the provisions of the Trust Agreement.

12.12 **Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and these counterparts shall constitute one and the same instrument which may be sufficiently evidenced by any one counterpart.

12.13 **Special, Indirect or Consequential Damages.** No party to this Trust Agreement shall be liable to any other party for special, indirect or consequential damages under any provision of this Trust Agreement or for any special, indirect or consequential damages arising out of any act or failure to act hereunder.

12.14 **Amendment, Modification or Waiver.** This Trust Agreement may be amended or modified at any time and from time to time, and any term or condition of this Trust Agreement may be amended, modified or waived only by a written agreement executed by an authorized representative of each party. Any waiver by either party of any requirement hereunder shall not be deemed to be a continuing waiver nor waiver of any other term or condition of this Trust Agreement.

IN WITNESS WHEREOF, the Sponsor and the Trustee have executed this Trust Agreement each by action of a duly authorized person.

UNITIL SERVICE CORP.

By: /s/ Mark H. Collin
Title: President

NEW YORK LIFE TRUST COMPANY
NEW YORK, NY

By: /s/ William Perret V.P.
Authorized Trust Officer
New York Life Trust Company
as of 7-15-04

SCHEDULE A

ADMINISTRATIVE AND INVESTMENT FIDUCIARIES AND AGENTS

In accordance with Sections 2.02 and 7.03 of the Trust Agreement, the following persons are hereby designated to act singly and/or jointly, on behalf of the Plan:

ADMINISTRATIVE FIDUCIARY:

Name:	Donna J. Turban	Signature:	/s/ Donna J. Turban
Name:	George E. Long, Jr.	Signature:	/s/ George E. Long, Jr.
Name:	Mark H. Collin	Signature:	/s/ Mark H. Collin
Name:	Thomas P. Meissner, Jr.	Signature:	/s/ Thomas P. Meissner, Jr.

AGENT OF ADMINISTRATIVE FIDUCIARY:

NYLIM, by its authorized individuals, signatures of such individuals being on file with New York Life Trust Company.

INVESTMENT FIDUCIARY:

Name:	George E. Long, Jr.	Signature:	/s/ George E. Long, Jr.
Name:	Mark H. Collin	Signature:	/s/ Mark H. Collin
Name:	Thomas P. Meissner, Jr.	Signature:	/s/ Thomas P. Meissner, Jr.

INVESTMENT MANAGER(S): N/A
BROKER: N/A
OTHER: N/A

SCHEDULE B

SELECTION OF INVESTMENTS, INCLUDING INVESTMENT FOR FUNDS AWAITING INVESTMENT AND DEFAULT INVESTMENT

In accordance with Section 4.04 of the Trust Agreement, the Investment Fiduciary hereby directs that the assets of the Trust shall be invested in the following investments*:

- Stable Value Option**
- MainStay High Yield Corporate Bond Fund (Class A)
- PIMCO Real Return Fund (Class A)
- PIMCO Total Return Fund (Class A)
- Barclays Global Investors LifePath Retirement Fund (Class I)
- Barclays Global Investors LifePath 2010 Fund (Class I)
- Barclays Global Investors LifePath 2020 Fund (Class I)
- Barclays Global Investors LifePath 2030 Fund (Class I)
- Barclays Global Investors LifePath 2040 Fund (Class I)
- American Funds – American Balanced Fund (Class A)
- MainStay S&P 500 Index Fund (Class A)
- Van Kampen Growth and Income Fund (Class A)
- American Funds – The Growth Fund of America (Class A)
- Davis New York Venture Fund (Class A)
- Franklin Small-Mid Cap Growth Fund (Class A)
- JP Morgan Mid Cap Value Fund (Class A Shares)
- Royce Low Priced Stock Fund (Investment Class)
- Sentinel Small Company Fund (Class A)
- TCW Galileo Value Opportunities Fund (Class N)
- Fidelity Advisor Diversified International Fund (Class T)
- Unitil Corp. Common Stock Fund

* The direction by the Investment Fiduciary to direct the assets of the Trust in the above-enumerated funds shall continue to apply notwithstanding any subsequent changes to names of such funds.

** The Option is invested in the New York Life Insurance Company Anchor Account I and, from time to time, cash and cash equivalents.

In accordance with Section 4.08 of the Trust Agreement, absent receipt by the Trustee of a direction from the proper person(s) for the investment or reinvestment of Trust assets, the Trustee shall cause such assets to be invested in the Stable Value Option.

SCHEDULE C

VOTING OF EMPLOYER SECURITIES

If all or any part of the Trust Fund consists of "employer securities" (within the meaning of Section 407(d)(1) of ERISA), the Trustee shall pass-through voting on proxy and other matters pertaining to such employer securities allocated to Plan participants' accounts ("Allocated Shares") to the respective Plan participants for their direction to the Trustee as to the voting of such shares unless otherwise provided below. All proxy and other materials bearing on the decision shall be promptly forwarded by the Trustee to such Plan participants unless otherwise provided below.

The Trustee shall vote Allocated Shares for which it has not received direction and any shares that have not been allocated to Plan participants' accounts in the same percentage as Plan participants' directed Allocated Shares are voted, unless otherwise provided below. Except as required under ERISA, the Trustee shall follow all directions set forth in this Schedule C and shall have no duty to exercise voting or other rights relating to any such security.

SCHEDULE D

EXISTING GICs/GACs

In accordance with Section 6.01 (a) of the Trust Agreement, the Trustee is hereby directed to continue to hold the following guaranteed insurance contracts and/or guaranteed annuity contracts until such time as the Trustee is directed otherwise by the person(s) authorized to direct such action under Article IV of the Trust Agreement: N/A

SCHEDULE E

TRUSTEE’S FEES

The Trustee shall retain as compensation for services rendered to the Plan the Trust’s proportionate share of any interest earned on aggregate cash balances the Trustee has on deposit with State Street Bank or any successor custodian with respect to (i) funds awaiting investment or (ii) funds pending distribution from the Trust in accordance with the provisions of the Trust Agreement. Such interest retained by the Trustee shall generally be at money market rates.

With respect to funds awaiting investment: (i) where such funds are received by the Trustee on a day on which the New York Stock Exchange is open (“Business Day”) and before the close of the New York Stock Exchange on that day, such interest shall be earned by the Trustee through the end of the following Business Day; (ii) where such funds are received on a Business Day but after the close of the New York Stock Exchange on such day, or on a day which is not a Business Day, such interest shall be earned through the end of the second following Business Day.

When the Trustee processes an authorized distribution request from the Plan, funds will be transferred to a disbursement account maintained with State Street Bank or any successor custodian the following business day. The distribution check will be written and mailed on the date such funds are transferred to such disbursement account. Interest will be earned by the Trustee beginning on the date such funds are transferred to the distribution account and ending on the date the check is presented for payment, the timing of which is beyond the control of the Trustee. Upon request, the Sponsor may receive from the Trustee a report to determine the status of outstanding distribution checks, and the extent to which such checks tend to remain outstanding.

Trustees Fees: Included in NYLIM’s Fees, plus the interest retained in connection with funds awaiting investment and funds pending distribution, as described above.

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING

(000's except for per share data)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	**2004**	2003
(000's, except per share data)				
Net Income	**$ 1,266**	$ 1,497	**$ 5,676**	$ 5,512
Less: Dividend Requirements on Preferred Stock	**59**	59	**176**	177
Net Income Applicable to Common Stock	**$ 1,207**	$ 1,438	**$ 5,500**	$ 5,335
Average Number of Common Shares Outstanding - Basic	**5,514,611**	4,758,295	**5,504,582**	4,750,203
Dilutive Effect of Stock Options and Restricted Stock	**14,822**	25,347	**14,798**	20,266
Average Number of Common Shares Outstanding - Diluted	**5,529,433**	4,783,642	**5,519,380**	4,770,469
Earnings Per Share - Basic	**$ 0.22**	$ 0.30	**$ 1.00**	$ 1.12
Earnings Per Share - Diluted	**$ 0.22**	$ 0.30	**$ 1.00**	$ 1.12

Exhibit 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Robert G. Schoenberger, 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)) 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) 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

   c) 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 28, 2004

/s/ ROBERT G. SCHOENBERGER

Robert G. Schoenberger
Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Mark H. Collin, 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)) 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) 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

   c) 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 28, 2004

/s/ MARK H. COLLIN

Mark H. Collin
Chief Financial Officer

Exhibit 31.3

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Laurence M. Brock, 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)) 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) 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

   c) 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 28, 2004

/s/ LAURENCE M. BROCK

Laurence M. Brock
Controller

Exhibit 32.1

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, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned Robert G. Schoenberger, Chief Executive Officer and President, Mark H. Collin, Chief Financial Officer and Laurence M. Brock, Controller, 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.

Signature	Capacity	Date
/s/ ROBERT G. SCHOENBERGER **Robert G. Schoenberger**	Chief Executive Officer and President	October 28, 2004
/s/ MARK H. COLLIN **Mark H. Collin**	Chief Financial Officer	October 28, 2004
/s/ LAURENCE M. BROCK **Laurence M. Brock**	Controller	October 28, 2004

Exhibit 99.1

For Immediate Release

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Unitil Reports Third Quarter Earnings

Hampton, NH – October 28, 2004: Unitil Corporation (AMEX: UTL) (www.unitil.com) today announced net income of $1.2 million for the third quarter of 2004. Through the first nine months of 2004, net income was $5.5 million, an increase of 3% over the same period in 2003.

Earnings per common share were $0.22 for the third quarter of 2004 compared with earnings of $0.30 per share for the third quarter of 2003. Through the first nine months of 2004, earnings per share were $1.00 compared with earnings of $1.12 per share in the first nine months of 2003. The Earnings per share figures in 2004 reflect approximately 16% more shares outstanding due to the Company's public offering in the fourth quarter of 2003.

"Third quarter results reflect the effects of an unseasonably mild summer," said Unitil Chairman, President and Chief Executive Officer Robert G. Schoenberger. "The mild summer weather reduced electricity usage for air conditioning and other cooling purposes. For the nine month period, Unitil continued to enjoy steady customer growth and increased net income over the prior year period. We are also pleased with the continued progress of our unregulated energy brokering business, Usource."

Total electric kilowatt-hour sales (kWh) decreased 1.0% in the three months ended September 30, 2004, compared to the same period in 2003. This decrease reflects lower sales to residential customers, driven primarily by 33% cooler summer weather in 2004 as compared to 2003, offset partially by increased kWh sales to commercial and industrial customer classes. For the nine months ended September 30, 2004, total electric kWh sales increased 1.6% compared to the same period in 2003. Total natural gas firm therm sales increased 2.7% in the three months ended September 30, 2004, compared to the same period in 2003, and decreased 6.3% in the nine months ended September 30, 2004, compared to the same period in 2003. Gas sales were negatively impacted by milder weather in the first nine months of 2004 compared to the same period in 2003.

Total sales margin (Revenues less Purchased Electric and Gas and Conservation & Load Management) was $15.4 million and $49.0 million in the three and nine month periods ended September 30, 2004. Total sales margin for the three month period in 2004 was essentially even with the same period in 2003 while total sales margin for the nine month period in 2004 represents an increase of $0.3 million, or 0.7%, as compared to the same period in 2003. The increase in total sales margin for the nine month period reflects increased kWh unit sales partially offset by lower gas unit sales. In addition, revenues from nonregulated operations showed steady improvement, increasing by $77,000, or 29.5%, and $231,000, or 27.3% in the three and nine month periods ended September 30, 2004, respectively, compared to the same periods in 2003.

Total Operation & Maintenance expenses increased $0.7 million, or 4.3%, in the first nine months of 2004 compared to the same period in 2003. This increase reflects higher compensation and retiree and employee benefits costs and the recording, by the Company in the third quarter, of a reserve for uncollectible amounts of ($0.2 million) from a large customer that filed for bankruptcy in September.

Depreciation, Amortization, Taxes and Other increased $0.1 million, or less than 1.0%, in the first nine months of 2004 compared to the same period in 2003. In the first nine months of 2004, Interest Expense, net, decreased by $0.8 million as compared to the same period in 2003.

Unitil is a public utility holding company with subsidiaries providing electric service in New Hampshire and electric and gas service in Massachusetts and energy services throughout the Northeast. Its subsidiaries include Unitil Energy Systems, Inc., Fitchburg Gas and Electric Light Company, Unitil Power Corp., Unitil Realty Corp., Unitil Service Corp. and its unregulated business segment Unitil Resources, Inc. Usource L.L.C. is a subsidiary of Unitil Resources, Inc.

This press release contains forward-looking statements, which are subject to the inherent uncertainties in predicting future results and conditions. All statements, other than statements of historical fact, are forward-looking statements. Certain factors that could cause the actual results to differ materially from those projected in these forward-looking statements include, but are not limited to the following: variations in weather; changes in the regulatory environment; customers' preferences on energy sources; general economic conditions; increased competition; fluctuations in supply, demand, transmission capacity and prices for energy commodities; and other uncertainties, all of which are difficult to predict, and many of which are beyond the control of Unitil Corporation.

The following table details total kilowatt-hour (kWh) sales of electricity for the three and nine months ended September 30, 2004 and 2003, by major customer class.

kWh Sales (000's)	**Three Months Ended September 30,**			**Nine Months Ended September 30,**		
	2004	**2003**	**% Change**	**2004**	**2003**	**% Change**
Residential	168,290	174,657	(3.6%)	499,021	497,164	0.4%
Commercial/Industrial	291,236	289,491	0.6%	831,378	811,990	2.4%
Total	459,526	464,148	(1.0%)	1,330,399	1,309,154	1.6%

Firm Therm Sales (000's)	**Three Months Ended September 30,**			**Nine Months Ended September 30,**		
	2004	**2003**	**% Change**	**2004**	**2003**	**% Change**
Residential	777	784	(0.9%)	8,822	9,454	(6.7%)
Commercial/Industrial	1,087	1,031	5.4%	8,898	9,448	(5.8%)
Total	1,864	1,815	2.7%	17,720	18,902	(6.3%)

Unitil Corporation

Selected Financial Information (Amounts In Thousands, except Shares and Per Share Data) (Unaudited)

Condensed Financial Data	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Operating Revenues	$ 50,049	$ 52,892	$ 158,148	$ 167,323
Purchased Electric and Gas and Conservation & Load Management	34,686	37,514	109,150	118,661
Operation & Maintenance	6,038	5,533	17,728	16,989
Depreciation, Amortization, Taxes & Other	6,370	6,493	20,386	20,277
Operating Income	2,955	3,352	10,884	11,396
Interest Expense, Net	1,648	1,926	5,058	5,853
Other	41	(71)	150	31
Net Income	1,266	1,497	5,676	5,512
Preferred Dividends	59	59	176	177
Net Income Applicable to Common Stock	$ 1,207	$ 1,438	$ 5,500	$ 5,335
Earnings per Common Share				
Net Income Applicable to Common Stock	$ .22	$ .30	$ 1.00	$ 1.12
Average Common Shares Outstanding	5,529,433	4,783,642	5,519,380	4,770,469

For more information, visit Unitil at www.unitil.com or call Mark Collin at 603-772-0775.