
Unitil Corporation
2000 Annual Report

Contents

Company Description

Unitil is a public utility holding company with subsidiaries providing electric service in New Hampshire, electric and gas service in Massachusetts, and energy services throughout the Northeast. Its subsidiaries include Concord Electric Company, Exeter & Hampton Electric Company, Fitchburg Gas and Electric Light Company, Unitil Power Corp., Unitil Realty Corp., Unitil Service Corp., and its unregulated business unit Unitil Resources, Inc. Usource, Inc., and Usource L.L.C. are subsidiaries of Unitil Resources, Inc. The Usource product line is available at www.usourceonline.com

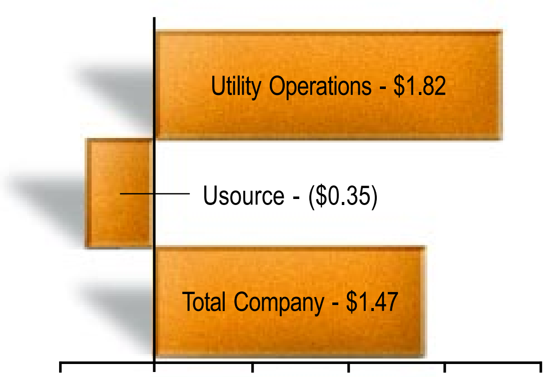
Financial Highlights

Financial Data	2000	1999	1998
Electric Operating Revenues (000's)	**$160,023**	$154,077	$149,639
Gas Operating Revenues (000's)	**$22,756**	$18,116	$17,009
Other Operating Revenues (000's)	**$162**	$180	$30
Total Operating Revenues (000's)	**$182,941**	$172,373	$166,678
Net Income (000's)	**$7,216**	$8,438	$8,249
Dividend Payout Ratio	**94%**	79%	76%
Return on Average Common Equity	**8.8%**	10.6%	10.9%
Total Assets (000's)	**$382,974**	$363,527	$376,835
Common Equity Capitalization	**48%**	47%	49%
Construction Expenditures (000's)	**$20,117**	$15,411	$14,463

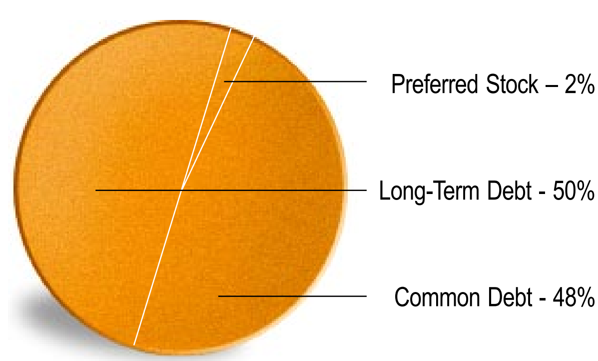
Common Share Data			
Diluted Earnings per Share (Utility Operations)	**$1.82**	$1.84	$1.72
Diluted Earnings per Share (Usource)	**($0.35)**	($0.10)	—
Diluted Earnings per Share (Total Company)	**$1.47**	$1.74	$1.72
Dividends Paid per Common Share	**$1.38**	$1.38	$1.36
Book Value per Share (Year-End)	**$16.88**	$16.70	$16.47
Market Price (Year-End)	**$26.50**	$35.75	$25.44
Common Shares Outstanding (Year-End) (000's)	**4,735**	4,712	4,575
Common Shareholders of Record (Year-End)	**2,131**	2,262	2,340

Operating Data			
Electric Distribution Sales (mWh)	**1,587,536**	1,608,824	1,540,968
Electric Customers (Year-End)	**94,050**	92,505	91,729
Firm Gas Distribution Sales (000's of Therms)	**23,992**	22,136	22,027
Gas Customers (Year-End)	**14,796**	14,928	14,915
Number of Employees	**339**	328	324

Diluted 2000 Earnings by Segment



Capital Structure - 2000



Letter to Sharehol

The Perfect Storm was an intense, terrifying action movie in 2000. It perfectly symbolizes the stormy and tumultuous business environment of the last 12 months. Many consumers, investors, and businesses, particularly those in the energy and technology sectors, probably feel that they have been hit by a rogue wave.

What began as a sunny new year, with hardly a ripple from the much-anticipated Y2K problem, quickly turned into a violent, howling tempest: the collapse of technology stocks, the most rapid gas and electric price increases anyone has seen in 20 years, endless power alerts and occasional rolling blackouts in California, and the announcement of thousands of layoffs in a rapidly softening national economy. The greatest economic expansion in our nation's history sailed into turbulent waters. It was enough to make the sturdiest of seamen queasy.

ders

A sailor caught in an unexpected storm knows the importance of safe harbor. This is the theme of our Annual Report for 2000 – providing our shareholders a safe harbor in uncertain times.

The Year in Review

Over the last three years, we have detailed the challenges in taking your Company through industry restructuring. We have also described the steps we embarked on to produce superior returns to our shareholders. I want to bring you up to date on where we stand with these efforts.

Overall for the year 2000, we earned $1.47 per share, compared to $1.74 in 1999. On a segmented business basis, our distribution operations earned $1.82, while Usource, our Internet-based energy subsidiary, lost $0.35 as a start up in its first full year of operations. This decline in earnings, while uncomfortable, was both planned and necessary to the implementation of our strategic growth plan. However, it was exacerbated by factors beyond our control, including the slowdown in competitive retail market activity caused by rapidly increasing energy prices. As we told you last year, we see our investments in Usource and Enermetrix as creating future value for our shareholders.

Unitil's total return to its shareholders over the last three years has been 29.1%, and we remain in the top half relative to our small capitalization utility peers. Our price-to-earnings ratio has remained strong, indicating continued market confidence in our ability to deliver value. Our dividend continues to provide a stable and secure yield to our shareholders.

Nevertheless, we are not satisfied with our financial performance in 2000. Management is committed to improving your total return and producing real shareholder value in 2001.

Our core distribution operations performed well in 2000. Although kilowatt-hour sales were down by 1.3% reflecting cooler summer weather and the loss of a major customer, our customer count was up 1.4% and local and regional economic indicators continue to be positive. Furthermore, the largest of the communities we serve — Fitchburg, Massachusetts — has just announced a major new 20-year economic revitalization program that promises significant opportunities for growth.

Concentrated marketing efforts and the return of more normal winter weather helped achieve an increase in gas sales of 8.4% in 2000, reflecting the addition of several major new customers.

Our distribution system reliability was excellent in 2000. We continued making major investments in our system infrastructure, including a state-of-the-art substation serving downtown Fitchburg, Massachusetts. At the end of the year, customer satisfaction surveys gave us the highest marks we have ever received. In summary, our distribution operations met or exceeded all of our strategic performance targets for 2000.

The regulatory environment for our distribution companies remains complex. Price-driven rate increases are commanding considerable attention, and many details associated with industry restructuring remain to be addressed. We are hopeful we will resolve all major outstanding issues in 2001.

The Energy Sector

While restructuring legislation ordered utilities out of the power supply business, we are still responsible for buying energy as the provider of last resort. Unfortunately, over the last six months of 2000, the utility industry experienced the largest fuel price increases in recent history. These increases are being passed on to our customers. We compliment regulatory officials in New Hampshire and Massachusetts for their courage in meeting this situation head-on. Although volatility continues, we have recently seen signs that spot market energy prices may be subsiding from their recent highs, and we hope this trend continues.

Energy technology and finance investments went full cycle in 2000, from wild-eyed optimism to deep depression. High energy prices raised questions regarding the pace of deregulation nationwide, and the capital market, unhappy with both technology and volatility in energy markets, all but turned off investments in this sector.

It is clear 2001 will see a period of shakeout and consolidation. This has already started. Although it is out of favor for the moment, we still believe that the new customer-focused approach to competitive energy markets will create long-term value for investors patient enough to understand that the process of deregulation is as inevitable as its timing is uncertain.

Our New Investments

In spite of this environment, our investment in Enermetrix performed extremely well in 2000. This company is recognized as one of the leading software providers in the energy industry. Enermetrix recently completed a fourth round of financing with several new investors including two major utilities and The Bank of America at a significantly higher valuation. Enermetrix has the resources to persevere and capitalize on the current market turmoil. We expect continued good things from our investment in 2001.

Usource, our Internet-based energy subsidiary, experienced the same challenges as Enermetrix and holds the same promise. It experienced excellent customer acceptance for its value proposition.

Major new Usource customers include the New York City Housing Authority, the Connecticut Business and Industry Association, and the United States General Services Administration. We are working to diversify the Usource revenue base by partnering with providers of energy products and services to complement the procurement of our customers' electricity and gas.

We are actively looking for outside investors to fund the continued development of Usource. Despite the prospects for strong future growth, Usource is still a "work in progress," and 2001 will be a pivotal year for it to build a sustainable business. For a relatively modest investment, Usource holds real promise.

Looking Ahead

As we shall demonstrate in greater detail in the report that follows, this ship does not sail itself. It requires a committed, capable, and determined crew. Unitil has some of the best employees in the industry. I have been very pleased with their skill and resolve.

A good sailor must recognize what he can and can't control. He needs to work with, and not against, the elements. Your Company has succeeded in weathering and prospering through the changes brought on by deregulation. While 2001 will put us once again in uncharted waters, we believe we have the skill and talent necessary to maximize the value of our shareholders' investment in our company.

Robert Schoenberger

Robert G. Schoenberger
Chairman of the Board of Directors
& Chief Executive Officer

February 20, 2001

Weathering

Turbulence is undeniably a key part of the energy business today, but in spite of it all, Unitil continues to perform well.

Bam! The storm has hit. A dark cloud on the horizon has moved over us with such speed that even experts have been caught unprepared. Some. Not all.

It approached quietly, but from several different directions . . . not just a single storm, but one upon another. Electric industry restructuring originated out of the Northeast and quickly headed West. Accelerating technological change, and with it the frontier "dot.com" industry, began to surge across the country. At the same time, the spike in world energy prices arose from the oil and gas production fields of the South and moved forcefully to the North and West. The convergence of these three major disturbances has caused an unprecedented and massive turbulence in the energy industry. Here's how we're weathering the storm.

Electric Restructuring

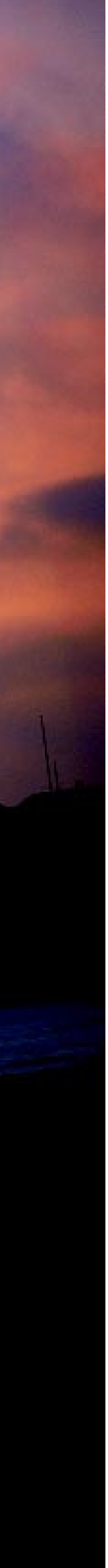
It was conceived as a way of replacing centrally planned, regulated electric generation with a competitive market. Electric industry restructuring took many forms among the various states — all intended to reduce prices to consumers. Massachusetts and New Hampshire, where Unitil's utility companies operate, were among the early leaders, but California, Pennsylvania, New York, and others also moved quickly in the late 1990s. In some markets, retail natural gas service had also started to open to competition, following the Federal Energy Regulatory Commission (FERC) initiative to open supply markets to competition.

The promise of competition, unfortunately, was largely oversold. Politically designed solutions sought to protect retail consumers from market forces at the same time market forces were introduced into the equation. The results generally have been disappointing, and in California, disastrous.

Technology

In the space of just a couple years, the transformational potential of the Internet won the hearts of investors and stole the headlines. In just so short a time, the "dot.com" industry rose to unprecedented heights, and then came crash-


the Storm



ing down again. The waves that broke across the investment community caused a lot of damage, but they were only the most visible part of the tempest. Less visible, but more significant, were the undercurrents of radical productivity increases in the economy as a result of technology. Growth in the development of new technology has led to nationwide increases in demand for electricity and helped fuel the longest peacetime economic expansion in United States history.

The short-term horizon coming out of the technology boom-and-bust cycle appears to be an economic slowdown, a calming of the seemingly frantic growth of the past several years. However, for the long term, the fundamentals are still very good. Technology has buoyed productivity. Even the Y2K preoccupations of a year ago are now recognized as having boosted productivity. Productivity, in turn, reduces prices and increases earnings — factors that are engines of growth. Digital technology also increases reliance on, and usage of, electricity.

Energy Prices

On yet another front, we have experienced rapidly rising prices and increasing volatility in energy markets. As the supply and demand for commodities like oil and gas become unbalanced, rapid price changes can and do occur.

From 1954 into the late 1970s, federal price controls kept wholesale oil and gas prices low, artificially depressing production and leading to inadequate domestic supply. It also led to a rapid rise in the energy production and market power of OPEC. Politics sparked crises, and oil prices tripled. Our government subsequently decontrolled the wellhead price of domestic oil and natural gas. Supply increased and, after an initial run up, prices dropped.

For the last decade, as the United States economy and resulting energy demands have grown briskly, oil and natural gas prices have remained stagnant, because adequate supplies were developed during the last period of higher energy prices. But by the year 2000, rapid economic growth, combined with the attractiveness of gas as a fuel — including its use as a clean fuel for electric generation — had driven national and local demand to record levels. Growth in demand had outpaced the supplies. Prevailing market power moved from buyer to seller, and prices soared.

New England has adequate natural gas and electric generating capacity for the present, and has continued to meet higher demand for both. Just the same, distribution utilities do not control commodity prices. Unprecedented increases for both natural gas and electricity are now being passed through to customers. They are understandably upset.

Simply put, it's supply and demand. Like any other commodity on the open market, abundant energy supply leads to depressed prices, which encourages greater demand. Scarce supply in the face of growing demand inevitably means price increases. Price increases stimulate consumers to reduce consumption and find alternatives. Price increases also spur suppliers to increase output and find new supplies. By these means, price spikes will be brought back down; it's just a matter of time.

The Storms Collide

These three storms, seemingly unrelated sequences of events, came together in late 2000. California, which frequently serves as a bellwether of change in the United States, is once again the focal point. Wholesale costs for electricity and natural gas skyrocketed. The wholesale electricity market demonstrated wildly volatile behavior. Retail electricity prices, meanwhile, remained capped, forcing California utilities to absorb massive cost deferrals and driving them to the brink of bankruptcy. This threat reduced the willingness of market participants to do business with the utilities, forcing the state to assume the role of market intermediary. Tight supplies, difficulties in assuring deliveries, and high loads led to serious shortage conditions, including occasional rolling blackouts. Disruptions to the California economy have been incalculable. However, in hindsight, the causes are clear:

- Undue reliance in the electric restructuring process on spot market pricing;

- Unwillingness to accommodate wholesale energy price increases in retail rates (price caps cause shortages in tight markets);
- A decade-long opposition to the siting of new power plants and consequent reliance on out-of-state energy supplies; and
- Powerful and sustained increases in electrical loads, due to the state's great success in capitalizing on technology industry growth.

New England regulators and utilities have charted a different course. Regulatory policy and industry practices have favored bilateral contracts over blind reliance on spot markets, and have also favored the construction of new power plants. Regulators have also been willing, albeit reluctantly, to recognize the economic reality of higher energy costs, and rates have risen accordingly. Consumers are paying higher prices, but supplies are adequate. The economy is slowing, but the fundamentals remain sound.

Staying the Course

There's no denying that the waters are turbulent, even for Unitil. The restructuring of the retail gas and electric industry has been only partially successful. It is imperfect and incomplete. Wholesale energy markets nationwide are in turmoil. The stock markets are roiled by volatility, while investors are once again seeking value instead of hype. Any way you look at it, the energy industry is in rough waters.

But despite the way things look today, we know from experience that it pays to stay on a steady course. It's the weather that has changed, not the overall climate. The fundamentals are still in place and they are still valid.

Staying the course in investments means sticking with your long-term strategy, without undue reaction to short-term ups and downs. It means diversifying to be in a position to take advantage of changing market conditions. And it means frequent review of your strategies to be sure you know where the risks are and how much risk is appropriate.

Unitil is doing exactly that. We are implementing our Strategic Plan — with regular adjustments in response to changing conditions — and we are navigating today's treacherous waters with confidence. We know that we're a worthy craft and we're on an even keel. The sails are up. We're making good headway. The crew is capable and determined – aware of the challenge, but not struggling. We deliver. It's that simple.

Just as a good sailor knows what's important for the safety of his ship and crew, so we at Unitil know what's important to our financial strength and long-term success. We pay very close attention to these metrics in our plan and are constantly attuned to the data on our navigational instruments.

Utility Business

Our utility businesses are the foundation for the company — the keel and hull, the mainmast and mainsail, itself. They provide the core earnings on which our strategy is built, and they are a significant source of value for our shareholders. On all counts, the utility businesses are doing very well and are very well positioned.

In the market turbulence created by the confluence of restructuring and higher energy prices, distribution utilities must preserve their financial integrity. Since energy supplies are not owned, but are purchased for the benefit of retail customers, securing retail prices that properly reflect the higher costs being incurred is critical. In Massachusetts and New Hampshire, the Unitil companies have been able to achieve reasonable parity between rising energy costs and rates, as a result of a strong contractual and legal basis, combined with regulators who have been responsive to market conditions.

Our gas customers, as of February 1, 2001, are paying rates some 50% or more higher than last year at the same time. Our New Hampshire electric customers are paying rates 25% to 34% higher than last fall, while our Massachusetts electric customers have seen rate increases of 16% to 40%. These are the largest onetime increases for our distribution companies in at least the last two decades, and have created significant negative impacts on our customers. The result has been a public outcry and significantly increased calls to our Customer Ser-

vice Center. But our message has been clear and consistent — the problem with energy prices is national; we do not control wholesale energy costs.

However, we do provide information and services that can help customers pay their higher bills. We have significantly increased our outreach and communications in each of our distribution service areas, and we believe this effort is helping customers focus on the options they have to control costs, to receive financial help, or to seek competitive energy supply options.

For Unitil's distribution companies, 2000 was an excellent year in achieving or surpassing key strategic milestones we had set for ourselves. Our annual customer loyalty survey showed an improvement of four percentage points in those who are "very satisfied" or "extremely satisfied." That measure is now at 73%, and we are committed to continuing our past improvements.

During 2000, reliability also improved significantly, reflecting the benefits of higher infrastructure investment levels over the past several years and an increased attention to operations and maintenance issues.

Our efforts to promote new gas and electric loads in our service areas have also been successful, and beat the targets we had set for the year. We satisfied our distribution cost objectives and found additional operational savings that will maintain Unitil's excellent position — we have some of the lowest distribution costs in the nation. Even though gas and electric rates rose sharply, we have still maintained our positive relative position in New England. Our Massachusetts gas rates and our New Hampshire electric rates are among the lowest in the region. In Massachusetts, our electric rates are in the middle of the pack, but improving slowly relative to our peers.

We have observed signs of economic slowdown in our service areas, largely in manufacturing. At the same time we are continuing to see growth and good economic fundamentals, a far cry from the steep decline experienced in the last recession more than a decade ago.

Our service areas generally continue to outperform the rest of New England. Even our Massachusetts subsidiary, whose two largest customers shut down over the past three years, is seeing positive economic growth. In February of 2001, the City of Fitchburg announced a major, new, 20-year economic revitalization program that promises to transform the old mill-town image of the city. Diversity, breadth, and flexibility are becoming a more accurate description of the area's economic base and community identity, and are directly embodied in the revitalization plan.

Non-Regulated Business

The goal of our non-regulated initiatives is to maximize the speed of our vessel by putting on full sail and capturing the winds of opportunity which energy market transitions provide. This requires an additional stretch of our capabilities, a test of our captain and crew, and a challenge to our ship. The risks must be prudent, and the execution forceful and determined. In the confluence of industry restructuring, technological advancement, and energy market volatility, implementation of our strategy requires even greater speed and agility, and a willingness to change course quickly and decisively at the right moment.

In 1999, we began a partnership with Enermetrix, completing an initial investment, a license agreement, and a customer acquisition agreement. This partnership has since continued to grow. The business model underlying this partnership anticipates the opening up of entirely new trade routes in the energy industry, based on competitive market models. In this process, Enermetrix will serve as a technology enabler, having built the country's most active retail energy exchange. Enermetrix recently completed a fourth round of outside financing, in an extremely difficult market, and we anticipate the company's continued success.

At the same time, in 1999 and through 2000, we developed and launched Usource as our customers' portal to this new trade route. The Usource strategy is unfolding quickly, and is showing its promise as one of the premier competitors in the retail energy marketplace. The Usource mission is to be "a national leader, through our Internet-based marketplace, in pro-

viding customers with choice and control over their energy procurement and with a portfolio of related products and services." The Usource business strategy is based on a very simple goal – to solve business customers' problems in accessing and managing the increasingly tumultuous energy markets for electricity and natural gas.

Usource has become the most active buy-side participant in the Enermetrix exchange and continues to add large, high-profile customers to our platform, in spite of the unexpectedly dramatic increases in gas and electric prices this year. In January 2001, Usource launched an overhauled website, taking Usource to the next level in providing a state-of-the-art Internet marketplace, and giving businesses the ability to satisfy all of their energy needs efficiently and economically.

Usource customers can quickly and easily enroll in the Enermetrix exchange for energy buying. Usource membership is free and provides immediate access to market information, advisory services, and a wide range of energy products and services. We're on the web at www.usourceonline.com. Usource is committed to bringing its customers the best tools available to meet their energy procurement and management needs.

Safe Harbor

In this Annual Report to Shareholders, we have relied heavily on storm imagery. It is descriptive of what the energy industry is going through, but the image has its limits. Specifically, a storm is usually followed by a period of calm. We do not expect this to be the case in our industry during 2001. History has taught us that we will probably see a stabilization of energy prices at a lower level. Rational market responses may be developed that will solve the problems in California and speed up the transition to competitive markets across the country. The economy may slow down just enough, but not too much, and the technology sector may find equilibrium somewhere between irrational exuberance and total depression. We hope so.

But we're not holding our breath. Our strategic planning is not based upon optimistic assumptions. We are realistic about the challenges and opportunities. We do not know what winds will blow in the year ahead, but we do know that we need to be able to respond to rapidly changing conditions by being fast, flexible, innovative, and creative. The ship will not sail itself safely through the storm. Rather, we will have to be courageous and determined in our efforts to achieve our goals. We will take prudent risks and make rational choices in our dedication to the value of your investment.

In today's world, we believe that's what "safe harbor" means. Safety and consistency can never be guaranteed on the high seas, nor can they be guaranteed in the energy industry. What can be achieved, however, is clarity, determination, and commitment in planning and execution. That's the safe harbor for your investment in Unitil.

— February 20, 2001

Financial Information

Management's Discussion and Analysis of Financial Condition and Results of Operations

Earnings & Dividends

Diluted Earnings per Share were $1.47 for the year ended December 31, 2000, compared to $1.74 and $1.72 for the years ended 1999 and 1998, respectively. As shown in the table below, in 2000, utility operations contributed $1.82 per share, while non-regulated operations lost $0.35 per share related to planned start-up costs of the Company's e-commerce business, Usource. Contributing positively to the Company's utility operations earnings is a slight increase in distribution revenues, offset by higher Depreciation and Amortization and Nonoperating Expenses. The Usource loss was the result of planned expenditures for sales, marketing, and product development. In 1999, utility operations contributed $1.84 per share, while Usource operations lost $0.10 per share.

Diluted Earnings per Share

	2000	1999	1998
Utility Operations	**$1.82**	$1.84	$1.72
Usource	**($0.35)**	($.10)	—
Total Company	**$1.47**	$1.74	$1.72

Net Income applicable to Common Stock for the year ended December 31, 2000, was $7.0 million, compared to $8.2 million and $8.0 million for years ended 1999 and 1998, respectively. The average return on common equity was 8.8%, 10.6%, and 10.9% in 2000, 1999, and 1998, respectively. The lower net income and average return on common equity in 2000 primarily reflects the impact on current income of the Company's expenditures on Usource.

Unitil's annual common stock dividend in 2000 was $1.38 per share. This annual dividend of $1.38 in 2000 resulted in a payout ratio of 94% for the year. Excluding the loss from non-regulated operations, the payout was 76% on earnings from utility operations. At its January 2001 meeting, the Unitil Board of Directors declared a regular quarterly dividend on the Company's common stock of $0.345 per share. This quarterly dividend reflects the current annual dividend rate ofS $1.38 per share.

The Year in Review

In 2000, Unitil Corporation remained proactive in managing the challenges of industry restructuring and volatile energy markets, while pursuing opportunities in the e-commerce sector through our investment in Enermetrix and the companion start-up of Usource, our energy-related e-commerce marketplace. Our distribution companies continued to address the changing regulatory environment in Massachusetts and New Hampshire. At the same time, we have devoted significant resources to developing and implementing strategies to grow Usource and create future value for shareholders. The higher and more volatile energy prices experienced during 2000 resulted in higher commodity prices for our utility customers and lower-than-expected transaction volume for Usource.

Utility restructuring in Massachusetts continues to move forward. A significant development for our Massachusetts subsidiary, Fitchburg Gas & Electric Light Company (FG&E), was the settlement of its claims against Northeast Utilities (NU) for damages related to the shutdown of Millstone 3 Nuclear Unit (see Regulatory Matters, page 25). A major benefit of the settlement was the inclusion of FG&E's minority interest in the sale of Millstone 3 and the elimination of further decommissioning funding and liability for FG&E. The Millstone 3 sale, expected to be completed in 2001, is another step in the divestiture of FG&E's generation assets and marks the Company's exit from the nuclear power business. FG&E also filed with the Massachusetts Department of Telecommunications and Energy (MDTE) new gas tariffs to implement natural gas unbundling, which became effective November 1, 2000. The Company continues to monitor the regulatory and legislative proceedings dealing with electric restructuring in New Hampshire, and to develop plans for the transition to a competitive electric market.

The volatility of the wholesale energy markets for electric and natural gas energy commodities during 2000 resulted in increased electricity and gas supply costs to the Company and our customers. The energy costs incurred by the Company to procure electricity and natural gas on behalf of its customers are reconciled and recovered through regulated cost recovery adjustment mechanisms with no markup or profit margin. However, these increases in power and gas supply costs resulted in significantly higher working capital requirements and short-term borrowing in 2000, reflecting the inherent lag in the regulatory cost recovery process. By carefully tracking the energy markets, and obtaining timely decisions to adjust retail prices to match rising wholesale costs, Unitil has avoided the creation of a sustained gap between wholesale prices and retail rates. These rate adjustments have allowed the Company to begin recovering the higher energy supply costs from our customers, and to improve the Company's cash flow and credit position. At the same time, the Company has stepped up its efforts to reach out to its electric and gas customers with information about financial assistance, bill payment options, and energy conservation.

The volatile conditions in energy markets, particularly the significant increase in electricity and natural gas prices during the second half of the year, have also impacted Usource, resulting in evolving and expanded strategies. The Usource business model strategy calls for combining direct customer contact through its sales force and on-line e-commerce access (*usourceonline.com*) to provide a "Total Energy Solutions" approach for prospective customers. Our efforts during the second half of 2000 were focused on refining this strategy and accelerating technology to launch an updated version of the new platform in January 2001.

Results of Operations

Operating Revenue - Electric

Unit (kWh) Sales – Unitil's total electric kilowatt-hour (kWh) sales decreased by 1.3% in 2000 compared to 1999. This decrease reflects the loss of a major customer that ceased operations in the second quarter of 2000, and a cooler-than-normal summer in 2000. Absent the loss of this major customer, total kWh sales in 2000 were flat compared to 1999. This primarily reflects continued growth in the number of customers served by the Company, offset by a cooler-than-normal summer season in 2000.

Sales to residential customers increased by 0.8% in 2000 compared to 1999, and were 6.5% higher than 1998 sales. The slight increase in energy sales in 2000, as compared to 1999, was due to a 1.4% increase in the number of residential customers that the Company serves, offset by lower usage of electricity for cooling purposes during the summer. This summer was cooler than normal. The 6.5% increase in 2000 as compared to 1998 is the result of a 2.5% increase in residential customers, as well as a colder winter heating season in 2000.

Commercial and Industrial sales of electricity were down 2.5% in 2000 compared to 1999, primarily related to the shutdown in June 2000, of a major customer. Exclusive of this customer, Commercial and Industrial sales were flat compared to the prior year, reflecting the cooler summer weather in 2000. 2000 sales were higher by 1.2% compared to 1998, reflecting a healthy regional economy offset by a reduction in sales to the customer discussed above.

The following table details total kilowatt-hour sales for the last three years by major customer class:

kWh Sales (000's)

	2000	1999	1998
Residential	**576,524**	571,694	541,492
Commercial/Industrial	**1,011,012**	1,037,130	999,476
Total kWh Sales	**1,587,536**	1,608,824	1,540,968

Electric Operating Revenue increased by $5.9 million, or 3.9%, in 2000 compared to 1999. This increase in revenue is a result of increased fuel and energy supply prices, offset by decreased sales volume. The energy component of electric operating revenue represents the recovery of energy supply costs, which are collected from customers through periodic cost recovery adjustment mechanisms. Changes in energy supply prices do not affect net income, as they normally mirror corresponding changes in energy supply costs. In addition, an approximate $0.3 million decrease in revenue was recorded in the year 2000 related to an Order by the MDTE disallowing certain revenues associated with Conservation and Load Management programs subsequent to the March 1998 implementation of electric utility industry restructuring in Massachusetts.

Electric Operating Revenue (000's)

	2000	1999	1998
Residential	**$ 61,506**	$ 58,415	$ 57,242
Commercial/Industrial	**98,517**	95,662	92,397
Total Operating Revenue	**$160,023**	$154,077	$149,639

Operating Revenues - Gas

Unit (Therm) Sales — Total firm therm gas sales increased 8.4% in 2000 when compared to 1999, due to a colder winter heating season compared to the prior year, coupled with higher sales volume, due to the Company's gas marketing initiatives. Total firm therm sales increased 8.9% in the two-year period from 1998 to 2000.

The following table details total firm therm gas sales for the last three years, by major customer class:

Firm Therm Sales (000's)

	2000	1999	1998
Residential	**11,730**	10,980	11,656
Commercial/Industrial	**12,262**	11,156	10,371
Total Firm Therm Sales	**23,992**	22,136	22,027

Gas Operating Revenues, which represent approximately 12% of Unitil's total operating revenues, increased by $4.6 million, or 25.6%, in 2000 compared to 1999. This increase was attributable to higher unit sales, as well as increased gas supply prices.

Gas Operating Revenue (000's)

	2000	1999	1998
Residential	**$11,540**	$8,635	$8,581
Commercial/Industrial	**8,745**	7,148	6,259
Total Firm Gas Revenue	**20,285**	15,783	14,840
Interruptible Gas Revenue	**2,471**	2,333	2,169
Total Gas Revenues	**$22,756**	$18,116	$17,009

Operating Revenue - Other

Other Revenue was flat in 2000 compared to 1999. This was the result of a decrease in revenue generated from consulting activities, offset by an increase in revenues from the Company's e-commerce business, Usource.

Operating Expenses

Fuel and Purchased Power expense is the cost of power supply, including fuel used in electric generation and the price of wholesale energy and capacity, that meets Unitil's electric energy requirements. Fuel and purchased power expenses, normally recoverable from customers through periodic cost recovery adjustment mechanisms, increased $8.1 million, or 7.9%, in 2000 compared to 1999. The change was driven by an increase in wholesale power prices, as the nation experienced volatile markets and rising energy prices in 2000.

Gas Purchased for Resale reflects gas purchased and manufactured to supply the Company's total gas energy requirements. Gas supply costs are recoverable from customers through the Cost of Gas Adjustment mechanism. Purchased Gas costs increased by $3.6 million, or 36.9% in 2000 compared to 1999, reflecting an increase in therms purchased and significantly higher wholesale gas prices in 2000.

Operation and Maintenance expense includes electric and gas utility operating costs, and the operating cost of the Company's non-regulated business activities. Total Operating and Maintenance expense was relatively flat in 2000 compared to 1999. Utility Operations accounted for a net decrease of $0.4 million, reflecting effective cost management and business process improvements. Usource Operating and Maintenance expense increased by $0.6 million in 2000 compared to 1999, reflecting planned sales, marketing, and product development expenditures.

Depreciation, Amortization & Taxes

Depreciation and Amortization expense increased $0.6 million, or 4.8%, in 2000 compared to 1999, due to a higher level of Plant in Service and accelerated write-off of electric generating assets, due to electric utility industry restructuring in Massachusetts. The electric generating assets will be fully amortized in approximately nine years. In addition, the Company has incurred higher depreciation and amortization expenses related to Usource in 2000 compared to 1999.

Federal and State Income Taxes decreased by $0.6 million, or 15.7%, in 2000 compared to 1999. This result reflects lower net income before taxes and a lower level of Investment Tax Credit amortization.

Local Property and Other Taxes decreased $0.1 million, or 2.2%, in 2000 compared to 1999. This decrease was related to local property tax changes.

Interest Expense

Interest Expense, Net decreased $0.1 million, or 1.4%, in 2000 compared to the prior year. An increase in accrued interest income associated with deferred rate recovery mechanisms was offset by higher short-term borrowing rates and a higher level of debt outstanding.

Usource

In the fourth quarter of 1999, Unitil Corporation launched a new start-up business, Usource (*usourceonline.com*), with the mission to be "a national leader, through our Internet-based marketplace, in providing customers with choice and control over their energy procurement and with a portfolio of related products and services." The Usource business strategy is based on a very simple goal – to meet business customers' need of accessing and managing the increasingly tumultuous energy markets for electricity and natural gas procurement.

Through December 31, 2000, Usource recorded a net loss of $1.7 million compared to a net loss of $0.5 million for partial year 1999. The earnings per share impact of the Usource loss was $0.35 compared to a loss of $0.10 for the 1999 partial year of operations. Pursuant to brokerage activities in 2000, approximately 5.5 billion cubic feet of natural gas were delivered, which generated revenues of $0.1 million.

Capital Expenditures related to Usource development totaled $3.1 million in 2000, versus $0.7 million in 1999. The $3.1 million for 2000 includes $2.8 million for software development and computer equipment and $0.3 million for customer list acquisitions (see Note 11, Usource).

Investments

During 1999 and 2000, Unitil acquired an approximate 9% equity interest in Enermetrix, formerly known as North American Power Brokers, Inc. The total investment is recorded "at cost" on the balance sheet as Other Property and Investments and is approximately $5.4 million. Enermetrix is a privately held company that has been financed by four rounds of private equity capital. Unitil has participated in three of these rounds of financing. Enermetrix, a software provider and technology enabler, developed an Internet-based energy procurement bid system, the Enermetrix Network, that matches buyers and sellers of energy in competitive markets. Unitil is represented on the Enermetrix board of directors. Although the market value of the investment in Enermetrix stock is not readily determinable, management believes the fair value of this investment currently exceeds its cost.

Capital Requirements and Liquidity

Unitil requires capital for the addition of property, plant, and equipment in order to improve, protect, maintain, and expand its electric and gas distribution systems, and to pursue its non-regulated business initiatives and opportunities. The capital necessary to meet these requirements has been derived primarily from the Company's retained earnings and sale of shares of common stock through the Company's Dividend Reinvestment and Stock Purchase plans. When internally-generated funds are not available, it is the Company's policy to borrow funds on a short-term basis to meet the capital requirements of its subsidiaries and, when necessary, to repay short-term debt through the issuance of long-term debt financing.

Cash Flows from Operating Activities decreased by $9.4 million in 2000, after increasing by $5.1 million in 1999. The decrease in 2000 was primarily a result of higher levels of Accrued Revenues, due to higher energy costs not immediately collected from customers. Also contributing to the decrease were higher levels of Accounts Receivable and Deferred Taxes.

Cash Flows from Operating Activities have been negatively impacted by volatile energy markets. There is an inherent lag between the period when energy costs increase and the period when the Company is granted rate increases to offset those higher energy costs. This lag results in the Company having to pay its suppliers for the higher energy costs while collecting less than those costs from its customers. During the collection lag period, the Company's cash flow is negatively impacted and additional short-term borrowings are necessary.

Cash Flows from Operating Activities (000's)

2000	1999	1998
$8,864	$18,308	$13,215

Cash Flows Used in Investing Activities increased approximately $7.1 million in 2000, primarily reflecting cash proceeds of $5.3 million received in 1999 from the sale of the Company's 4.5% interest in New Haven Harbor Station in 1999. Absent the effect of these 1999 sale proceeds, Cash Flows Used in Investing Activities increased $1.8 million in 2000 compared to 1999, reflecting higher expenditures of $2.8 million on distribution system additions and improvements and higher expenditures of $2.4 million for Usource software development and computer hardware. These higher expenditures were offset by a decrease in investment activity related to Enermetrix in 2000, compared to 1999.

Capital expenditures are projected to decrease in 2001 to approximately $18.5 million, primarily reflecting lower planned expenditures on the Company's non-regulated business activities.

Cash Flows Used in Investing Activities (000's)

2000	1999	1998
($22,249)	($15,131)	($14,463)

Cash Flows from Financing Activities increased by $18.0 million in 2000 compared to 1999. This increase reflects a higher level of borrowing in 2000 versus 1999. During 2000, the Company used proceeds from short-term borrowings to fund a portion of its additions to Property, Plant, and Equipment; its non-regulated business activities; and a portion of its energy supply costs that exceeded amounts billed to customers via existing electricity and gas supply cost recovery mechanisms. This time lag between increases in energy costs and corresponding rate increases, as discussed previously, results in the Company incurring short-term debt to fund, on an interim basis, the Company's energy cost obligations.

Concord Electric Company (CECo) and Exeter & Hampton Electric Company (E&H) received regulatory approval to increase fuel and purchased power rates as of January 1, 2001. FG&E received regulatory approval for an increase on November 1, 2000, in its Cost of Gas Adjustment Charge (CGAC), followed by a second increase on February 1, 2001. FG&E also received regulatory approval for an increase in its fuel index adjustment under its Standard Offer Service tariff to electric customers, effective on January 1, 2001. These rate increases are expected to ease the need for higher levels of short-term borrowings.

During 2000, the Company raised $0.6 million of additional common equity capital through the issuance of 22,916 shares of common stock in connection with the Dividend Reinvestment and Stock Purchase plans. No options were exercised in 2000 under the Company's Key Employee Stock Option Plan (KESOP).

Cash Flows from Financing Activities (000's)

2000	1999	1998
$13,598	($4,413)	$2,994

Regulatory Matters

The Unitil System of Companies is regulated by various federal and state agencies, including the Securities and Exchange Commission (SEC), the Federal Energy Regulatory Commission (FERC), and state regulatory authorities with jurisdiction over the utility industry, including the New Hampshire Public Utilities Commission (NHPUC) and the Massachusetts Department of Telecommunications and Energy (MDTE). In recent years, there has been significant legislative and regulatory activity to introduce greater competition in the supply and sale of electricity and gas, while continuing to regulate the delivery and distribution operations of our utility subsidiaries.

Massachusetts enacted comprehensive electric utility industry restructuring in November 1997. Since March 1, 1998, all electric consumers in Massachusetts served by investor-owned utilities have had the ability to choose their electric energy supplier. FG&E, the Company's Massachusetts utility operating subsidiary, continues to implement its comprehensive electric restructuring plan and divestiture of its entire regulated power supply business, including its nuclear investment.

Since 1997, FG&E has worked in collaboration with the other Massachusetts gas distribution utilities and various other stakeholders to develop and implement the infrastructure to offer gas customers choice of their competitive gas energy supplier and to complete the restructuring of gas service provided by gas utilities. FG&E filed with the MDTE new gas tariffs to implement natural gas unbundling in accordance with Model Terms and Conditions resulting from these collaborative efforts. The MDTE issued an Order approving these tariffs and final regulations effective November 1, 2000.

In New Hampshire, CECo and E&H, our electric utility operating subsidiaries, and Unitil Power Corp., our wholesale power company, continue to prepare for the transition that will move them into this new market structure, pending resolution of certain key restructuring policies and issues. The utility operating companies have also been active participants in the restructuring of the wholesale power market and transmission system in New England. Though retail competition in the sale of electricity has stalled throughout the region, new wholesale markets have been implemented in the New England Power Pool (NEPOOL) under the general supervision of an Independent System Operator (ISO).

Massachusetts Electric Restructuring — On January 15, 1999, the MDTE approved FG&E's restructuring plan with certain modifications. The Plan provides customers with: a) the ability to choose an energy supplier; b) an option to purchase Standard Offer Service provided by FG&E at regulated rates for up to seven years; and c) a cumulative 15% rate reduction adjusted for inflation. The Order also approved FG&E's power supply divestiture plan for its interest in three generating units and four long-term power supply contracts.

Pursuant to the Plan, on October 30, 1998, FG&E filed a proposed contract with Constellation Power Services Inc. for provision of Standard Offer Service. Constellation began to supply power under that contract on March 1, 1999, and is scheduled to continue through February 28, 2005. The award of this contract was the first successful Standard Offer auction conducted in Massachusetts.

A contract for the sale of FG&E's interest in the New Haven Harbor plant was approved by the MDTE on March 31, 1999, and the sale of the unit closed on April 14, 1999. A contract for the sale of the entire output from FG&E's remaining generating assets and purchased power contracts to Select Energy, Inc. was approved by the MDTE on December 28, 1999, and went into effect February 1, 2000.

On December 22, 1999, FG&E filed with the MDTE new rates for effect January 1, 2000. The revised rates maintain the required inflation-adjusted 15% rate discount. The MDTE approved the rates on January 5, 2000, subject to an examination of the Company's filing in which it reconciles its estimated and actual transition costs (the "reconciliation filing").

On February 2, 2000, the MDTE initiated a proceeding to examine FG&E's reconciliation filing and the consistency of the proposed charges and adjustments with the methods approved in FG&E's restructuring plan. The MDTE held four days of hearings in May 2000, and the Company presented testimony in support of its filing. As part of his review of FG&E's filing, the Massachusetts Attorney General has challenged FG&E's recovery of certain transition costs and other cost reconciliation calculations. Management is unable to determine the outcome of the MDTE proceedings. However, if an unfavorable outcome were to occur, there could be an adverse impact on the Company's consolidated financial position.

As a result of restructuring and divestiture of FG&E's generation and purchased power portfolio, FG&E has accelerated the write-off of its electric generation assets and its abandoned investment in Seabrook Station. The MDTE established the return to be earned on the unamortized balance of FG&E's generation plant, reducing FG&E's earnings on those assets. In 2000, Unitil's earnings from this business segment represented approximately 16% of the earnings from utility operations. As this portfolio is amortized over the next 9 years, earnings from this segment of FG&E's utility business will continue to decline and ultimately cease.

On August 2, 2000, FG&E was the first electric company in Massachusetts to file for an increase in its Standard Offer Service rates pursuant to the Fuel Adjustment provision of its Standard Offer Service (SOS) tariff. This adjustment allows an increase in the SOS rate due to increases in the fuel prices of oil and natural gas. Any revenues received as a result of this adjustment are passed on to the Company's wholesale SOS provider. The MDTE suspended the filing for further review. Subsequently, other electric utility companies operating in Massachusetts made similar filings, and the MDTE instituted proceedings in each of those cases. On December 4, 2000, the MDTE issued an order for the utilities authorizing a "fixed" fuel adjustment, calculated based on the most recent 12 months of data. These adjustments took effect on January 1, 2001. FG&E's SOS rate increased from 3.8¢/kWh to 5.121¢/kWh. Unrecovered amounts to date will be recovered, subject to the rate reduction requirements of the Act.

In approving the new SOS rates, the MDTE also directed all electric distribution companies to file a report with the MDTE on their efforts to mitigate transition costs. On January 19, 2001, FG&E filed an extensive report detailing its mitigation activities, including contract restructurings, divestiture of its generating assets, and a variety of initiatives intended to reduce the burden of increasing energy prices on customers. While FG&E has substantially completed the divestiture of its generation assets, the Company continues to seek ways to reduce its transition costs and lower prices for customers.

On December 1, 2000, FG&E filed new electric rates for effect January 1, 2001. The revised rates maintain the required inflation-adjusted 15% rate discount. The MDTE approved final rates on December 29, 2000, subject to reconciliation pursuant to an investigation of actual and estimated transition costs, resulting in an upward inflation adjustment of 3.5% relative to 2000 rates.

New customers, and customers who previously opted to take electric supply service from a competitive provider, may purchase power through FG&E under Default Service. FG&E provides the Default Service through a third party supplier at market-based rates. The Company issued a Request for Proposals for Default Service in September 2000. FG&E awarded a contract and filed resulting rates which were approved effective for the period January through May 2001.

In June 2000, the MDTE opened an investigation into whether (1) metering, meter maintenance and testing, and customer billing and information services (MBIS) should be unbundled; and (2) the service territories of distribution companies should remain exclusive. On December 29, 2000, the MDTE issued its report recommending that the Legislature not take action to allow for the competitive provision of MBIS in the electric industry. The MDTE also concluded that exclusive service territories should remain intact.

Massachusetts Gas Restructuring — In mid-1997, the MDTE directed all Massachusetts natural gas Local Distribution Companies (LDCs) to form a collaborative with other stakeholders to develop common principles and appropriate regulations for the unbundling of gas service, and directed FG&E and four other LDCs to file unbundled gas rates for its review. FG&E's unbundled gas rates were filed with, and approved by, the MDTE and implemented in November 1998.

On February 1, 1999, the MDTE issued an order in which it determined that the LDCs would continue to have an obligation to provide gas supply and delivery services for another five years, with a review after three years. This order also set forth the MDTE's decision requiring mandatory assignment by LDCs of their pipeline capacity contracts to competitive marketers. In March 1999, the LDCs and other stakeholders filed a settlement with the MDTE which set forth rules for implementing an interim firm transportation service through October 31, 2000. The MDTE approved the settlement on April 2, 1999. FG&E has made separate compliance filings that were approved by the MDTE to implement its interim firm gas transportation service for its largest general service customers and to complement this service with a firm gas peaking service. This interim service is now superseded by the permanent transportation service, which was approved for implementation on November 1, 2000.

On November 3, 1999, the Massachusetts LDCs filed Model Terms and Conditions for Gas Service, including provisions for capacity assignment, peaking service, and Default Service. In accordance with the MDTE's approval of these Model Terms and Conditions in January 2000, FG&E filed Company-specific tariffs that implement natural gas unbundling. The MDTE also opened a rulemaking proceeding on proposed regulations that would govern the unbundling of services related to the provision of natural gas. The MDTE has issued an order approving the tariffs and final regulations effective November 1, 2000.

New Hampshire Electric Restructuring — On February 28, 1997, the NHPUC issued its Final Plan for New Hampshire electric utilities to transition to a competitive electric market in the state (Final Plan). The Final Plan linked the interim recovery of stranded cost by the State's utilities to a comparison of their existing rates with the regional average utility rates. CECo's and E&H's rates are below the regional average; thus, the NHPUC found that CECo and E&H were entitled to full interim stranded cost recovery, as defined by the NHPUC. However, the NHPUC also made certain legal rulings which could affect CECo's and E&H's long-term ability to recover all of their stranded costs.

Northeast Utilities' affiliate Public Service Company of New Hampshire (PSNH) filed suit in U.S. District Court for protection from the Final Plan and related orders and was granted an indefinite stay. In June 1997, Unitil, and other utilities in New Hampshire, intervened as plaintiffs in the federal court proceeding. In June 1998, the federal court clarified that the injunctions issued by the court in 1997 had effectively frozen the NHPUC's efforts to implement restructuring. This amended injunction has been challenged by the NHPUC, and affirmed by the First Circuit Court of Appeals. Unitil continues to be a plaintiff-intervenor in federal district court. Further court proceedings are pending final resolution of electric restructuring for PSNH.

Unitil has continued to work actively to explore settlement options and to seek a fair and reasonable resolution of key restructuring policies and issues in New Hampshire. The Company is also monitoring the regulatory and legislative proceedings dealing with electric restructuring in the state. In October, 2000, the NHPUC approved a settlement for the restructuring of PSNH. Appeals of the PSNH restructuring orders were denied by the New Hampshire Supreme Court and are now being pursued with the U.S. Supreme Court.

Pending Rate Proceedings — The last formal regulatory filings to increase base electric rates for Unitil's three retail operating subsidiaries occurred in 1985 for CECo, 1984 for FG&E, and 1981 for E&H. A majority of the Company's operating revenues are collected under various periodic rate adjustment mechanisms including fuel, purchased power, cost of gas, energy efficiency, and restructuring-related cost recovery mechanisms. Industry restructuring will continue to change the methods of how certain costs are recovered through the Company's regulated rates and tariffs.

As discussed above, FG&E filed for and received approval of an increase to its electric Standard Offer Service rate reflecting extraordinary increases in the price of oil and natural gas. FG&E also received an increase to its Cost of Gas Adjustment resulting in bill increases of approximately 25%, effective November 1, 2000. FG&E subsequently received another increase of approximately 20% to its Cost of Gas Adjustment for effect February 1, 2001. Wholesale natural gas prices reached record levels in New England and across the United States in response to cold weather and tight supplies. In New Hampshire, CECo and E&H filed and received approval of increases to their Fuel and Purchased Power Adjustments, resulting in bill increases of 25% to 34%, depending upon usage patterns, effective January 1, 2001. These higher fuel costs are a pass-through without markup or profit. Retail electricity prices for most New England utilities are increasing this winter.

On May 15, 1998, FG&E filed a gas base rate case with the MDTE. The last base rate case had been in 1984. After evidentiary hearings, the MDTE issued an Order allowing FG&E to establish new rates, effective November 30, 1998, that would produce an annual increase of approximately $1.0 million in gas revenues. As part of the proceeding, the Massachusetts Attorney General alleged that FG&E had double-collected fuel inventory finance charges, and requested that the MDTE require FG&E to refund approximately $1.6 million in double collections since 1987. The Company believes that the Attorney General's claim is without merit and that a refund was not justified or warranted. The MDTE rejected the Attorney General's request and stated its intent to open a separate proceeding to investigate the Attorney General's claim. On November 1, 1999, the MDTE issued an Order of Notice initiating an investigation of this matter. Hearings were held in early 2000 and were reopened in November 2000 to hear new evidence. Supplemental testimony has been filed and additional hearings were held in February 2001.

On October 29, 1999, the MDTE initiated a proceeding to implement Performance Based Rate making (PBR) for all electric and gas distribution utilities in Massachusetts. PBR is a method of setting regulated distribution rates that provide incentives for utilities to control costs while maintaining a high level of service quality. Under PBR, a company's earnings are tied to performance targets, and penalties can be imposed for deterioration of service quality. On December 29, 1999, FG&E filed a petition with the MDTE for authority to defer for later recovery costs associated with its preparation of a PBR filing for its gas division and its participation in the MDTE-initiated generic gas and electric PBR proceedings. This petition and the MDTE's generic proceeding are pending. The Company is currently evaluating the impact, if any, that PBR would have on the Company's ability to continue applying the standards of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation."

On December 31, 1999, the Massachusetts Attorney General filed a complaint against FG&E requesting that the MDTE investigate the distribution rates, rate of return, and depreciation accrual rates for FG&E's electric operations in calendar year 1999. The MDTE opened a proceeding in November 2000, held a public hearing and procedural conference in December 2000, and subsequently issued a procedural schedule covering the period January through April 2001. Any order received from the MDTE would apply to the Company's rates prospectively and would not be retroactive. Management is unable to predict the outcome of this proceeding but an unfavorable result could have an adverse impact on the Company's consolidated financial position.

Millstone Unit No. 3 — FG&E has a 0.217% nonoperating ownership in the Millstone Unit No. 3 (Millstone 3) nuclear generating unit which supplies it with 2.49 megawatts (MW) of electric capacity. In January 1996, the Nuclear Regulatory Commission (NRC) placed Millstone 3 on its Watch List, which calls for increased NRC inspection attention. In March 1996, as a result of engineering evaluations, Millstone 3 was taken out of service. The NRC authorized the restart of Millstone 3 in June 1998.

During the period that Millstone 3 was out of service, FG&E continued to incur its proportionate share of the unit's ongoing Operations and Maintenance (O&M) costs, and may incur additional O&M costs and capital expenditures to meet NRC requirements. FG&E also incurred costs to replace the power that was expected to be generated by the unit. During the outage, FG&E incurred approximately $1.2 million in replacement power costs, and recovered those costs through its electric fuel charge, which is subject to review and reconciliation by the MDTE. Under existing MDTE precedent, FG&E's replacement power costs of $1.2 million could be subject to disallowance in rates.

In August 1997, FG&E, in concert with other nonoperating joint owners, filed a demand for arbitration in Connecticut and a lawsuit in Massachusetts, in an effort to recover costs associated with the extended unplanned shutdown. Several preliminary rulings have been issued in the arbitration and legal cases, and both cases are continuing. On March 22, 2000, FG&E entered into a settlement agreement with the defendants under which FG&E will dismiss its lawsuit and arbitration claims. The settlement is generally similar to earlier settlements with the defendants, and three joint owners that own, in the aggregate, approximately 19% of the unit. The settlement provides for FG&E to receive an initial payment of $600,000 and other amounts contingent upon future events and would result in FG&E's entire interest in the unit being included in the auction of the majority interest, and certain of the minority interests, in Millstone 3, which is expected to be completed by 2001. Upon completion of the sale of Millstone 3, FG&E will be relieved of all residual liabilities, including decommissioning liabilities, associated with Millstone 3. FG&E expects to flow through the net proceeds of the settlement to its customers.

On September 8, 2000, Western Massachusetts Electric Company, New England Power Company, and FG&E together filed a Joint Petition requesting approval by the MDTE of the sale of their respective interests in Millstone Units 1, 2, and 3. The Companies also requested MDTE findings that the divested assets qualify as "eligible facilities" pursuant to Section 32 (c) of the Public Utility Holding Company Act of 1935. The MDTE approved the sale and certified the unit as an "eligible facility" on December 22, 2000. The parties to the sale transaction are currently awaiting other state and federal regulatory approvals for the final sale of the Millstone units.

Environmental Matters — The Company continues to work with federal and state environmental agencies to identify and assess environmental issues at the former manufactured gas plant (MGP) site at Sawyer Passway, located in Fitchburg, Massachusetts. FG&E has proceeded with site remediation work as specified on the Tier 1B permit, which allows FG&E to work towards temporary remediation of the site.

In April 2000, FG&E applied for a Utility Related Abatement Measure (URAM) with the Massachusetts Department of Environmental Protection (DEP) to permit excavation work required to construct a new electric substation on FG&E's former MGP site at Sawyer Passway. The permit application was reviewed and approved by the Massachusetts DEP in May 2000. All work permitted under the provisions of the URAM was completed and a final report of closure was submitted to the DEP in December 2000.

Construction of the new highway bridge across Sawyer Passway began in October 2000. FG&E began fulfillment of obligations associated with the bridge construction as stipulated in a memorandum of understanding with the Massachusetts Highway Department and the Massachusetts DEP.

Upon completion of site remediation associated with the bridge construction, the last remaining portion of the Sawyer Passway MGP site is expected to be closed out and attain the status of temporary closure in late 2001. This temporary closure requires FG&E to monitor the site until a feasible permanent remediation alternative can be developed and completed.

The costs of remedial action at this site are initially funded from traditional sources of capital and recovered from customers under a rate recovery mechanism approved by the MDTE. The Company also has a number of liability insurance policies that may provide coverage for environmental remediation at this site.

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 fuel and gas costs in rates. Consequently, there is limited commodity price risk after consideration of the related rate-making. As the utility industry deregulates, the Company will be divesting its commodity-related energy businesses and therefore will be further reducing its exposure to commodity-related risk.

Forward-Looking Information

This report contains forward-looking statements which are subject to the inherent uncertainties in predicting future results and conditions. 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 variations in weather, changes in the regulatory environment, customers' preferences on energy sources, general economic conditions, increased competition, and other uncertainties, all of which are difficult to predict, and many of which are beyond the control of the Company.

Consolidated Statements of Earnings

(000's, except common shares and per share data)

Year Ended December 31,	**2000**	1999	1998
Operating Revenues:			
Electric	**$160,023**	$154,077	$149,639
Gas	**22,756**	18,116	17,009
Other	**162**	180	30
Total Operating Revenues	**182,941**	172,373	166,678
Operating Expenses:			
Fuel and Purchased Power	**110,280**	102,171	98,589
Gas Purchased for Resale	**13,492**	9,854	9,874
Operation and Maintenance	**24,545**	24,404	23,652
Depreciation and Amortization	**11,964**	11,412	10,007
Provisions for Taxes:			
Local Property and Other	**4,967**	5,077	5,540
Federal and State Income	**3,413**	4,047	3,710
Total Operating Expenses	**168,661**	156,965	151,372
Operating Income	**14,280**	15,408	15,306
Non-Operating Expenses	**244**	51	156
Income Before Interest Expense, Net	**14,036**	15,357	15,150
Interest Expense, Net	**6,820**	6,919	6,901
Net Income	**7,216**	8,438	8,249
Less Dividends on Preferred Stock	**263**	268	274
Net Income Applicable to Common Stock	**$6,953**	$8,170	$7,975
Average Common Shares Outstanding	**4,723,171**	4,682,273	4,505,784
Basic Earnings per Share	**$1.47**	$1.74	$1.77
Diluted Earnings per Share	**$1.47**	$1.74	$1.72

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

Consolidated Balance Sheets (000's)

Assets

December 31,	**2000**	1999
Utility Plant:		
Electric	**$173,883**	$161,767
Gas	**36,996**	34,031
Common	**21,602**	21,541
Construction Work in Progress	**1,844**	2,499
Utility Plant	**234,325**	219,838
Less: Accumulated Depreciation	**71,036**	66,429
Net Utility Plant	**163,289**	153,409
Other Property and Investments	**8,740**	5,051
Current Assets:		
Cash	**3,060**	2,847
Accounts Receivable - Less Allowance for Doubtful Accounts of $596 and $598	**20,057**	16,630
Refundable Taxes	**1,980**	1,419
Materials and Supplies	**2,854**	2,503
Prepayments	**1,317**	713
Accrued Revenue	**8,602**	2,262
Total Current Assets	**37,870**	26,374
Noncurrent Assets:		
Regulatory Assets	**137,470**	143,470
Prepaid Pension Costs	**9,996**	9,119
Debt Issuance Costs	**1,479**	1,351
Other Noncurrent Assets	**24,123**	24,753
Total Noncurrent Assets	**173,068**	178,693
TOTAL	**$382,967**	$363,527

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

Capitalization & Liabilities

December 31,	2000	1999
Capitalization:		
Common Stock Equity	$79,935	$78,675
Preferred Stock, Non-Redeemable, Non-Cumulative	225	225
Preferred Stock, Redeemable, Cumulative	3,465	3,532
Long-Term Debt, Less Current Portion	81,695	84,966
Total Capitalization	165,320	167,398
Current Liabilities:		
Long-Term Debt, Current Portion	3,207	1,191
Capitalized Leases, Current Portion	935	902
Accounts Payable	18,539	16,515
Short-Term Debt	32,500	10,500
Dividends Declared and Payable	209	220
Refundable Customer Deposits	1,252	1,302
Interest Payable	1,150	1,245
Other Current Liabilities	6,377	3,042
Total Current Liabilities	64,169	34,917
Deferred Income Taxes	45,859	42,634
Noncurrent Liabilities:		
Power Supply Contract Obligations	97,342	106,184
Capitalized Leases, Less Current Portion	3,259	3,860
Other Noncurrent Liabilities	7,018	8,534
Total Noncurrent Liabilities	107,619	118,578
TOTAL	$382,967	$363,527

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

Consolidated Statements of Capitalization

(000's except number of shares and par value)

December 31,	**2000**	1999
Common Stock Equity		
Common Stock, No Par Value (Authorized - 8,000,000 shares; Outstanding - 4,734,917 and 4,712,001 shares)	**$40,991**	$40,352
Stock Options	**376**	194
Retained Earnings	**38,568**	38,129
Total Common Stock Equity	**79,935**	78,675
Preferred Stock		
CECo Preferred Stock, Non-Redeemable, Non-Cumulative:		
6% Series, $100 Par Value	**225**	225
CECo Preferred Stock, Redeemable, Cumulative:		
8.7% Series, $100 Par Value	**215**	215
E&H Preferred Stock, Redeemable, Cumulative:		
5% Series, $100 Par Value	**91**	91
6% Series, $100 Par Value	**168**	168
8.75% Series, $100 Par Value	**333**	333
8.25% Series, $100 Par Value	**385**	385
FG&E Preferred Stock, Redeemable, Cumulative:		
5.125% Series, $100 Par Value	**973**	987
8% Series, $100 Par Value	**1,300**	1,353
Total Preferred Stock	**3,690**	3,757
Long-Term Debt		
CECo First Mortgage Bonds:		
Series I, 8.49%, Due October 14, 2024	**6,000**	6,000
Series J, 6.96%, Due September 1, 2028	**10,000**	10,000
E&H First Mortgage Bonds:		
Series K, 8.49%, Due October 14, 2024	**9,000**	9,000
Series L, 6.96%, Due September 1, 2028	**10,000**	10,000
FG&E Long-Term Notes:		
8.55% Notes, Due March 31, 2004	**12,000**	13,000
6.75% Notes, Due November 30, 2023	**19,000**	19,000
7.37% Notes, Due January 15, 2029	**12,000**	12,000
Unitil Realty Corp. Senior Secured Notes:		
8.00% Notes, Due August 1, 2017	**6,902**	7,157
Total Long-Term Debt	**84,902**	86,157
Less: Long-Term Debt, Current Portion	**3,207**	1,191
Total Long-Term Debt, Less Current Portion	**81,695**	84,966
Total Capitalization	**$165,320**	$167,398

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

Consolidated Statements of Cash Flows (000's)

Year Ended December 31,	2000	1999	1998
Cash Flows from Operating Activities:			
Net Income	$7,216	$8,438	$8,249
Adjustments to Reconcile Net Income to			
Cash Provided by Operating Activities:			
Depreciation and Amortization	11,964	11,412	10,007
Deferred Tax Provision	3,522	72	1,515
Amortization of Investment Tax Credit	(256)	(322)	(402)
Amortization of Debt Issuance Costs	61	60	61
Changes in Working Capital:			
Accounts Receivable	(3,427)	(631)	891
Materials and Supplies	(351)	459	(299)
Prepayments	(1,481)	(94)	(713)
Accrued Revenue	(6,340)	(1,087)	5,621
Accounts Payable	2,024	5,133	(3,352)
Refundable Customer Deposits	(50)	9	(894)
Taxes and Interest Payable	(656)	41	(748)
Other, Net	(3,362)	(5,182)	(6,721)
Cash Provided by Operating Activities	8,864	18,308	13,215
Cash Flows From Investing Activities:			
Additions to Property, Plant & Equipment	(18,559)	(15,411)	(14,463)
Proceeds from Sale of Electric Generating Assets	—	5,288	—
Additions to Other Property and Investments	(3,690)	(5,008)	—
Cash Used in Investing Activities	(22,249)	(15,131)	(14,463)
Cash Flows from Financing Activities:			
Proceeds from (Repayment of) Short-Term Debt, Net	22,000	(9,500)	2,000
Proceeds from Issuance of Long-Term Debt	—	12,000	20,000
Repayment of Long-Term Debt	(1,255)	(1,065)	(13,144)
Dividends Paid	(6,787)	(6,722)	(6,368)
Issuance of Common Stock	639	1,945	1,600
Retirement of Preferred Stock	(68)	(86)	(48)
Repayment of Capital Lease Obligations	(931)	(985)	(1,046)
Cash (Used In) Provided by Financing Activities	13,598	(4,413)	2,994
Net (Decrease) Increase in Cash	213	(1,236)	1,746
Cash at Beginning of Year	2,847	4,083	2,337
Cash at End of Year	$3,060	$2,847	$4,083
Supplemental Cash Flow Information:			
Interest Paid	$8,640	$7,164	$7,445
Federal Income Taxes Paid	$350	$4,018	$2,490
Supplemental Schedule of Noncash Activities:			
Capital Leases Incurred	$363	$553	$624

The Company recorded the estimated impact of the Order from the MDTE related to its electric Utility Restructuring Plan on December 31, 1998, and subsequently updated for actual amounts in 1999. The noncash changes related to the Restructuring Plan are as follows:

(Decrease) Increase in Regulatory Assets	—	(23,504)	129,688
Decrease (Increase) in Power Supply Contract Obligations	—	23,504	(129,688)

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

Consolidated Statements of Changes in Common Stock Equity

(000's, except number of shares)

	Common Shares	Deferred Stock Option Plan	Retained Earnings	Total
Balance at January 1, 1998	$35,653	$1,452	$34,539	**$71,644**
Net Income for 1998			8,249	**8,249**
Dividends on Preferred Shares			(274)	**(274)**
Dividends on Common Shares - at $1.36 per Share			(6,113)	**(6,113)**
Stock Option Plan		245		**245**
Exercised Stock Options - 66,951 Shares	1,720	(1,154)		**566**
Issuance of 43,862 Common Shares (a)	1,034			**1,034**
Balance at December 31, 1998	38,407	543	36,401	**75,351**
Net Income for 1999			8,438	**8,438**
Dividends on Preferred Shares			(268)	**(268)**
Dividends on Common Shares - at $1.38 per Share			(6,442)	**(6,442)**
Stock Option Plan		116		**116**
Exercised Stock Options - 109,753 Shares	2,543	(1,739)		**804**
Issuance of 27,619 Common Shares (a)	676			**676**
Effect of Termination of Stock Option Plan	(1,274)	1,274		**—**
Balance at December 31, 1999	40,352	194	38,129	**78,675**
Net Income for 2000			7,216	**7,216**
Dividends on Preferred Shares			(263)	**(263)**
Dividends on Common Shares - at $1.38 per Share			(6,514)	**(6,514)**
Stock Option Plan		182		**182**
Issuance of 22,916 Common Shares (a)	639			**639**
Balance at December 31, 2000	$40,991	$376	$38,568	**$79,935**

(a) Shares sold and issued in connection with the Company's Dividend Reinvestment and Stock Purchase Plan and Employee 401(k) Tax Deferred Savings and Investment Plan (See Note 2).

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

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

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, and is the parent of the Unitil System (the System). The following companies are wholly owned subsidiaries of Unitil: Concord Electric Company (CECo), Exeter & Hampton Electric Company (E&H), Fitchburg Gas and Electric Light Company (FG&E), Unitil Power Corp. (UPC), Unitil Realty Corp. (URC), Unitil Service Corp. (USC), and its unregulated business unit Unitil Resources, Inc. (URI). Usource, Inc. and Usource L.L.C. (collectively, Usource) are subsidiaries of Unitil Resources, Inc.

Unitil's principal business is the retail sale and distribution of electricity in New Hampshire and both electric and gas services in Massachusetts through its retail distribution subsidiaries CECo, E&H, and FG&E. The Company's wholesale electric power subsidiary, UPC, principally provides all the electric power supply requirements to CECo and E&H for resale at retail, and also engages in various other wholesale electric power services with affiliates and non-affiliates throughout the New England region. URI provides an Internet-based energy brokering business, Usource, as well as various energy consulting and marketing activities. Finally, URC and USC provide centralized facilities and operations and management services to support the Unitil system of companies.

With respect to rates and accounting practices, CECo and E&H are subject to regulation by the New Hampshire Public Utilities Commission (NHPUC), FG&E is regulated by the Massachusetts Department of Telecommunications & Energy (MDTE), and UPC, CECo, E&H, and FG&E are regulated by the Federal Energy Regulatory Commission (FERC).

The Company accounts for all its regulated operations in accordance with Statement of Financial Accounting Standard No. 71 (SFAS 71), "Accounting for the Effects of Certain Types of Regulation," requiring the Company to record the financial statement effects of the rate regulation to which the Company is currently subject. If a separable portion of the Company's business no longer meets SFAS No. 71, the Company is required to eliminate the financial statement effects of regulation for that portion.

Basis of Presentation

Principles of Consolidation — Unitil Corporation is the parent company of the Unitil System. The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles 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.

Revenue Recognition — The Company's operating subsidiaries record electric and gas operating revenues based upon the amount of electricity and gas delivered to customers through the end of the accounting period. Usource L.L.C. records energy brokering revenues based upon the amount of electricity and gas delivered to customers through the end of the accounting period.

Other Property and Investments — At December 31, 2000, Other Property and Investments includes the Company's investment in the stock of Enermetrix, which is recorded at its historical cost of $5,413,000, comprised of $5,117,000 of Enermetrix Convertible Preferred Stock and $296,000 of Enermetrix Common Stock Warrants. Although the market value of the investment in Enermetrix stock is not readily determinable, management believes the fair value of this investment currently exceeds its carrying cost.

Depreciation and Amortization — Depreciation provisions for the Company's utility operating subsidiaries are determined on a group straight-line basis. Provisions for depreciation were equivalent to the following composite rates, based on the average depreciable property balances at the beginning and end of each year: 2000 - 3.74 percent; 1999 - 3.72 percent; and 1998 - 3.21 percent.

Amortization provisions include the recovery of a portion of FG&E's former investment in the Seabrook Nuclear Power Plant in rates to its customers through a Seabrook Amortization Surcharge as ordered by the MDTE. In addition, FG&E is amortizing electric generating assets, in accordance with its electric restructuring plan approved by the MDTE (See Note 12, page 43).

Federal Income Taxes — Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured by applying tax rates applicable to the taxable years in which those differences are expected to reverse. The Tax Reduction Act of 1986 eliminated investment tax credits. Investment tax credits generated prior to 1986 are being amortized, for financial reporting purposes, over the productive lives of the related assets.

Newly Issued Pronouncements — In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. In June 1999, FASB issued Statement of Accounting Standards No. 137 (SFAS 137), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133". This statement has delayed the effective date of SFAS 133 until fiscal years beginning after June 15, 2000. In June 2000, SFAS 133 was amended by Statement of Financial Accounting Standards No. 138 (SFAS 138), "Accounting for Derivative Instruments and Hedging Activities - and amendment of FASB Statement No. 133. Management does not expect the adoption of these statements to have a material impact on its financial position or results of operations.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101 (SAB No. 101), "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition, presentation, and disclosure in financial statements. Subsequently, the SEC has amended the implementation dates so that the Company is required to adopt the provision of SAB No. 101 in the fourth quarter of 2000. Unitil has adopted SAB No. 101, and there is no impact on the results of operations or financial position.

Reclassifications — Certain amounts previously reported have been reclassified to conform to current year presentation.

Note 2: Common Stock

New Shares Issued — During 2000, the Company raised $639,000 of additional common equity capital through the issuance of 22,916 shares of common stock in connection with the Dividend Reinvestment and Stock Purchase Plan. The Dividend Reinvestment and Stock Purchase Plan provides participants in the plan a method for investing cash dividends on the Company's Common Stock and cash payments in additional shares of the Company's Common Stock. In 1999, the Company raised $676,000 of additional common equity capital through the issuance of 27,619 shares of common stock in connection with the Dividend Reinvestment and Stock Purchase Plan and the Employee 401(k) Tax Deferred Savings and Investment Plan. The Employee 401(k) Tax Deferred Savings and Investment Plan is described in Note 9 (See page 41).

Stock-Based Compensation Plans — The Company maintains two stock option plans which provide for the granting of options to key employees, as follows:

Unitil Corporation Key Employee Stock Option Plan: The "Unitil Corporation Key Employee Stock Option Plan" was a 10-year plan which began in March 1989. The number of shares granted under this plan, as well as the terms and conditions of each grant, were determined by the Board of Directors, subject to plan limitations. All options granted under this plan vested upon grant. The 10-year period in which options could be granted under this plan expired in March 1999. The expiration date of the remaining outstanding options is November 3, 2007. The plan provides dividend equivalents on options granted, which are recorded at fair value as compensation expense. The total compensation expenses recorded by the Company with respect to this plan were $39,000, $74,000 and $245,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

Share Option Activity of the "Unitil Corporation Key Employee Stock Option Plan" is presented in the following table:

	2000	1999	1998
Beginning Options Outstanding and Exercisable	**27,976**	134,741	191,365
Dividend Equivalents Earned	**1,382**	2,988	10,327
Options Exercised	**—**	(109,753)	(66,951)
Ending Options Outstanding and Exercisable	**29,358**	27,976	134,741
Range of Option Exercise Price per Share	**$12.11-18.28**	$12.11-$18.28	$12.11-$18.28
Weighted Average Remaining Contractual Life	**6.9**	7.9	8.9

Unitil Corporation 1998 Stock Option Plan: The "Unitil Corporation 1998 Stock Option Plan" became effective on December 11, 1998. The number of shares granted under this plan, as well as the terms and conditions of each grant, are determined by the Board of Directors, subject to plan limitations. All options granted under this plan vest over a three-year period from the date of the grant with 25% vesting on the first anniversary of the grant, 25% vesting on the second anniversary, and 50% vesting on the third anniversary. Under the terms of this plan, key employees may be granted options to purchase the Company's common stock at no less than 100% of the market price on the date the option is granted. All options must be exercised no later than 10 years after the date on which they were granted. The total compensation expense recorded by the Company with respect to this plan was $144,000 for the year ended December 31, 2000, and $42,000 for the year ended December 31, 1999.

	2000		1999	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Beginning Options Outstanding	**62,000**	**$23.38**	–	–
Options Granted	**55,000**	**$32.18**	62,000	**$23.38**
Options Forfeited	**(3,500)**	**$23.38**	–	–
Ending Options Outstanding	**113,500**	**$27.64**	62,000	**$23.38**
Options Vested and Exercisable - end of year	**14,625**	**$23.38**	–	–

The Company has adopted Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock Based Compensation," and recognizes compensation costs at fair value at the date of grant.

The following summarizes certain data for options outstanding at December 31, 2000:

Range of Exercise Prices	Number of Shares	Weighted Exercise Price	Weighted Remaining Contractual Life
$23.38	58,500	$23.38	8.2
$32.13 - $33.56	55,000	$32.18	9.1
	113,500		

The weighted average fair value per share of options granted during 2000 and 1999 was $7.13 and $3.25, respectively. The fair value of options at the date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	2000	1999	1998
Expected Life (Years)	**10.0**	10.0	None Granted
Interest Rate	**6.0%**	6.0%	
Volatility	**22.3%**	19.9%	
Dividend Yield	**4.3%**	5.9%	

Restrictions on Retained Earnings — Unitil Corporation has no restriction on the payment of common dividends from retained earnings. Its three retail distribution subsidiaries do have restrictions. Under the terms of the First Mortgage Bond Indentures, CECo and E&H had $4,778,000 and $4,400,000, respectively, available for the payment of cash dividends on their common stock at December 31, 2000. Under the terms of long-term debt purchase agreements, FG&E had $10,382,000 of retained earnings available for the payment of cash dividends on its common stock at December 31, 2000.

Note 3: Preferred Stock

Certain of the Unitil subsidiaries have redeemable Cumulative Preferred Stock outstanding and one subsidiary, CECo, has a Non-Redeemable, Non-Cumulative Preferred Stock issue outstanding. All such subsidiaries are required to offer to redeem annually a given number of shares of each series of Redeemable Cumulative Preferred Stock and to purchase such shares that shall have been tendered by holders of the respective stock. All such subsidiaries may redeem, at their option, the Redeemable Cumulative Preferred Stock at a given redemption price, plus accrued dividends.

The aggregate purchases of Redeemable Cumulative Preferred Stock during 2000, 1999, and 1998 were $67,500, $86,300, and $47,300, respectively. The aggregate amount of sinking fund requirements of the Redeemable Cumulative Preferred Stock for each of the five years following 2000 are $206,000 per year.

Note 4: Long-Term Debt

Certain of the Company's long-term debt agreements contain provisions which, among other things, limit the incursion of additional long-term debt.

Total aggregate amount of sinking fund payments relating to bond issues and normal scheduled long-term debt repayments amounted to $1,255,000, $1,065,000, and $4,394,000 in 2000, 1999, and 1998, respectively.

The aggregate amount of bond sinking fund requirements and normal scheduled long-term debt repayments for each of the five years following 2000 is: 2001 - $3,207,000; 2002 - $3,225,000; 2003 - $3,244,000; 2004 - $3,264,000; and 2005 - $286,000.

On January 26, 1999, FG&E sold $12,000,000 of long-term notes at par to institutional investors, bearing an interest rate of 7.37%. Proceeds were used to repay short-term indebtedness, incurred to fund FG&E's ongoing construction program.

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. In management's opinion, the carrying value of the debt approximated its fair value at December 31, 2000 and 1999.

Note 5: Credit Arrangements

At December 31, 2000, the Company had unsecured bank lines for short-term debt aggregating $35,000,000 with three banks for which it pays commitment fees. At December 31, 2000, the unused portion of the credit lines outstanding was $2,500,000. The average interest rates on all short-term borrowings were 6.57% and 5.72% during 2000 and 1999, respectively.

Note 6: Leases

The Company's subsidiaries conduct a portion of their operations in leased facilities and also lease some of their machinery and office equipment. FG&E has a facility lease for 22 years which began in February 1981. The lease allows five, five-year renewal periods at the option of FG&E. In addition, Unitil's subsidiaries lease some equipment under operating leases.

The following is a schedule of the leased property under capital leases by major classes:

	Asset Balances at December 31,	
Classes of Utility Plant (000's)	**2000**	1999
Common Plant	**$6,814**	$7,451
Less: Accumulated Depreciation	**2,620**	2,711
Net Plant	**$4,194**	$4,740

The following is a schedule by years of future minimum lease payments and present value of net minimum lease payments under capital leases as of December 31, 2000:

Year Ending December 31, (000's)	
2001	$1,452
2002	1,357
2003	915
2004	427
2005	304
2006 - 2010	1,362
Total Minimum Lease Payments	$5,817
Less: Amount Representing Interest	1,623
Present Value of Net Minimum Lease Payments	$4,194

Total rental expense charged to operations for the years ended December 31, 2000, 1999, and 1998 amounted to $21,000, $103,000, and $88,000, respectively. There are no material future operating lease payment obligations at December 31, 2000.

Note 7: Income Taxes

Federal income taxes were provided for the following items for the years ended December 31, 2000, 1999, and 1998, respectively:

	2000	1999	1998
Current Federal Tax Provision (000's):			
Operating Income	($9)	$3,492	$2,221
Amortization of Investment Tax Credits	(256)	(322)	(402)
Total Current Federal Tax Provision	(265)	3,170	1,819
Deferred Federal Tax Provision (000's):			
Accelerated Tax Depreciation	183	132	488
Abandoned Properties	(863)	(794)	(656)
Allowance for Funds Used During Construction (AFUDC) and Overheads	(48)	(53)	(58)
Post-Retirement Benefits Other than Pensions	(29)	(27)	(32)
Environmental Remediation	(13)	(15)	45
Accrued Revenue	3,604	1,624	1,042
Deferred Gas Rate Case Expense	54	(101)	283
Percentage Repair Allowance	15	3	115
Deferred Advances	(106)	(124)	(72)
Deferred Pensions	275	159	146
Electric and Gas Industry Restructuring Costs	(186)	273	—
Deferred Gain on Sale of New Haven Harbor	125	(1,437)	—
Other	55	425	(76)
Total Deferred Federal Tax Provision	3,066	65	1,225
Total Federal Tax Provision	$2,801	$3,235	$3,044

The components of the Federal and State income tax provisions reflected in the accompanying consolidated statements of earnings for the years ended December 31, 2000, 1999, and 1998 were as follows:

Federal and State Tax Provisions (000's)	2000	1999	1998
Federal			
Current	($9)	$3,492	$2,221
Deferred	3,066	65	1,225
Amortization of Investment Tax Credits	(256)	(322)	(402)
Total Federal Tax Provision	2,801	3,235	3,044
State			
Current	155	805	377
Deferred	457	7	289
Total State Tax Provision	612	812	666
Total Provision for Federal and State Income Taxes	$3,413	$4,047	$3,710

The differences between the Company's provisions for Federal Income Taxes and the provisions calculated at the statutory federal tax rate, expressed in percentages, are shown below:

	2000	1999	1998
Statutory Federal Income Tax Rate	34%	34%	34%
Income Tax Effects of:			
Investment Tax Credits	(2)	(2)	(3)
Abandoned Property	(6)	(7)	(6)
Other, Net	2	3	2
Effective Federal Income Tax Rate	28%	28%	27%

Temporary differences which gave rise to deferred tax assets and liabilities are shown below:

Deferred Income Taxes (000's)	2000	1999
Accelerated Depreciation	$24,519	$24,506
Abandoned Property	6,786	7,649
Contributions in Aid of Construction	(3,050)	(2,948)
Percentage Repair Allowance	1,956	1,923
Retirement Loss	2,820	2,640
Deferred Pensions,	3,247	2,970
KESOP	(116)	(45)
Accumulated Deferred FAS 109 Tax Grossup	3,129	3,170
Accrued Revenue	7,136	3,073
Investment Tax Credit	204	460
Gain on Sale of New Haven Harbor	(1,562)	(1,712)
Other	790	948
Total Deferred Income Tax	$45,859	$42,634

Note 8: Energy Supply

Massachusetts:

Joint Owned Units — FG&E is participating, on a tenancy-in-common basis with other New England utilities, in the ownership of two generating units. Wyman Unit No. 4 is an oil-fired station that has been in commercial operation since December 1978. Millstone Unit No. 3, a nuclear generating unit, has been in commercial operation since April 1986. FG&E completed the sale of its principal generating asset, a 4.5% interest in New Haven Harbor Station, in March 1999. Kilowatt-hour generation and operating expenses of the joint ownership units are divided on the same basis as ownership. FG&E's proportionate costs are reflected in the Consolidated Statements of Earnings. In accordance with Massachusetts Electric Restructuring Law, and pursuant to the power supply divestiture discussed below, FG&E began selling the output from their generation units on February 1, 2000. On December 22, 2000, the MDTE approved FG&E's request to sell its joint ownership share of Millstone Unit No. 3 to Dominion Resources, Inc. The sale is expected to be completed during the first half of 2001. Information with respect to FG&E's generation assets at December 31, 2000, is shown below:

Joint Ownership Units	State	Proportionate Ownership %	Share of Total MW	Company's Net Book Value (000's)
Millstone Unit No. 3	CT	0.2170	2.50	$6,123
Wyman Unit No. 4	ME	0.1822	1.13	107
			3.63	$6,230

Purchased Power and Gas Supply Contracts — FG&E has commitments under long-term contracts for the purchase of electricity and gas from various suppliers. Generally, these contracts are for fixed periods and require payment of demand and energy charges. Total costs under these contracts are included in Fuel and Purchased Power and Gas Purchased for Resale in the Consolidated Statements of Earnings. These costs are normally recoverable in revenues under various cost recovery mechanisms. In accordance with Massachusetts Electric Restructuring Law, and pursuant to the power supply divestiture discussed below, FG&E began selling the output from their power supply contracts on February 1, 2000. Information with respect to FG&E's electric purchased power contracts at December 31, 2000 is shown at right:

Unit Fuel Type	Energy Entitlements	Contract End Date
Hydro	8 MW	2001
Hydro	3 MW	2012
Wood	14 MW	2012

Power Supply Divestiture — In January 2000, the MDTE approved FG&E's agreement to sell the output from its remaining electric power generation portfolio to Select Energy, a subsidiary of Northeast Utilities. FG&E initiated its electric restructuring process, including the divestiture and sale of its power supply portfolio, in 1998, in response to the Massachusetts Electric Restructuring Law. Under the Select Energy contract, which went into effect February 1, 2000, FG&E began selling the output from its remaining power contracts and the output of its two joint ownership units to Select Energy.

Under the Massachusetts Electric Restructuring Law, customers not purchasing electric power from competitive suppliers are eligible either for Standard Offer Service (SOS) or for Default Service. Most of FG&E's customers are currently eligible for SOS service. On March 1, 1999, FG&E entered into a contract with Constellation Power Source to procure power needed to serve the SOS load. The contract will continue through February 28, 2005. The power required to meet Default Service is currently being procured through a six-month contract from Consolidated Edison Energy, Inc. In accordance with MDTE regulations, FG&E will conduct periodic Request for Proposals (RFP) to procure Default Service at market prices. The next RFP will be used to procure Default Service effective June 1, 2001.

FG&E has been allowed recovery of its transition costs, including the above-market or stranded generation and power-supply related costs, via a non-bypassable uniform Transition Charge. The recoverable transition costs which have been recorded on FG&E's balance sheet as Regulatory Assets, include $97,342,000 of purchased power contracts and $6,020,000 of stranded generation assets and other adjustments related to the restructuring process.

As a result of the Order by the MDTE related to Electric Industry Restructuring in Massachusetts (See Note 12, page 44), the Company is required to discontinue the provisions of Statement of Financial Accounting Standards 71 (SFAS 71), "Accounting for the Effects of Certain Types of Regulation," to the generation and power supply portion of FG&E's business. FG&E's electric distribution business and gas supply and distribution business, as well as the power supply and distribution business of CECo, E&H, and UPC will continue to apply SFAS 71.

New Hampshire:

Purchased Power Contracts — UPC has commitments under long-term contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in Fuel and Purchased Power in the Consolidated Statements of Earnings and are normally recoverable in revenues under various cost recovery mechanisms.

The status of UPC's electric purchased power contracts at December 31, 2000, is as shown below:

Unit Fuel Type	2000 Energy MW Winter Entitlements	Purchased (mWh's)	Contract End Date	Est. Annual Min. Payments Which Cover Future Debt Service Requirements (000's)	
Gas	24	115,875	2010	$3,553	(1)
Oil/Gas	2	3,321	2003	None	
Oil/Gas	16	60,133	2006	None	
Oil/Gas	10	11,863	2008	None	
Oil	10	39,411	2005	None	
Coal	15	77,418	2005	None	
Coal	10	12,645	2000	None	
Nuclear	25	218,657	2001	None	
Nuclear	5	42,825	2005	None	
Nuclear	10	68,889	2010	None	
Nuclear	2	13,089	2013	None	
Hydro	5	78,005	2001	$880	(2)
Refuse	6	43,730	2003	None	
System	18	57,203	2002	None	
System	30	143,411	Variable	None	
Various		216,023	Short-Term	None	

Notes:

[1] Total estimated 2000 annualized capacity payments.

[2] Total estimated 2000 annualized support charges.

Note 9: Benefit Plans

Pension Plans — Prior to May 1, 1998, four of the Company's subsidiaries had defined benefit retirement and pension plans and related trust agreements to provide retirement annuities for participating employees at age 65. On May 1, 1998, the plans of each employer were merged into one plan with uniform plan provisions to be known as the "Unitil Corporation Retirement Plan." The entire cost of the plan is borne by the respective subsidiaries.

The following table provides the components of net periodic expense (income) for the plans for years 2000, 1999, and 1998:

Net Periodic Expense (Income) (000's):	**2000**	1999	1998
Service Cost	**$850**	$935	$827
Interest Cost	**2,552**	2,395	2,207
Expected Return on Plan Assets	**(4,356)**	(4,044)	(3,562)
Amortization of Transition Obligation	**85**	85	(16)
Amortization of Prior-Service Cost	**98**	101	74
Recognized Net Actuarial (Gain)	**(105)**		
Net Periodic Benefit Income	**($876)**	($528)	($470)
Reconciliation of Projected Benefit Obligation (000):			
Beginning of Year	**$33,371**	$36,621	$29,853
Service Cost	**850**	935	827
Interest Cost	**2,552**	2,395	2,207
Amendments	**(80)**	—	1,292
Actuarial (Gain) Loss	**749**	(4,601)	4,290
Benefit Payments	**(2,094)**	(1,979)	(1,848)
End of Year	**$35,348**	$33,371	$36,621
Reconciliation of Fair Value of Plan Assets (000's):			
Beginning of Year	**$45,783**	$48,627	$42,304
Actual Return on Plan Assets	**1,733**	(865)	8,171
Benefit Payments	**(2,094)**	(1,979)	(1,848)
End of Year	**$45,422**	$45,783	$48,627
Funded Status (000's):			
Funded Status at December 31	**$10,074**	$12,411	$12,006
Unrecognized Transition Obligation	**84**	169	254
Unrecognized Prior-Service Cost	**1,038**	1,216	1,317
Unrecognized (Gain) Loss	**(1,200)**	(4,677)	(4,986)
Prepaid Pension Cost	**$9,996**	$9,119	$8,591

Plan assets are invested in common stock, short-term investments, and various other fixed income security funds. The weighted-average discount rates used in determining the projected benefit obligation in 2000, 1999, and 1998 were 7.75%, 7.75%, and 7.00%, respectively. The rate of increase in future compensation levels was 4.00% and the expected long-term rate of return on assets was 9.25% in 2000, 1999, and 1998.

Unitil Service Corp. has a Supplemental Executive Retirement Plan (SERP). The SERP is an unfunded retirement plan with participation limited to executives selected by the Board of Directors. The cost associated with the SERP amounted to approximately $112,000, $157,000, and $114,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

Employee 401(k) Tax Deferred Savings Plan — The Company sponsors a defined contribution plan (under Section 401(k) of the Internal Revenue Code) covering substantially all of the Company's employees. Participants may elect to defer from 1% to 15% of current compensation to the plan. The Company matches contributions, with a maximum matching contribution of 3% of current compensation. Employees may direct the investment of their savings plan balances into a variety of investment options, including a Company common stock fund. Participants are 100% vested in contributions made on their behalf, once they have completed three years of service. The Company's share of contributions to the plan were $425,000, $407,000, and $384,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

Post-Retirement Benefits — The Company's subsidiaries provide health care benefits to retirees for a 12-month period following their retirement. The Company's subsidiaries continue to provide life insurance coverage to retirees. Life insurance and limited health care post-retirement benefits require the Company to accrue post-retirement benefits during the employee's years of service with the Company and the recognition of the actuarially determined total post retirement benefit obligation earned by existing retirees. At December 31, 2000, 1999, and 1998, the accumulated post-retirement benefit obligation (transition obligation) was approximately $257,000, $278,000, and $299,000, respectively, and the period cost associated with these benefits for 2000, 1999, and 1998 was approximately $90,000, $84,000, and $76,000, respectively. This obligation is being recognized on a delayed basis over the average remaining service period of active participants and such period will not exceed 20 years.

Note 10: Earnings per Share

The following table reconciles basic and diluted earnings per share assuming all outstanding stock options were converted to common shares per SFAS 128.

(000's except share and per share data)	2000	1999	1998
Basic Income Available to Common Stock	$6,953	$8,170	$7,975
Weighted Average Common Shares Outstanding - Basic	4,723,171	4,682,273	4,505,784
Plus: Diluted Effect of Incremental Shares from Assumed Conversion	19,574	10,381	128,324
Weighted Average Common Shares Outstanding – Diluted	4,742,745	4,692,654	4,634,108
Basic Earnings per Share	$1.47	$1.74	1.77
Diluted Earnings per Share	$1.47	$1.74	$1.72

Note 11: Segment Information

The Company reported four segments: utility electric operations, utility gas operations, other, and Usource. Unitil is engaged principally in the retail sale and distribution of electricity in New Hampshire and both electric and gas service in Massachusetts through its retail distribution subsidiaries CECo, E&H, and FG&E. The Company's wholesale electric power subsidiary, UPC, provides all the electric power supply requirements to CECo and E&H for resale at retail, and also engages in various other wholesale electric power services with affiliates and non-affiliates throughout the New England Region. URI provides an Internet-based energy brokering service, through Usource, as well as various energy consulting and marketing activities. URC and USC provide centralized facilities and operations to support the Unitil System.

URC and USC are included in the "Other" column of the table on the opposite page. USC provides centralized management and administrative services, including information systems management and financial record keeping. URC owns certain real estate, principally the Company's corporate headquarters.

The segments follow the same accounting policies as described in the Summary of Significant Accounting Policies. Intersegment sales take place at cost and the effects of all intersegment and/or intercompany transactions are eliminated in the consolidated financial statements. Segment profit or loss is based on profit or loss from operations after income taxes. Expenses used to determine operating income before taxes are charged directly to each segment or are allocated in accordance with factors contained in cost of service studies, which were included in rate applications approved by the NHPUC and MDTE. Assets allocated to each segment are based upon specific identification of such assets provided by Company records.

The following table provides significant segment financial data for the years ended December 31, 2000, 1999, and 1998:

	Electric	Gas	Other	Usource	Eliminations	Total
Year Ended December 31, 2000 (000's)						
Revenues						
External Customers	$160,023	$22,756	$31	$131		$182,941
Intersegment	—	—	17,967	—	(17,967)	—
Depreciation and Amortization	8,815	1,575	1,344	230		11,964
Interest, Net	4,797	1,370	629	24		6,820
Income Taxes	4,051	199	3	(840)		3,413
Segment Profit	7,923	662	22	(1,654)		6,953
Identifiable Segment Assets	317,453	40,173	38,090	3,731	(16,480)	382,967
Regulatory Assets	137,470	—	—	—		137,470
Capital Expenditures	14,066	3,821	1,299	3,063		22,249
Year Ended December 31, 1999 (000's)						
Revenues						
External Customers	$154,077	$18,116	$135	$45		$172,373
Intersegment	—	—	19,089	—	(19,089)	—
Depreciation and Amortization	8,362	1,458	1,492	100		11,412
Interest, Net	5,094	1,255	549	21		6,919
Income Taxes	4,051	(200)	456	(260)		4,047
Segment Profit	7,830	320	494	(474)		8,170
Identifiable Segment Assets	306,786	35,653	41,189	703	(20,804)	363,527
Regulatory Assets	143,470	—	—	—		143,470
Capital Expenditures	6,905	2,266	5,373	587		15,131
Year Ended December 31, 1998 (000's)						
Revenues						
External Customers	$149,639	$17,009	$30			$166,678
Intersegment	—	—	18,483		(18,483)	—
Depreciation and Amortization	7,917	893	1,197			10,007
Interest, Net	4,842	1,097	962			6,901
Income Taxes	3,609	(145)	246			3,710
Segment Profit	7,428	176	371			7,975
Identifiable Segment Assets	316,568	36,354	44,932		(21,019)	376,835
Regulatory Assets	167,181	—	—			167,181
Capital Expenditures	10,644	3,171	648			14,463

Note 12: Commitments and Contingencies

Environmental Matters

The Company continues to work with federal and state environmental agencies to identify and assess environmental issues at the former manufactured gas plant (MGP) site at Sawyer Passway, located in Fitchburg, Massachusetts. FG&E has proceeded with site remediation work as specified on the Tier 1B permit, which allows FG&E to work towards temporary remediation of the site.

In April 2000, FG&E applied for a Utility Related Abatement Measure (URAM) with the Massachusetts Department of Environmental Protection (DEP) to permit excavation work required to construct a new electric substation on

FG&E's former MGP site at Sawyer Passway. The permit application was reviewed and approved by the Massachusetts DEP in May 2000. All work permitted under the provisions of the URAM was completed and a final report of closure was submitted to the DEP in December 2000.

Construction of the new highway bridge across Sawyer Passway began in October 2000. FG&E began fulfillment of obligations associated with the bridge construction as stipulated in a memorandum of understanding with the Massachusetts Highway Department and the Massachusetts DEP.

Upon completion of site remediation associated with the bridge construction, the last remaining portion of the Sawyer Passway MGP site is expected to be closed out and attain the status of temporary closure in late 2001. This temporary closure requires FG&E to monitor the site until a feasible permanent remediation alternative can be developed and completed.

The costs of remedial action at this site are initially funded from traditional sources of capital and recovered from customers under a rate recovery mechanism approved by the MDTE. The Company also has a number of liability insurance policies that may provide coverage for environmental remediation at this site.

Regulatory Matters

The Unitil System of Companies is regulated by various federal and state agencies, including the Securities and Exchange Commission (SEC), the Federal Energy Regulatory Commission (FERC), and state regulatory authorities with jurisdiction over the utility industry, including the New Hampshire Public Utilities Commission (NHPUC) and the Massachusetts Department of Telecommunications and Energy (MDTE). In recent years, there has been significant legislative and regulatory activity to introduce greater competition in the supply and sale of electricity and gas, while continuing to regulate the delivery and distribution operations of our utility subsidiaries.

Massachusetts enacted comprehensive electric utility industry restructuring in November 1997. Since March 1, 1998, all electric consumers in Massachusetts served by investor-owned utilities have had the ability to choose their electric energy supplier. FG&E, the Company's Massachusetts utility operating subsidiary, continues to implement its comprehensive electric restructuring plan and divestiture of its entire regulated power supply business, including its nuclear investment.

Since 1997, FG&E has worked in collaboration with the other Massachusetts gas distribution utilities and various other stakeholders to develop and implement the infrastructure to offer gas customers choice of their competitive gas energy supplier and to complete the restructuring of gas service provided by gas utilities. FG&E filed with the MDTE new gas tariffs to implement natural gas unbundling in accordance with Model Terms and Conditions resulting from these collaborative efforts. The MDTE issued an Order approving these tariffs and final regulations effective November 1, 2000.

In New Hampshire, CECo and E&H, our electric utility operating subsidiaries, and Unitil Power Corp., our wholesale power company, continue to prepare for the transition that will move them into this new market structure, pending resolution of certain key restructuring policies and issues. The utility operating companies have also been active participants in the restructuring of the wholesale power market and transmission system in New England. Though retail competition in the sale of electricity has stalled throughout the region, new wholesale markets have been implemented in the New England Power Pool (NEPOOL) under the general supervision of an Independent System Operator (ISO).

Massachusetts Electric Restructuring — On January 15, 1999, the MDTE approved FG&E's restructuring plan with certain modifications. The Plan provides customers with: a) the ability to choose an energy supplier; b) an option to purchase Standard Offer Service provided by FG&E at regulated rates for up to seven years; and c) a cumulative 15% rate reduction adjusted for inflation. The Order also approved FG&E's power supply divestiture plan for its interest in three generating units and four long-term power supply contracts.

Pursuant to the Plan, on October 30, 1998, FG&E filed a proposed contract with Constellation Power Services Inc. for provision of Standard Offer Service. Constellation began to supply power under that contract on March 1, 1999, and is scheduled to continue through February 28, 2005. The award of this contract was the first successful Standard Offer auction conducted in Massachusetts.

A contract for the sale of FG&E's interest in the New Haven Harbor plant was approved by the MDTE on March 31, 1999, and the sale of the unit closed on April 14, 1999. A contract for the sale of the entire output from FG&E's remaining generating assets and purchased power contracts to Select Energy, Inc. was approved by the MDTE on December 28, 1999, and went into effect February 1, 2000.

On December 22, 1999, FG&E filed with the MDTE new rates for effect January 1, 2000. The revised rates maintain the required inflation-adjusted 15% rate discount. The MDTE approved the rates on January 5, 2000, subject to an examination of the Company's filing in which it reconciles its estimated and actual transition costs (the "reconciliation filing").

On February 2, 2000, the MDTE initiated a proceeding to examine FG&E's reconciliation filing and the consistency of the proposed charges and adjustments with the methods approved in FG&E's restructuring plan. The MDTE held four days of hearings in May 2000, and the Company presented testimony in support of its filing. As part of his review of FG&E's filing, the Massachusetts Attorney General has challenged FG&E's recovery of certain transition costs and other cost reconciliation calculations. Management is unable to determine the outcome of the MDTE proceedings. However, if an unfavorable outcome were to occur, there could be an adverse impact on the Company's consolidated financial position.

As a result of restructuring and divestiture of FG&E's generation and purchased power portfolio, FG&E has accelerated the write-off of its electric generation assets and its abandoned investment in Seabrook Station. The MDTE established the return to be earned on the unamortized balance of FG&E's generation plant, reducing FG&E's earnings on those assets. In 2000, Unitil's earnings from this business segment represented approximately 16% of the earnings from utility operations. As this portfolio is amortized over the next 9 years, earnings from this segment of FG&E's utility business will continue to decline and ultimately cease.

On August 2, 2000, FG&E was the first electric company in Massachusetts to file for an increase in its Standard Offer Service rates pursuant to the Fuel Adjustment provision of its Standard Offer Service (SOS) tariff. This adjustment allows an increase in the SOS rate due to increases in the fuel prices of oil and natural gas. Any revenues received as a result of this adjustment are passed on to the Company's wholesale SOS provider. The MDTE suspended the filing for further review. Subsequently, other electric utility companies operating in Massachusetts made similar filings, and the MDTE instituted proceedings in each of those cases. On December 4, 2000, the MDTE issued an order for the utilities authorizing a "fixed" fuel adjustment, calculated based on the most recent 12 months of data. These adjustments took effect on January 1, 2001. FG&E's SOS rate increased from 3.8¢/kWh to 5.121¢/kWh. Unrecovered amounts to date will be recovered, subject to the rate reduction requirements of the Act.

In approving the new SOS rates, the MDTE also directed all electric distribution companies to file a report with the MDTE on their efforts to mitigate transition costs. On January 19, 2001, FG&E filed an extensive report detailing its mitigation activities, including contract restructurings, divestiture of its generating assets, and a variety of initiatives intended to reduce the burden of increasing energy prices on customers. While FG&E has substantially completed the divestiture of its generation assets, the Company continues to seek ways to reduce its transition costs and lower prices for customers.

On December 1, 2000, FG&E filed new electric rates for effect January 1, 2001. The revised rates maintain the required inflation-adjusted 15% rate discount. The MDTE approved final rates on December 29, 2000, subject to reconciliation pursuant to an investigation of actual and estimated transition costs, resulting in an upward inflation adjustment of 3.5% relative to 2000 rates.

New customers, and customers who previously opted to take electric supply service from a competitive provider, may purchase power through FG&E under Default Service. FG&E provides the Default Service through a third party supplier at market-based rates. The Company issued a Request for Proposals for Default Service in September 2000. FG&E awarded a contract and filed resulting rates which were approved effective for the period January through May 2001.

In June 2000, the MDTE opened an investigation into whether (1) metering, meter maintenance and testing, and customer billing and information services (MBIS) should be unbundled; and (2) the service territories of distribution companies should remain exclusive. On December 29, 2000, the MDTE issued its report recommending that the Legislature not take action to allow for the competitive provision of MBIS in the electric industry. The MDTE also concluded that exclusive service territories should remain intact.

Massachusetts Gas Restructuring — In mid-1997, the MDTE directed all Massachusetts natural gas Local Distribution Companies (LDCs) to form a collaborative with other stakeholders to develop common principles and appropriate regulations for the unbundling of gas service, and directed FG&E and four other LDCs to file unbundled gas rates for its review. FG&E's unbundled gas rates were filed with, and approved by, the MDTE and implemented in November 1998.

On February 1, 1999, the MDTE issued an order in which it determined that the LDCs would continue to have an obligation to provide gas supply and delivery services for another five years, with a review after three years. This order also set forth the MDTE's decision requiring mandatory assignment by LDCs of their pipeline capacity contracts to competitive marketers. In March 1999, the LDCs and other stakeholders filed a settlement with the MDTE which set forth rules for implementing an interim firm transportation service through October 31, 2000. The MDTE approved the settlement on April 2, 1999. FG&E has made separate compliance filings that were approved by the MDTE to implement its interim firm gas transportation service for its largest general service customers and to complement this service with a firm gas peaking service. This interim service is now superseded by the permanent transportation service, which was approved for implementation on November 1, 2000.

On November 3, 1999, the Massachusetts LDCs filed Model Terms and Conditions for Gas Service, including provisions for capacity assignment, peaking service, and Default Service. In accordance with the MDTE's approval of these Model Terms and Conditions in January 2000, FG&E filed Company-specific tariffs that implement natural gas unbundling. The MDTE also opened a rulemaking proceeding on proposed regulations that would govern the unbundling of services related to the provision of natural gas. The MDTE has issued an order approving the tariffs and final regulations effective November 1, 2000.

New Hampshire Electric Restructuring — On February 28, 1997, the NHPUC issued its Final Plan for New Hampshire electric utilities to transition to a competitive electric market in the state (Final Plan). The Final Plan linked the interim recovery of stranded cost by the State's utilities to a comparison of their existing rates with the regional average utility rates. CECo's and E&H's rates are below the regional average; thus, the NHPUC found that CECo and E&H were entitled to full interim stranded cost recovery, as defined by the NHPUC. However, the NHPUC also made certain legal rulings which could affect CECo's and E&H's long-term ability to recover all of their stranded costs.

Northeast Utilities' affiliate Public Service Company of New Hampshire (PSNH) filed suit in U.S. District Court for protection from the Final Plan and related orders and was granted an indefinite stay. In June 1997, Unitil, and other utilities in New Hampshire, intervened as plaintiffs in the federal court proceeding. In June 1998, the federal court clarified that the injunctions issued by the court in 1997 had effectively frozen the NHPUC's efforts to implement restructuring. This amended injunction has been challenged by the NHPUC, and affirmed by the First Circuit Court of Appeals. Unitil continues to be a plaintiff-intervenor in federal district court. Further court proceedings are pending final resolution of electric restructuring for PSNH.

Unitil has continued to work actively to explore settlement options and to seek a fair and reasonable resolution of key restructuring policies and issues in New Hampshire. The Company is also monitoring the regulatory and legislative proceedings dealing with electric restructuring in the state. In October, 2000, the NHPUC approved a settlement for the restructuring of PSNH. Appeals of the PSNH restructuring orders were denied by the New Hampshire Supreme Court and are now being pursued with the U.S. Supreme Court.

Pending Rate Proceedings — The last formal regulatory filings to increase base electric rates for Unitil's three retail operating subsidiaries occurred in 1985 for CECo, 1984 for FG&E, and 1981 for E&H. A majority of the Company's operating revenues are collected under various periodic rate adjustment mechanisms including fuel, purchased power, cost of gas, energy efficiency, and restructuring-related cost recovery mechanisms. Industry restructuring will continue to change the methods of how certain costs are recovered through the Company's regulated rates and tariffs.

As discussed above, FG&E filed for and received approval of an increase to its electric Standard Offer Service rate reflecting extraordinary increases in the price of oil and natural gas. FG&E also received an increase to its Cost of Gas Adjustment resulting in bill increases of approximately 25%, effective November 1, 2000. FG&E subsequently received another increase of approximately 20% to its Cost of Gas Adjustment for effect February 1, 2001. Wholesale natural gas prices reached record levels in New England and across the United States in response to cold weather and tight supplies. In New Hampshire, CECo and E&H filed and received approval of increases to their Fuel and Purchased Power Adjustments, resulting in bill increases of 25% to 34%, depending upon usage patterns, effective January 1, 2001. These higher fuel costs are a pass-through without markup or profit. Retail electricity prices for most New England utilities are increasing this winter.

On May 15, 1998, FG&E filed a gas base rate case with the MDTE. The last base rate case had been in 1984. After evidentiary hearings, the MDTE issued an Order allowing FG&E to establish new rates, effective November 30, 1998, that would produce an annual increase of approximately $1.0 million in gas revenues. As part of the proceeding, the Massachusetts Attorney General alleged that FG&E had double-collected fuel inventory finance charges, and requested that the MDTE require FG&E to refund approximately $1.6 million in double collections since 1987. The Company believes that the Attorney General's claim is without merit and that a refund was not justified or warranted. The MDTE rejected the Attorney General's request and stated its intent to open a separate proceeding to investigate the Attorney General's claim. On November 1, 1999, the MDTE issued an Order of Notice initiating an investigation of this matter. Hearings were held in early 2000 and were reopened in November 2000 to hear new evidence.

Supplemental testimony has been filed and additional hearings were held in February 2001.

On October 29, 1999, the MDTE initiated a proceeding to implement Performance Based Rate making (PBR) for all electric and gas distribution utilities in Massachusetts. PBR is a method of setting regulated distribution rates that provide incentives for utilities to control costs while maintaining a high level of service quality. Under PBR, a company's earnings are tied to performance targets, and penalties can be imposed for deterioration of service quality. On December 29, 1999, FG&E filed a petition with the MDTE for authority to defer for later recovery costs associated with its preparation of a PBR filing for its gas division and its participation in the MDTE-initiated generic gas and electric PBR proceedings. This petition and the MDTE's generic proceeding are pending. The Company is currently evaluating the impact, if any, that PBR would have on the Company's ability to continue applying the standards of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation."

On December 31, 1999, the Massachusetts Attorney General filed a complaint against FG&E requesting that the MDTE investigate the distribution rates, rate of return, and depreciation accrual rates for FG&E's electric operations in calendar year 1999. The MDTE opened a proceeding in November 2000, held a public hearing and procedural conference in December 2000, and subsequently issued a procedural schedule covering the period January through April 2001. Any Order received from the MDTE would apply to the Company's rates prospectively and would not be retroactive. Management is unable to predict the outcome of this proceeding but an unfavorable result could have a material adverse impact on the Company's consolidated financial position.

Millstone Unit No. 3 — FG&E has a 0.217% nonoperating ownership in the Millstone Unit No. 3 (Millstone 3) nuclear generating unit which supplies it with 2.49 megawatts (MW) of electric capacity. In January 1996, the Nuclear Regulatory Commission (NRC) placed Millstone 3 on its Watch List, which calls for increased NRC inspection attention. In March 1996, as a result of engineering evaluations, Millstone 3 was taken out of service. The NRC authorized the restart of Millstone 3 in June 1998.

During the period that Millstone 3 was out of service, FG&E continued to incur its proportionate share of the unit's ongoing Operations and Maintenance (O&M) costs, and may incur additional O&M costs and capital expenditures to meet NRC requirements. FG&E also incurred costs to replace the power that was expected to be generated by the unit. During the outage, FG&E incurred approximately $1.2 million in replacement power costs, and recovered those costs through its electric fuel charge, which is subject to review and reconciliation by the MDTE. Under existing MDTE precedent, FG&E's replacement power costs of $1.2 million could be subject to disallowance in rates.

In August 1997, FG&E, in concert with other non-operating joint owners, filed a demand for arbitration in Connecticut and a lawsuit in Massachusetts, in an effort to recover costs associated with the extended unplanned shutdown. Several preliminary rulings have been issued in the arbitration and legal cases, and both cases are continuing. On March 22, 2000, FG&E entered into a settlement agreement with the defendants under which FG&E will dismiss its lawsuit and arbitration claims. The settlement is generally similar to earlier settlements with the defendants, and three joint owners that own, in the aggregate, approximately 19% of the unit. The settlement provides for FG&E to receive an initial payment of $600,000 and other amounts contingent upon future events and would result in FG&E's entire interest in the unit being included in the auction of the majority interest, and certain of the minority interests, in Millstone 3, which is expected to be completed by 2001. Upon completion of the sale of Millstone 3, FG&E will be relieved of all residual liabilities, including decommissioning liabilities, associated with Millstone 3. FG&E expects to flow through the net proceeds of the settlement to its customers.

On September 8, 2000, Western Massachusetts Electric Company, New England Power Company, and FG&E together filed a Joint Petition requesting approval by the MDTE of the sale of their respective interests in Millstone Units 1, 2 and 3. The Companies also requested MDTE findings that the divested assets qualify as "eligible facilities" pursuant to Section 32 (c) of the Public Utility Holding Company Act of 1935. The MDTE approved the sale and certified the unit as an "eligible facility" on December 22, 2000. The parties to the sale transaction are currently awaiting other state and federal regulatory approvals for the final sale of the Millstone units.

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 fuel and gas costs in rates. Consequently, there is limited commodity price risk after consideration of the related rate-making. As the utility industry deregulates, the Company will be divesting its commodity-related energy businesses and therefore will be further reducing its exposure to commodity-related risk.

Report of Independent Certified Public Accountants

Grant Thornton

GRANT THORNTON LLP

To the Shareholders of Unitil Corporation:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Unitil Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, cash flows, and changes in common stock equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unitil Corporation and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Grant Thornton LLP

Boston, Massachusetts
February 5, 2001

Report of Management

To the Shareholders of Unitil Corporation:

Management is responsible for the preparation and integrity of the Company's financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles as applied to regulated public utilities as appropriate and necessarily include some amounts that are based on management's best estimates and judgment.

The Company maintains a system of internal accounting and administrative controls and an ongoing program of internal audits that management believes provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. The Company's financial statements have been audited by the independent public accounting firm, Grant Thornton LLP, who also conducts a review of internal controls to the extent required by generally accepted auditing standards.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets with management, the internal auditor, and Grant Thornton LLP to review planned audit scope and results and to discuss other matters affecting internal accounting controls and financial reporting. The independent accountants and internal auditor have direct access to the Audit Committee and periodically meet with its members without management representatives present.

Robert G. Schoenberger
Chairman of the Board of Directors
Chief Executive Officer

Anthony J. Baratta, Jr.
Senior Vice President
Chief Financial Officer

Hampton, New Hampshire
February 5, 2001

Selected Consolidated Financial Data

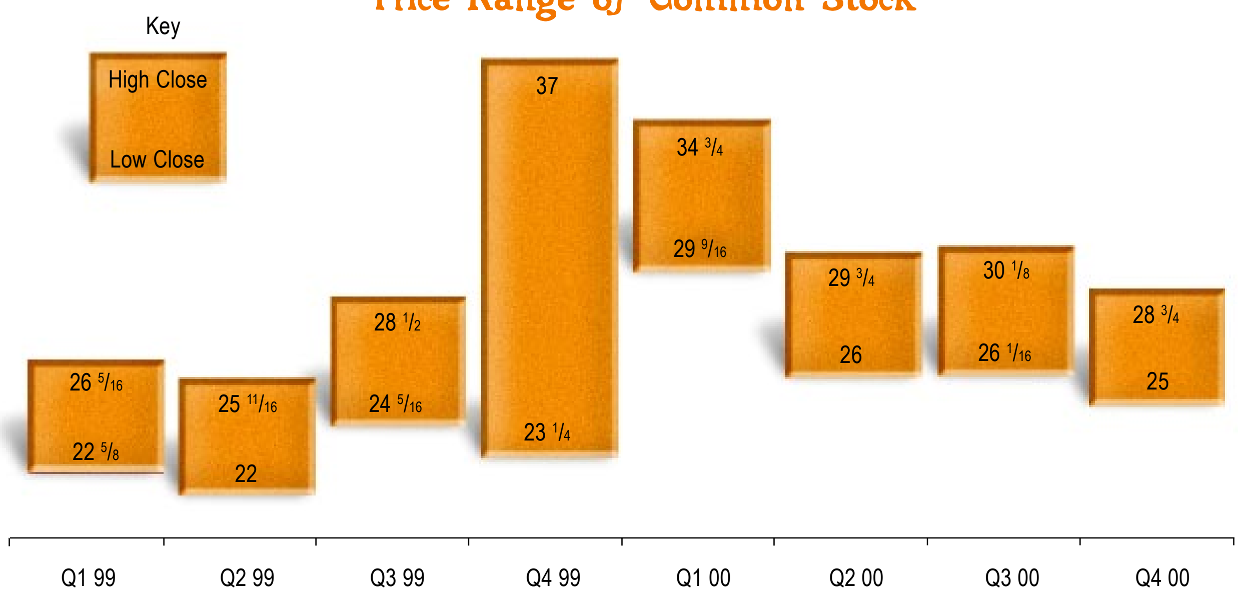
	2000	1999	1998	1997
Consolidated Statements of Earnings (000's)				
Operating Income	$14,280	$15,408	$15,306	$15,562
Non-Operating Expense (Income)	244	51	156	160
Gross Income	14,036	15,357	15,150	15,402
Income Deductions	6,820	6,919	6,901	7,167
Unsolicited Tender Offer & Merger Expenses (Net of Taxes)	—	—	—	—
Net Income	7,216	8,438	8,249	8,235
Dividends on Preferred Stock	263	268	274	276
Net Income Applicable to Common Stock	$6,953	$8,170	$7,975	$7,959
Balance Sheet Data (000's)				
Utility Plant (Original Cost)	$234,325	$219,838	$209,462	$219,475
Total Assets	$382,974	$363,527	$376,835	$238,531
Capitalization:				
Common Stock Equity	$79,935	$78,675	$75,351	$71,644
Preferred Stock	3,690	3,757	3,843	3,891
Long-Term Debt	81,695	86,157	75,222	68,366
Total Capitalization	$165,320	$168,589	$154,416	$143,901
Capitalization Ratios:				
Common Stock Equity	48%	47%	49%	50%
Preferred Stock	2%	2%	2%	3%
Long-Term Debt	50%	51%	49%	47%
Short-Term Notes Payable	$32,500	$10,500	$20,000	$18,000
Common Stock Data (000's)				
Shares of Common Stock (Year-End)	4,735	4,712	4,575	4,464
Shares of Common Stock (Average)	4,723	4,682	4,506	4,413
Per-Share Data				
Basic Earnings per Average Share	$1.47	$1.74	$1.77	$1.80
Diluted Earnings per Average Share	$1.47	$1.74	$1.72	$1.76
Dividends Paid per Share (Year-End)	$1.38	$1.38	$1.36	$1.34
Book Value per Share (Year-End)	$16.88	$16.70	$16.47	$16.05
Electric and Gas Statistics				
Electric Distribution Sales - mWh	1,587,536	1,608,824	1,540,968	1,491,103
Electric Customers - Year-End	94,050	92,505	91,729	90,776
Gas Distribution Sales - 000's of Therms	23,992	22,136	22,027	23,716
Gas Customers - Year-End	14,796	14,928	14,915	14,943

1996	1995	1994	1993	1992	1991	1990
$14,273	$14,225	$13,754	$14,073	$13,342	$12,360	$14,337
(627)	217	64	(50)	(22)	357	(171)
14,900	14,008	13,690	14,123	13,364	12,003	14,508
6,171	5,639	5,652	6,523	6,948	8,067	7,979
—	—	—	—	(155)	1,571	1,011
8,729	8,369	8,038	7,600	6,571	2,365	5,518
278	284	291	298	352	315	325
$8,451	$8,085	$7,747	$7,302	$6,219	$2,050	$5,193
$207,545	$190,177	$178,777	$171,540	$165,880	$160,575	$153,929
$232,108	$211,702	$204,521	$201,509	$172,348	$170,390	$171,555
$67,974	$63,895	$59,997	$56,234	$52,608	$49,887	$51,664
3,891	3,999	4,094	4,198	4,277	4,412	4,558
62,211	63,505	65,580	57,378	62,041	60,442	53,044
$134,076	$131,399	$129,671	$117,810	$118,926	$114,741	$109,266
51%	49%	46%	48%	44%	43%	47%
3%	3%	3%	3%	4%	4%	4%
46%	48%	51%	49%	52%	53%	49%
$21,400	$2,700	—	$8,400	$4,780	$9,550	$11,783
4,384	4,330	4,268	4,205	4,152	4,119	4,111
4,354	4,299	4,234	4,181	4,133	4,115	4,107
$1.94	$1.88	$1.83	$1.75	$1.50	$0.50	$1.26
$1.89	$1.85	$1.80	$1.72	$1.49	$0.50	$1.26
$1.32	$1.28	$1.24	$1.15	$1.10	$1.04	$1.02
$15.50	$14.76	$14.06	$13.37	$12.67	$12.11	$12.57
1,532,015	1,401,292	1,358,165	1,303,326	1,260,747	1,230,049	1,236,950
89,149	88,316	86,782	85,383	85,131	84,222	83,731
24,508	22,303	23,057	22,763	23,281	20,394	21,215
14,848	14,846	15,012	15,340	15,514	15,713	15,775

Selected Consolidated Financial Data

Common Stock Data

Price Range of Common Stock



Note:
- The Common Stock of the Company is traded on the American Stock Exchange (Symbol UTL).
- Number of Common Shareholders of Record at December 31, 2000 — 2,131.

Quarterly Financial Data (Unaudited; 000's except per share data)

Quarterly earnings per share may not agree with the annual amounts due to rounding.

1st Quarter

	Three Months Ended March 31, 2000	1999
Total Operating Revenues	$46,317	$42,347
Operating Income	$4,458	$4,551
Net Income	$2,664	$2,744
Basic Earnings per Share	$0.55	$0.58
Diluted Earnings per Share	$0.55	$0.58
Dividends Paid per Common Share	$0.345	$0.345

2nd Quarter

	Three Months Ended June 30, 2000	1999
Total Operating Revenues	$42,908	$42,761
Operating Income	$3,030	$3,402
Net Income	$1,227	$1,598
Basic Earnings per Share	$0.25	$0.32
Diluted Earnings per Share	$0.24	$0.32
Dividends Paid per Common Share	$0.345	$0.345

3rd Quarter

	Three Months Ended September 30, 2000	1999
Total Operating Revenues	$44,464	$42,738
Operating Income	$2,879	$3,392
Net Income	$1,131	$1,709
Basic Earnings per Share	$0.23	$0.35
Diluted Earnings per Share	$0.23	$0.35
Dividends Paid per Common Share	$0.345	$0.345

4th Quarter

	Three Months Ended December 31, 2000	1999
Total Operating Revenues	$49,252	$44,527
Operating Income	$3,913	$4,063
Net Income	$2,194	$2,387
Basic Earnings per Share	$0.45	$0.49
Diluted Earnings per Share	$0.45	$0.49
Dividends Paid per Common Share	$0.345	$0.345

Directors & Officers

Directors

William E. Aubuchon, III, Age 56 A 1999*
Chairman and Chief Executive Officer of W.E. Aubuchon Company, Inc., Westminster, MA (retail hardware company).

Michael J. Dalton, Age 60 1984*
President and Chief Operating Officer of Unitil Corporation.

Albert H. Elfner, III, Age 56 *E C^* 1999*
Retired Chairman and Chief Executive Officer of Evergreen Investment Management Company, Boston, MA.

Ross B. George, Age 68 *A* 1999*
Chairman of the Board and Director of Simonds Industries, Inc., Fitchburg, MA (industrial cutting tools manufacturer).

Bruce W. Keough, Age 44 *E^* 1998*
Real estate developer and private equity investor. A Trustee and Chairman of the Board of Trustees of the University System of New Hampshire. Former New Hampshire State Senator.

Eben S. Moulton, Age 54 C 2000*
President of Seacoast Capital Corporation, Danvers, MA (equity investment company).

M. Brian O'Shaughnessy, Age 58 *C* 1998*
Chairman of the Board, Chief Executive Officer and President of Revere Copper Products, Inc., Rome, NY.

J. Parker Rice, Jr., Age 75 *A^* 1992*
Retired Director, President and Treasurer of Hyland/Rice Office Products, Inc., Fitchburg, MA.

Robert G. Schoenberger, Age 50 *E* 1997*
Chairman of the Board of Directors and Chief Executive Officer of Unitil Corporation.

Charles H. Tenney III, Age 53 *E* 1992*
Former Director of Corporate Services, Log On America, Inc., Providence, RI (telecommunications and Internet service provider).

Joan D. Wheeler, Age 63 *E* 1994*
Owner of the Russian Gallery, Marblehead, MA (art gallery).

Key to Committees
E — Member of the Executive Committee
A — Member of the Audit Committee
C — Member of the Compensation Committee
^ — Denotes Committee Chairman
** — Year first elected to the Unitil Board*

Officers

Robert G. Schoenberger
Chairman of the Board of Directors and Chief Executive Officer.

Michael J. Dalton
President and Chief Operating Officer.

Anthony J. Baratta, Jr.
Senior Vice President and Chief Financial Officer.

Mark H. Collin
Treasurer and Secretary.

Shareholder Information

Annual Meeting

The annual meeting of shareholders is scheduled to be held at the office of the Company, 6 Liberty Lane West, Hampton, New Hampshire, on Thursday, April 19, 2001, at 10:30 a.m.

10-K

The Company's annual report for 2000 on Form 10-K, as filed with the Securities and Exchange Commission, is available without charge upon written request to:

Mark H. Collin, Treasurer, Unitil Corporation, 6 Liberty Lane West, Hampton, New Hampshire 03842-1720.

Dividend Reinvestment Plan

A Dividend Reinvestment and Stock Purchase Plan is available to all holders of record of the Company's Common Stock. This Plan provides shareholders with a simple and economical way to increase their investment in the Company automatically each quarter by reinvesting their dividends without payment of brokerage fees. The Plan also allows for optional cash payments of a minimum of $25 and a maximum of $5,000, which can be made quarterly to purchase additional shares of Common Stock at current market prices. For further information, please contact EquiServe at:

EquiServe
P.O. Box 43010
Providence, RI 02940-3010

Telephone: 800/736-3001 (outside Massachusetts) 781/575-3100 (within Massachusetts)
Internet: www.equiserve.com

Investor Information

The Company's Transfer Agent, EquiServe, is responsible for our shareholder records, issuance of stock certificates and the distribution of our dividends and IRS Form 1099-DIV. Shareholder requests concerning these and other matters can be answered by corresponding directly with EquiServe at:

EquiServe
P.O. Box 43010
Providence, RI 02940-3010

Telephone: 800/736-3001 (outside Massachusetts) 781/575-3100 (within Massachusetts)
Internet: www.equiserve.com

You may also contact the Investor Relations Representative at the Company.
Telephone: 800/999-6501.

On the Internet, Unitil's home page address is: www.unitil.com

Dividend Direct Deposit

Dividend Direct Deposit Service is available without charge to shareholders of record of the Company's Common Stock. This service provides shareholders with a convenient and secure way to have quarterly dividends deposited directly into a checking or savings account. For further information, please contact: EquiServe at:

EquiServe
P.O. Box 43010
Providence, RI 02940-3010

Telephone: 800/736-3001 (outside Massachusetts) 781/575-3100 (within Massachusetts)
Internet: www.equiserve.com

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