



First Quarter 2019

# EARNINGS CONFERENCE CALL

Financial and Other Information | April 25, 2019

# SAFE HARBOR PROVISION

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

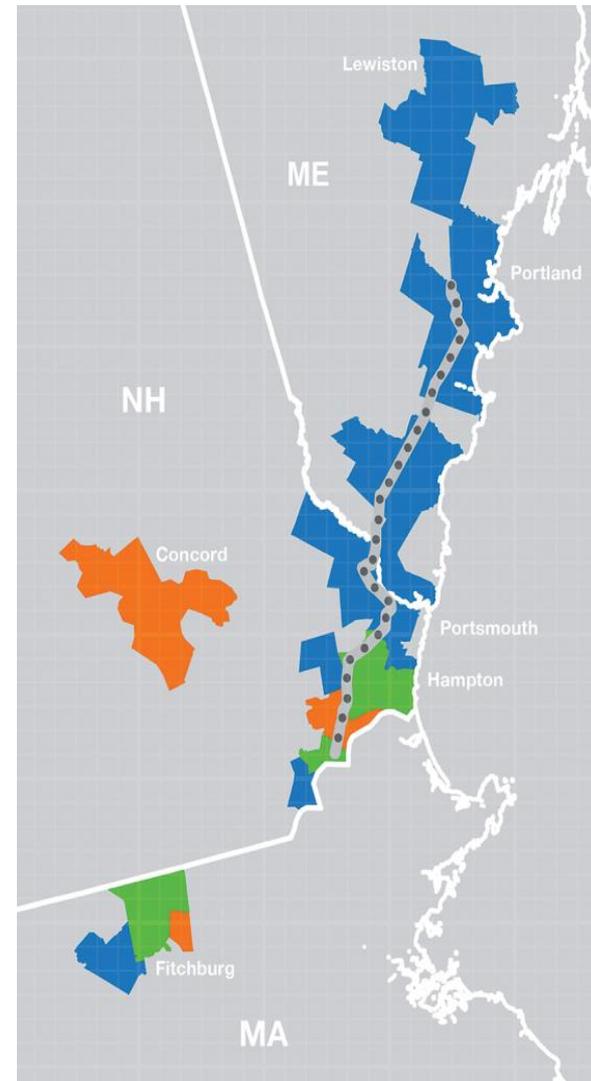
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# LOW RISK UTILITY IN NEW ENGLAND

We provide **energy for life**, safely and reliably delivering natural gas and electricity in New England

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



**105,600**

Electric Customers

**82,700**

Natural Gas Customers

- Electric Service
- Natural Gas Service
- Dual Service
- Interstate Gas Pipeline

# Q1 2019 FINANCIAL RESULTS

- First quarter 2019 Net Income of \$26.5 million, or \$1.78 per share
  - Increase of \$10.9 million, or \$0.72 per share, compared to 2018
- The Company recognized a one-time net gain of \$9.8 million, or \$0.66 in EPS, on the divestiture of its non-regulated business subsidiary, Usource
- Excluding the one-time gain, income was higher in the first quarter by \$1.1 million, growing 7.1%, as a result of higher sales margins

	Three Months Ended March 31,		
(in millions excluding EPS)	<u>2019</u>	<u>2018</u>	% $\Delta$
Net Income	\$26.5	\$15.6	69.9%
Earnings Per Share	\$1.78	\$1.06	67.9%

# RECENT DIVESTITURE

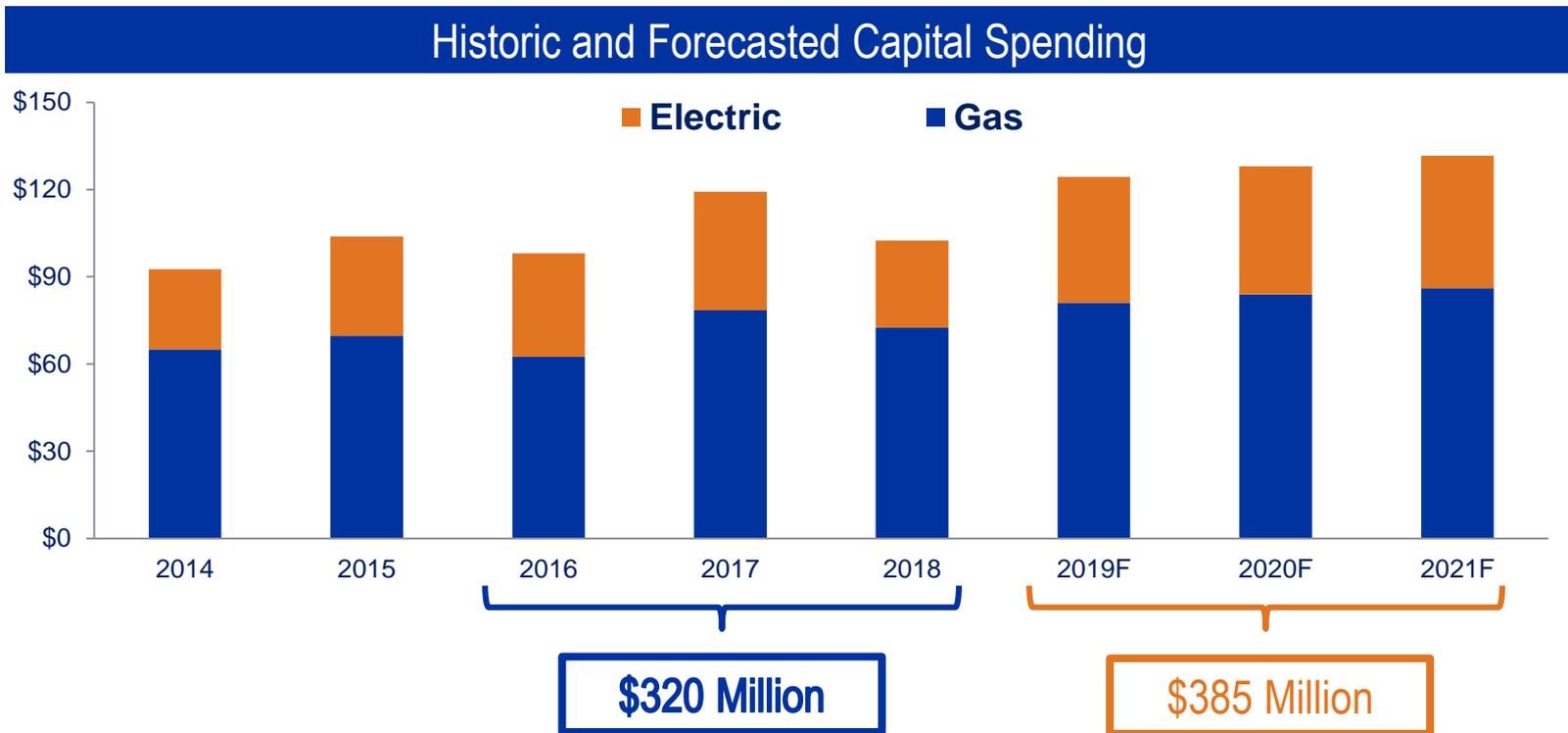
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- Divestiture of non-regulated energy brokering and advisory business subsidiary completed on March 1, 2019
- Recognized after-tax net gain of \$9.8 million in the first quarter of 2019
- Net proceeds will help fund investment in regulated utility subsidiaries and the increased capital spending program
  - The investment should be accretive by Q2 2020
  - Immediate impact of lower short-term borrowings
- Operating as a fully rate-regulated business model



# INVESTMENT OPPORTUNITIES

- Increased capital spending program to support gas growth and distribution system modernization
- Forecasted capital spending of \$125 million in 2019
- 20% more capital spending in 2019-2021 than compared to the prior three years



# INVESTMENT STRATEGY

## Customer Growth



- Gas customer growth rate outpacing other publicly traded investor owned utilities over the past 5 years
- Economic expansion in existing service areas
- Customer conversions expected due to natural gas price advantage

## Gas Expansion



- Progressing TAB programs in Maine
- Construction planned to begin in 2019 in three new franchise towns (NH)
- Installed approximately 100 miles of new distribution mains since 2013

## Grid Modernization



- Regulatory initiatives in MA and NH supporting new investment in the electric distribution system
- MA grid modernization investments in 2019 will be recoverable the following year

## Gas Infrastructure Replacement



- ME & MA infrastructure replacement completion scheduled for 2024 and 2034 respectively
- NH replacement complete
- 93% Gas infrastructure fully modernized system wide

# HISTORICAL PERFORMANCE

## Financial

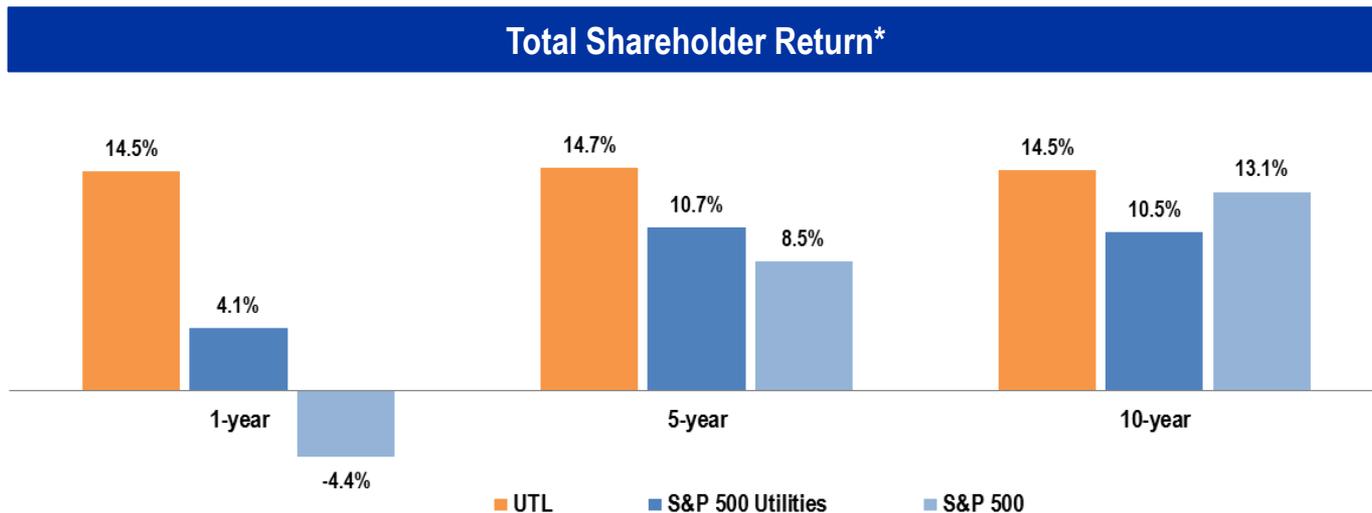
- ❖ Unitil's annualized returns have outpaced both the broader markets and utility peer group over the past one, five, and ten year periods

## Customer

- ❖ 88% of customers report being satisfied with their service. Unitil was ranked #1 in New England for overall customer satisfaction
- ❖ Added over 10,000 customers in the past 5 years

## Operations

- ❖ Outage time for electric customers trending downwards over past 10 years



\* As of 12/31/2018

# GAS UNITS SALES & MARGIN

## Unit Sales



## Weather Normal Unit Sales\*



## Customers



## Margin



### ↑ Unit Sales up 2.1%

- Increase in unit sales reflects 1,533 higher natural gas customers served compared to prior year

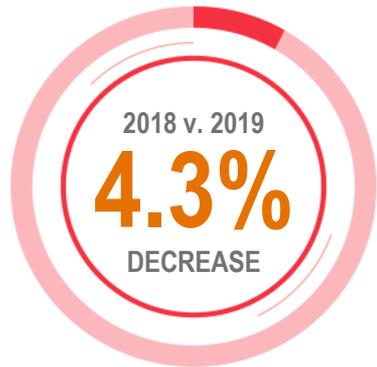
### ↑ Sales Margin up \$3.6 million

- \$2.6 million increase due to higher natural gas distribution rates
- \$1.0 million increase due to customer growth

\*Weather normal sales excludes decoupled sales units

# ELECTRIC SALES & MARGIN

## Unit Sales



## Weather Normal Unit Sales\*



## Customers



## Margin



### ↓ Unit Sales down 4.3%

- Decrease reflects a shorter billing cycle
- Decrease reflects lower average usage overall, slightly offset by higher customer count

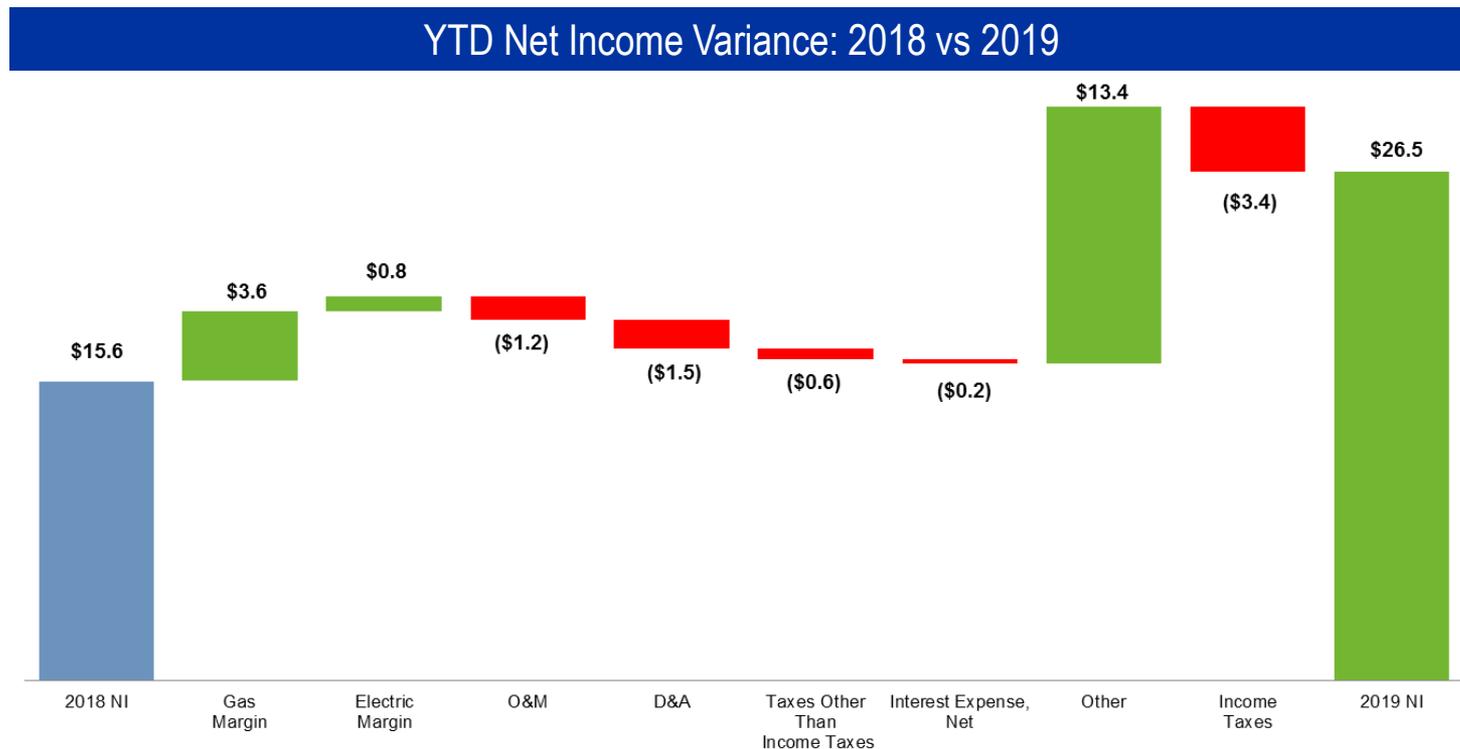
### ↑ Sales Margin up \$0.8 million

- \$1.2 million increase due to higher distribution rates
- \$0.4 million decrease due to lower kWh sales

\*Weather normal sales excludes decoupled sales units

# YTD VARIANCE: 2018 VS 2019

- Net Income was higher by \$10.9 million, or 69.9%. Absent the divestiture of Usource, Net Income was higher by \$1.1 million, or 7.1%
- O&M increase of \$0.8 million (excluding non-recurring adjustment) reflects higher labor costs of \$0.4 million and higher utility operating costs of \$0.4 million
  - O&M non-recurring variance of \$0.4 in connection with a then ongoing base rate case for the Company's New Hampshire natural gas utility
- Other of \$13.4 million largely reflects a pre-tax gain on the divestiture of Usource
- Income taxes were higher by \$3.4 million, primarily due to taxes associated with the divestiture of Usource



# Q1 2019 RETURN ON EQUITY

Company	Average Common Equity	3/19 LTM ROE <sup>(1)</sup>
Northern Utilities (New Hampshire)	\$201.5	8.2%
Northern Utilities (Maine)		
Unitil Energy	\$81.8	9.9%
Fitchburg (Electric)	\$78.1	5.1%
Fitchburg (Gas)		
Granite State	\$14.2	10.7%
<b>Unitil Corporation</b>	<b>\$361.0</b>	<b>12.2%</b>

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

# REGULATION UPDATE

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- Provided notice to the Maine Public Utility Commission of intent to file a gas base rate case for Northern Utilities
  - Approximate revenue deficiency of \$7.0 million
  - Final order expected in Q2 2020



# 2019 Rate Relief Summary

Company	Activity	Dollars (in Millions)	Date Effective
Northern Utilities (New Hampshire)	2018 Rate Relief (Net of TCJA) Capital Tracker - 2019	\$0.6	Q1/Q2 2018
		\$1.4	Q2 2019 (Pending)
Northern Utilities (Maine)	2018 Rate Relief (Net of TCJA) Capital Tracker – 2019	\$1.0	Q1/Q2 2018
		\$1.0	Q2 2019
Unitil Energy	2018 Rate Relief (Net of TCJA) Capital Tracker – 2019	(\$0.3)	Q1/Q2 2018
		\$0.3	Q2 2019
Fitchburg (Electric)	2018 Rate Relief (Net of TCJA) Electric Capital Tracker – 2019	(\$0.1)	Q1/Q2 2018
		\$0.9	Q2 2019
Fitchburg (Gas)	2018 Rate Relief (Net of TCJA) Gas Capital Tracker – 2019	\$0.1	Q1/Q2 2018
		\$0.8	Q2 2019 (Pending)
Granite State	2018 Rate Relief (Net of TCJA)	\$0.0	Q2 2018

**Over \$4 million in 2019 rate relief planned outside of rate cases**

# KEY INVESTMENT HIGHLIGHTS

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



**Unitil**  
energy for life