



# Earnings Conference Call Second Quarter 2016

Financial and Other Information— July 21, 2016

The background of the slide features a blue gradient. On the left, there is a stylized graphic of a document with the words "CHECKED" and "APPROVED" written on it. In the center, the Unitil logo is visible, consisting of a circular icon with radiating lines and the word "Unitil" in a bold, sans-serif font. The main title "Safe Harbor Provision" is written in a large, white, sans-serif font across the middle of the slide.

# Safe Harbor Provision

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

These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that could cause the actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include: Unitil’s regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, demand for, and the prices of energy commodities and transmission capacity and Unitil’s ability to recover energy commodity costs in its rates; customers’ preferred energy sources; severe storms and Unitil’s ability to recover storm costs in its rates; general economic conditions; variations in weather; long-term global climate change; Unitil’s ability to retain its existing customers and attract new customers; Unitil’s energy brokering customers’ performance and energy used under multi-year energy brokering contracts; increased competition; integrity and security of operational and information systems; publicity and reputational risks; and other risks detailed in Unitil’s filings with the Securities and Exchange Commission, including those appearing under the caption “Risk Factors” in Unitil’s Annual Report on Form 10-K for the year ended December 31, 2015.

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



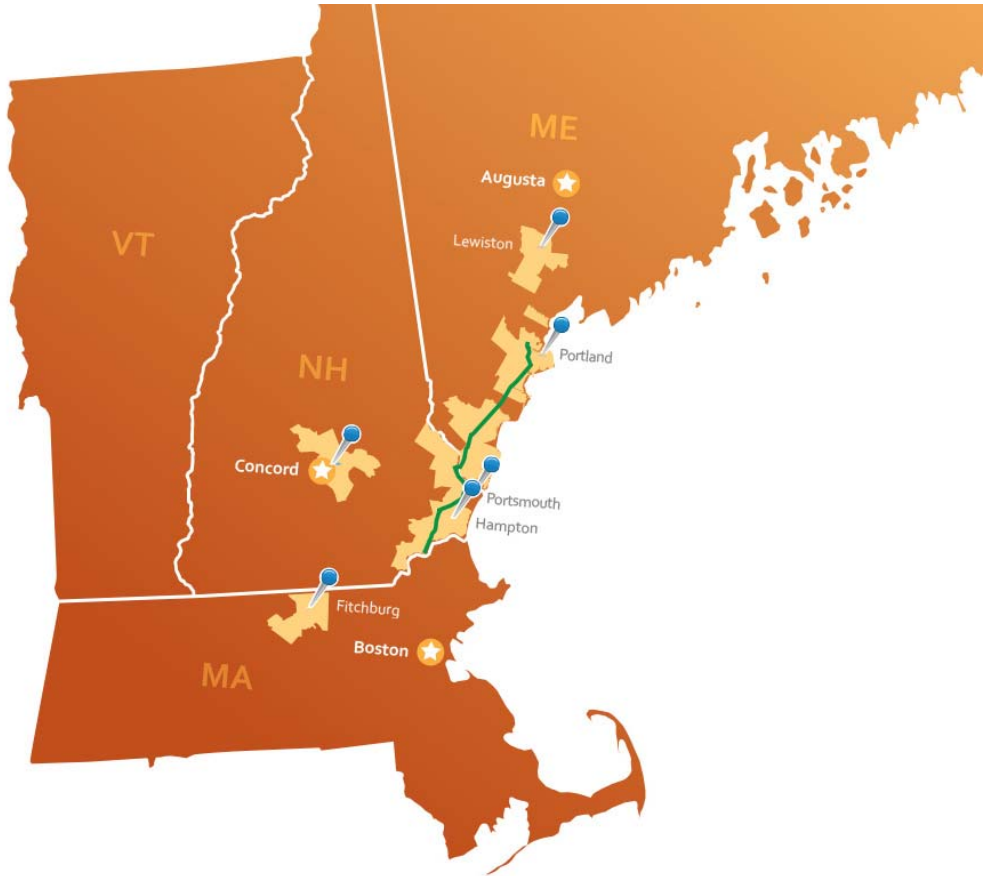
Our mission is to provide energy for life—safely, reliably, cost-effectively and responsibly—to a growing number of customers with a high-performing workforce



# Unitil

- Natural gas and electric utility operations in Maine, New Hampshire and Massachusetts
- Serving approximately 182,000 gas and electric customers

Saco, ME



# Q2 2016 Financial Results

- Second quarter 2016 net income of \$2.5 million, or \$0.18 per share
  - Increase of \$0.8 million, or \$0.06 per share, compared to 2015
- Year-to-date net income of \$13.4 million, or \$0.96 per share
  - Decrease of \$1.9 million, or \$0.14 per share, compared to 2015
  - Decrease reflects lower natural gas and electric sales and margins, driven by significantly warmer winter weather in 2016 compared to 2015

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions excluding EPS)	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net Income	\$2.5	\$1.7	\$13.4	\$15.3
Weighted Average Common Shares Outstanding	14.0	13.9	14.0	13.9
Earnings Per Share	\$0.18	\$0.12	\$0.96	\$1.10



**We estimate there is more than half a billion dollars of new construction in our service areas**



Portland, ME

Unemployment is well below the national average in the states we serve			
U.S.	MA	NH	ME
4.9%	4.2%	2.7%	3.5%

## Portland, Maine

- Best Places to Live 2014 (Money Magazine)
- Largest US city north of Boston
- \$400 million in combined private/public investment in the last three years

## Portsmouth / Dover, New Hampshire

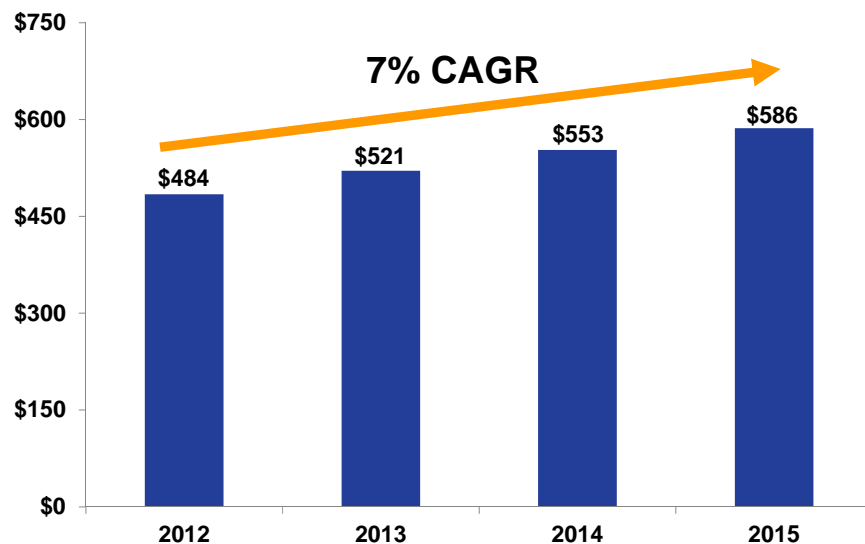
- New Hampshire's fastest growing area
- Top 100 Places to Live (CNN/Money Magazine)

# Continued Growth Potential

- Combined gas & electric utility rate base growth of 7%
- Large commercial and industrial weather-normalized natural gas sales (excluding decoupled sales) were up 6.4% in the first half of 2016 compared to 2015
- Targeted area buildout underway in Saco, ME
  - Potential new market in Saco for 1,000 gas customers and \$1 million in potential distribution revenue

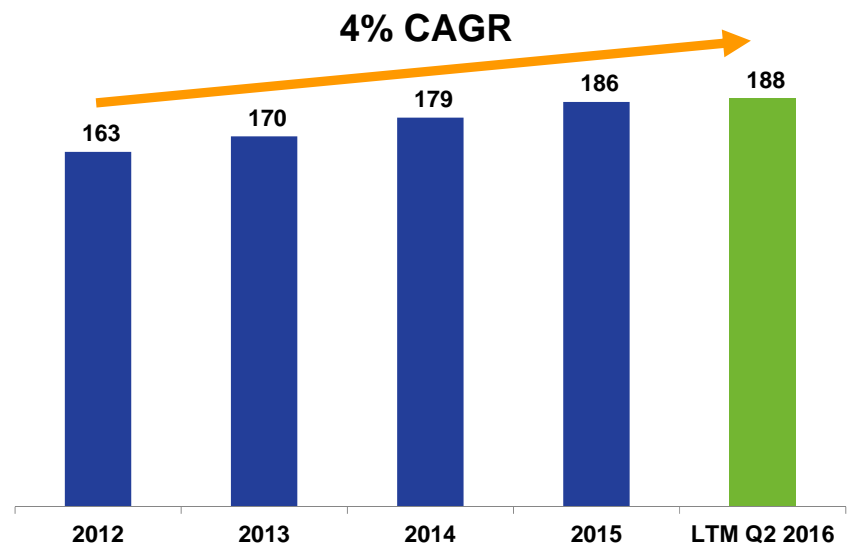
## Gas & Electric Rate Base

(\$ in millions)



## Historical Weather-Normalized Sales\*

(therms in millions)



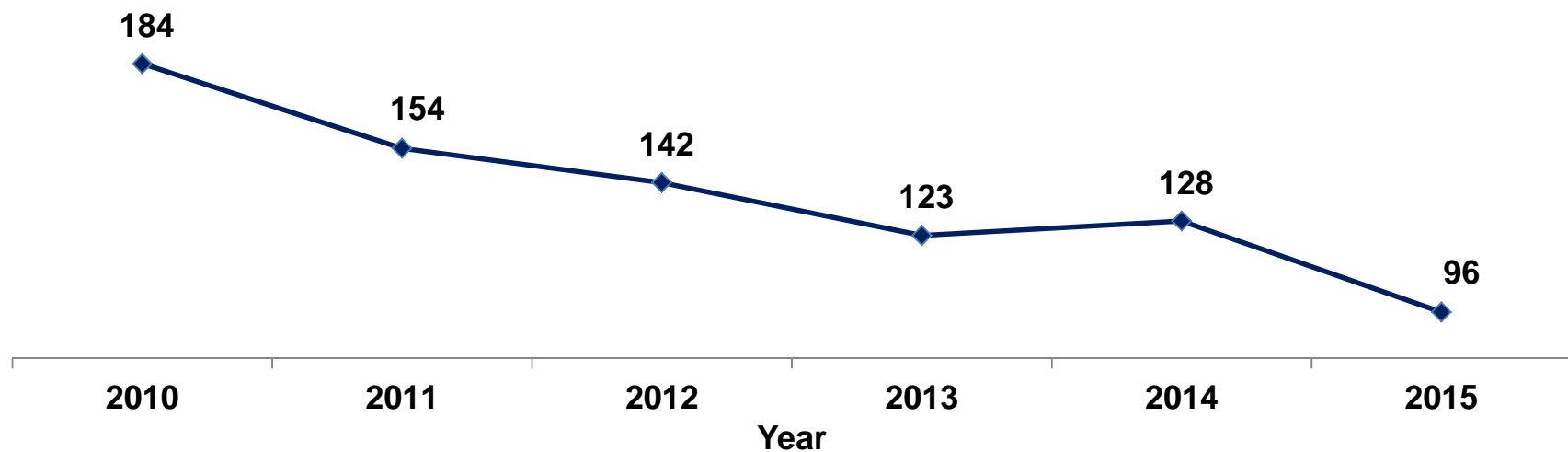
\*Excludes decoupled gas sales

# Operations Performance

- Electric reliability / capacity
  - Average electric system outage duration has fallen sharply since 2010
  - Vegetation management storm resiliency programs in place across electric operations
  - Substation projects – first substation in-service April 2016, second expected in 2017
- Service quality
  - Met or exceeded all customer service quality metrics

## Electric Outages – System Average Interruption Duration Index (SAIDI)

(Minutes/Year)





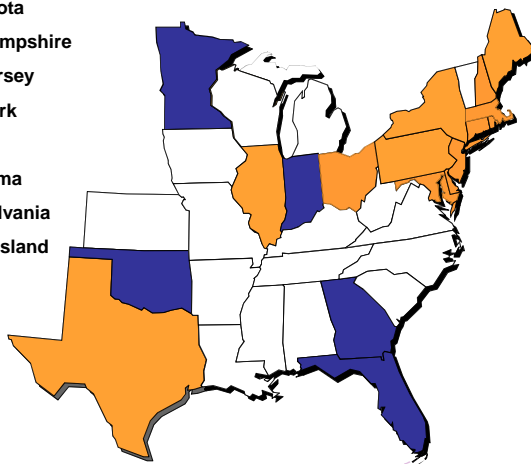


- Premier energy advisor to over 1,200 businesses
- Currently serves electricity and/or natural gas clients in 18 states
- Forward book of revenue has increased over 25% year-over-year

## Usource Footprint

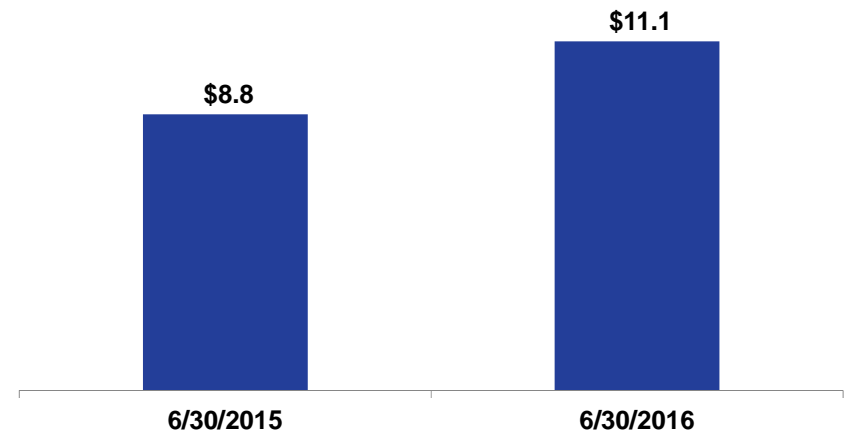
Connecticut	Minnesota
Delaware	New Hampshire
Florida	New Jersey
Georgia	New York
Illinois	Ohio
Indiana	Oklahoma
Maine	Pennsylvania
Maryland	Rhode Island
Massachusetts	Texas

Gas & Electric  
Gas only



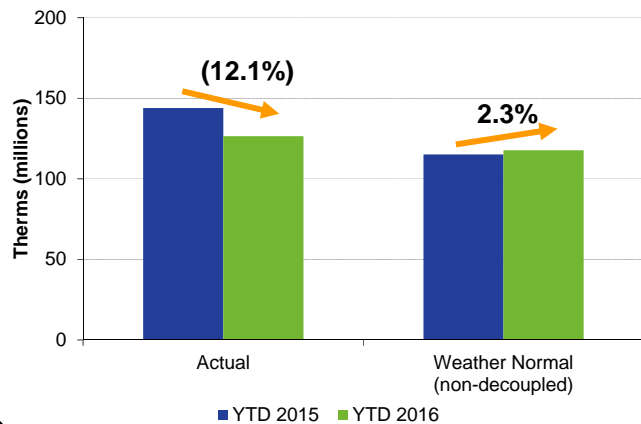
## Forward Book

(\$ in millions)



# Gas Units Sales & Margin

## Natural Gas Sales



### Change

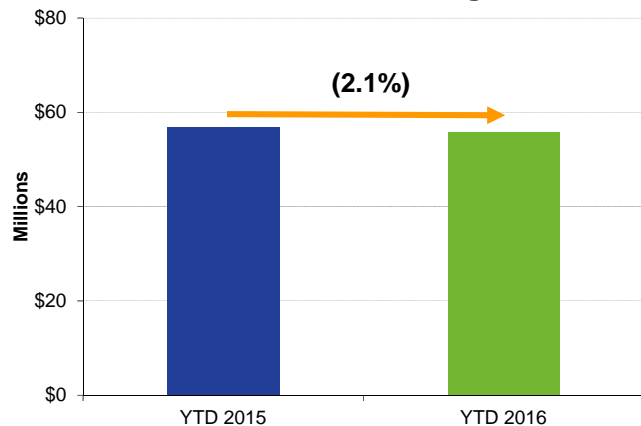


### Key Performance Drivers

#### Unit Sales down 12.1%

- 19% fewer Heating Degree Days (HDD) than prior year and 9% fewer HDD than normal
- Growth in residential / C&I customers – 1.5% year over year
- Non-decoupled weather-normalized sales up 2.3% due to customer growth / Large C&I up 6.4%

## Natural Gas Sales Margin



### Change



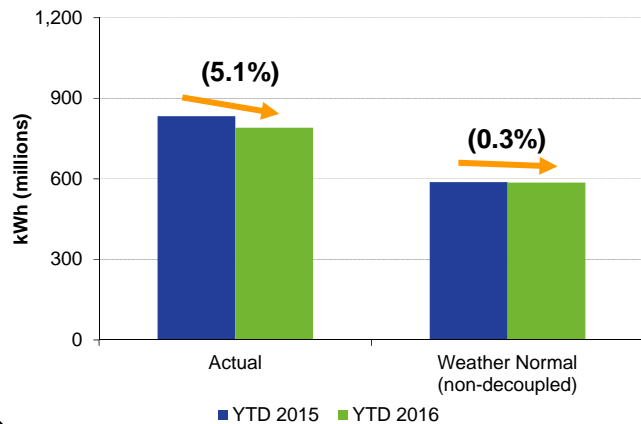
### Key Performance Drivers

#### Sales Margin down \$1.2 million

- (\$5.0) million unfavorable impact from warmer weather
- \$2.0 million favorable impact from customer growth
- \$1.8 million favorable impact from higher base rates

# Electric Units Sales & Margin

## Electric Sales



### Change

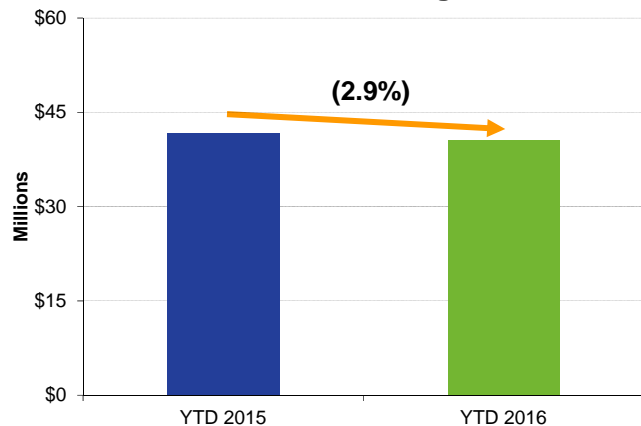


### Key Performance Drivers

#### Unit Sales down 5.1%

- 19% fewer Heating Degree Days (HDD) than prior year and 9% fewer HDD than normal
- Large C&I non-decoupled weather normalized sales up 1.2%

## Electric Sales Margin



### Change



### Key Performance Drivers

#### Sales Margin down \$1.2 million

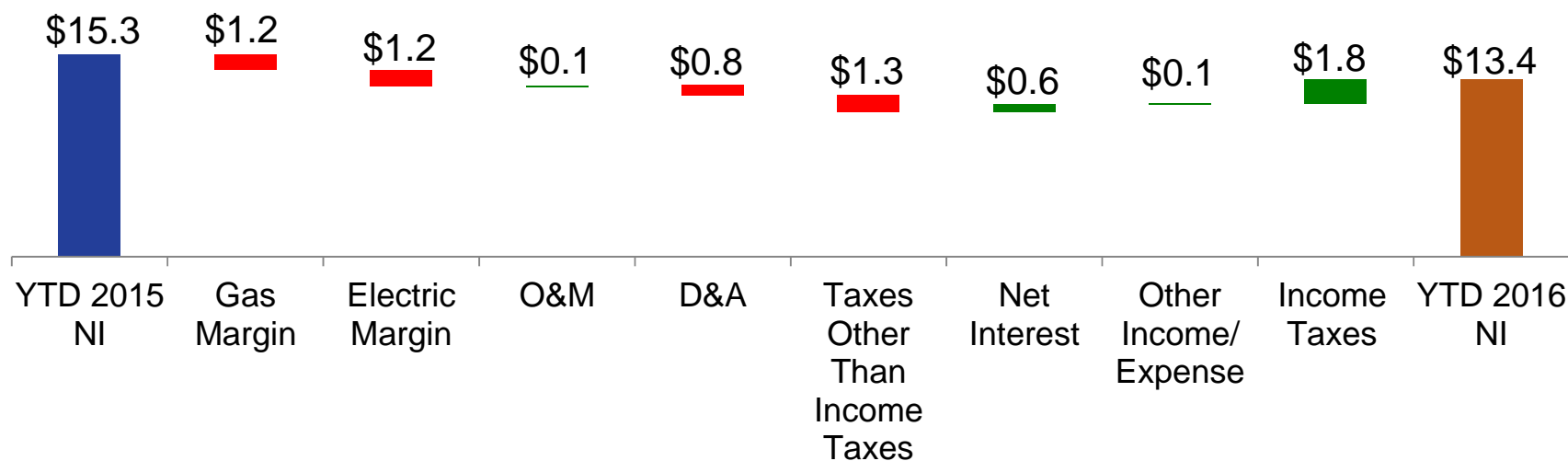
- (\$1.0) million unfavorable impact from lower average usage
- (\$0.6) million unfavorable impact from warmer winter weather
- \$0.4 million favorable impact from higher base rates

# YTD Variance: 2016 vs. 2015

- Gas margin down \$1.2 million, or 2.1%
- Electric margin down \$1.2 million, or 2.9%
- O&M decrease of \$0.1 million, or 0.3%
- D&A increase of \$0.8 million reflects higher depreciation on normal utility plant additions
- Taxes other than income taxes increase of \$1.3 million primarily reflects higher local property tax expense
- Net interest decrease of \$0.6 million reflects lower levels of long-term debt
- Income taxes decrease of \$1.8 million reflecting lower pre-tax earnings

## Variance Analysis

(\$ in millions)

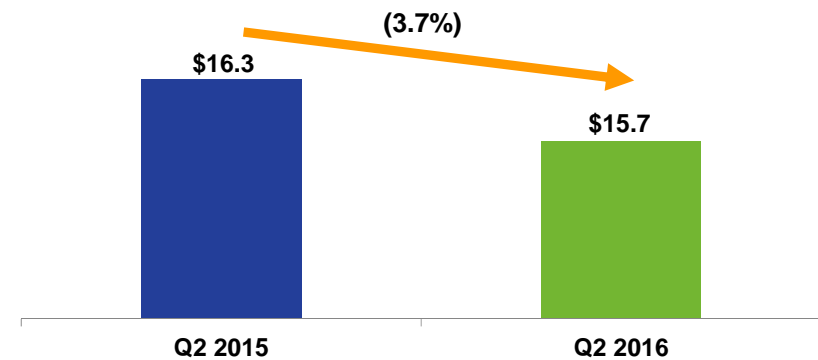


# Effective Cost Management

- O&M cost control
  - Company wide focus on cost control including initiatives this year to offset one of the warmest winters on record in New England
  - O&M cost per customer is in low cost third of New England peer group
- Interest expense savings
  - Interest expense in 2016 year-to-date decreased \$0.6 million reflecting the pay-down of higher cost long-term debt
  - Additional sinking fund pay-downs of \$102.1 million over the next five years

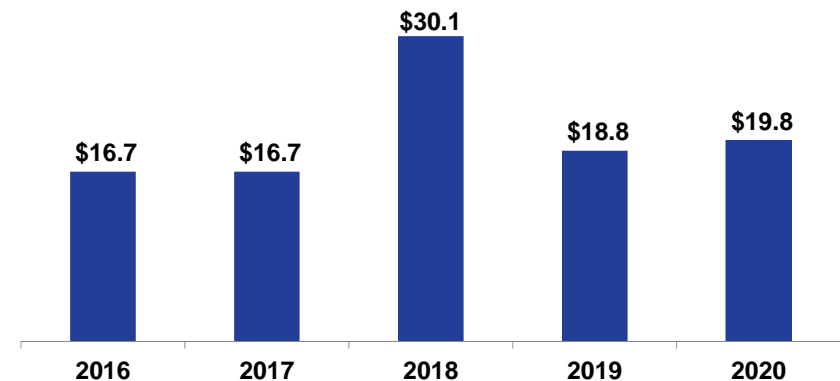
## O&M Cost Control

(\$ in millions)



## Sinking Fund Payments

(\$ in millions)





# Rate Case Updates

## Massachusetts



### Fitchburg Electric

- Rates effective May 1, 2016
- \$2.1 million revenue increase
- Capital tracker cost recovery mechanism approved for electric division

### Fitchburg Gas

- Rates effective May 1, 2016
- \$1.6 million revenue increase
- Complementary pipe replacement cost tracker already in place for gas division

Capital structure reflects 52% equity ratio and an ROE of 9.8%

## New Hampshire



### Unitil Energy

- Base rate increase request of \$6.3 million
- \$2.4 million of temp rates approved effective July 1, 2016
- Capital structure reflects 51% equity ratio and a 10.3% requested ROE
- Multi-year rate plan requested for recovery of capital expenditures



# Regulatory Policy Update

- Grid Modernization proceedings are underway in both Massachusetts and New Hampshire with orders expected in 2017
- Net Metering/Distributed Energy Resources
  - Proceeding is underway in New Hampshire to address net metering of distributed generation installations including solar
- Active participation in MA, NH and ME proceedings regarding energy efficiency and renewable resource development
- Maine Public Utilities Commission Retail Choice proceeding
  - Stabilizes Northern Utilities' gas planning criteria
  - Improves access to affordable and reliable gas supply

# 2016 Return on Equity

## Subsidiary Q2 2016 Return on Equity

(\$ in millions) Company	Average Common Equity	6/16 LTM ROE <sup>(1)</sup>
Northern Utilities (New Hampshire)	\$125.5	8.6%
Northern Utilities (Maine)		
Unitil Energy	\$74.1	8.3%
Fitchburg (Electric)	\$71.6	5.4%
Fitchburg (Gas)		
Granite State	\$12.9	11.1%
Unitil Corporation	\$284.1	8.6%

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

ROEs impacted by warmer weather

Authorized ROE Range of 9.5%-9.8%

## Rate Plans and Cost Trackers

### Unitil Energy (New Hampshire Electric)

- Recently filed \$6.3 million base rate case and long-term rate plan; \$2.4 million temporary rates effective July 1, 2016.

### Northern Utilities (Maine Gas)

- Capital tracker adjustment of ~\$1.5 million effective May 1, 2016
- Capital tracker adjustment of ~\$1 million estimated May 1, 2017

### Fitchburg (Massachusetts Electric)

- \$2.1 million base rate increase effective May 1, 2016
- Long-term capital tracker to provide estimated rate adjustments of ~\$0.3 million effective January 1 annually

### Fitchburg (Massachusetts Gas)

- \$1.6 million base rate increase effective May 1, 2016
- Long-term pipe replacement capital tracker provides estimated rate adjustments of ~\$0.5 million effective May 1 annually

### Granite State (FERC Pipeline)

- Capital tracker adjustment of ~\$0.3 million effective August 1, 2016
- Capital tracker adjustment of ~\$0.3-\$0.4 million estimated August 1, 2017

# Key Investment Highlights



- Regulated local distribution utility business model
- Diversified natural gas and electric sales
- Growing operations and customer base
  - Regulated rate base growth
  - Robust natural gas system expansion
  - Constructive rate plans and cost trackers
- Dividend strength
- Experienced management team