

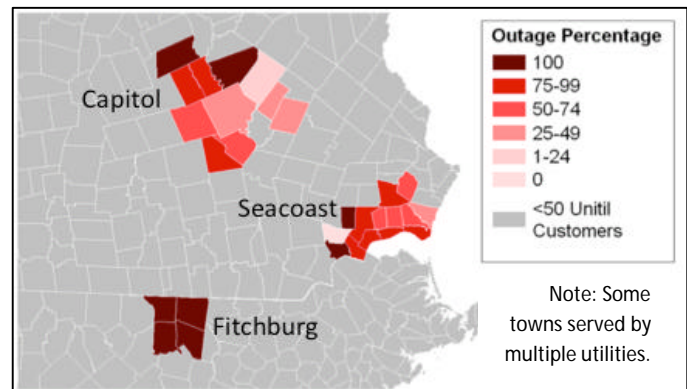
Background

The December 2008 Ice Storm and Unitil's Response

Unitil is committed to providing safe, reliable and convenient service to our customers and the communities we serve. This commitment is reflected in the investments we have made in our electric infrastructure and updated technology, in the dedication of the employees that live and work in the communities we serve and in our corporate leadership and contributions to community and economic development. This commitment requires that we apply the lessons from the Ice Storm to improve our emergency plans, storm response and communications and by so doing, to become a better company.

The December 11, 2008 ice storm was unprecedented. The physical destruction to Unitil's electric infrastructure was extraordinary, as was the impact on Unitil's customers and the amount of work required to restore power. This storm and the subsequent restoration were difficult times for the company and its employees, for local public officials and employees and, most importantly, for our customers. In an effort to best serve our customers, Unitil is applying the lessons learned from the 2008 Ice Storm and implementing changes to ensure timely restoration of service and effective communications in future major storms. The details are provided in the completed Self-Assessment Report. The following is a summary of the storm and its impact on the Unitil system and customers.

Unprecedented Damage to Unitil's System – On December 11, 2008, a destructive ice storm devastated portions of New England and New York State. The weight of the ice caused limbs and sometimes whole trees to come crashing down onto electrical infrastructure snapping utility poles in half, knocking down electrical lines and tearing meters from homes. The damage in large areas of Massachusetts and New Hampshire was unprecedented. An estimated 1.2 million electric customers across the Northeast were affected. Unitil was among the hardest hit of all utility systems in the region. The damage was far beyond anything Company management or the crews involved in the restoration had ever seen before. At the peak, power was disrupted to more than two-thirds of the company's customers, including 41,000 in New Hampshire and all 28,500 of Unitil's customers in Massachusetts. The map shows the percentage of Unitil customers without power by town.



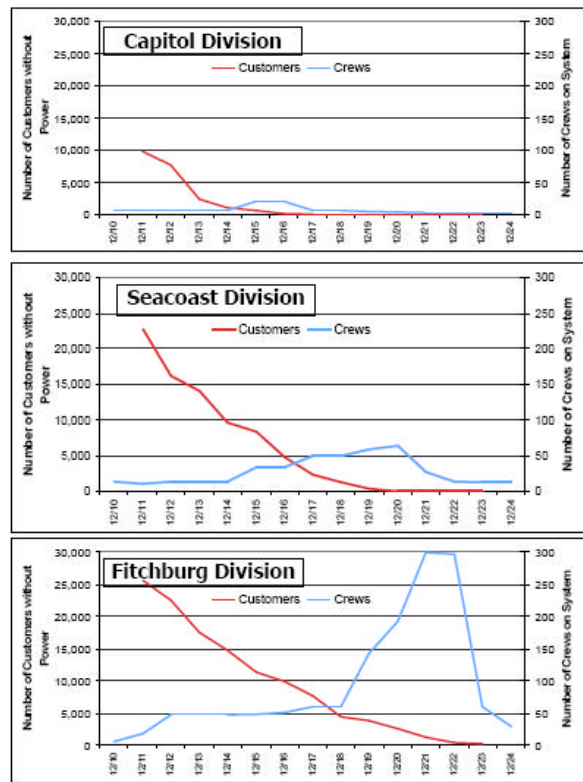
Limited Available Resources – Unitil, like all utilities, maintains a complement of full-time, year-round workers to maintain normal operations and in the case of an emergency adds contractors or personnel from other utilities. In this case, the demand for outside resources across the region was extraordinary – there were simply not enough trained and equipped utility workers available. Utilities in New England, including Unitil, had to rely on mutual aid crews from as far away as Pennsylvania, Ohio, Michigan and Tennessee, and Unitil repeatedly sought additional crews throughout the restoration period. Significant crew resources did not become available in New England until after Unitil had completed restoration in New Hampshire. In assigning crews, Unitil's goal was to accomplish full restoration to all customers at approximately the same time. Therefore, the system area with the most damage was assigned the greatest amount of resources. If any area completed restoration before others, those resources were then assigned to the other location.

Time-Consuming Restoration – The work required to restore power was unprecedented, and so was the heroic effort of our employees and the dedicated utility workers from inside and outside the region who worked tirelessly to restore service to customers. Hundreds of broken poles and crossarms, hundreds of miles of line, and thousands of individual service lines lay in a jumble of broken and fallen trees and limbs on the ground, including almost half of Unitil's 500 miles of primary circuitry. The challenges were particularly difficult in our service area in Massachusetts – an estimated 150 to 200 miles of overhead lines were downed – on a system with only 500 miles of overhead lines.

Background

Given the enormous effort required to rebuild the system, the limited resources available to the Company, and the need to address transmission and main distribution lines first, the progress from the perspective of some customers and public officials was painfully slow. The charts show the pace of restoration that was achieved in Unitil's three service areas. The left-hand scale shows the number of customers out of service, while the right-hand scale shows the number of crews available for the restoration effort.

An Expanding Communications Gap - The damage from the 2008 Ice Storm was unprecedented and so was the demand for information from customers and the public. Unitil's telephone system provided general storm updates and automatically logged outage reports, but as the days wore on, customers wanted more detailed information and they increasingly wanted to talk to a person rather than hear a recorded message. Customer frustration increased, leading to longer call handle times and an increased number of escalated calls requiring supervisor involvement. At times customers were not able to get through to the call center. Public officials also complained about difficulties in reaching the Company.



The Company's communication efforts were also compromised by the difficulty of providing accurate estimated restoration times. As the initial extent of the damage became apparent, Unitil's focus shifted from damage assessment to power restoration. However, as the restoration proceeded and repairs to the distribution system proved to be more extensive and time-consuming than initially estimated, the estimated restoration times increased. This led to frustration and a loss of confidence by customers and public officials in the information being provided.

Lessons Learned: Changes Needed – Unitil understands why some customers and public officials are not satisfied with the time it took to restore power after the 2008 Ice Storm, and is aware that our communication procedures and information led to frustration and, in some cases, to a loss of trust. To help us understand what we can do better, Unitil engaged Robert C. Yardley, former Chairman of the Massachusetts Department of Public Utilities, to help conduct an internal self-assessment of our restoration plans and efforts. His report identifies key recommendations that will help improve Unitil's ability to prepare for and respond to future outages. The recommendations and lessons learned cover damage assessment, power restoration activities, logistics support, public and customer communications, maintenance activities to “harden” infrastructure against a storm, and forward-looking planning activities.

Conclusion – The Ice Storm of 2008, by far the worst storm ever to hit the Unitil system, provided us with many valuable lessons. Unitil has been committed to learning all it possibly can from the experience and welcomes the input it has received from the public, customers, elected officials and our own employees in this effort. The company has already begun to implement the changes needed to improve our response to the challenges posed by a major storm in the future and will continue to implement the recommendations that have come out of the self-assessment process. We will be a better company as a result.