

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2 TO THE
FORM U-1
APPLICATION AND DECLARATION
UNDER THE
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

UNITIL CORPORATION
UNITIL RESOURCES, INC.
UNITIL SERVICE CORP.
216 Epping Road
Exeter, New Hampshire 03833
(Name of companies filing this statement and
address of principal executive offices)

UNITIL CORPORATION
(Name of top registered holding company
parent of each applicant or declarant)

Gail A. Siart
Treasurer
UNITIL CORPORATION
216 Epping Road
Exeter, New Hampshire 03833
(Name and address of agent for service)

The Commission is requested to mail copies of
all orders, notices and communications to:

William S. Lamb, Esq.
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, New York 10019-5389

Unitil Corporation, a New Hampshire corporation

("Unitil") and a registered holding company under the Public
Utility Holding Company Act of 1935 (the "Act"), its wholly owned
subsidiary, Unitil Resources, Inc., a New Hampshire corporation
("URI") and its service company subsidiary, Unitil Service Corp.,
a New Hampshire corporation ("Unitil Service"), each of Exeter,
New Hampshire (collectively, the "Applicants"), hereby file this
Pre-Effective Amendment No. 2 to their Application and
Declaration on Form U-1 (the "Application") with the Securities
and Exchange Commission (the "Commission").

The Applicants are seeking authorization from the
Commission under Sections 6(a), 7, 9(a), 10, 12 and 13(b) of the
Act and Rules 45, 54, 87, 90 and 91 thereunder for URI to expand
its business activities to include wholesale and retail energy
marketing and related activities.

Item 1. DESCRIPTION OF PROPOSED TRANSACTION

A. Request for Authority for URI to Provide Energy
Marketing and Related Services

As authorized by order dated May 24, 1993 (HCAR No.
25816) (the "1993 URI Order"), URI is currently engaged in the

business of providing energy related management and consulting services to entities outside the Unitil holding company system. Unitil is hereby seeking authorization for URI expand its authorized activities to include engaging in transactions as a "marketer" of electricity, natural gas and other energy commodities ("Energy Marketing"). In general terms, following the proposed expansion, URI's Energy Marketing activities will involve arranging the sale and purchase, transportation, transmission and storage of electricity, natural gas or other energy commodities for a commission as well as entering into contracts to purchase electricity, natural gas or other energy commodities from suppliers and resell it to utility and nonutility customers.

While initially concentrated in the New England region, URI's potential customer base ultimately may include individuals and entities located outside the New England region.

URI's Energy Marketing arrangements may be undertaken on long or short term durations and pursuant to individualized terms and conditions, and sales of energy to groups of customers would likely be aggregated together for purposes of obtaining competitive wholesale energy supplies. In some cases, URI may acquire energy supplies and then market that energy to customers as competitively as possible, whereas in other cases, URI may establish contracts with customers and then acquire energy supplies to meet the customer's requirements. Although the transactions URI proposes to engage in may take a variety of different forms, a typical transaction might involve the purchase of power from a utility or nonutility generator, contracting with other utilities for the transmission of that power, and the resale of that power by URI to a utility or to an end-user.

Although URI believes that the bulk of its Energy Marketing activities will involve marketing electricity or gas, it also believes that in order to compete effectively with other suppliers in the competitive marketplace who can provide a full range of energy options to meet customer demands, URI will also need to be able to engage in transactions for energy sources other than electricity and gas. Unitil and URI therefore also seek authority to undertake competitive market transactions involving other energy commodities such as oil, refined petroleum

products, liquids, coal, wood and other similar combustible substances.

Fitchburg Gas and Electric Light Company ("FG&E"), an electric and gas utility subsidiary of Unitil, is engaged in the gas utility business. Three of Unitil's public utility subsidiaries, namely Concord Electric Company ("Concord"), Exeter & Hampton Electric Company ("E&H") and FG&E, currently purchase other petroleum fuels for their own use. In addition, electric supplies acquired to meet the electrical needs of Unitil's retail customers include generating sources using the entire spectrum of fuel sources, including coal and wood.

In addition, customer requirements, particularly at the retail level are also expected to include conservation and other technical services ("Energy Management"). Specifically, URI may engage in general demand side management and energy usage consulting services. URI may also provide limited engineering services to customers for power quality management (ensuring uninterrupted supplies, proper grounding of equipment and related matters) and power factor correction, both of which are designed to help customers manage their power efficiency, supply and cost. The provision of these Energy Management services will not involve the issuance of any securities. URI seeks authority to undertake such Energy Management services on a competitive basis, in order to be able to satisfy customer requirements under competitive market conditions. Unitil believes that these Energy Management services, together with Energy Marketing services, will allow URI to offer complete Energy Management services and solutions to customers on a competitive basis. Indeed, Unitil expects that URI's Energy Marketing services and Energy Management services will often be marketed jointly to customers who are seeking the maximum value on a total energy basis from their energy suppliers.

Concord, E&H and FG&E currently provide demand side management services to their customers, including, among other things, hot water heater tank and pipe wrapping, energy efficient lighting, heating and cooling programs, energy audits and provision of rebates in connection with energy efficient equipment.

Concord, E&H and FG&E currently perform these functions for their own systems and, on occasion, perform such services for customers.

At the outset, Unitil Service, pursuant to its service agreement with URI, will provide the staff and facilities necessary to perform all of the Energy Marketing and the bulk of the related activities of URI, including gas and power supply

planning and contracting, marketing, sales, customer services, engineering, operations management, conservation services design and contracting and related management and professional services. Unitil Service currently provides similar services to other Unitil system companies. Moreover, Unitil Service personnel have extensive knowledge of the markets for electric power and natural gas and in evaluating potential electric power and natural gas suppliers, negotiating supply contracts and arranging for the transmission and pooling of electric power, both because the Unitil system operating companies obtain most of their electric power supply through competitive wholesale power purchases and because of their experience with Unitil's gas business. URI will reimburse Unitil Service at cost for the services provided, in the same manner as any other Unitil affiliate company. If needed in the future, URI could employ its own staff.

Some personnel of Unitil's operating utility subsidiaries may perform certain of the technical and engineering functions that are part of URI's demand side management services. No operating utility personnel will provide any services for URI's operations if it impairs their ability to provide services to the relevant system operating utility.

In order to manage the risk associated with its Energy Marketing and related activities, URI will use marketing hedging techniques, match obligations to market prices, contractually limit damages and volume and enter into relatively short term contracts, all of which are efforts to minimize the financial exposure of Unitil through its guarantees. URI will not engage in speculative trading in the energy market, will limit hedging activity to no more than the total amount of commodities of URI that are subject to market price fluctuation and will engage in such activities in accordance with Unitil system policy with respect to price risk. Unitil will not seek recovery through higher rates to the Unitil system's utility customers in order to compensate Unitil for any possible losses that it may sustain on investments in URI or for any inadequate returns on such investments.

Such techniques include futures, forwards, swaps and option contracts relating to the energy commodities in which URI deals.

In connection with the proposed business expansion, on

the federal level, URI must seek authority from the Federal Energy Regulatory Commission ("FERC") under Section 205 of the Federal Power Act to conduct wholesale electric power marketing activities and such activities will be subject to appropriate limitations, conditions and control as determined by federal law and the FERC. Specifically, URI will be unable to purchase electric energy or capacity from, or sell these products to, any affiliated companies in the Unitil holding company system unless specifically authorized by the FERC. In addition, URI will be unable to charge competitive, market based rates at wholesale unless its affiliated utility companies have filed open access transmission tariffs acceptable to the FERC, and until URI has satisfied the FERC that it has mitigated any market power which it may have. URI represents that it will not engage in any wholesale electric power marketing activities until all requisite approvals from the FERC under Section 205 of the Federal Power Act have been obtained. With regard to wholesale gas marketing, because Unitil does not own an interest in an interstate pipeline, URI is authorized under Section 284.402 of the Natural Gas Act to engage in gas marketing activities pursuant to a statutory blanket marketing certificate.

See USGen Power Services, L.P., 73 FERC para. 61,302 (1995).

See Heartland Energy Service, Inc., 68 FERC para. 61,223 (1994).

On the state level, transactions between URI and retail consumers will occur under appropriate state commission authorization. Although URI itself will not own any facilities for generating, transmitting or distributing power or the transmission and distribution of gas and therefore will not be deemed a utility under most state laws, including New Hampshire and Massachusetts law, URI will only be able to undertake retail electric power marketing activities in the context of state legislative or regulatory initiatives, such as the New Hampshire Retail Wheeling Pilot Program and the Massachusetts Industry Restructuring Proceedings. URI's retail gas marketing activities will occur pursuant to state approved local distribution company transportation tariffs and other regulations and URI's other retail energy commodity activities will only be undertaken in accordance with all applicable state regulations.

Thus, URI's retail energy marketing activities will be effectively limited to those permitted by the state regulators in any state in which URI intends to conduct such activities.

Currently, URI has been authorized to engage in retail power sales pursuant to the terms of the NH Pilot Program by the NHPUC. Under the NH Pilot Program, each franchised New Hampshire utility must allow customers representing 3% of their peak load to have access to alternative suppliers of electricity for a two year period. The NHPUC has determined that state franchised utilities will not be permitted to sell power at retail to NH Pilot Program customers, but affiliated power marketers may participate in the NH Pilot Program as suppliers. To participate in the NH Pilot Program, suppliers must obtain membership in the New England Electric Power Pool ("NEPOOL") or contract with a NEPOOL member in order to ensure adequate power supply resources. As previously discussed, New Hampshire is also considering legislation that would require state franchised utilities to file plans by July 1997 to provide all customers with open access to alternative suppliers. Utilities can compete in the NH Pilot Program only through separate affiliate companies such as URI. Moreover, such affiliated companies will have limited ability under the NH Pilot program to contract with customers of non-affiliated electric utilities in New Hampshire. URI also meets the requirements to participate in two pilot programs (the "Mass Pilots") in Massachusetts being conducted by Massachusetts Electric Company ("Mass Electric"), a subsidiary of New England Electric System ("NEES"), under the auspices of the MDPU. Under the first Mass Pilot, residential, small commercial and industrial customers of Mass Electric, representing 100 million kilowatthours per year, will be allowed to choose from the retail suppliers participating in the program. Under the second Mass Pilot, it is expected that there will be two separate requests for proposals to supply 200 kilowatthours to the members of the Massachusetts High Technology Council, Inc. currently being served by Mass Electric and New England Power Company, a NEES subsidiary engaged in wholesale power sales, will be restricted to winning only one bid. The terms of the Mass Pilots have been reviewed and approved by the MDPU and URI will be eligible to participate in the Mass Pilots as a supplier. As noted in the MDPU approval, "in the transition to a competitive market structure, the pilot programs will provide valuable experience to

[Mass Electric], customers and other participants that will be active in a competitive market." Because the Unitil system is franchised in Massachusetts and will be required to participate in the Massachusetts Industry Restructuring Proceedings and URI will likely function as the supplier in any resulting programs, participation in the Mass Pilots will provide particularly valuable experience to URI and is clearly related to the system's operations in Massachusetts. Although it is expected that URI will be authorized to engage in retail activities in the future in a number of states and most particularly URI expects to participate as permitted in the Massachusetts Industry Restructuring Proceedings and the New Hampshire legislative efforts in the near future, request is hereby made for the SEC to reserve jurisdiction over retail energy marketing activities other than sales of electricity in New Hampshire pursuant to the NH Pilot Program and sales of electricity in Massachusetts pursuant to the Mass Pilots, pending completion of the record with information confirming that all necessary state commission approvals for such retail activities have been granted. Unitil has notified the MDPU and the NHPUC, the two state regulatory commissions with jurisdiction over the operating public utilities in the Unitil holding company systems, of the plan to expand URI's business activities. Overall, URI will not enter into any electric power purchase or sale contracts that are not within federal or state regulatory purview and URI's gas and other energy commodity marketing activities and Energy Management activities will be undertaken in accordance with all applicable federal and state laws.

Under the provisions of NHRSA 374:26-a, enacted in June of 1995, the New Hampshire Public Utilities Commission (the "NHPUC") on November 20, 1995, in Docket DR 95-250, issued Guidelines (the "Guidelines") for a Retail Wheeling Pilot Program (the "NH Pilot Program"). Under this program suppliers will have the opportunity, as of May 1996, to make retail sales to a selected group of retail customers in New Hampshire under a competitive program operated under the auspices of the NHPUC. In addition, the New Hampshire Legislature has recently passed House Bill No. 1392 providing for a transition to full retail competition by January 1, 1998 and which, if signed by the Governor, would require state franchised utilities to file compliance plans by July 1, 1997.

On May 1, 1996, the Massachusetts Department of Public Utilities (the "MDPU") issued proposed rules in Docket D.P.U. 96-100 for the restructuring of the electric industry. Final rules are expected to be adopted in September 1996, requiring the unbundling of utility rates by January 1, 1997, and the implementation of a competitive generation market by January 1, 1998.

See Exhibit D-1.

The proposed expansion of URI's activities will not result in URI becoming an electric utility company within the meaning of section 2(a)(3) of the Act or a gas utility company within the meaning of Section 2(a)(4) of the Act. URI will not own or operate any facilities used for the generation, transmission or distribution of electric energy for sale or the distribution at retail of natural gas for heat, light or power, and will not invest, directly or indirectly, in such facilities or operations of any third party, whether through a joint venture, partnership or debt or equity financing. The Commission has previously indicated that marketers engaged in the sale activities in which URI intends to engage are not electric utility companies as defined in Section 2(a)(3) of the Act, and has authorized gas marketing subsidiaries as non-utility subsidiaries.

See, e.g., Enron Power Marketing, Inc., SEC No-Action letter, Ref. No. 94-1-OPUR, (Jan. 5, 1994); CRSS Power Marketing, Inc., SEC No-Action letter, Ref. No. 94-4-OPUR, (March 31, 1994); Electric Clearinghouse, Inc., SEC No-Action letter, Ref. No. 94-5-OPUR, (Apr. 13, 1994); Inter-Coast Power Marketing Co., SEC No-Action letter, Ref. No. 95-15-OPUR, (Dec. 6, 1994); AIG Trading Corporation, SEC No-Action letter, Ref. No. 95-1-OPUR, (Jan. 20, 1995) and Tucson Electric Power Co., SEC No-Action letter, Ref. No. 95-20-OPUR, (September 26, 1995).

Consolidated Natural Gas, HCAR No. 24329 (Feb. 27, 1987).

Section 9(a)(1) of the Act provides that without prior approval from the Commission, "it shall be unlawful for any registered holding company or any subsidiary company thereof, . . ., to acquire, directly or indirectly, any securities or utility assets or any other interest in any business." The expansion of the business activities of URI to include Energy Marketing and Energy Management appears to qualify as an acquisition of an interest in a new business. Section 10 contains the requirements for an application for such authorization as well as a number of standards that must be met for approval, including that the acquisition would not be "detrimental to the carrying out of the provisions of section 11." Finally, Section 11(b)(1) limits Unitil to a single integrated utility system and "such other business as are reasonably incidental, or economically necessary or appropriate"

to the operations of the integrated public utility system of the holding company. In addition, any services to be performed by Unutil Service for URI must meet the standards of Section 13 of the Act and the rules promulgated thereunder.

Energy Marketing and Energy Management are functionally related to the operations of Unutil's integrated public utility system as they are closely related to utility operations and engaging in such activities is in the public interest and the interest of investors and consumers as well as other Unutil system companies. First, Unutil believes the utility industry has evolved in a manner that makes Energy Marketing an essential part of an operating utility system and entering into this business is a significant and necessary step in allowing Unutil to compete in the utility industry. As the Division of Investment Management recognized in its recent report on the Regulation of Public Utility Holding Companies, the utility industry is undergoing dramatic changes and restructuring that requires utility companies to expand beyond traditional utility services in order to remain competitive. As a result:

the SEC must continue to respond flexibly to change in the utility industry. Toward this end, the Division believes that the registered holding companies should be permitted to invest in diversified activities without unnecessary regulatory obstacles and recommends consideration of a rule that would exempt, subject to certain conditions, investments in specified energy-related activities from prior SEC approval.

Unutil believes that the proposed Energy Marketing and related Energy Management Services activities will enhance its ability to compete in a utility industry which is undergoing dramatic changes that require utility companies to expand beyond traditional utility services and offer a complete range of energy services in order to remain competitive. As the Commission has recognized, fundamental changes in the energy industry are leading to an increasingly competitive and integrated market, in which marketers deal in interchangeable units of energy expressed in BTU's, rather than natural gas or electricity. The gas and electric utility industry is undergoing a rapid evolution toward a broadly based energy-related business, one that is no longer focused solely on the traditional, regulated, production and distribution functions of a utility, and one in which a number of companies, including exempt holding companies, stand-alone utilities, and power marketing companies, that are not

subject to the Act, are marketing and brokering energy commodities in an effort to meet growing customer demand for a full range of energy options.

The Regulation of Public Utility Holding Companies
(June 1995) (the "Report").

Report at 87.

See Consolidated Natural Gas Company, HCAR No. 26512 (April 30, 1996) (hereinafter, the "CNG Order") ("it appears that the restructuring of the electric industry now underway will dramatically affect all United States energy markets as a result of the growing interdependence of natural gas transmission and electric generation, and the interchangeability of different forms of energy, particularly gas and electricity").

For example, UtiliCorp United and Pacific Gas & Electric Enterprises both have established nonutility energy services subsidiaries to offer, among other things, gas and electric power to customers nationwide. Electric Utility Week, May 8, 1995 (regarding UtiliCorp); The Energy Daily, August 23, 1995 (Regarding PG&E). See also, Business Wire, April 29, 1996 (discussing NorAm Energy Corp.'s plans for nationwide gas and electric energy services). Similarly, Panhandle Eastern Corp. has recently changed its name to PanEnergy Corp. to "reflect the company's expanding scope of energy services beyond the traditional interstate natural gas pipeline business." (Reuters, April 24, 1996), and Enron Corp. and NGC Corp., which have significant gas and power marketing operations, are expanding their operations, indicating that "customers in the future will want energy services, not a specific fuel." Inside FERC, February 23, 1996.

Unitil also believes that URI's engaging in Energy Marketing activities is consistent with national policy, is beneficial to the Unitil system and is in the public interest as well as the interests of investors and consumers. Specifically, URI's Energy Marketing services will contribute to the recognized national policy to promote efficient and competitive energy markets. The entry into the market of new power and gas marketers should promote greater competition in the electric and gas marketplace and result in lower prices for these commodities. Thus, various sources of competitively priced electricity and gas will become more readily available to the electric power and gas market in general and to the existing Unitil system operating companies in particular. All consumers of electric power will benefit as the alternatives for supply of electricity and gas increase and competition among electric power and gas suppliers grows, including Unitil system customers. Unitil believes that these benefits, coupled with URI's risk management methods and with Unitil's undertaking not to seek

recovery through higher rates to the Unitil system utility customers for losses on investments in URI for Energy Marketing activities, minimizes risks to system customers and ensures that such activities are not detrimental to the proper functioning of the Unitil system.. To the extent that URI's activities promote the competitiveness of the Unitil system and to the extent that URI generated additional profit from its Energy Marketing and Energy Management services, this business expansion should have a positive impact on the value of Unitil's capital stock and therefore be to the benefit of investors as well as consumers.

See CNG Order ("The Commission has recognized the national policy to promote efficient and competitive energy markets"), citing Eastern Utilities Associates, HCAR No. 26232 and the Report at 22-23 and 30-31.

URI's Energy Marketing and Energy Management activities also will benefit the Unitil system companies by permitting allocation of Unitil Service's expenses across a broader base. To the extent that these new activities permit greater utilization of Unitil Service's existing resources, all of the Unitil system companies will benefit.

For example, a higher percentage of certain fixed costs of Unitil Service that are allocated based on proportional use of services from Unitil Service will likely be allocated to URI, instead of to rate-based companies.

Finally, URI's proposed Energy Marketing and related Energy Management Services activities are closely related to the core utility operations and energy business of the Unitil system, "reasonably incidental, or economically necessary or appropriate" to the utility operations of the Unitil system, and "necessary or appropriate in the public interest or for the protection of investors and consumers and not detrimental to the proper functioning" of the Unitil system, as required by the plain language of section 11(b)(1) of the Act. In addition, the Commission has previously approved the same type of wholesale and retail Energy Marketing and related activities proposed here as being "functionally related" and consistent with the requirements of section 11(b)(1) as they have been construed by the Commission.

See infra notes 23 and 25.

As recommended in the Report, the Commission has released for public comment a proposed new Rule 58, which creates a "safe harbor" to exempt from the prior approval requirements of Sections 9(a)(1) and 10, the acquisition of up to the greater of \$50 million or 15% of the holding company's consolidated capitalization by registered holding companies of the securities certain "energy-related" businesses (and, in the case of gas holding companies, gas-related businesses).

As proposed, the definition of energy related activity includes "the brokering and marketing of energy commodities, including but not limited to electricity and natural or manufactured gas," as well as "the rendering of energy conservation and demand-side management services." Although the rule has not been promulgated as of yet and is thus unavailable for the Applicants, proposed Rule 58 clearly indicates that the Commission may interpret such marketing and services as acceptable activities within the parameters of Section 11(b)(1) as it is currently written.

Indeed, the new rule does not contain any geographic or revenue requirements (e.g., an energy related activity need not occur within the service territory of the holding company's operating public utilities, nor must any percentage of operating revenues from any energy related activity derive from services provided to associated companies), thereby indicating that Section 11(b)(1) does not require marketers in a registered holding company system to meet those standards.

60 Fed. Reg. 33,642 (June 28, 1995) (the "Release").

As previously discussed, the Unitil system contains both electric and gas operations.

Moreover, in the recent CNG Order, the Commission authorized a registered holding company to form a new subsidiary to "purchase, sell, supply, market, broker or otherwise trade electricity, gas or other fuels; provide electricity or fuel management services; and engage in activities or perform services related to the foregoing." In the CNG Order, the Commission recognized that activities virtually identical to the proposed wholesale Energy Marketing services of URI are functionally related to utility operations within the meaning of Section 11(b)(1) of the Act in light of current industry conditions and that the entry into the energy marketing business

by registered holding companies promotes the development of competitive markets and is consistent with national policy. It should be noted that in the CNG Order, the Commission authorized activities in addition to those contemplated by URI (i.e., Clean Air Act compliance activities) but did reserve jurisdiction over all retail activities, pending authorization by the relevant state commissions and, if necessary, FERC, for the CNG to engage in such activities. The Commission subsequently has authorized two registered holding companies operating in New Hampshire and Massachusetts to form new subsidiaries to participate in the NH Pilot Program and the Mass Pilots, the same retail activities for which Unitil, a holding company operating in Massachusetts and New Hampshire, is requesting authority for URI herein. URI's participation in the NH Pilot Program and the Mass Pilots is a part of Unitil's plan to participate effectively in the core of its business in New Hampshire and Massachusetts. Indeed, in the case of the NH Pilot Program, the NHPUC has requested that the Commission permit Unitil and other registered systems that have utility subsidiaries in New Hampshire to participate in the NH Pilot Program. Unitil believes such participation meets the standards of Section 11(b)(1) of the Act.

CNG Order at 3.

CNG Order at 11-12.

New England Electric System, HCAR No. ___ (May __, 1996) and Eastern Utilities Associates, HCAR No. ___ (May __, 1996).

Finally, although the CNG Order is an order authorizing a registered gas system to participate in energy marketing activities, the Commission based its decision largely on the fact that "the utility industry is evolving toward a broadly based energy-related business that is no longer focused solely on traditional, regulated, production and distribution functions of a utility, and focused on the evolution of the energy market through the Federal Power Act, the Energy Policy Act of 1992 ("EPAct") and other legislative initiatives. While the Commission did note some gas utility-specific initiatives, its general holding is applicable to energy marketing by both gas and electric holding company systems. In the case at hand, the Unitil system is primarily an electric utility system, although

it is also a gas utility system, and Unutil believes in the interests of national policy and consistent with the standards of the Act, it should be permitted to compete on the same level and engage in the same energy marketing activities as gas-only registered systems.

CNG Order at 11, citing the Release.

It should be noted that even prior to the CNG Order, the Commission has authorized various registered companies to engage in a wide range of gas and some energy marketing activities in the past. Similarly, the Commission authorized Northeast Utilities' operating utility subsidiaries and Northeast Utilities Service Company to expand their business activities to include the marketing and brokering of power to non-affiliates both within and outside the operating companies' service territory. Additionally, a number of other registered holding companies have entered into the energy marketing business through their affiliated exempt wholesale generators ("EWGs"). Pursuant to the terms of EAct and Section 32 of the Act, an entity with EWG status, which is determined by the FERC, is not a public utility company for purposes of the Act and may be acquired by registered holding company systems. In a number of decisions, the FERC has noted that the congressional conference report that accompanied EAct specifically stated that the "definition of an EWG has been drafted to permit an EWG to sell wholesale power that it has not generated itself." The FERC has interpreted this language to mean that an EWG can conduct energy marketing activities involving power it did not generate, and can be certified to charge market based rates in such transactions, without jeopardizing its status as an EWG, subject to certain limitations established by the FERC. Because Unutil does not currently own an interest in an EWG, it is seeking separate Commission authorization for its Energy Marketing activities.

Release at 12, citing Consolidated Natural Gas Co., HCAR No. 24329 (Feb. 27, 1987) (authorizing gas marketing subsidiary) and Entergy Co., HCAR No. 25848 (June 8, 1993) (authorizing sale of consulting services to non-affiliates, including expertise relating to brokering of power).

Northeast Utilities Service Company, HCAR No. 26359

(August 18, 1995). Although Northeast Utilities ("NU") stated that such marketing activities will occur principally in the New England, New York, Pennsylvania, New Jersey, Maryland and Delaware area, no specific geographic limitations on such activity were imposed by the Commission. It should be noted that NU's application to the FERC for authorization to charge market based rates was initially denied primarily because the transmission tariff filed by NU did not follow the pro forma tariff promulgated by FERC. Such application was recently conditionally granted on the condition that NU delete the non-conforming language from its transmission tariff within 15 days of February 14, 1996. See Northeast Utilities Service Company, 74 FERC para. 61,135 (1996).

See, e.g., CNG Power Services Corporation, 71 FERC para. 61,378 (1995); Southern Energy Marketing, Inc., 71 FERC para. 61,376 (1995); Wholesale Power Services, Inc. 72 FERC para. 61,284 (1995) (power marketing by CINergy affiliate); and Energy Power Marketing Corporation, 73 FERC para. 61,063 (1995).

See, e.g., CNG Power Services Corporation, 71 FERC para. 61,378 (1995); LG&E Power Marketing, Inc., 60 FERC para. 61,083 (1994). See also, H.R. Conf. Rep. No. 102-108, 102nd Cong. 2nd Sess. 388 (1992). The EWG is defined as "a person engaged directly, or indirectly through one or more affiliates..., and exclusively in the business of owning or operating, or both owning and operating, all or part of one or more eligible facilities and selling electricity at wholesale." (emphasis added).

See supra note 11.

Similarly, the Energy Management services for which URI is requesting authorization herein are functionally related activities and are permissible within the meaning of Section 11(b)(1) of the Act. Proposed Rule 58 lists "the rendering of energy conservation and demand side management and services" and "the development and commercialization of electro-technologies related to energy conservation, storage and conversion, energy efficiency . . . and similar innovations" as well as "the sale of technical, operational, management, and other similar lands of services and expertise, developed in the course of utility operations" as energy related activities. In addition, the Commission has authorized registered holding company subsidiaries to engage in demand side management services and utility-related consulting and engineering services numerous times in the past. See Central and South West Corporation, HCAR No. 26367 (Sept. 1, 1995) (authorizing subsidiary to engage in energy consulting and demand side management services to customers); American Electric Power Company, HCAR No. 26267 (April 5, 1995) (authorizing subsidiary to provide demand side management services); and General Public Utilities Corp., HCAR No. 25108 (June 26, 1990) (authorizing engineering and management services subsidiary). See also, American Electric Power Company, HCAR No. 22468 (April

28, 1982); The Southern Company, HCAR No. 22132 (July 17, 1981); and New England Electric System, HCAR No. 22719 (Nov. 19, 1982) (in each case, authorizing formation of new subsidiary to sell energy management and consulting services to third parties).

Overall, authorization for URI to engage in Energy Marketing and Energy Management activities will aid in the development of a more competitive energy marketplace. Participation by energy marketers such as URI will increase competitive market pressures and, thus, increase the likelihood that new products and services will develop as market needs are identified and that, as a result, customer choice will increase. As set forth above, URI's proposed Energy Marketing and related Energy Management activities are closely related to the core energy business of the Unitil system and are "reasonably incidental or economically necessary or appropriate" thereto within the meaning of Section 11(b)(1) of the Act and accordingly, Unitil should be permitted to engage in competitive Energy Marketing and Energy Management activities through URI, which will then allow URI to compete on the same basis as other companies.

B. Request for Authority for Unitil to Provide Indemnifications and Guarantees to URI

URI may, from time to time, need Unitil to indemnify third parties, to guarantee performance of its obligations or payment of its debts and/or to act as surety for its activities. The need for such guarantee authority relates to the market practice pursuant to which energy marketing companies, such as URI, demonstrate their financial credibility with customers. Energy marketing companies, though entering into many contracts for high volumes of gas or power, are often not highly capitalized due to the nature of their operations. This absence of high capitalization has caused some would-be customers to be apprehensive of the risk of dealing with such marketing companies. However, often times such marketing companies are subsidiaries of financially strong parent companies. Consequently, the usual method for establishing the financial credibility of the marketing company is by the parent (such as Unitil) standing behind its subsidiary through guarantees, thus allowing the subsidiary to compete effectively in increasingly deregulated markets. The Applicants request approval through December 31, 2000 for Unitil to indemnify and guarantee the power

and fuel transactions of URI. Such indemnities and guarantees will not exceed more than \$30,000,000 in the aggregate outstanding at any one time.

C. Request for Authority for Unitil Service to Provide Services to URI

As stated above, URI will contract with Unitil Service for personnel to perform most of URI's Energy Marketing and Energy Management activities. Services provided by Unitil Service personnel to URI will not impair the ability of Unitil Service personnel to continue to provide services to other system companies. As a result, the Applicants do not anticipate the need to hire additional employees at the outset in order to perform assignments obtained by URI at this time.

While Unitil Service employees are assigned to a URI activity, they will continue to be employees of and paid by Unitil Service. URI will reimburse Unitil Service for their compensation, including benefits, during that time pursuant to the terms of the existing service company agreement between URI and Unitil Service. Unitil Service will also continue to provide URI with accounting, credit, financial, management, technical and clerical support in accordance with the terms and conditions of the existing service agreement between URI and Unitil Service. No more than five percent of the employees of the Unitil holding company system will render, directly or indirectly, services to URI at any one time. In addition, URI will continue to be subject to the existing limitation that no more than 5% of the employees of Unitil's public utility subsidiaries render, directly or indirectly, services to URI at any one time. All costs associated with such staff (including compensation, overhead and benefits) will be fully reimbursed by URI in accordance with Rules 90 and 91. Reimbursements for these costs will be on a thirty-day cycle in accordance with the requirements of the existing service agreement between URI and Unitil Service. The Applicants request authority for Unitil Service to provide the additional services to URI, necessary to allow URI to undertake Energy Marketing and Energy Management activities as testified above.

If URI's operations expand significantly, the Applicants may decide that it has become viable to hire a separate staff for URI, which would also ensure that URI's increased operations do not impair other system

company operations.

See 1993 URI Order. Although the Commission has limited certain registered holding company systems to no more than 2% of operating company personnel to be engaged in certain non-utility operations in other situation, given Unitil's small size, 2% of such personnel would be insufficient for URI's operations. Moreover, it is important to keep in mind that unlike the situation in the NEES Order, URI is not a newly formed subsidiary engaged solely in retail marketing activities. URI, in fact, will not only undertake wholesale activities and Energy Management activities but will also continue to offer the consulting services authorized in the 1993 URI Order. URI will need personnel for each of these activities. Unitil believes that the 5% limit coupled with its undertaking that URI's use of personnel will not interfere with Unitil's operating companies operations provides a sufficient safeguard for the operating companies.

D. Involvement of Unitil System
Companies with Exempt Wholesale
Generators and Foreign Utility
Companies

Neither Unitil nor any subsidiary thereof presently has, or as a consequence of the proposed transaction will have, an interest in any EWG or foreign utility company ("FUCO"), as those terms are defined in Sections 32 and 33 of the Act, respectively. None of the proceeds from the proposed transactions will be used by URI to acquire any securities of, or any interest in, an EWG or FUCO. Moreover, neither Unitil nor any subsidiary thereof is, or as a consequence of the proposed transaction will become, a party to, and such entities do not and will not have any rights under, a service, sales or construction agreement with any EWGs or FUCOs except in accordance with the rules and regulations promulgated by the Commission with respect thereto. All applicable requirements of Rule 53(a)-(c), 17 C.F.R. Section 250.53(a), (b) and (c) are satisfied as required by Rule 54 and, in any event, Unitil does not own any interest in any EWG or FUCO.

E. Reports to be Filed with the Commission

URI will continue to file quarterly reports with the Commission within 60 days after the end of each calendar quarter as currently required by the 1993 URI Order. These reports will include the following additional information:

- (1) Description of the Energy Marketing and Energy Management activities undertaken by URI, including the type of activity, the name(s) of clients, the location(s) where the activities took place, the nature of the legal instrument under which such activities were performed; and the compensation received during the quarter and cumulatively to date. URI will also provide the Commission with a break-down of the number of kilowatt hours sold, by customer class, by URI broken down between retail and wholesale power marketing or power

sales;

- (2) Description of expenses incurred by URI in connection with Energy Marketing and Energy Management activities, during the quarter and cumulatively to date;
- (3) Description of the staffing of URI's Energy Marketing and Energy Management projects during the quarter and cumulatively to date, including the number and type of personnel assigned by Unitil Service, noting the percentage of time committed to the projects; and
- (4) A balance sheet, a twelve months ending income statement and a statement of cash flow on either a divisional basis or consolidating basis that will identify wholesale and retail power marketing, energy commodity sales and Energy Marketing and Energy Management services.

In addition, URI will continue to file with the

Commission an annual report of its activities for the preceding calendar year using, where appropriate, the Form U-13-60 reporting format pursuant to Rule 94.

Item 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses of the Applicants expected to be paid or incurred, directly or indirectly, in connection with the transactions described in this Application are estimated as follows:

Commission filing fee relating to the Application	\$ 2,000
Legal fees	\$25,000
Miscellaneous	\$ 5,000
Total	\$32,000

Item 3. APPLICABLE STATUTORY PROVISIONS

The sections of the Act, and rules or exemptions thereunder, that the Applicants consider applicable to the transactions described in this Application are set forth below:

- | | | |
|-------|---|---|
| (i) | Authorization for URI to provide energy marketing and related services | Sections 9(a) and 10 |
| (ii) | Services provided by Unitil Service to URI | Section 13(b), Rules 87(b)(1), 90 and 91 |
| (iii) | Indemnification of third parties, guarantees of payment and performance, acting as a surety | Sections 6(a), 7 and 12(b), Rules 45 and 54 |

To the extent that the transactions described in this Application are considered by the Commission to require authorization, approval or exemption under any section of the Act or the rules thereunder other than those specifically referred to

in this Application, Unitil, URI and Unitil Service hereby request such authorization, approval or exemption.

Item 4. REGULATORY APPROVALS

The FERC has jurisdiction over any interstate wholesale electric power sales by URI, and any related interstate transmission arrangements as well as wholesale gas sales. Unitil's wholly-owned subsidiary, Unitil Power Corp., has a pending application filed with the FERC for approval of its proposed tariff for power sales to suppliers participating in the NH Pilot Program, including URI. Proposed power marketing transactions of URI with retail customers, and rates and terms for those transactions must meet the requirements of state law and will be conducted under the regulatory purview of the appropriate state utility regulatory commissions. URI has submitted the requisite information to the NHPUC and is authorized to participate in the NH Pilot Program as a supplier in accordance with the requirements established by the NHPUC. URI also meets the criteria approved by MDPU to participate as a supplier in the Mass Pilots. No state regulatory body or agency and no Federal agency or commission, other than this Commission, has jurisdiction over the proposed securities and service transactions described in this Application.

Item 5. PROCEDURE

The Commission issued and published the requisite notice under Rule 23 with respect to the filing of this Application on March 8, 1996, and no intervention occurred within the specified time period. The Commission may therefore issue an order granting and permitting this Application to become effective.

The Applicants respectfully request that appropriate and timely action be taken by the Commission in this matter. No recommended decision by a hearing officer or other responsible officer of the Commission is necessary or required in this matter. The Division of Investment Management of the Commission may assist in the preparation of the Commission's decision in this matter. There should be no thirty-day waiting period between the issuance and the effective date of any order issued by the Commission in this matter, and it is respectfully requested that any such order be made effective immediately upon

the entry thereof.

Item 6. EXHIBITS AND FINANCIAL STATEMENTS

a. Exhibits

D-1 Letter Order of MDPU

D-2 Summary of Terms of Retail Pilot Programs

F-1 Opinion of Counsel

F-2 "Past Tense" Opinion of Counsel
(to be filed by amendment)

G-1 Proposed Form of Public Notice (previously filed)

b. Financial Statements

(1) Unitil Corporation and Subsidiary
Companies
Consolidated Statements of Earnings (previously
filed)

(2) Unitil Corporation and Subsidiary
Companies Consolidated Balance
Sheets (previously filed)

(3) Unitil Corporation and Subsidiary
Companies Consolidated Statements of
Cash Flows (previously filed)

(4) Unitil Corporation and Subsidiary
Companies Notes to Consolidated
Financial Statements (previously
filed)

Item 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS

None of the matters that are the subject of this

Application involve a "major Federal action" nor do they

"significantly affect the quality of the human environment" as

those terms are used in section 102(2)(C) of the National

Environmental Policy Act. None of the transactions that are the

subject of this Application will result in changes in the

operation of the company that will have an impact on the

environment. The Applicants are not aware of any Federal agency

which has prepared or is preparing an environmental impact

statement with respect to the transactions which are the subject

of this Application.

SIGNATURE

Pursuant to the requirements of the Public Utility

Holding Company Act of 1935, the undersigned companies have duly

caused this Application to be signed on their behalf by the

undersigned thereunto duly authorized.

Unitil Corporation
Unitil Resources, Inc.
Unitil Service Corp.

By: /s/ Gail A. Siart

Gail A. Siart
Secretary and Treasurer
Unitil Corporation
Vice President and Treasurer
Unitil Resources, Inc.
Senior Vice President
Unitil Service Corp.

Date: May 20, 1996

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Gentlemen:

This opinion is furnished to the Securities and Exchange Commission (the "Commission") in connection with the filing with the Commission of the Application/Declaration on Form U-1 (File 70-8773) of Unitil Corporation (the "Company") and its wholly-owned subsidiaries, Unitil Resources, Inc. ("URI") and Unitil Service Corp. ("Unitil Service") under the Public Utility Holding Company Act of 1935 (the "Application"). The Application seeks an expansion of the Commission's authorization of the activities of URI and the provision of related services by Unitil Service.

We have acted as counsel for the Company, URI and Unitil Service and in connection with this opinion we have examined originals or copies certified or otherwise identified to our satisfaction of:

(1) The charter documents and by-laws of the Company, URI and Unitil Service, as amended to date;

(2) Minutes of meetings of the Company's, URI's and Unitil Service's shareholders and directors, as kept in their respective minute books;

(3) The Commission's order dated May 24, 1993 (HCAR No. 25816) authorizing the current activities of URI; and

(4) The documents and agreements pertaining to the transactions described in the Application and such other certificates, documents and papers as we deemed necessary or appropriate for the purpose of rendering this opinion.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid agreements, instruments, certificates and documents. In addition, we have examined such questions of law as we considered necessary or appropriate for the purpose of rendering this opinion.

Based on the foregoing, and subject to the final paragraph hereof, we are of the opinion that when the Commission has taken the action requested in the Application:

(1) All state laws applicable to the transactions described in the Application have been complied with;

(2) The Company, URI and Unitil Services are validly organized and duly existing;

(3) When issued as described in the Amendment, any evidence of indebtedness issued by URI to non-affiliates, and any guarantee by the Company in respect thereof, will be valid and binding obligations of URI and the Company, respectively, in accordance with their terms, subject to laws of general application with respect to rights and remedies of creditors and subject to equitable principles; and

(4) The consummation of the transactions described in the Application will not violate the legal rights of the holders of any securities issued by the Company, URI or Unitil Service.

We hereby consent to the use of this opinion as an exhibit to the Application.

We are not, in this opinion, opining on laws other than the laws of the State of New Hampshire and the federal laws of the United States.

Very truly yours,

LeBoeuf, Lamb, Greene & MacRae, L.L.P.

April 3, 1996

Thomas G. Robinson, Esq.
Massachusetts Electric Company
25 Research Drive
Washington, MA 01582

Re: Retail Access Pilot Programs

Dear Mr. Robinson:

On March 4, 1996, Massachusetts Electric Company ("MECo" or "Company") submitted two retail access pilot programs to the Department of Public Utilities ("Department") for review. In the first pilot program, the Company proposes to implement retail choice to residential and small commercial and industrial customers in the communities of Lawrence, Lynn, Northampton, and Worcester. The second pilot program extends retail choice to members of the Massachusetts High Technology Council ("MHTC") who are currently served under the Company's G-3 rate. The Company proposes to commence the residential and small commercial and industrial pilot effective September 1, 1996, and the MHTC pilot effective July 1, 1996. The Company has provided unbundled rates for each pilot program that tie directly to its February 16, 1996 industry restructuring proposal. See D.P.U. 96-25, Exhibit PTZ-13.

The residential and small commercial and industrial pilot would be available to customers currently served under the R-1, R-2, R-4, G-1, and G-2 rates for up to 10,000 customers representing 100 million kilowatthours per year (50 million set aside for residential customers) of electricity usage.

The second pilot program would provide retail choice for up to 200 million kilowatthours of electricity usage.

The residential and small commercial and industrial pilot would terminate on December 31, 1997, and the MHTC pilot would continue until direct access is generally available to customers.

The Company stated that approval of the pilot programs is appropriate for several reasons (MECo Cover Letter at 2). First, the pilot programs will allow the Company to test the metering and billing protocols that will be used to develop broader programs. Second, the pilot programs will allow suppliers to aggregate loads, transfer capability responsibilities, and work through the NEPOOL settlement process. Third, the pilot programs will provide a test of the market. In addition, the Company stated that, because participation is voluntary and participants may return to MECo's filed rates at any time, customers will not be harmed by the pilot programs. The Company also stated that, because New England Power Company will bear the risk of any under-recovery, non-participants will not be harmed by the pilot programs (DPU-IR-3).

In the transition to a competitive market structure, the pilot programs will provide valuable experience to the Company, customers, and the other participants that will be active in a competitive market. Accordingly, with the understanding that the Company's customers that do not participate in the programs are not harmed by their implementation, the Department approves the pilot programs. In addition, the Department understands that the Company will file a pilot distribution tariff with the Federal Energy Regulatory Commission, with the rates, terms and conditions approved by the Department. Finally, in approving the pilot programs, the Department makes no findings on the merits of the Company's restructuring proposal (D.P.U. 96-25).

Sincerely,

/s/
John B. Howe, Chairman

/s/
Mary Clark Webster, Commissioner

/s/
Janet Gail Besser, Commissioner

cc: Mary L. Cottrell
George Dean, Assistant Attorney General

1. New Hampshire

The NHPUC has stated that the NH Pilot Program is designed "to determine whether retail competition in the electric utility industry can promote lower retail rates for all customers without compromising the reliability and safety of the power supply system." Order of the New Hampshire Public Utilities Commission on the Retail Competition Pilot Program Establishing Final Guidelines and Requiring Compliance Filings (Order No. 22,033, dated Feb. 28, 1996). The NH Pilot Program will gather information on the demand, by customer class, for competitive electric services and the interest of competitive generators to supply those services. It will also test whether customers of all classes have sufficient bargaining power to benefit from a deregulated power market. The NHPUC guidelines request state utilities to file transmission tariffs with the FERC and the New Hampshire commission to guard against discriminatory and anticompetitive transmission access. Providing additional protection, the NHPUC will remain involved in the implementation of the New Hampshire Pilot Program. The NHPUC will monitor the progress of the New Hampshire Pilot Program, in part, through information required to be submitted by franchised utilities, competing suppliers and New Hampshire Pilot Program customers. In addition, the NHPUC will be available to resolve disputes between customers, utilities and competitive suppliers.

The New Hampshire Pilot Program requires participating customers to negotiate their supply of electric power. The customer, either directly or through an energy broker, marketer or other agent, will be responsible for obtaining generation, transmission and distribution services. The customer may opt to purchase all the services from one supplier. The customer bears all financial and reliability risks. To mitigate such risks, the New Hampshire Pilot Program requires all competitive electric suppliers to obtain NEPOOL membership or contract with a NEPOOL member.

2. Massachusetts

In a submission to the Massachusetts Commission proposing the pilot programs, Mass Electric represented that the Massachusetts Pilots will test the potential for customers to lower their electric bills in a competitive marketplace. Mass Electric further stated that the Massachusetts Pilots are designed to allow Mass Electric to work out logistical and administrative details of retail choice, such as metering and billing, before retail wheeling is implemented on a state-wide basis. In addition, the pilot programs proposed by Mass Electric provide safeguards to protect consumers. As in the New Hampshire Pilot Program, the Massachusetts Pilots require electric suppliers to be, or to contract with, members of NEPOOL. In addition, pilot participants may opt to return to standard service at any time. Finally, Mass Electric has represented that it will not attempt to shift any losses to captive ratepayers. The Massachusetts Commission approved implementation of the pilots in reliance on these factors, with the specific understanding that customers of Mass Electric that do not participate are not harmed. See Letter, dated April 3, 1996, from the Chairman and commissioners of the Massachusetts Commission to Thomas G. Robinson, counsel for Mass Electric. The Massachusetts Commission further conditioned its approval on Mass Electric filing distribution tariffs for the pilot programs with the FERC, with the rates, terms and conditions approved by the Massachusetts Commission.

The first Massachusetts Pilot, beginning July 1, 1996, will provide retail choice to high technology customers that are member of the Massachusetts High Technology Council ("Technology Council") (this program is hereinafter referred to as the "MHTC Pilot"). The second Massachusetts Pilot will offer retail choice to residential and small commercial and industrial customers in the communities of Lawrence, Lynn, Northampton and Worcester beginning September 1, 1996 (this program is hereinafter referred to as the "Community Pilot"). Under the MHTC Pilot, the Technology Council will solicit bids from alternative power suppliers, and select one supplier for each bid, on behalf of its Pilot participants. Under the community Pilot, a program administrator will be responsible for

choosing the power supply options, and marketing and administering the program for participating customers. Winning bidders in both Massachusetts Pilots must be a member of NEPOOL or, if not, have an agreement with a NEPOOL member, which will ensure that NEPOOL requirements concerning supply and reliability are met.

The MHTC Pilot will provide retail choice for up to 200 million kilowatthours of electricity usage.

The Community Pilot will be available to up to 10,000 customers representing 100 million kilowatthours per year of electricity usage.

The administrator will be hired by Mass Electric. Mass Electric will pay the administrator a fixed fee plus a bonus for delivering program participants, the total of which shall not exceed \$75,000. The Community Pilot provides that this amount will be added to the generation price that customers pay.

Mass Electric will charge all power suppliers for distribution, transmission and access, at regulated rates.