

September 2009



**UNITIL / NORTHERN
TRANSITION PLAN REPORT**

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Transition Plan Report
September 15, 2009

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SECTION 1: EXECUTIVE SUMMARY

The Transaction Closing ("Closing") occurred on Monday, December 1, 2008. On that date, Unitil Corporation ("Unitil" or the "Company") acquired all of the stock of Northern Utilities, Inc. ("Northern") and Granite State Gas Transmission, Inc. ("Granite"). Since the Closing, Unitil worked to transition the companies to Unitil systems and continued to receive various levels of support under the Transition Services Agreement ("TSA") between Unitil and NiSource and its affiliates, including Bay State Gas Company ("Bay State"). With the completion of the integration of Northern's customer portfolio, which was completed by Unitil in July, the transition of Northern and Granite is substantially complete with only minor miscellaneous follow-up items.

In past Transition Plan Reports, we provided information regarding the two major components of Unitil's Transition Plan: a) the Business Integration Plan ("BIP"), and b) the TSA between Unitil and NiSource and its affiliates. The first component of the Transition Plan, the BIP, contained the individual, functional Go-Live plans, which are now complete, prepared by Unitil's Functional Integration Team Leaders ("FIT's") in conjunction with their NiSource and Bay State counterparts. The second component of the Transition Plan, Transition Services under the TSA, began on December 1, 2008. To ensure there was no interruption or diminution to the quality of service to customers, Unitil provided written notices to NiSource to extend Transition Services for the First and Second Extension Periods. For a detailed discussion of historical events, please refer to the Transition Plan Reports that were filed for the preceding months. As of this filing, Transition Services had been provided at various levels of support for over nine months and the level of Transition Services is now limited to a small population of specific tasks. The Second Extension Period will expire on September 30, 2009, and no further extensions are contemplated.

In this September Transition Plan Report, we provide: i) a discussion and a summary of capital expenditures to date, and ii) a discussion of Transition Services and a summary of expenditures for Transition Services to date.

This September Transition Plan Report will be the final Transition Plan Report filed with the regulators in Maine and New Hampshire.

SECTION 2: BUSINESS INTEGRATION PLAN – UPDATE

A) Capital Projects – Expenditures: Summary

As noted in prior Transition Plan Reports, Unitil identified certain capital projects, which are necessary to achieve the potential synergy savings. Unitil will seek cost recovery for the expenditures related to these capital projects in future rate case filings. The status of the capital project expenditures as of August 31, 2009, is presented below:

Authorization	Original Budget	Expenditures to Date
CUSTOMER SERVICE PROJECTS:		
Billing Conversion - Customer Information Systems	\$ 930,000	\$1,822,297
Interfacing - Customer Information Systems / Web-based Customer Systems, Metering, Ledgers & Reporting	544,000	578,858
Measurement - MV90 xi Network Server & Communications Equipment	147,000	156,147
G - Intake (Operations & Business Development)	71,400	100,722
Telecom Upgrade	189,000	339,030
Total Customer Service Projects:	1,881,400	2,997,054
GAS OPERATIONS & ENGINEERING PROJECTS:		
Operation Data Integration	150,675	91,887
Compliance Management System	145,300	160,484
Mobile Terminals	111,750	189,488
Gas Procedures Manuals	81,600	31,448
Gas SCADA System	142,000	269,696
Integrity Management Analysis System	65,000	58,180
Gas Dispatch Phone & Central Radio System	41,000	26,977
Equipment & Tools	31,000	52,630
Facility Enhancements & Signage	99,500	21,056
GIS	150,000	134,296
Total Gas Operations & Engineering Projects	1,017,825	1,036,142
FINANCE, ACCOUNTING & OTHER PROJECTS:		
Flexi Ledger / Accounts Payable / Projects / Purchasing	143,700	156,237
Energy Contracts / Energy Measurement & Control	94,000	328,375
Other Miscellaneous Projects	87,500	38,239
Total Finance, Accounting & Other Projects	325,200	522,851
Grand Total	\$3,224,425	\$4,556,047

SECTION 3: TRANSITION SERVICES – UPDATE

A) Transition Services Agreement – Overview

The TSA provides for the general contractual terms and conditions for the provision of Transition Service by NiSource and its affiliates. Transition Services under the TSA began on December 1, 2008 and the initial term of the TSA has been extended through September 30, 2009 with the services provided under the TSA to be charged to Unitil at NiSource's fully loaded cost plus a profit factor of 15%.

As a result of the conversion of the CIS customer portfolio in July, Unitil assumed the Customer Service functions and the majority of the remaining Transition Services terminated naturally during August.

Unitil is currently evaluating the status of the Transition Services provided by NiSource. In addition, Unitil's counterparts at NiSource are also evaluating the status of Transition Services provided to Unitil. Following these evaluations, Unitil and NiSource will meet prior to September 30 to discuss whether any Transition Services need to be extended. As appropriate, Unitil will provide formal written notice to NiSource regarding the status of the remaining Transition Services. To the extent that extended Transition Services are required after September 30, Unitil and NiSource will negotiate the terms and conditions of the extended Transition Services and will file a copy of that agreement with the regulators in Maine and New Hampshire. Unitil will not terminate any Transition Services unless Unitil is prepared to perform the functions and is certain that there will be no interruption or diminution to the quality of service provided to the customers of Northern and Granite.

B) Transition Services – Expenditures: Summary

There are two categories of Transition Costs. Unitil has agreed that it will not seek recovery in rates of either category of these Transition Costs. The first category of costs is the expenditures Unitil will pay to NiSource and its affiliates under the TSA, (the “TSA Costs”). As of September 15, 2009, Unitil has been billed for eight months’ TSA Costs incurred through August 31, 2009.

The second category of costs, for which Unitil has agreed not to seek recovery in rates, is all of the other non-recurring expenditures (“Other Transition Costs”) necessary to complete the transition. These Other Transition Costs include non-recurring consulting fees, temporary help and labor costs and all other miscellaneous costs related to the transition. As of August 31, 2009, Transition Costs billed to date include:

<u>TSA Costs – NiSource and Affiliates:</u>	<u>Amount</u>
Customer Service Support	\$2,252,967
Gas Dispatch and Control	263,838
Gas Supply Services	191,300
All Other	<u>251,843</u>
Total	<u>\$2,959,948</u>

<u>Other Transition Costs:</u>	<u>Amount</u>
Consulting and Professional Fees	\$1,634,944
Temporary Help and Labor	1,442,536
Other	<u>183,344</u>
Total	<u>\$3,260,824</u>