FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1998

Commission File Number 1-8858

Unitil Corporation
(Exact name of registrant as specified in its charter)

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

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

NONE
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 1, 1998
Common Stock, No par value	4,515,649 Shares

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

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PART 1. FINANCIAL INFORMATION

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

(Amounts in Thousands, except Shares and Per Share Data)

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Operating Revenues:				
Electric	$37,875	$37,840	$113,734	$112,798
Gas	2,433	2,824	12,094	13,792
Other	7	8	22	29
Total Operating Revenues	40,315	40,672	125,850	126,619
Operating Expenses:				
Fuel and Purchased Power	24,932	25,298	75,719	75,414
Gas Purchased for Resale	1,583	1,911	7,222	8,505
Operation and Maintenance	5,808	5,785	17,562	17,333
Depreciation and Amortization	2,609	2,272	7,510	6,798
Provisions for Taxes:				
Local Property and Other	1,362	1,333	4,199	4,057
Federal and State Income	624	696	2,513	3,088
Total Operating Expenses	36,918	37,295	114,725	115,195
Operating Income	3,397	3,377	11,125	11,424
Non-Operating Expense	35	52	106	69
Income Before Interest Expense	3,362	3,325	11,019	11,355
Interest Expense, Net	1,645	1,838	5,202	5,298
Net Income	1,717	1,487	5,817	6,057
Less Dividends on Preferred Stock	68	69	206	207
Net Income Applicable to Common Stock	$1,649	$1,418	$5,611	$5,850
Average Common Shares Outstanding	4,508,648	4,419,431	4,494,580	4,404,518
Basic Earnings Per Share	$0.37	$0.32	$1.25	$1.33
Diluted Earnings Per Share	$0.36	$0.31	$1.22	$1.29
Dividends Declared per Share of Common Stock (Note 1)	$0.34	$0.335	$1.36	$1.34

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	(Unaudited) September 30, 1998	(Unaudited) September 30, 1997	(Audited) December 31, 1997
ASSETS:			
Utility Plant:			
Electric	$172,371	$164,265	$166,636
Gas	31,314	29,766	30,473
Common	20,655	18,873	19,689
Construction Work in Progress	5,096	2,635	2,677
Total Utility Plant	229,436	215,539	219,475
Less: Accumulated Depreciation	72,824	67,432	68,360
Net Utility Plant	156,612	148,107	151,115
Other Property & Investments	42	42	42
Cash	4,375	2,235	2,337
Accounts Receivable - Less Allowance for Doubtful Accounts			

of $662, $660 and $677	15,578	16,632	16,890
Materials and Supplies	3,453	2,726	2,663
Prepayments	534	548	434
Accrued Revenue	3,816	6,096	6,796
Total Current Assets	27,756	28,237	29,120
Deferred Assets:			
Debt Issuance Costs	1,308	934	918
Cost of Abandoned Properties	22,550	24,290	23,885
Prepaid Pension Costs	8,483	7,926	8,120
Other Deferred Assets	24,790	24,829	24,777
Total Deferred Assets	57,131	57,979	57,700
TOTAL	$241,541	$234,365	$237,977

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	(Unaudited) September 30,		(Audited) December, 31
	1998	1997	1997
CAPITALIZATION AND LIABILITIES:			
Capitalization:			
Common Stock Equity	$72,319	$68,970	$71,644
Preferred Stock, Non-Redeemable, Non-Cumulative	225	225	225
Preferred Stock, Redeemable, Cumulative	3,619	3,666	3,666
Long-Term Debt, Less Current Portion	74,152	64,078	63,896
Total Capitalization	150,315	136,939	139,431
Capitalized Leases, Less Current Portion	4,163	4,286	4,733
Current Liabilities:			
Long-Term Debt, Current Portion	1,175	4,432	4,470
Capitalized Leases, Current Portion	1,046	851	883
Accounts Payable	14,244	16,539	14,734
Short-Term Debt	12,575	13,250	18,000
Dividends Declared and Payable	1,803	1,686	212
Refundable Customer Deposits	1,346	2,435	2,187
Taxes Payable (Refundable)	402	187	(554)
Interest Payable	1,765	1,144	1,087
Other Current Liabilities	2,702	2,633	2,635
Total Current Liabilities	37,058	43,157	43,654
Deferred Liabilities:			
Investment Tax Credits	1,111	1,478	1,437
Other Deferred Liabilities	8,276	7,890	7,864
Total Deferred Liabilities	9,387	9,368	9,301
Deferred Income Taxes	40,618	40,615	40,858
TOTAL	$241,541	$234,365	$237,977

(The accompanying notes are an integral part of these statements.)
UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in Thousands)

	Nine Months Ended September 30,	
	1998	1997
Net Cash Flow from Operating Activities:		
Net Income	$5,817	$6,057
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		

Depreciation and Amortization	7,510	6,799
Deferred Taxes	(42)	269
Amortization of Investment Tax Credit	(327)	(132)
Provision of Doubtful Accounts	537	575
Amortization of Debt Issuance Costs	46	44
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable, net	775	(823)
Materials and Supplies	(790)	(247)
Prepayments and Prepaid Pension	(463)	(645)
Accrued Revenue	2,980	2,763
Increase (Decrease) in:		
Accounts Payable	(490)	1,435
Refundable Customer Deposits	(841)	850
Taxes and Interest Accrued	1,634	(6)
Other, Net	(1,043)	(1,789)
Net Cash Provided by Operating Activities	15,303	15,150
Net Cash Flows from Investing Activities:		
Capital Expenditures	(10,785)	(9,614)
Other	---	---
Net Cash Used in Investing Activities	(10,785)	(9,614)
Cash Flows from Financing Activities:		
Net (Decrease) Increase in Short-Term Debt	(5,425)	(8,150)
Proceeds From Issuance of Long-Term Debt	20,000	7,500
Repayment of Long-Term Debt	(13,039)	(1,201)
Dividends Paid	(4,728)	(4,610)
Issuance of Common Stock	1,166	794
Retirement of Preferred Stock	(47)	---
Repayment of Capital Lease Obligations	(407)	(537)
Net Cash Flows Used In Financing Activities	(2,480)	(6,204)
Net Increase (Decrease) in Cash	2,038	(668)
Cash at Beginning of Year	2,337	2,903
Cash at September 30,	$4,375	$2,235
Supplemental Cash Flow Information:		
Cash Paid for:		
Interest	$5,289	$5,624
Income Taxes	$1,990	$2,640
Non-Cash Financing Activities:		
Capital Leases Incurred	$365	---

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

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

Note 1. Dividends:

Four regular quarterly common stock dividends were declared during the nine month periods ended September 30, 1998 and 1997.

On September 10, 1998, the Company's Board of Directors declared its regular quarterly dividend on the Company's Common Stock of $0.34 per share which is payable on November 13, 1998 to shareholders of record as of October 30, 1998.

On June 18, 1998, the Company's Board of Directors declared its regular quarterly dividend on the Company's Common Stock of $0.34 per share which was payable on August 14, 1998 to shareholders of record as of July 31, 1998.

On March 5, 1998, the Company's Board of Directors declared its regular quarterly dividend on the Company's Common Stock of $0.34 per share which was payable on May 15, 1998 to shareholders of record as of May 1, 1998.

On January 20, 1998, the Company's Board of Directors approved a 1.5% increase to the dividend rate on its common stock. The new regular dividend rate of $0.34 per share was payable February 13, 1998 to shareholders of record as of January 30, 1998.

Note 2. Common Stock:

During the third quarter of 1998, the Company sold 11,833 shares of Common Stock, at an average price of $22.01 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan, 401(k) plan and Key Employee

Stock Option Plan. Net proceeds of $260,490 were used to reduce short-term borrowings.

Note 3. Preferred Stock:

Details on preferred stock at September 30, 1998, September 30, 1997 and December 31, 1997 are shown below:
(Amounts in Thousands)

	(Unaudited) September 30, 1998	1997	(Audited) December 31, 1997
Preferred Stock:			
Non-Redeemable, Non-Cumulative,			
6%, $100 Par Value	$225	$225	$225
Redeemable, Cumulative,			
$100 Par Value:			
8.70% Series	215	215	215
5% Dividend Series	91	91	91
6% Dividend Series	168	168	168
8.75% Dividend Series	344	344	344
8.25% Dividend Series	395	406	406
5.125% Dividend Series	999	1,035	1,035
8% Dividend Series	1,407	1,407	1,407
Total Redeemable Preferred Stock	3,619	3,666	3,666
Total Preferred Stock	$3,844	$3,891	$3,891

Note 4. Long-term Debt:

Details on long-term debt at September 30, 1998, September 30, 1997 and December 31, 1997 are shown below:
(Amounts in Thousands)

	(Unaudited) September 30, 1998	1997	(Audited) December 31, 1997
Concord Electric Company:			
First Mortgage Bonds:			
Series C, 6 3/4%, due January 15, 1998	---	$1,520	$1,520
Series H, 9.43%, due September 1, 2003	---	5,200	5,200
Series I, 8.49%, due October 14, 2024	6,000	6,000	6,000
Series J, 6.96%, due September 1, 2028	10,000	---	---
Exeter & Hampton Electric Company:			
First Mortgage Bonds:			
Series E, 6 3/4%, due January 15, 1998	---	498	498
Series J, 9.43%, due September 1, 2003	---	4,000	4,000
Series K, 8.49%, due October 14, 2024	9,000	9,000	9,000
Series L, 6.96%, due September 1, 2028	10,000	---	---
Fitchburg Gas and Electric Light Company:			
Promissory Notes:			
8.55% Notes due March 31, 2004	14,000	15,000	15,000
6.75% Notes due November 30, 2023	19,000	19,000	19,000
Unitil Realty Corp.			
Senior Secured Notes:			
8.00% Notes Due August 1, 2017	7,327	7,487	7,448
Total	75,327	68,510	68,366
Less: Installments due within one year	1,175	4,432	4,470
Total Long-term Debt	$74,152	$64,078	$63,896

Note 5.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position as of September 30, 1998 and 1997; and results of operations for the three and nine months ended September 30, 1998 and 1997; and consolidated statements of cash flows for the nine months ended September 30, 1998 and 1997. Reclassifications of amounts are made periodically to previously issued financial statements to conform with the current year presentation.

The results of operations for the nine months ended September 30, 1998 and 1997 are not necessarily indicative of the results to be expected for the full year.

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

EARNINGS

The Company recorded basic earnings per average common share of $0.37 for the third quarter of 1998, an increase of $0.05 compared to the $0.32 earned in the third quarter of 1997. The increase of $0.05 per share primarily reflects stronger electric energy sales in a robust regional economy and hotter summer weather in 1998, as well as the positive impact on earnings of lower interest-related costs.

On a year-to-date basis, basic earnings per average common share were $1.25 for the nine months ended September 30, 1998, a decrease of $0.08 compared to the $1.33 earned in the first three quarters of 1997. Although Company earnings rebounded strongly in the third quarter, year-to-date earnings still lag prior year, due to the unseasonably warm winter weather earlier in the year. In addition, the Company is still absorbing the impact of the restructuring of the electric utility industry in Massachusetts, which took effect March 1, 1998.

Unitil's local distribution operating companies experienced hotter summer temperatures in their service territories during the third quarter of this year, compared to last year. The Energy Sales table on the next page shows energy consumption by customer class for the three- and nine-month periods ended September 30, 1998 and 1997. Consumption of electricity by residential, commercial and industrial customers for the three months ended September 30 improved significantly in 1998 by 7.5%, 8.3% and 10.9%, respectively, over the same period last year. Overall, electric kilowatt-hour sales for the quarter were up 9.0% compared to last year. Also, electric sales to all customer classes are 4.0% higher than last year on a year-to-date basis.

This trend marks a significant recovery from the first quarter of 1998 when our three local distribution companies experienced the warmest winter on record in their service territories, which depressed peak seasonal sales of electricity and gas. Winter temperatures were the warmest in over 100 years since such data has been kept. Gas firm therm sales, which are at their highest during the winter months, were down 5.4% through the end of the third quarter of 1998 compared to the same nine-month period last year.

Electric utility industry restructuring in Massachusetts became effective on March 1, 1998, ("Choice Date"). On that date, Fitchburg Gas and Electric Light Company (FG&E), Unitil's Massachusetts subsidiary, implemented retail open access, and all of FG&E's customers gained the right to choose their electric energy supplier. Customers continue to have the delivery of their electric energy provided by FG&E over its local distribution system. Also on Choice Date, FG&E's customers received a 10% retail rate discount on their total bill (energy supply and distribution services) under a statewide legislated mandate. FG&E is Unitil's largest local distribution operating company.

Total Operating Revenues for the Unitil System of companies were $125.8 million in the first nine months of 1998, compared to $126.6 million in the first nine months of 1997. Total Operating Revenues for the Unitil System of companies were $40.3 million in the three months ended September 30, 1998 compared to $40.7 million for the same period of 1997.

Total Operating Expenses decreased during the third quarter of 1998 - to $36.9 million from $37.3 million in the third quarter of 1997 - primarily due to lower Fuel and Purchased Power and Gas Purchased for Resale expenses. These lower energy supply costs were partially offset by higher Depreciation and Amortization expense in the current period. Depreciation and Amortization expense is higher in the current period due to the accelerated write-off, in 1998, of electric generating assets, in accordance with FG&E's restructuring plan.

The increase in Operation and Maintenance expenses compared to last year reflects higher administrative costs associated with filing and implementation of FG&E's restructuring plan and energy supply portfolio divestiture efforts. These additional expenses related to industry restructuring in Massachusetts are partially offset by revenues accrued to be recovered, in the future, upon divestiture of the energy supply portfolio, or through other rate cost reconciliation mechanisms.

In addition, the Company is experiencing lower effective income tax rates, due to favorable tax timing differences and higher amortization of flow through Investment Tax Credits in 1998. During the third quarter, the Company completed a refinancing of long-term debt, which significantly lowered the effective interest rate on its borrowings and thereby reduced interest expense.

Basic earnings per average common share for the twelve months ended September 30, 1998 and 1997, were $1.72 and $1.86, respectively.

Energy Sales(000's)

	Three Months Ended			Nine Months Ended		
KWH Sales	9/30/98	9/30/97	Change	9/30/98	9/30/97	Change
Residential	140,336	130,539	7.5%	412,159	403,847	2.1%
Commercial	117,731	108,689	8.3%	317,703	303,803	4.6%
Industrial	160,986	145,173	10.9%	441,652	419,239	5.3%
Total KWH Sales	419,053	384,401	9.0%	1,171,514	1,126,889	4.0%
Total Electric Revenues	$37,875	$37,840	.1%	$113,734	$112,798	.8%
Firm Therm Sales						
Residential	923	933	(1.1)%	8,912	9,739	(8.5)%
Commercial	170	188	(9.6)%	3,105	3,597	(13.7)%
Industrial	973	652	49.2 %	4,259	3,866	10.2 %
Total Firm Therm Sales	2,066	1,773	16.5 %	16,276	17,202	(5.4)%
Total Gas Revenues	$2,433	$2,824	(13.8)%	$12,094	$13,792	(12.3)%

RESTRUCTURING AND COMPETITION - ELECTRIC UTILITY INDUSTRY

Regulatory activity in both New Hampshire and Massachusetts continues to focus on deregulating the retail sale of electric energy. March 1, 1998 was the "Retail Access Date" or the beginning of competition in Massachusetts, while New Hampshire's "Choice Date" slipped past the proposed date of January 1, 1998, and did not make the legislature's mandated July 1, 1998. Both states' restructuring efforts have focused on allowing customers to choose their supplier of electricity from the competitive market, and have their local utility deliver that electricity over its distribution systems at regulated rates for the distribution service.

Massachusetts

On December 31, 1997, FG&E filed its restructuring plan (the "Plan") with the Massachusetts Department of Telecommunications and Energy (MDTE) as required by the Massachusetts restructuring law enacted in November, 1997. The Plan provides customers with: a) a choice of energy supplier; b) an option to purchase transition energy service provided by FG&E at regulated rates for up to seven years; and c) a 10% price decrease. In the Plan, FG&E has proposed to divest of owned and leased generation units and its portfolio of purchased power contracts by year end 1998. Also under the Plan, to the extent that the divestiture fails to recoup the full cost of electric supply resources, the Company will be afforded full recovery of any shortfall through non-bypassable retail access charges.

The MDTE conditionally approved the Plan for effect on March 1, 1998. Several days of evidentiary hearings were held followed by rounds of legal briefs. The Company currently expects to receive final approval of the Plan by the MDTE in November, 1998.

Pursuant to the Company's restructuring plan, on October 30, 1998, the Company filed with the MDTE a proposed contract with Constellation Power Source Inc. for provision of Standard Offer Service commencing January 1, 1999. This contract is the result of the first successful Standard Offer auction so far conducted in Massachusetts. Contracts for the sale of the Company's generating assets and purchased power contracts are expected to be filed with the MDTE in the near future. All such contracts are subject to MDTE approval.

On November 3, 1998, voters in Massachusetts defeated a referendum proposal which would have repealed the state restructuring law.

When the Company receives a Final Order from the MDTE on its Plan, the Company will be able to determine, in sufficient detail, the impact of such order on the generation portion of its business that will no longer be regulated and on the distribution portion of its business that will remain regulated. As a result, the Company may be required to stop applying the provisions of Statement of Financial Accounting Standards 71, "Accounting for the Effects of Certain Types of Regulation," to a portion of its business. Upon receiving the Final Order, the Company will review the measurement and recording of Regulatory Assets and Liabilities arising from the Final Order. Based upon settlements already reached between other electric utilities and the MDTE in Massachusetts, the Company believes it will recover its generation investments and the above market portion of its power contract commitments through regulated cash flows to be realized from the distribution portion of FG&E's business.

New Hampshire

On February 28, 1997, the New Hampshire Public Utilities Commission (NHPUC) issued its Final Plan for transition to a competitive electric market in New Hampshire. The order allowed Concord Electric Company (CECo) and Exeter & Hampton Electric Company (E&H), Unitil's New Hampshire based retail distribution utilities, to recover 100% of costs which will be "stranded" due to this restructuring, but the NHPUC also took certain positions undermining the legal basis for such recovery in the future. Northeast Utilities' affiliate, Public Service Company of New Hampshire, appealed the decision in Federal Court, which issued a temporary restraining order. In June 1997, Unitil was admitted as a Plaintiff Intervenor in this proceeding. The Judge has indicated that this case will go to trial in November of 1998.

On March 20, 1998, the NHPUC issued Order No. 22,875 affirming in part and modifying in part its February 28, 1997 Final Plan. The March 20 NHPUC order required CECo, E&H and all other New Hampshire electric utilities except the Public Service Company of New Hampshire to submit a compliance filing by May 1, 1998. CECo and E&H submitted a response to the NHPUC's March 20 order on May 1, 1998 which included: a) unbundled delivery service rates; b) plans to implement the NHPUC affiliate rules when promulgated, mitigate stranded costs, implement low-income customer policies, meet the energy needs of special contract customers and implement data transfers electronically with suppliers; c) proposed tariffs for delivery services; and d) proposed terms and conditions for interfacing with competitive suppliers. The NHPUC has taken no action on the Company's submittal, and Competition has been delayed beyond the original legislative timetable of July 1, 1998. Unitil continues to participate actively in all proceedings and in several NHPUC-established working groups which will define the details of the transition to competition and customer choice.

On September 8, 1998 the Company filed a comprehensive settlement agreement of all restructuring issues with the NHPUC which was jointly sponsored by eight parties from a broad constituency group of industry and consumer representatives including: The New Hampshire Public Utilities Commission Staff, The New Hampshire Consumer Advocate Office, Enron Energy Services, Inc., a major national providor of energy services, The New Hampshire Business and Industry Association, The New Hampshire Retail Merchants Association, as well as several other groups and representatives. That settlement was amended on October 19, and the base of support was widened to include an additional five parties. The settlement provides for: a) choice of energy supplier for all the Company's retail customers beginning on March 1, 1999; b) full recovery by the Company of all stranded costs; c) divestiture of the Unitil Power Corp. power supply portfolio by July 1, 1999; d) the provision of Transition Service by the Company from March 1, 1999 through April 30, 2002 from power supplies acquired from the market through a competitive bid process, and at prices set by that market; e) the Company's competitive marketing affiliate to conduct business anywhere in New Hampshire, and (f) withdrawal by the Company from the Federal Court proceeding on restructuring. Evidentiary hearings were held before the NHPUC on October 21, 22 and 23, 1998, and briefs were filed on October 29. No one opposed the settlement, although one party urged the Commission to make certain improvements. The Commission issued a conditional approval in oral deliberations on November 2. The Company expects that final Commission approval will be achieved shortly.

Unitil Resources, Inc., the Company's competitive market subsidiary, will continue to participate in the New Hampshire Retail Competition Pilot Program (Pilot Program), in which up to 3% of New Hampshire electric customers are allowed to choose from competing electric suppliers, and have this supply delivered across the local utility system. This program began in May 1996 and will terminate on Choice Date.

OTHER REGULATORY MATTERS

On May 15, 1998, FG&E filed a base rate case with the MDTE seeking an increase of $1.55 million or nine percent in annual revenues from firm gas customers. This is the first requested base rate increase in 14 years. The Company has requested an 11.25 percent return on common equity and is seeking to modernize its rate structures for commercial and industrial accounts. The Company is also unbundling its rates into delivery and supplier charges to prepare for customer choice of gas supplier which is now expected to be initiated on April 1, 1999. To provide time for a thorough investigation including several days of evidentiary hearings, the filing was routinely suspended by the MDTE. New rates will become effective on December 1, 1998, after a final ruling by the MDTE. The Company is also participating in a statewide collaborative that, in concert with MDTE efforts, will resolve issues and establish rules for providing customers with choice of gas supplier. After choice date, FG&E will continue to own and operate its natural gas distribution system and deliver gas to its customers at regulated rates for distribution services.

MILLSTONE UNIT NO. 3

Unitil's Massachusetts operating subsidiary, Fitchburg Gas and Electric Light Company, 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 as a Category 2 facility, which calls for increased NRC inspection attention. In March 1996, the NRC requested additional information about the operation of the unit from Northeast Utilities companies (NU), which operate the unit. As a result of an engineering evaluation completed by NU, Millstone 3 was taken out of service on March 30, 1996. The NRC later informed NU, in a letter dated June 28, 1996, that it had reclassified Millstone 3 as a Category 3 facility. The NRC assigns this rating to plants which it deems to have significant weaknesses that warrant maintaining the plant in shutdown condition until the operator demonstrates that adequate programs have been established and implemented to ensure substantial improvement in the operation of the plant. The NRC's letter also informed NU that this designation would require the NRC staff to obtain NRC approval by vote prior to a restart of the unit. On June 15, 1998 the NRC redesignated Millstone 3 as a Category 2 facility and allowed the NRC's Executive Director for Operations to determine when Millstone 3 was ready for restart. Authorization for restart was given on June 29, 1998. Millstone 3 began producing electric power in early July, 1998 and reached full output on July 15, 1998. As a Category 2 facility, the unit remains on the NRC's Watch List. Millstone 2 remains out of service with a Category 3 designation. NU has determined that Millstone 1 will be retired and, therefore, has been removed from the NRC's Watch List. The Company has no ownership or contract interests in Millstone Units 1and 2.

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 had been incurring approximately $35,000 per month in replacement power costs, and had been recovering those costs through its fuel adjustment clause, which will be subject to review and approval by the MDTE. 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 and the associated costs. The arbitration and legal cases are proceeding.

CAPITAL REQUIREMENTS

Capital expenditures for the nine months ended September 30, 1998 were approximately $10.8 million. This compares to $9.6 million during the same period last year. Capital expenditures for the year 1998 are estimated to be approximately $16.1 million as compared to $15.4 million for 1997. This projection reflects capital expenditures for utility system expansions, replacements and other improvements.

LEGAL PROCEEDINGS

The Company is involved in legal and administrative proceedings and claims of various types which arise in the ordinary course of business. In the opinion of the Company's management, based upon information furnished by counsel and others, the ultimate resolution of these claims will not have a material impact on the Company's financial position.

YEAR 2000 COMPLIANCE ISSUES

The Company recognizes the need to ensure its operations are not adversely affected by software or device failures related to the Year 2000 date recognition problem, (the "Y2K Issues"). Specifically, Y2K Issues would arise when software applications, or devices with embedded chips, fail to correctly recognize and process the year 2000 and beyond. Certain software applications and devices are certified to recognize and process date references to the year 2000 and beyond and they are deemed to be Year 2000 compliant, ("Year 2000 Compliance"). Potential software failures could create incorrect calculations, among other errors, and they present a risk to the integrity of our Company's financial systems and the reliability of our operating systems. In order to minimize the risk of disruption to our business operations, the Company is taking the actions described below, including communicating with suppliers, dealers, financial institutions and others with which it does business, to coordinate the identification, evaluation, remediation and testing of possible Y2K Issues wh
ich may affect the Company.

The Company has established a centralized task force to identify and implement necessary changes to the Company's internal computer systems, controlling hardware devices and software applications in order to achieve Year 2000 compliance for those systems. The remediation of Y2K Issues and testing of all critical components of the Company's internal systems is scheduled to be completed by June 30, 1999.

The Company has also established processes for evaluating and managing the risks and possible costs associated with Y2K Issues which may exist in systems external to the Company's operations, but could affect the Company's operations indirectly. The Company has already directed efforts to notify our critical vendors and suppliers about Y2K Issues which may affect our operations, and most are already providing important information about the Year 2000 readiness of their organizations. Testing of certain critical systems has already begun, in conjunction with our key suppliers and vendors and the Company is planning to develop contingency plans in circumstances where assurance of Year 2000 compliance cannot be obtained.

The Company currently estimates it will invest in the range of $250,000 to $500,000 plus internal costs, over the cost of normal software upgrades and replacements to achieve Year 2000 Compliance. These additional capital outlays include costs to replace certain devices and software, and the costs for consultants to assist us with software programming and testing.

Unitil relies on the proper operation of a regional network of systems and devices to transport and distribute electricity and gas to its customers. Any disruption in those systems caused by Y2K Issues could interrupt the reliable delivery of electric and gas service through our Distribution Operating Companies. Some of these software systems and devices belong to other companies and are beyond the control of Unitil to ensure that they are properly remediated for Year 2000. However, several agencies, including the Department of Energy, The New England ISO, and The National Electricity Reliability Council, have active Year 2000 programs in place. These programs will ensure that member companies are actively and comprehensively dealing with any Year 2000 issues in their supply, generation, transportation and distribution facilities and systems. Unitil participates in these groups and currently believes that satisfactory progress is being made and will continue to be made to ensure a reliable supply and delivery of energy. Furthermore, these groups plan to establish contingency plans to cover delivery difficulties during key Year 2000 dates. The Company also plans to work with local, state and regional agencies and other utility companies to ensure that appropriate contingency plans are in place for energy supply and delivery systems which could be affected by Year 2000 difficulties.

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.

PART I. EXHIBIT 11.

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING
(UNAUDITED)
(Amounts in Thousands, except Shares and Per Share Data)

BASIC EARNINGS PER SHARE	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Net Income	$1,717	$1,487	$5,817	$6,057
Less: Dividend Requirement on Preferred Stock	68	69	206	207
Net Income Applicable to Common Stock	$1,649	$1,418	$5,611	$5,850
Average Number of Common Shares Outstanding	4,508,648	4,419,431	4,494,580	4,404,518
Basic Earnings Per Common Share	$0.37	$0.32	$1.25	$1.33

DILUTED EARNINGS PER SHARE	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Net Income	$1,717	$1,487	$5,817	$6,057
Less: Dividend Requirement on Preferred Stock	68	69	206	207
Net Income Applicable to Common Stock	$1,649	$1,418	$5,611	$5,850
Average Number of Common Shares Outstanding	4,620,994	4,540,774	4,610,155	4,525,861
Diluted Earnings Per Common Share	$0.35	$0.31	$1.22	$1.29

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit No.	Description of Exhibit	Reference
11	Computation in Support of Earnings Per Average Common Share	Filed herewith

(b) Reports on Form 8-K

During the quarter ended September 30, 1998, the Company did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITIL CORPORATION
(Registrant)

Date: November 16, 1998 /s/ Anthony Baratta
Anthony Baratta
Chief Financial Officer

Date: November 16,1998 /s/ Mark H. Collin
Mark H. Collin
Treasurer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITIL CORPORATION
(Registrant)

Date: November 16, 1998 /s/ Anthony Baratta
Anthony Baratta
Chief Financial Officer

Date: November 16,1998 /s/ Mark H. Collin
Mark H. Collin
Treasurer