



# Unitil

## Unitil Corporation Earnings Conference Call Second Quarter 2017

*Financial and  
Other Information - July 27, 2017*

# Safe Harbor Provision

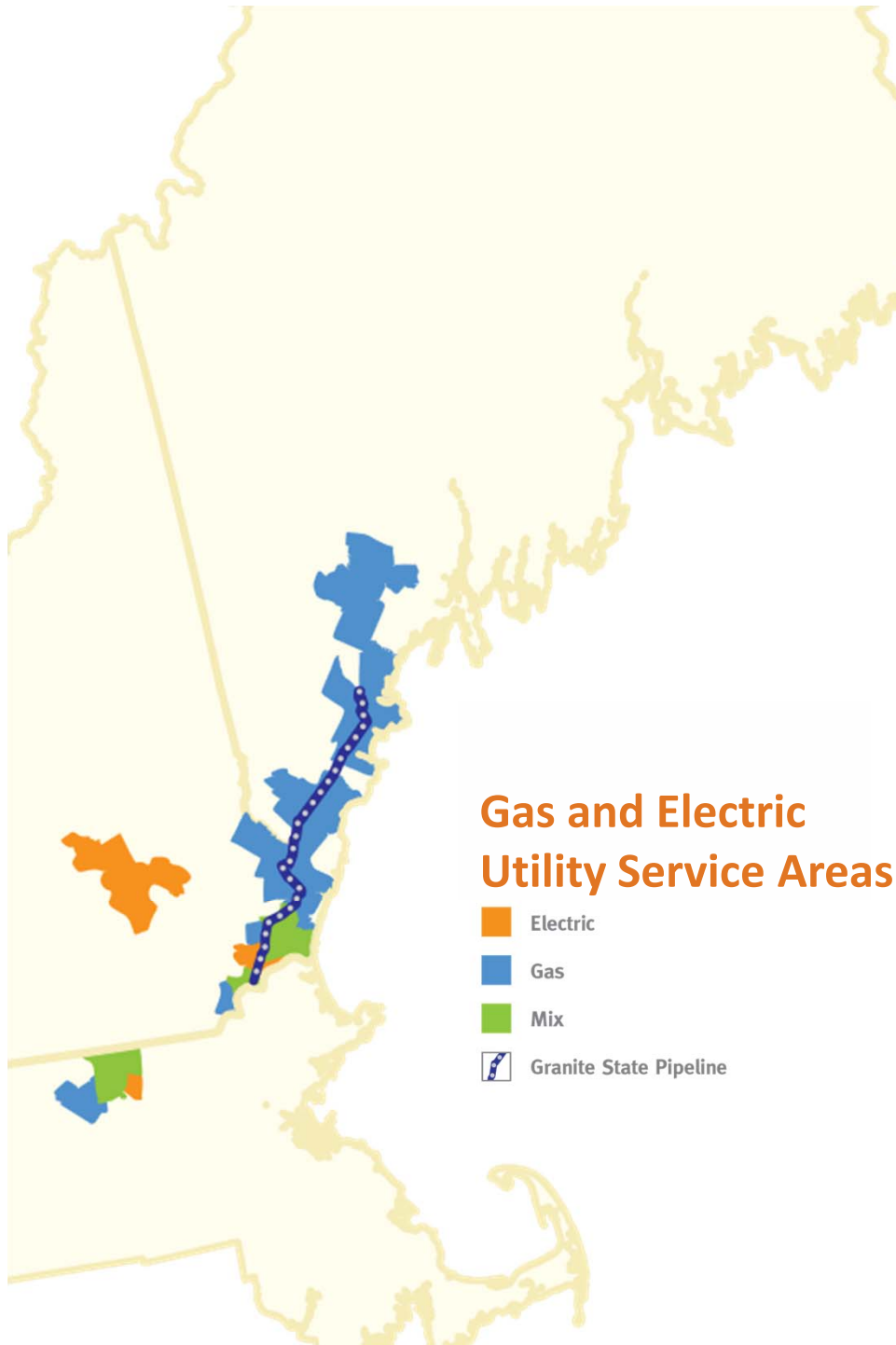
This presentation contains “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding Unitil Corporation’s (“Unitil”) financial condition, results of operations, capital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

These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that could cause the actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include: Unitil’s regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, demand for, and the prices of energy commodities and transmission capacity and Unitil’s ability to recover energy commodity costs in its rates; customers’ preferred energy sources; severe storms and Unitil’s ability to recover storm costs in its rates; general economic conditions; changes in taxation; variations in weather; long-term global climate change; catastrophic events; numerous hazards and operating risks relating to the Unitil’s electric and natural gas distribution activities; Unitil’s ability to retain its existing customers and attract new customers; Unitil’s energy brokering customers’ performance and energy used under multi-year energy brokering contracts; increased competition; integrity and security of operational and information systems; publicity and reputational risks; and other risks detailed in Unitil’s filings with the Securities and Exchange Commission, including those appearing under the caption “Risk Factors” in Unitil’s Annual Report on Form 10-K for the year ended December 31, 2016.

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, Unitil undertakes no obligation to update any forward-looking statements to reflect any change in Unitil’s expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.



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



## About Unitil

Natural gas and electric distribution utility with **operations in three states** serving ~185,000 customers

### Growing operations and customer base

Regulated gas and electric rate base

Robust natural gas system expansion

Constructive regulation

We provide **energy for life**, safely and reliably delivering natural gas and electricity in New England

# Q2 2017 Financial Results

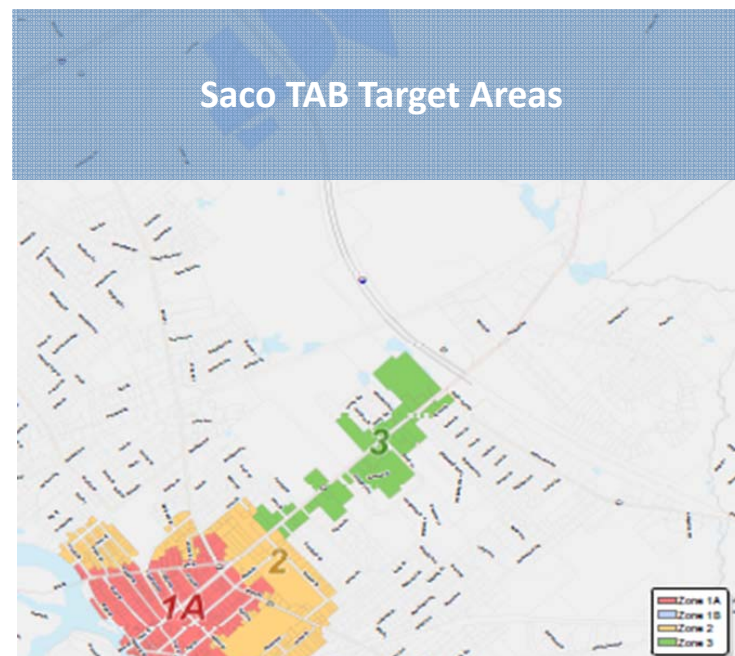
- Second quarter 2017 Net Income of \$3.1 million, or \$0.23 per share
  - Increase of \$0.6 million, or \$0.05 per share, compared to 2016
- Year-to-date 2017 Net Income of \$15.5 million, or \$1.11 per share
  - Increase of \$2.1 million, or \$0.15 per share and 15.6%, compared to 2016
- Improved financial results driven by higher natural gas and electric sales margins as well as continued customer growth

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions excluding EPS)	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net Income	\$3.1	\$2.5	\$15.5	\$13.4
Earnings Per Share	\$0.23	\$0.18	\$1.11	\$0.96



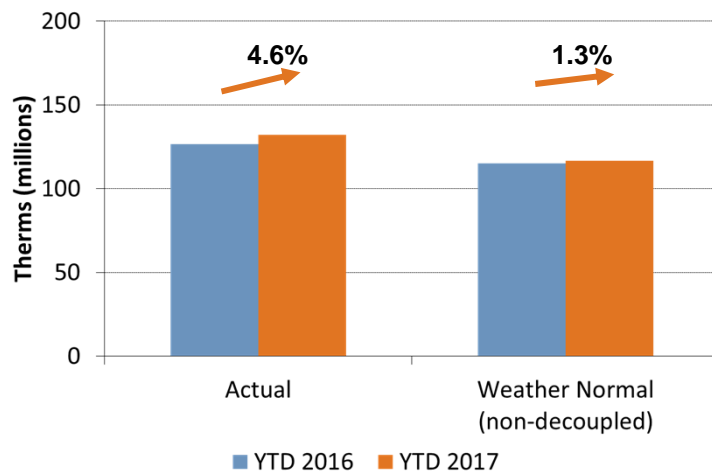
# Key Operations Highlights

- **Targeted Area Buildout (TAB)**
  - Saco, Maine
    - Market potential of 1,000 customers
  - Sanford, Maine
    - Market potential of 2,000 customers
- **Gas Infrastructure Replacement**
  - New Hampshire gas division will complete its infrastructure replacement program in 2017
  - Maine gas division will complete its infrastructure replacement program by 2024
- **Electric Substation**
  - Placed in service new distribution substation in Concord, New Hampshire, culminating multi-year investment of ~\$25 million in two new substations
- **Fitchburg, MA 1.3 MW Solar Project**
  - Investment of \$3.5 million operational by Q4 2017
- **Regulation**
  - \$4.1 million electric base rate case approved in Q2
  - Filed for \$10.7 million of base rate relief for NH and ME gas divisions during Q2



# Gas Units Sales & Margin

**Natural Gas Sales**



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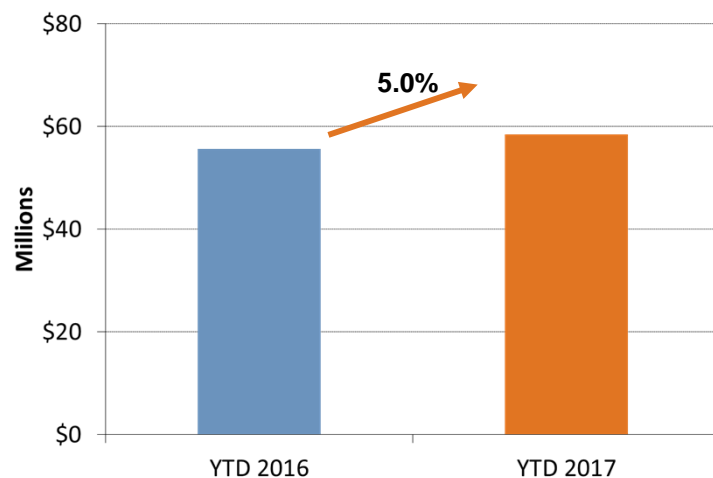


## Key Performance Drivers

### Unit Sales up 4.6%

- 1.0% more heating degree days than prior year
- Growth in residential / C&I customers – ~800 year-over-year
- Residential sales up 10.0%

**Natural Gas Sales Margin**



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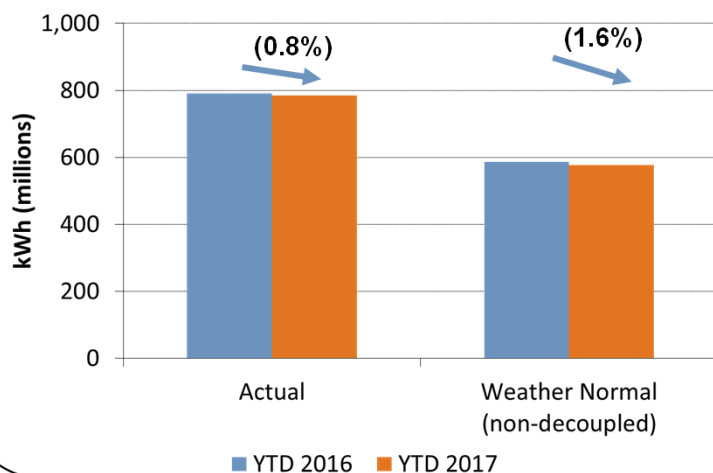
## Key Performance Drivers

### Sales Margin up \$2.8 million

- \$1.7 million favorable impact from higher base rates
- \$1.1 million favorable impact from customer growth

# Electric Units Sales & Margin

**Electric Sales**



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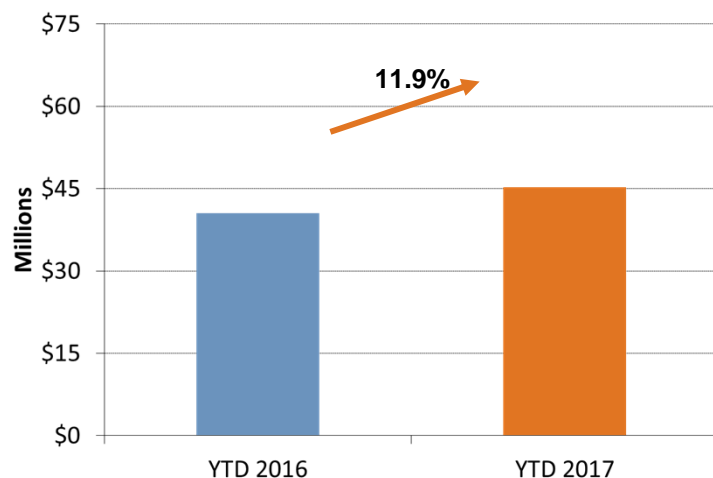


## Key Performance Drivers

### Unit Sales down 0.8%

- Ongoing energy efficiency initiatives dampen growth
- Growth in residential / C&I customers – >1,000 year-over-year
- Residential sales up 1.2%

**Electric Sales Margin**



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## Key Performance Drivers

### Sales Margin up \$4.8 million

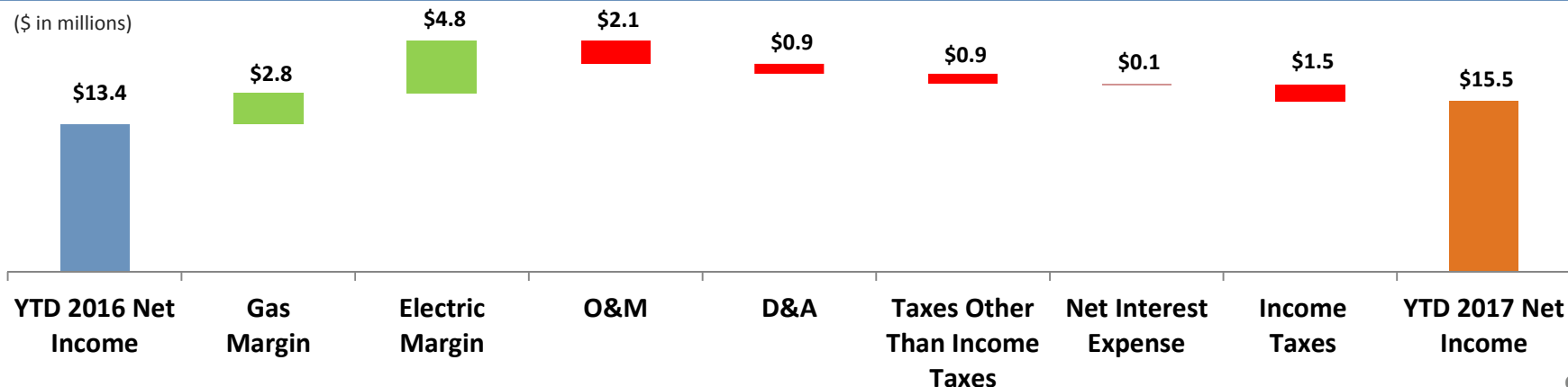
- \$4.4 million favorable impact from higher base rates and residential sales growth



# YTD Variance: 2017 vs 2016

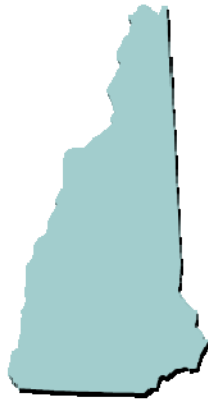
- Net Income up \$2.1 million, or 15.7%
- Gas margin up \$2.8 million, or 5.0%
- Electric margin up \$4.8 million, or 11.9%
- O&M increase of \$2.1 million, or 6.3%; reflecting higher utility operating costs, including higher vegetation management costs (recoverable in electric rates) and higher compensation and benefits costs
- D&A increase of \$0.9 million, or 3.8% reflects higher utility plant in service
- Taxes other than income taxes increase of \$0.9 million, or 9.2% primarily reflects higher property taxes on higher levels of utility plant in service
- Net Interest expense increase of \$0.1 million, or 0.9% reflects an increase in interest expense on short-term debt, partially offset by higher net interest income on regulatory assets and repayment of higher cost long-term debt
- Income taxes up by \$1.5 million, reflecting higher pre-tax earnings in the current period

## Variance Analysis



# Rate Case Updates

## New Hampshire



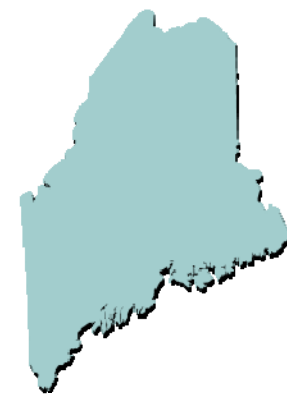
### Unitil Energy

- Settlement agreement approved on April 20, 2017
- \$4.1 million permanent electric revenue increase
- Permanent rates retroactively trued up to temporary rates of \$2.4 million effective July 1, 2016
- Three-year rate plan (\$0.9 million first year increase)

### Northern New Hampshire

- Base rate increase request of \$4.7 million
- Entered into settlement agreement for temporary rate relief of \$1.6 million effective August 1, 2017
- Requested long-term rate plan with base rate step adjustments
- Final order expected Q3 2018

## Maine



### Northern Maine

- Base rate increase request of \$6.0 million
- Requested to amend and extend current Targeted Infrastructure Replacement Adjustment (TIRA) mechanism
- Final order expected Q1 2018

# Regulatory Policy Update

- Grid modernization proceedings
  - Effort to improve the reliability, resiliency and operational efficiency of the electric grid while empowering customers to use their electricity more efficiently and facilitating the integration of distributed energy resources
  - Regulatory initiatives supporting new investment in the distribution system are underway in both Massachusetts and New Hampshire
  - Preliminary planned spending of \$24 million is currently in the approval process in Massachusetts
  - New Hampshire grid modernization plan is still under regulatory review and development
- Net Metering/Distributed Energy Resources
  - On June 23, 2017 the New Hampshire Public Utilities Commission issued an order on net metering of distributed generation installations
  - Order removes the existing cap on the total amount of generation capacity eligible for net metering for the short term while a longer-term process of valuation and redevelopment is pursued
  - Customers were currently receiving a 100% distribution credit; the order changes this credit to 25% of distribution charges
  - Order represents a step forward and improvement in regulatory policy towards net metering in New Hampshire alleviating some of the cost shift between distributed generation and non-distributed generation customers

# Long-Term Financings

- On July 14, 2017 Northern Utilities, Fitchburg and Granite State, entered into agreements to issue and sell \$90 million collectively of Senior Unsecured Notes (Notes) through a private placement marketing process to institutional investors
- Financings driven by capital expenditures and sinking fund retirements of higher cost debt
  - Total sinking fund retirements of \$66 million from 2017-2019
- **Northern Utilities**
  - \$20 million of Notes due 2027 at 3.52%
  - \$30 million of Notes due 2047 at 4.32%
- **Fitchburg**
  - \$10 million of Notes due 2027 at 3.52%
  - \$15 million of Notes due 2047 at 4.32%
- **Granite State**
  - \$15 million of Notes due 2027 at 3.72%
- Anticipated funding November 1, 2017; net proceeds will be used to refinance higher cost long-term debt maturing later in 2017, to repay short-term debt and for general corporate purposes

# 2017 Return on Equity

## Subsidiary Q2 2017 Return on Equity

(\$ in millions) Company	Weighted Average Common Equity	06/17 LTM ROE <sup>(1)</sup>
Northern Utilities (New Hampshire)	\$147.0	7.8%
Northern Utilities (Maine)		
Unitil Energy	\$78.3	10.3%
Fitchburg (Electric)	\$72.7	9.6%
Fitchburg (Gas)		
Granite State	\$13.3	10.5%
Unitil Corporation	\$288.8	10.1%

(1) ROE calculated by dividing last twelve months GAAP Net Income by Weighted-Average Common Equity

**Authorized ROE Range of 9.5%-9.8%**

## Rate Plans and Cost Trackers

### Northern Utilities (Maine and New Hampshire Gas)

- Capital tracker adjustment in Maine of \$1.1 million effective May 1, 2017
- Recently filed base rate cases at both divisions in Q2 2017 with long-term capital cost tracker mechanisms

### Unitil Energy (New Hampshire Electric)

- \$4.1 million settlement agreement approved April 20, 2017
- Three-year rate plan recovering 80% of plant additions - first year step adjustment of \$0.9 million effective May 1, 2017

### Fitchburg (Massachusetts Electric)

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

### Fitchburg (Massachusetts Gas)

- \$1.6 million base rate increase effective May 1, 2016
- Long-term pipe replacement capital tracker provides estimated rate adjustments averaging ~\$0.6 million effective May 1 annually

### Granite State (FERC Pipeline)

- Capital tracker adjustment of ~\$0.2 million pending approval August 1, 2017



# Key Investment Highlights



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