



# FINANCIAL AND STRATEGIC UPDATE

February 14, 2023



# Forward-Looking Statements and Use of Non-GAAP Measures

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

These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that could cause the actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include: the coronavirus (COVID-19) pandemic, which could adversely impact Unitol’s business, financial conditions, results of operations and cash flows, including by disrupting Unitol’s employees’ and contractors’ ability to provide ongoing services to Unitol, by reducing customer demand for electricity or natural gas, or by reducing the supply of electricity or natural gas; Unitol’s regulatory and legislative environment (including laws and regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, demand for, and the prices of energy commodities and transmission capacity and Unitol’s ability to recover energy commodity costs in its rates; customers’ preferred energy sources; severe storms and Unitol’s ability to recover storm costs in its rates; declines in the valuation of capital markets, which could require Unitol to make substantial cash contributions to cover its pension obligations, and Unitol’s ability to recover pension obligation costs in its rates; general economic conditions, which could adversely affect (i) Unitol’s customers and, consequently, the demand for Unitol’s distribution services, (ii) the availability of credit and liquidity resources and (iii) certain of Unitol’s counterparty’s obligations (including those of its insurers and lenders); Unitol’s ability to obtain debt or equity financing on acceptable terms; increases in interest rates, which could increase Unitol’s interest expense; restrictive covenants contained in the terms of Unitol’s and its subsidiaries’ indebtedness, which restrict certain aspects of Unitol’s business operations; variations in weather, which could cause unanticipated changes in demand for Unitol’s distribution services; long-term global climate change, which could cause unanticipated changes in customer demand or cause extreme weather events that could disrupt Unitol’s electric and natural gas distribution services; cyber-attacks, acts of terrorism, acts of war, severe weather, a solar event, an electromagnetic event, a natural disaster, the age and condition of information technology assets, human error, or other factors could disrupt Unitol’s operations and cause Unitol to incur unanticipated losses and expense; outsourcing of services to third parties, which could expose Unitol to substandard quality of service delivery or substandard deliverables, which may result in missed deadlines or other timeliness issues, non-compliance (including with applicable legal requirements and industry standards) or reputational harm, which could negatively impact our results of operations; catastrophic events; numerous hazards and operating risks relating to Unitol’s electric and natural gas distribution activities; Unitol’s ability to retain its existing customers and attract new customers; increased competition; unforeseen or changing circumstances, which could adversely impact the reduction of company-wide greenhouse gas emissions; other presently known or unforeseen factors; and other risks detailed in Unitol’s filings with the Securities and Exchange Commission, including those appearing under the caption “Risk Factors” in Unitol’s most recently filed Annual Report on Form 10-K.

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

This presentation contains Non-GAAP measures. The Company’s management believes these measures are useful in evaluating its performance. Reconciliations of Non-GAAP financial measures to the most directly comparable GAAP financial measures can be found herein.

# About Unitil

**Pure play New England utility creating long-term sustainable value**

## Local distributor of electricity and natural gas in attractive service areas along the New Hampshire and Maine Seacoast

- Growing customer base supported by strong regional economic growth
- Continuing price advantage over competing fuels

## Fundamentally strong investment thesis

- Fully regulated, low risk profile
- Sustainable long-term growth opportunities
- Proven track record of financial, operating, and strategic performance

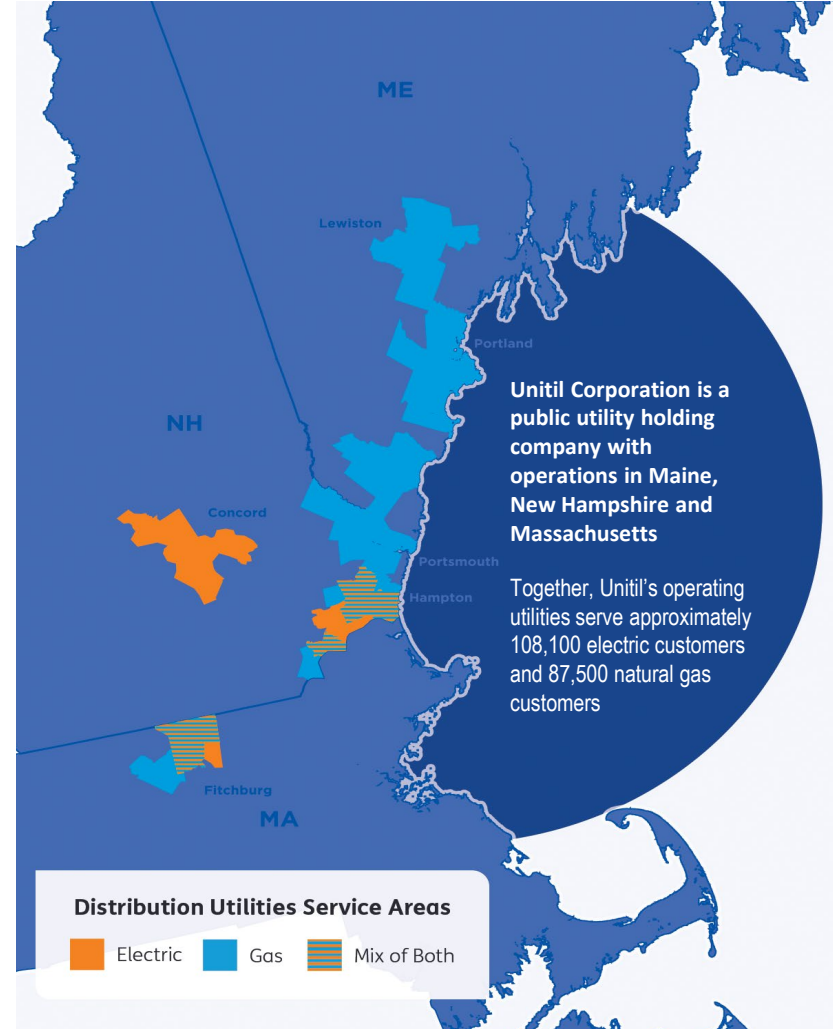
## Robust investment opportunities in electric and natural gas infrastructure

- Grid modernization, resiliency, and renewable resources are well aligned with sustainability strategies

## Industry leading operational and customer service excellence

## Stable long-term expected earnings growth

- Strong regulatory and legislative support
- Distribution revenues largely decoupled from changing sales volumes due to weather or economic conditions
- Earnings unaffected by commodity cost fluctuations



# Financial Results and Strategic Update

Once again delivering on our commitments

## Strong Financial Results

- 2022 Net Income of \$41.4 million or \$2.59 per share
  - \$0.24 per share increase compared to 2021 supported by successful rate case outcomes in New Hampshire
  - Achieved 10.2% year-over-year EPS growth, above our long-term guidance

## Long-Term EPS Growth Rate of 5% - 7%

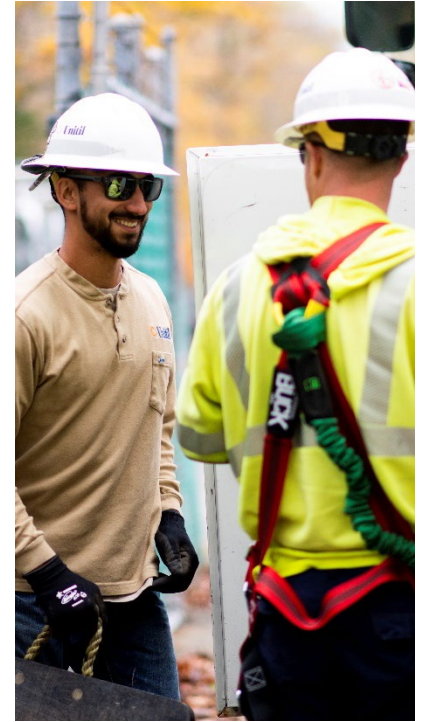
- Reaffirming earnings guidance through strategic investment, capital recovery and cost management
  - Minimal year-over-year O&M expense increase

## Reduced Business and Financial Risk

- Majority of customers under decoupled rates, strengthening margin
- Stable credit outlook; S&P upgraded business risk profile to “excellent”
- Ample liquidity with Credit Facility limit increased 67% to \$200 million

## Solid Capital Investment Outlook

- Expected long-term Rate Base growth of 6.5% - 8.5%
- Approved Grid Modernization and EV plans
- Utility-Scale Solar opportunity in New Hampshire



# Continued Operational Excellence

Industry-leading customer service and commitment to sustainability

## Operational Excellence



Customer and Employee satisfaction remain among industry leaders



Named one of Business NH Magazine's 2022 'Best Companies to Work For'

## Commitment to Sustainability



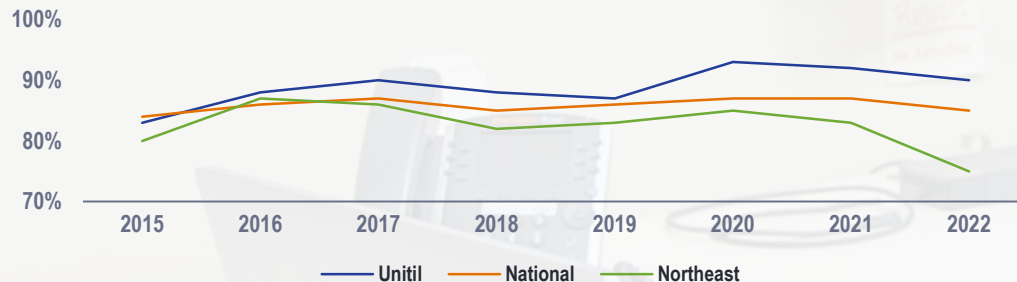
Reducing Company-wide greenhouse gas emissions by at least 50% by 2030, net-zero emissions by 2050



Published fourth annual Corporate Sustainability and Responsibility report



## Customer Satisfaction Continues to Exceed Peers<sup>(1)</sup>



(1) Source: Escalant Utility Customer Satisfaction Survey of 120 electric, natural gas, and combination utilities

# Record Best Reliability and Response Metrics

Company's best year for electric reliability and emergency gas response time

*Restored power to 99% of affected customers within 48 hours of peak outages following December 2022 holiday Storm Elliott*

## **Record Best Electric Service Reliability**

*Roughly 50% lower service interruption time compared to prior 5 year average and in the top quartile of industry historical results*

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## **Record Best Gas Emergency Response**

*Responded to 91.4% emergency calls in 30 minutes or less*

## **Ranked in top 10 for American Gas Association's Best Practices Program**

*Approximately 90 participating companies*

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# Utility-Scale Solar Filing in New Hampshire

Seeking approval to build utility scale solar facility

## NH Statute RSA 374-G

- Enables utility ownership of DER, limited to 6% of utility's total distribution peak load (approximately 18MW for Unutil)
- Individual generation projects limited to 5MW

## Summary of Proposal

- 5 MW solar facility on approximately 96 acres in Kingston, NH
- Capital cost estimates of approximately \$14 million
- Construction to begin upon public interest determination

## Further Opportunities

- Lot size provides opportunity for additional solar
- Energy Storage Systems



### Timeline

Site Selection August 25, 2022	Initial Filing October 31, 2022	Intervenor Testimony March 9, 2023	Hearing Scheduled April 11, 2023	Order on Public Interest Expected May 1, 2023	Expected In Service Q4 2024
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# Fourth Quarter and Fiscal Year 2022 Financial Results

## Net Income and Earnings Per Share

### 2022 Net Income of \$41.4 million, or \$2.59 per share

- Net Income increase of \$5.3 million, or \$0.24 per share, relative to fiscal year 2021
- Earnings growth reflects higher distribution rates, including recoupment associated with the New Hampshire rate cases, partially offset by higher operating expenses



	Three Months Ended December 31		Twelve Months Ended December 31	
	2022	2021	2022	2021
Net Income (\$ millions)	\$14.5	\$14.5	\$41.4	\$36.1
Earnings Per Share	\$0.91	\$0.93	\$2.59	\$2.35



# Volume and Adjusted Gross Margin Variances

Year-over-Year variances in units, customers, and adjusted gross margin

Electric		
Unit Sales	Customers	Adjusted Gross Margin <sup>(1)</sup>
1.0% Decrease	0.4% Increase	1.4% Increase

Gas		
Unit Sales	Customers	Adjusted Gross Margin <sup>(1)</sup>
1.3% Increase	1.0% Increase	8.1% Increase

## Unit Sales & Customers

- Electric distribution revenue fully decoupled as of 06/01/2022
- C&I sales down (0.3%), Residential sales down (2.0%)
- 425 additional customers

## Adjusted Gross Margin<sup>(1)</sup> Increase \$1.4

- Higher rates and customer growth

## Unit Sales & Customers

- 60% of gas customers decoupled as of 08/01/2022
- Weather normalized sales in Maine, our only non-decoupled service area, were essentially unchanged compared to 2021
- 855 additional customers

## Adjusted Gross Margin<sup>(1)</sup> Increase \$10.8

- Higher rates, customer growth and colder winter weather

(1) Adjusted gross margin is a non-GAAP financial measure, reconciliations from non-GAAP financial measures to GAAP financial measures are provided at the end of the presentation

# Fiscal Year Earnings Reconciliation

## Variances to prior period earnings

- **Adjusted Gross Margin<sup>(1)</sup>** increased \$12.2 million as a result of higher rates, colder winter weather, and customer growth
- **Operating and Maintenance Expenses** increased \$5.0 million largely due to higher labor costs, utility operating costs and professional fees
- **Depreciation and Amortization** increased \$3.1 million reflecting higher levels of utility plant in service and higher amortization of rate case costs
- **Taxes Other Than Income Taxes** increased \$1.4 million due to higher payroll taxes and property taxes on higher utility plant in service
- **Net Interest Expense** decreased \$0.1 million reflecting lower interest on long-term debt and higher interest income on regulatory assets, partially offset by higher interest on short-term borrowings
- **Other Expenses** decreased \$2.2 million reflecting lower retirement benefit costs
- **Income Taxes** decreased \$0.3 million reflecting lower taxes associated with the flowback of excess Accumulated Deferred Income Taxes



(1) Adjusted gross margin is a non-GAAP financial measure, reconciliations from non-GAAP financial measures to GAAP financial measures are provided at the end of the presentation

# Upcoming Regulatory Agenda

Anticipated rate case activity in Maine and Massachusetts

Northern Utilities - Maine			Fitchburg Gas and Electric Light		
Current Equity Ratio	Current Authorized ROE	Current Rate Base	Current Equity Ratio	Current Authorized ROE	Current Rate Base
50.00%	9.48%	> \$300 million	52.50%	9.70%	Electric > \$90 million Gas > \$115 million

## Notice of Intent



NUME  
Q1 2023

FGE  
Q2 2023

## Filing Date



NUME  
Q2 2023

FGE  
Q3 2023

## Rate Effective Date



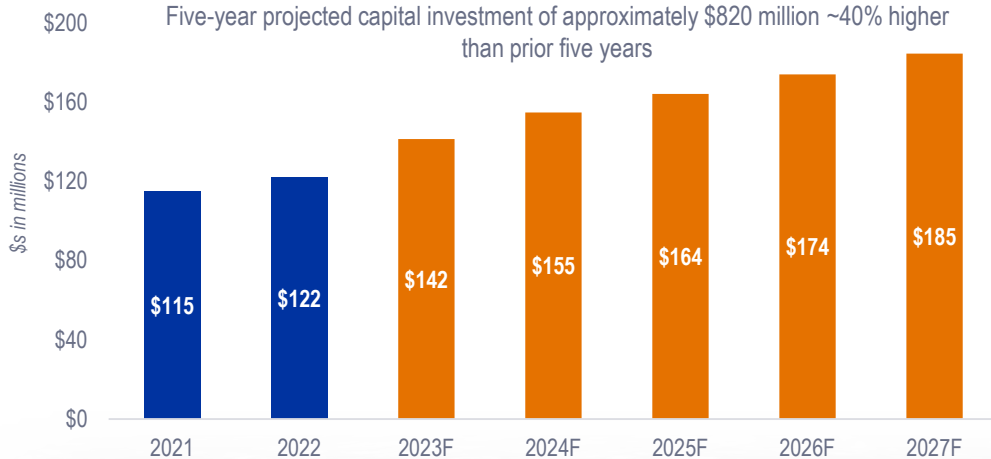
NUME  
Q2 2024

FGE  
Q2 2024

# Disciplined Investment Plan

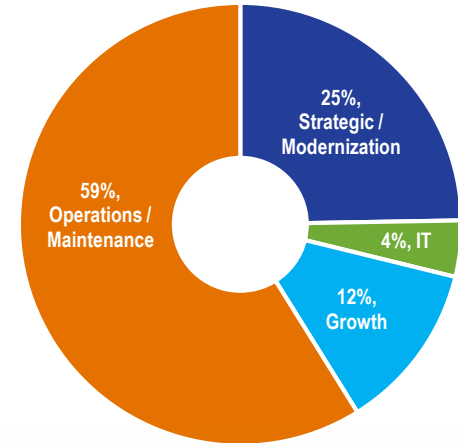
Anticipate Long-Term Rate Base growth of 6.5% to 8.5%

## Actual and Forecast Capital Investment<sup>(1)</sup>



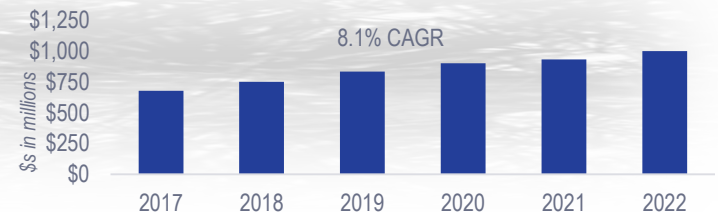
- Timely Capital Recovery - Significant investment covered by trackers
- System Modernization - \$24M pre-authorized Grid-Mod spend in MA

## Capital Expenditure Breakdown



Investments include grid modernization, customer additions, pipe replacement and other system upgrades

## Rate Base<sup>(2)</sup>



(1) Forecast investment includes capitalized non-service retirement benefit costs which aren't reflected as investing activity for GAAP

(2) Rate Base figures include estimates and approximations that are typically settled or litigated in rate cases

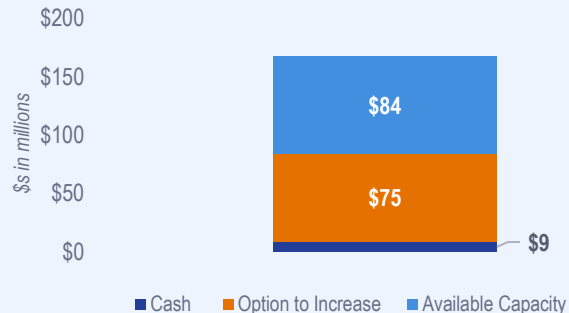
# Balance Sheet Strength and Capitalization

Relatively limited interest rate exposure with rising rates

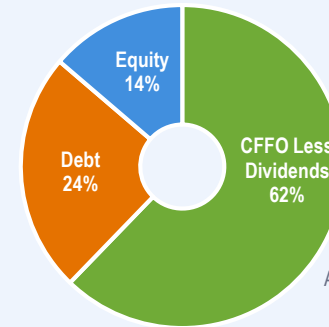
## Responsible Financing Plan

- Capital investments funded principally by Cash Flow From Operations less dividends
- Limited interest rate refinance risk with no variable long-term debt and no significant maturities until 2026
- Increased credit facility limit 67% to \$200 million provides ample liquidity
- Stable, strong investment-grade credit ratings; S&P business risk upgraded to “excellent”

## Available Liquidity (as of December 31, 2022)

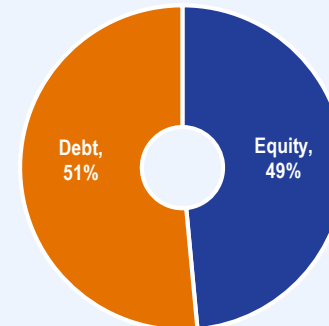


## Long-Term Financing Sources



Assumes all maturing debt is refinanced with new debt

## Balanced Capital Structure (as of December 31, 2022)

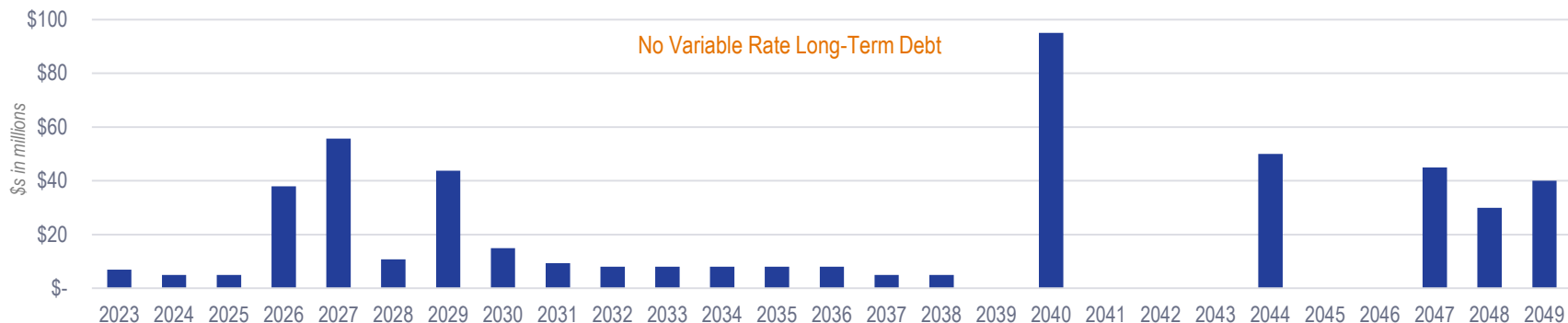


# Strong Financial Position

## Maintaining investment-grade credit ratings

Credit Ratings – Moody's (Aug. 25, 2022)		S&P (Aug. 5, 2022)	Strong Credit Metrics CFO-WC/Total Debt <sup>(1)</sup>				S&P Update		
Northern Utilities	Baa1	BBB+  Stable outlook from both Moody's and S&P		Unitil	Peer Group Avg.	Peer Group Median		11/20/21	08/05/22
Unitil Energy Systems			LTM	16.4%	12.8%	11.0%	Outlook	Negative	Stable
Fitchburg Gas and Electric			FY2021	18.7%	8.9%	10.4%	Downgrade Threshold	16%	13%
Granite State Gas	FY2020		12.8%	14.4%	14.0%				
Unitil Corp.	Baa2								

### Schedule of Debt Maturities

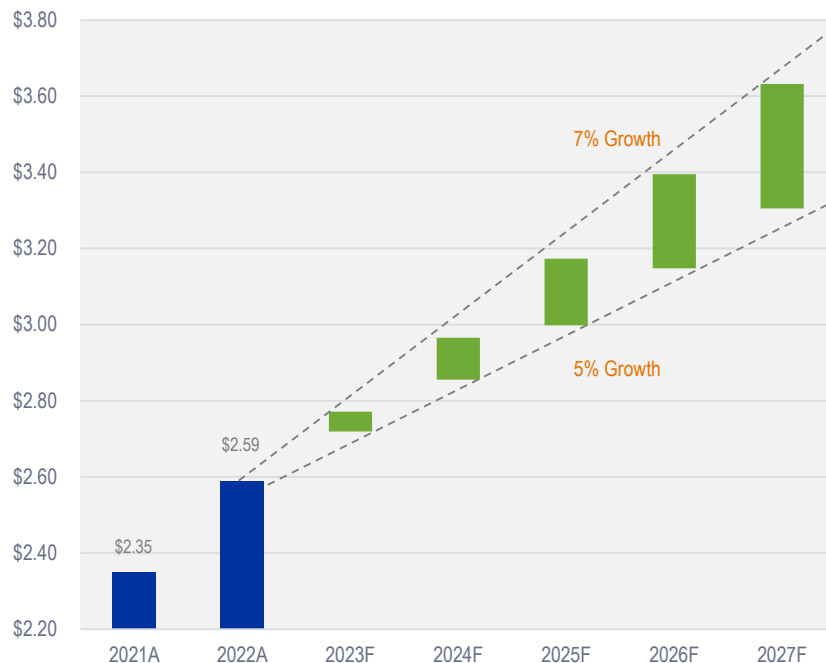


(1) Source: S&P Capital IQ accessed 2/7/2023. Includes forty peer companies.

# Maintaining Long-Term Earnings Growth

10.2% year-over-year earnings growth in 2022 with long-term growth expectation remaining in the range of 5% to 7%

Expected Long-Term EPS Growth Rate of 5% to 7%

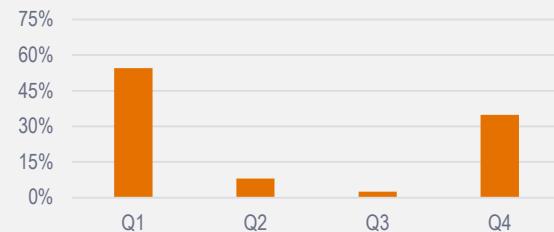


## 2023 Guidance Aligned With Long-Term Target

### Managing earnings variability

- Decoupled margin provides stability and visibility
  - Over 80% of customers under decoupled rates
- Cost control – minimal year-over-year O&M increase in 2023
- Mitigated interest rate risk; no significant maturities or variable rate long-term debt

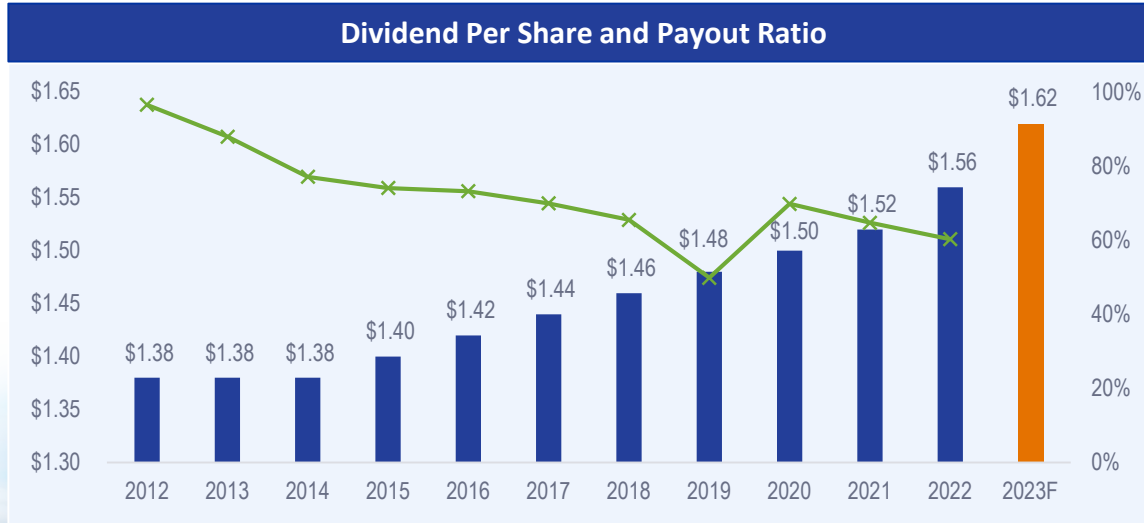
## Approximate EPS Distribution <sup>(1)</sup>



(1) Earnings distribution based on 2023 earnings expectations

# Dividend Increase and Expected Payout

Consecutive years of accelerated dividend rate increases



**Balancing dividend sustainability with capital investment opportunities**

Long-term dividend growth should approximate long-term earnings growth as mid-point of payout ratio has been achieved

Annualized Dividend \$1.62 Per Share <sup>(1)</sup>

Steady, Predictable Shareholder Return

2022 Payout Ratio 60%<sup>(2)</sup>

Dividend Sustainability & Capital Investment

Payout Ratio Target 55% - 65%

Long-Term Outlook

(1) Quarterly dividends are subject to approval by Unitil's Board of Directors  
(2) Reflects 2022 annualized dividend of \$1.56 divided by 2022 EPS of \$2.59



# Continue to Deliver on Financial and Strategic Goals

The energy transition offers robust long-term investment opportunities



## Transforming Customer Services and Energy Offerings

- Connecting customers with value adding products and services
- Accelerating customer adoption of clean energy technologies
- Promoting adoption of electric vehicles through infrastructure investment and electric vehicle time-of-use rates



## Modernizing Electric and Natural Gas Infrastructure

- Investing in technologies that optimize system performance and offer savings for customers
- Reducing the frequency and duration of power outages while mitigating storm impacts
- Expanding and optimizing the connection of customer-owned clean energy resources



## Accelerating the Clean Energy Transition

- Reducing direct company greenhouse gas emissions
- Investing in renewable energy projects through regulated investments
- Pursuing renewable natural gas supply alternatives



## Fundamental Principles and Beliefs Underlying our Long-Term Strategy

- As a combination electric and gas distribution company operating in northern New England, Unifil is uniquely positioned to contribute to, and benefit from, evolving climate policies
- Net-Zero emissions commitment by 2050 reflects our goal to become a leader in environmental stewardship
- Advancing the electric grid will provide robust capital investment opportunities
- Natural gas, renewable natural gas, and gas distribution assets will play a vital role in ensuring clean, secure, low-cost energy

# Appendix

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- 20 Rate Relief Summary
- 21 Regulatory Recovery Mechanisms
- 22 GAAP Reconciliation



# GAAP Return on Average Common Equity

GAAP Return on Equity over the last twelve months

Company	Average Common Equity	LTM ROACE <sup>(1)</sup>
Northern Utilities	\$247	7.8%
Unitil Energy Systems	\$118	9.8%
Fitchburg Gas and Electric	\$110	8.6%
Granite State Gas	\$21	9.6%
<b>Unitil Corporation</b>	<b>\$458</b>	<b>9.0%</b>

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

# Rate Relief Summary

Successful regulatory strategy resulting in awards from both capital trackers and rate cases

Company	Activity	Millions	Date Effective
Northern Utilities (New Hampshire)	Base Rate Case Increase	\$6.1	Q3 2022
	Capital Tracker (Step Adjustment)	\$1.6	Q3 2022
Northern Utilities (Maine)	Capital Tracker	\$1.5	Q2 2022
	Deferred Rate Case Item	\$0.6	Q4 2022
Unitil Energy Systems	Base Rate Case Increase	\$5.9	Q2 2022
	Capital Tracker (Step Adjustment)	\$1.3	Q3 2022
Fitchburg (Electric)	Electric Capital Tracker	\$1.5	Q1 2023
	Electric Grid Modernization	\$0.4	Q2 2022
Fitchburg (Gas)	Gas Capital Tracker	\$1.1	Q2 2022
Granite State Gas	Capital Tracker	\$0.3	Q3 2022

# Key Regulatory Recovery Mechanisms

## Timely Rate Recovery

	Unitil Energy	Fitchburg - Electric	Fitchburg - Gas	Northern - ME	Northern - NH
Revenue Decoupling	✓	✓	✓		✓
Power/Gas Supply	✓	✓	✓	✓	✓
Supply Related Bad Debt	✓	✓	✓	✓	✓
Energy Efficiency	✓	✓	✓		✓
Transmission	✓	✓			
Net Metering Credits	✓	✓			
Specific Capital Investment <sup>(1)</sup>	✓	✓	✓	✓	✓
Solar Incentives		✓			
Long Term Renewable Contracts		✓			
Environmental Remediation			✓	✓	✓
Vegetation Mangement	✓				
Storm Recovery	✓	✓			
Pension / PBOP		✓	✓		
Exogenous Costs		✓	✓		✓
Local Property Taxes	✓			✓	

(1) Latest rate case provided step increases for Unitil Energy related to 2021 and 2022 capital investment and 2021 for Northern - NH

# GAAP Reconciliation of Adjusted Gross Margin

Twelve Months Ended December 31

## Twelve Months Ended December 31, 2022 (\$ millions)

	Electric	Gas	Other	Total
Total Operating Revenue	\$ 297.9	\$ 265.3	\$ ---	\$ 563.2
Less: Cost of Sales	(199.1)	(121.4)	---	(320.5)
Less: Depreciation and Amortization	(25.4)	(36.3)	(0.9)	(62.6)
GAAP Gross Margin	73.4	107.6	(0.9)	180.1
Depreciation and Amortization	25.4	36.3	0.9	62.6
Adjusted Gross Margin	\$ 98.8	\$ 143.9	\$ ---	\$ 242.7

## Twelve Months Ended December 31, 2021 (\$ millions)

	Electric	Gas	Other	Total
Total Operating Revenue	\$ 248.5	\$ 224.8	\$ ---	\$ 473.3
Less: Cost of Sales	(151.1)	(91.7)	---	(242.8)
Less: Depreciation and Amortization	(25.9)	(32.6)	(1.0)	(59.5)
GAAP Gross Margin	71.5	100.5	(1.0)	171.0
Depreciation and Amortization	25.9	32.6	1.0	59.5
Adjusted Gross Margin	\$ 97.4	\$ 133.1	\$ ---	\$ 230.5