

Ex. UES-1

DEWEY & LeBOEUF

Dewey & LeBoeuf LLP
260 Franklin Street
Boston, MA 02110-3173

tel +1 617 748 6847
fax +1 617 897 9047
mpurcell@dl.com

ORIGINAL
DE 09-236
Exhibit No. UES #1
Witness

November 20, 2009

BY FEDERAL EXPRESS AND ELECTRONIC FILING

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: Unitil Energy Systems, Inc.: DE: 09-

Dear Ms. Howland:

Enclosed on behalf of Unitil Energy Systems, Inc. ("UES"), please find an original and seven (7) copies of UES's F-4 Petition for Authority to Issue Securities pursuant to Rule Puc 308.12, together with exhibits and prefiled direct testimony of David L. Chong.

If you have any questions or need additional information, please do not hesitate to contact me at 617 748-6847, or via email at mpurcell@dl.com.

Very truly yours,



Meabh Purcell

Enc.

cc: Meredith A. Hatfield, Consumer Advocate
Kenneth E. Traum, Office of the Consumer Advocate
F. Anne Ross, General Counsel

bs 126647

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STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

_____) DE 09-____
UNITIL ENERGY SYSTEMS, INC.)
)
F-4 PETITION FOR AUTHORITY TO)
ISSUE SECURITIES)
_____)

F-4 PETITION OF UNITIL ENERGY SYSTEMS, INC FOR AUTHORITY TO ISSUE SECURITIES

Unitil Energy Systems, Inc. (“UES” or the “Petitioner”) respectfully petitions the New Hampshire Public Utilities Commission (the “Commission”) for approval, pursuant to RSA 369: 1, 369:2 and 369:4, and Puc Rule 308.12 for UES to issue and sell, at par, by private sale, to institutional investors, first mortgage bonds in an aggregate amount not to exceed fifteen million (\$15,000,000) dollars (the “Bonds”). The proceeds of UES's debt financing will be used to repay outstanding short-term indebtedness incurred for additions, extensions and betterments to UES's property, plant and equipment, to defray the costs and expense of the financing contemplated by this Petition, and for other lawful corporate purposes. In support of its petition, UES represents as follows:

1. UES is a public utility organized and existing under the laws of the State of New Hampshire.
2. UES is primarily engaged in the business of distributing electricity in various cities and towns in New Hampshire. UES is a retail distribution utility wholly-owned by Unitil Corporation (“Unitil”), a New Hampshire corporation and public utility holding company.
3. First mortgage bonds evidencing secured long-term debt in an aggregate amount of up to fifteen million dollars (\$15,000,000) will be issued by UES, to be sold at par by private placement to institutional investors. The targeted term of the Bonds will be 10 years and is to bear fixed annual rates of interest not to exceed 7.8%, to be determined through a private placement process.

4. The proceeds from the proposed issuance and sale of the Bonds will be used to (1) to pay off outstanding short-term indebtedness incurred for additions, extensions and betterments to the UES's property, plant and equipment; (2) to defray the costs and expense of the financing contemplated by this Petition; and (3) for other lawful corporate purposes. In addition to the debt financing, Unitil is planning to provide a \$5,000,000 equity contribution.

5. UES also seeks authorization for the costs associated with the proposed financing, expected to be approximately \$550,000, be incorporated as a portion of the cost of the new financing and amortized over the life of the proposed new issue.

6. The manner of issuance and sale of the Bonds, and the details as to their respective terms, are more fully described in the testimony of David Chong, Director of Finance, Unitil Service Corp., attached as Exhibit UES-1.

7. A private placement issuance process is the most cost-effective way to issue the Bonds and that it will result in the most beneficial rate and terms.

8. The funded debt and outstanding capital stock, including surplus accounts, of UES as of September 30, 2009 were as follows (dollars in thousands):

Long Term Debt

<i>Sub-Total</i>	<u>\$65,000</u>
Preferred Stock Equity	\$225
Common Stock Equity	
Premium on Capital Stock	\$1006
Capital Stock Expense	(\$95)
Paid-in-Capital	\$26,471
Retained Earnings	\$30,772
<i>Sub-Total</i>	<u>\$58,154</u>
Total Capitalization	<u>\$123,379</u>

9. The amount of short-term notes outstanding of UES as of September 30, 2009 are as follows (dollars in thousands):

\$16,696

10. The authorized capital stock of UES at this time is as follows:

Common Stock: \$0 par value, 250,000 shares. There is preferred stock with \$100 par value.

11. Pursuant to the requirements of PUC Rule 308.12, the following exhibits are attached or will be provided:

Exhibit UES-1 Direct Testimony of David Chong

Exhibit UES-2 Sources and Uses of Funds

Exhibit UES-3 Estimated Cost of Financing

Exhibit UES-4 Balance Sheet as of September 30, 2009, proformed for the proposed Financing

Exhibit UES-5 Income Statement for the twelve months ended September 30, 2009, proformed for the proposed Financing

Exhibit UES-6 Capital Structure as of September 30, 2009, proformed for the proposed Financing

Exhibit UES-7 Purchase and Sale Agreement/Letter of Commitment
To be provided

Exhibit UES-8 Mortgage Indenture: A copy of the previously executed Bond Purchase Agreement and Thirteenth Supplemental Indenture to the Indenture of Mortgage and Deed of Trust, which is substantially the form under which the proposed bonds are to be issued and sold, except as described in this Petition and the accompanying exhibits, is attached hereto as Exhibit UES-8.

Exhibit UES-9 New Common or Preferred Stock
Not applicable

Exhibit UES-10 Resolution of Governing Body Approving Financing

12. UES, the Petitioner utility company, believes and, therefore, alleges that the securities to be issued will be consistent with the public good and that it is entitled to issue said securities under RSA 369 for the purposes set forth in its Petition.

WHEREFORE, UES respectfully requests that the Commission:

1. Find that the proposed issuance and sale, at par value, by private sale, of first mortgage bonds in an aggregate amount not to exceed fifteen million (\$15,000,000) dollars, for the purposes set forth herein, and in the manner and upon the terms set forth herein and explained in the Petitioner's supporting testimony, is consistent with the public good;

2. Pursuant to RSA: 369: 1, 2 and 4, approve and authorize the issuance and sale of the Bonds in the manner and upon the terms herein set forth and explained in the Petitioner's supporting testimony;

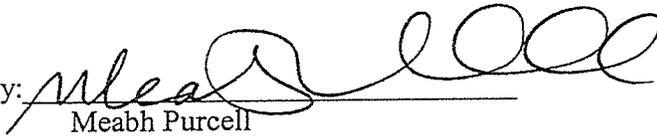
3. Authorize UES to do all things, take all steps, and execute and deliver all documents necessary or desirable to implement and carry out the proposed financing; and

4. Grant the authorizations sought without hearing, by an order *Nisi* to be effective no later than December 18, 2010, or in the alternative, set a date for hearing hereon, at which the Petitioner may present evidence.

5. Take such further steps and make such further findings and orders as the Commission in its judgment considers wise and expedient.

Dated: November 20, 2009

Respectfully submitted,
Unitil Energy Systems, Inc.

By: 

Meabh Purcell
Dewey & LeBoeuf LLP
260 Franklin Street, Suite 23
Boston, MA 02100
Tel: (617) 748-6843
Fax: (617) 897-9043
mpurcell@dl.com

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

DE 09-___

UNITIL ENERGY SYSTEMS, INC.

PETITION FOR AUTHORITY TO ISSUE SECURITIES

DIRECT TESTIMONY
OF
DAVID L. CHONG

NOVEMBER 20, 2009

1 **Q. Please state your full name and business address.**

2 A. My name is David L. Chong. My business address is 6 Liberty Lane West, Hampton,
3 New Hampshire, 03842.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Director of Finance for Unitil Service Corp. (“Unitil Service”), which provides
7 various professional and administrative services to Unitil Energy Systems, Inc. (“UES”
8 or the “Company”), as well as to Unitil Corporation’s (“Unitil”) other utility subsidiaries.
9 As Director of Finance, I am responsible for the management of treasury operations and
10 banking relationships; planning and execution of financing programs; development,
11 preparation and presentation of financial forecasts and plans; overseeing insurance
12 programs; interfacing with the financial community and investors; and supporting the
13 company’s regulatory and ratemaking objectives.

14
15 **Q. Please summarize your professional and educational background.**

16 A. I have worked in the energy industry for over 8 years, principally in the areas of
17 engineering and finance. From 2001 through 2005, I worked for Exxon Mobil
18 Corporation as a project engineer. From 2005 through 2008, I worked for RBC Capital
19 Markets Corporation in the energy investment banking group, where I provided financial
20 advisory services including corporate finance and mergers and acquisitions analyses.
21 While at RBC, I raised both equity and debt capital on numerous occasions for various
22 energy companies. From 2008 through 2009, I worked for El Paso Exploration &
23 Production Company in its business development group. I began working for Unitil

1 Service in August 2009 as the Director of Finance. I hold a Master's Degree in Business
2 Administration from Tulane University and a Bachelor of Science degree in Mechanical
3 Engineering with Honors from the University of Texas at Austin.

4
5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to explain and support UES' petition requesting
7 authorization to issue to institutional investor(s) first mortgage bonds evidencing secured
8 long-term debt in an aggregate amount of up to \$15,000,000 (hereinafter referred to as
9 the "Bonds").

10
11 **Q. What is the Company specifically requesting at this time?**

12 A. UES is seeking the Commission's approval to issue an aggregate principal amount of up
13 to \$15,000,000 of Bonds. The Bonds will be sold at par and will have a target maturity
14 of 10 years and bear a fixed coupon of not more than 7.8%.

15
16 **Q. When did the Company complete its last long-term debt financing?**

17 A. UES completed its last long-term debt financing in September 2006. In this financing,
18 UES issued \$15,000,000 principal amount of its 6.32% First Mortgage Bonds, Series O
19 due September 15, 2036.

20
21 **Q. Please describe the key terms of the proposed long-term debt financing.**

1 A. UES is seeking to issue, at par, to institutional investors first mortgage bonds in an
2 aggregate amount of up to \$15,000,000. The Bonds are expected to be issued under
3 similar terms and provisions of all its other series of first mortgage bonds issued under
4 the twelfth and thirteenth supplemental indentures. The Bonds will be marketed with a
5 10-year maturity / 9-year average life. The Bonds will have sinking fund and redemption
6 provisions that are designed to allow UES to pay off the Bonds in equal increments over
7 the final three years. However, the ultimate maturity / average life, sinking fund
8 provisions, coupon and other terms will depend on market conditions and investor
9 interest at the time of pricing.

10
11 **Q. What do you expect UES' indicative credit rating to be for the offering?**

12 A. Unitil and its subsidiaries do not have a public rating. Unitil's placement agent, Banc of
13 America Securities LLC (the "Placement Agent"), has indicated that based on recent
14 issuances and a review of UES' credit statistics, they believe the implied rating of UES
15 would be Baa2/BBB. UES' current outstanding long-term debt has a private rating of
16 NAIC-2 by the National Association of Insurance Commissioners (NAIC). The NAIC-2
17 rating is the equivalent of the BBB rating by Standard and Poor's rating agency,
18 reflecting the NAIC's view of UES as an investment grade credit.

19
20 **Q. What are the current indicative coupon rates for this long-term debt offering?**

21 A. The indicative coupon rates for this long-term debt offering are shown in the indicative
22 term sheet in Schedule DLC-1. The indicative coupon rates are shown at the bottom of

1 the schedule for a variety of maturities ranging from 10 to 20 years. As shown, the
2 coupon rates are derived by applying a projected credit spread to the appropriate US
3 Treasury benchmark rate (as of November 17, 2009). The coupon rate for the 10-year
4 maturity / 9-year average life is currently estimated at 4.94-5.69%. The 15-year and 20-
5 year maturity are currently estimated at 5.49-6.24% and 5.91-6.66%, respectively. UES
6 plans to target the 10-year maturity / 9-year average life. UES believes that this structure
7 is advantageous because of the lower cost of debt. This structure results in a lower
8 coupon rate of approximately 1% compared to the 20-year maturity, primarily because of
9 differences in the treasury benchmark rate at the different maturities. However, the
10 ultimate maturity depends on market conditions and investor appetite at the time of
11 pricing for a 10-year security; therefore it is possible that UES may have to price outside
12 of a 10-year maturity to attract sufficient investor interest.

13
14 **Q. Why is UES proposing a 7.8% maximum coupon rate in its petition?**

15 A. Market conditions can rapidly change, and UES does not anticipate pricing until early
16 December 2009. Therefore, UES used the maximum yield for the 10-year treasury in the
17 last five years (from 11/16/2004 to 11/16/2009) as a proxy in anticipation of potential
18 changes in the treasury market. The maximum yield for the 10-year treasury was 5.3%
19 during this five-year period according to our Placement Agent. We then added a credit
20 spread of 250 bps (corresponds to the spread ranges given under a 10-year maturity in the
21 indicative term sheet in Schedule DLC-1) to obtain a total coupon rate of 7.8%.

22

1 **Q. How does the current US treasury yield benchmark compare to yields in prior**
2 **market periods?**

3 B. From a longer term perspective, treasury yields are near historically low levels, although
4 they have risen recently compared to the low levels earlier this year, as shown in
5 Schedule DLC-2. In the last 20 years, the 10-year treasury yield has been higher than
6 today's yield 97% of the time. However, credit spreads have widened significantly
7 reflecting the global repricing of credit risk, offsetting the recent fall in the benchmark.
8 Nevertheless, the resulting long-term coupon rates remain at comparatively low levels
9 from a historical perspective and provide UES with an opportunity to lock-in these
10 favorable yields for the long-term.

11 .

12 **Q. Please explain how the pricing benchmarks shown on schedule DLC-1 were**
13 **determined?**

14 A. The pricing benchmarks for private placements are typically the most liquid or actively
15 traded U.S. Treasury issues that have a maturity closest to the average life of the notes
16 being issued. The 10-year treasury meets this liquidity criterion. For the 15-year and 20-
17 year benchmarks, there is no liquid or actively traded bond that will mature in that time.
18 Therefore, the pricing benchmarks for these maturities are interpolated. When investors
19 make their pricing bids, they will often determine their desired all-in coupons and back
20 into the spreads based upon the specific pricing benchmarks selected.

21

22 **Q. How were the current spreads over the treasury benchmarks determined?**

1 A. Unitil's views on the expected credit spreads over the benchmarks are based upon our
2 most recent discussions and feedback from our Placement Agent. Our Placement Agent
3 has provided us with a synopsis of comparable utility transactions as shown in Schedule
4 DLC-3. In this schedule, the Placement Agents analyzed the Baa2/BBB spreads for both
5 2009 utility private placement new issuances and secondary market transactions to
6 determine indicative credit spreads as shown in Schedule DLC-1.

7
8 **Q. How does UES intend to use the net proceeds of the issuance of the Bonds?**

9 A. The Company intends to utilize the proceeds of the Bond financing as follows: (1) to
10 repay outstanding short-term indebtedness incurred for additions, extensions and
11 betterments to the Company's property, plant and equipment; (2) to defray the costs and
12 expense of the financing; and (3) for other lawful corporate purposes.

13

UNITIL ENERGY SYSTEMS, INC.
SOURCES AND USES OF FUNDS
Proposed Sale of \$15,000,000 First Mortgage Bonds
(\$ In Thousands)

Sources of Funds

Proposed Sale of First Mortgage Bonds	\$15,000
Equity Contribution from Unitil Corporation	5,000
Total Sources of Funds	<u><u>\$20,000</u></u>

Uses of Funds

Repay Short-Term Debt	\$16,696
General Corporate Purposes	2,754
Fees and Expenses	550
Total Uses of Funds	<u><u>\$20,000</u></u>

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Q. How will the long-term debt financing affect the capital structure, including short-term debt of the Company?

A. In addition to the Bond financing, Unutil is planning to provide a \$5,000,000 equity contribution. As shown below, the long-term debt to capitalization ratio (excluding short-term debt) for UES will increase slightly by this financing, which is partially mitigated by the equity contribution of \$5,000,000 from Unutil. The total debt to capitalization ratio (including short-term debt of the Company) will be strengthened since the use of proceeds from both the proposed long-term Bond offering and the equity contribution are to repay short-term debt. For both cases, excluding and including short-term debt, the equity ratio is 44% pro forma for the financing.

UNITIL ENERGY SYSTEMS, INC.
CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2009
 Proformed for the Issuance and Sale of \$15,000,000 First Mortgage Bonds
 (\$ In Millions)

Excluding Short-Term Debt

	Actual		Adjustments	Pro Forma	
	Amount	% of Total	Amount	Amount	% of Total
Long-Term Debt	\$65.0	52.7%	\$15.0	\$80.0	55.8%
Common Equity	58.2	47.2%	5.0	63.2	44.1%
Preferred Stock	0.2	0.2%	0.0	0.2	0.1%
Total	\$123.4	100.0%	\$20.0	\$143.4	100.0%

Including Short-Term Debt

	Actual		Adjustments	Pro Forma	
	Amount	% of Total	Amount	Amount	% of Total
Long-Term Debt	\$65.0	46.4%	\$15.0	\$80.0	55.8%
Short-Term Debt	16.7	11.9%	(16.7)	0.0	0.0%
Common Equity	58.2	41.5%	5.0	63.2	44.1%
Preferred Stock	0.2	0.1%	0.0	0.2	0.1%
Total	\$140.1	100.0%	\$3.3	\$143.4	100.0%

13
 14

1 **Q. What are the projected issuance costs for the proposed offering?**

2 A. Under the terms of our engagement letter with the Placement Agent, UES will pay a
3 placement fee of \$135,000, which is equal to 0.90% of the principal amount of the Bonds
4 at the time of closing of the Bonds. Additionally, the Company will be responsible for
5 legal and other fees and expenses required to execute a secured financing which are more
6 extensive and costly than an unsecured financing. UES received an estimate of \$250,000
7 from Dewey & LeBoeuf (UES' outside counsel for corporate financing services). UES is
8 utilizing outside counsel to provide corporate financing services because of the
9 specialized legal expertise required for corporate financings. It is not economical to hire
10 in-house legal staff to perform highly specialized legal work of this nature, particularly
11 given that the legal skills and acumen for corporate financings are required on a relatively
12 infrequent basis. UES also estimates \$100,000 for lender's counsel. UES also estimates
13 \$55,000 for fees associated with the trustee, trustee's counsel and title work. Lastly, UES
14 estimates \$10,000 for miscellaneous expenses including potential out-of-pockets
15 expenses for the Placement Agent under the terms of our engagement letter. The current
16 estimate is that the total fees and expenses associated with the issuance of the Bonds will
17 be about \$550,000.

18

19 **Q. What types of investors participate in the private placement process?**

20 A. Typically, the investors for this type of transaction will be insurance companies that have
21 a demand for longer term maturity securities and have a strong familiarity with the utility
22 sector. The Placement Agent has recommended a strategy to market the Bonds to UES'

1 transactions have been completed year-to-date in 2009 with approximately \$7 billion of
2 transactions completed in the third quarter of 2009. The private placement market has
3 not been constrained by the same liquidity issues as in other sectors of the global
4 financial markets. In the bond market and especially in the private placement market, the
5 Placement Agent expects that investor liquidity will increase due to ongoing receipt of
6 interest payments, bond redemptions and scheduled maturities.

7
8 **Q. Does UES expect the Private Placement Market to be receptive to this offering?**

9 **A.** Yes. Unitil believes that the private placement market will be receptive to this offering,
10 similar to the previous deal completed in 2006, where the Company was viewed
11 favorably by the private placement market. According to the Placement Agent, investors
12 have been attracted by Unitil's stable growth and performance in its sector, regulatory
13 climate and strong management team, and will welcome the opportunity to invest further
14 in Unitil and its subsidiaries. From a broader perspective, the fact that the utility sector
15 has been viewed favorably by investors is evidenced by the high levels of new issuance
16 in the past few years and year-to-date. As shown in Schedule DLC-4, page 2, utility
17 issuances have represented 17% of the total new issuances year-to-date 2009.
18 Additionally, the Placement Agent has informed us that there has been significant
19 demand for longer-dated securities in the private placement market, as investors are
20 looking for debt to match their longer dated liabilities.

21

1 **Q. Please explain the Amendment and Waiver that UES is seeking from its current**
 2 **investors.**

3 A. To issue additional debt, UES has to meet two tests under its twelfth and thirteenth
 4 supplemental indentures: 1) Earnings Available for Interest Charges (“EAIC”) and 2) Net
 5 Bondable Expenditures. In the first test, UES currently has a ratio of 1.9x of Earnings
 6 Available for Interest Charges to Annual Interest Requirements, which is slightly below
 7 the required minimum ratio of 2.0x pro forma for a new issuance. The severe on-going
 8 recession has resulted in reduced sales which is a significant contributor to the
 9 Company’s current “per books” revenue deficiency of \$3.5 million as of September 30,
 10 2009. If this revenue deficiency were proformed in, then UES would comply with the
 11 EAIC debt incurrence test as shown in the table below.

UNITIL ENERGY SYSTEMS, INC. EARNINGS COVERAGE TESTS TWELVE MONTHS ENDED September 30, 2009						
<i>(In millions)</i>						
			Actual	Pro Forma New Bonds	Pro Forma New Bonds & Rate Relief	
Earnings Available for Interest Charges			\$9.8	\$9.8	\$9.8	
Plus: Revenue Deficiency Per Books			-	-	3.5	
Pro Forma Earnings Available for Interest Charges			\$9.8	\$9.8	\$13.3	
Annual Interest Requirements:						
UES Debt	Principal	Interest				
FMB due 2024	\$15.0	8.49%	\$1.3	\$1.3	\$1.3	
FMB due 2028	20.0	6.96%	1.4	1.4	1.4	
FMB due 2031	15.0	8.00%	1.2	1.2	1.2	
FMB due 2036	15.0	6.32%	0.9	0.9	0.9	
ST Borrowings	16.7	2.00%	0.3	-	-	
New Bonds - Coupon Estimated (1)	15.0	5.32%	-	0.8	0.8	
Total			\$5.1	\$5.6	\$5.6	
Earnings To Fixed Charges Coverage			1.9 x	1.7 x	2.4 x	
Minimum Coverage			2.0 x	2.0 x	2.0 x	

(1) Assumes mid-point of coupon rates for the 10-year maturity / 9-year average life provided by the Placement Agent

13

14

1 UES meets the second test, Net Bondable Expenditures, by a significant margin.
2 Schedule DLC-6 shows bondable additions and retirements since UES' last financing in
3 September 2006. The Net Bondable Expenditures test states that additional bonds may
4 be issued up to 68% of Net Bondable Expenditures for Property Additions. As of
5 September 30, 2009, Net Bondable Expenditures were \$77 million which would imply
6 UES could issue up to \$52 million of additional debt.

7
8 Overall, since long-term interest rates are currently favorable for issuers, UES decided it
9 is advantageous to go to market now by seeking a one-time Waiver and Amendment to
10 waive the EAIC debt incurrence test for this Bond issuance. Furthermore, our Placement
11 Agent has indicated that there should be no material pricing difference as a result of UES
12 not meeting its EAIC incurrence test. Our Placement Agent has indicated that this
13 offering will be marketed as a utility Baa2/BBB credit and should obtain similar pricing
14 as other comparable utility Baa2/BBB credits.

15
16 UES has been negotiating with its current investors regarding the terms of the Waiver and
17 Amendment and anticipates that the Waiver and Amendment will be executed by the
18 time of Pricing of the Bonds. To approve the Waiver and Amendment, UES' investors
19 are currently requesting:

20 1) A temporary fee of 100 bps per annum paid to all of UES bondholders if any
21 UES bondholder would be required under applicable insurance regulations to post
22 additional reserves with respect to UES' bonds. If the fee were to go in effect, UES

1 would be able to eliminate the fee by obtaining external ratings from an accredited rating
2 agency such as Moody's, S&P, Fitch or DBRS. This entire provision would expire four
3 consecutive quarters after the next final rate order from the Commission, and therefore
4 has a temporary effect on the indentures. UES believes the fee has little chance of
5 occurring, because the NAIC reaffirmed its 2 investment grade rating this fall. Our
6 Placement Agent has stated the NAIC typically assesses securities on an annual basis.

7 2) Certain representations and warranties.

8 3) Certain other provisions designed to update the UES indentures which may
9 include provisions commonly found in issuances today such as compliance with
10 environmental laws; calculation of debt at not less than 100% principal value; and
11 additional events of default in the case of a material adverse judgment, false or incorrect
12 representation or warranty, and a material adverse event relating to employee benefit
13 plans.

14 4) A waiver fee in the amount of 10 bps of the principal amount of bonds held by
15 each investor.

16
17 UES is currently negotiating the specific terms and language of the above requests from
18 the bondholders. Therefore, the final Waiver and Amendment may result in different
19 provisions, but we do not expect it to differ significantly from the above. In no event will
20 UES agree that Request 1 above be a permanently effective provision in the indentures.
21 Ultimately, UES and the bondholders may not be able to come to terms with an
22 acceptable Waiver and Amendment. In this case, UES would most likely wait until the

1 next rate case and subsequent rate order to go to market. In UES' indenture, there is a
2 provision to annualize a rate order, so that UES would be able to more quickly go to
3 market rather than wait for the income statement impact of several quarters of the rate
4 order to meet its EAIC test.

5
6 **Q. What is the timetable for the proposed financing?**

7 A. Schedule DLC-5 is a timetable for each of the major activities associated with the
8 proposed debt offering. While this timetable is currently UES' and the Placement
9 Agent's best estimate of timing, it is possible that due to unforeseen market or other
10 conditions, the timing of this offering may be adjusted.

11
12 UES is requesting an order *nisi* from the Commission approving the transaction on or
13 before December 18, 2009. This will provide for the necessary expiration of the appeal
14 period prior to the final Closing. The final Closing on the Bonds is currently targeted for
15 late January 2010. In its financing petition on this matter, the Company is requesting the
16 Commission's authorization for the proposed financing without hearing. In previous UES
17 financings, the Commission has recognized the tight time frames under which market
18 transactions of this nature must necessarily take place and has therefore provided for an
19 expeditious discovery process without hearing and issued its approvals by Order *Nisi*.
20 The Company is again seeking this approval process with respect to this Bond financing.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

INDEX OF SCHEDULES:

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3	Schedule DLC-2	Treasury Market
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5	Schedule DLC-4	Private Placement Market
6	Schedule DLC-5	Financing Timeline
7	Schedule DLC-6	Bondable Additions and Retirements



Private Placement Market Indicative Term Sheet

Unitil Corporation

Issuer: Unitil Energy Services
Issuance: First Mortgage Bonds
Rating: Existing NAIC-2
Size: Approximately \$15,000,000
Use of Proceeds: For debt refinancing, capital expenditures and general corporate purposes
Maturities: Multiple maturities available (for illustrative purposes 9, 10, 15 and 20-year bullets/average life structures are shown below)
Documentation: Similar to past private placements
Call Option: Economic make-whole at T + 50bps

PRICING:

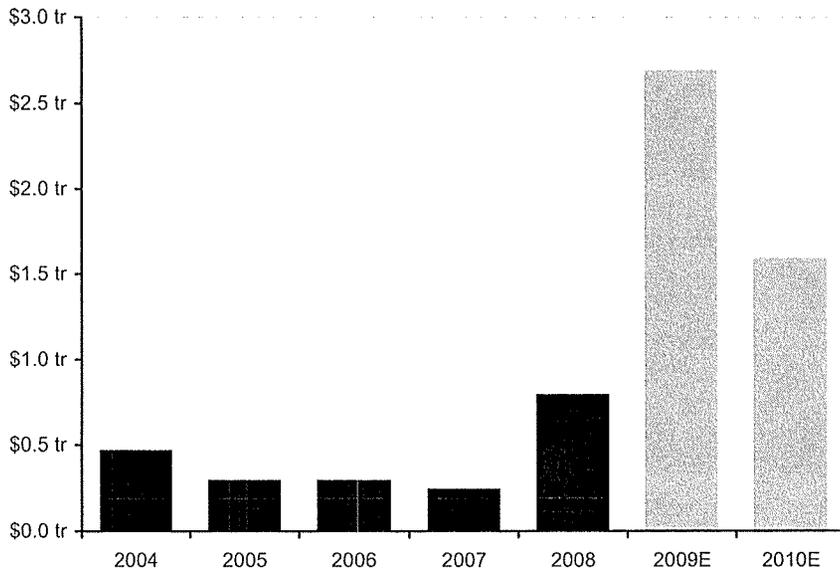
	10-Year / 9-Year Avg Life	10-Year	15-Year	20-Year
Reference Treasury	Interpolated	3.375% due 11/19	3.375% due 11/19	4.375% due 11/39
Reference Treasury Yield ⁽¹⁾	3.19%	3.34%	3.34%	4.26%
Credit Spread	175 - 250 bps	175 - 250 bps	215 - 290 bps	165 - 240 bps
Coupon	4.94% - 5.69%	5.09% - 5.84%	5.49% - 6.24%	5.91% - 6.66%

(1) Treasury Rates from Bloomberg as of November 17, 2009

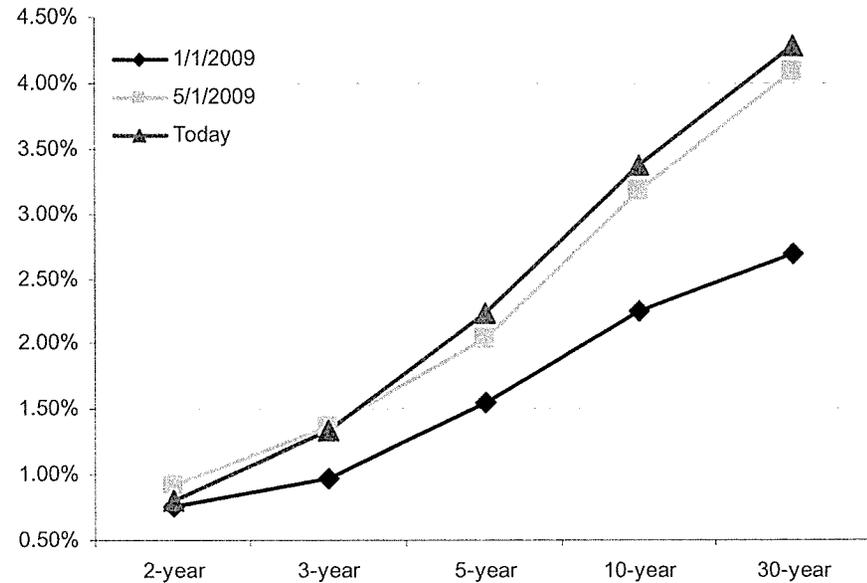


Private Placement Market Treasury Market

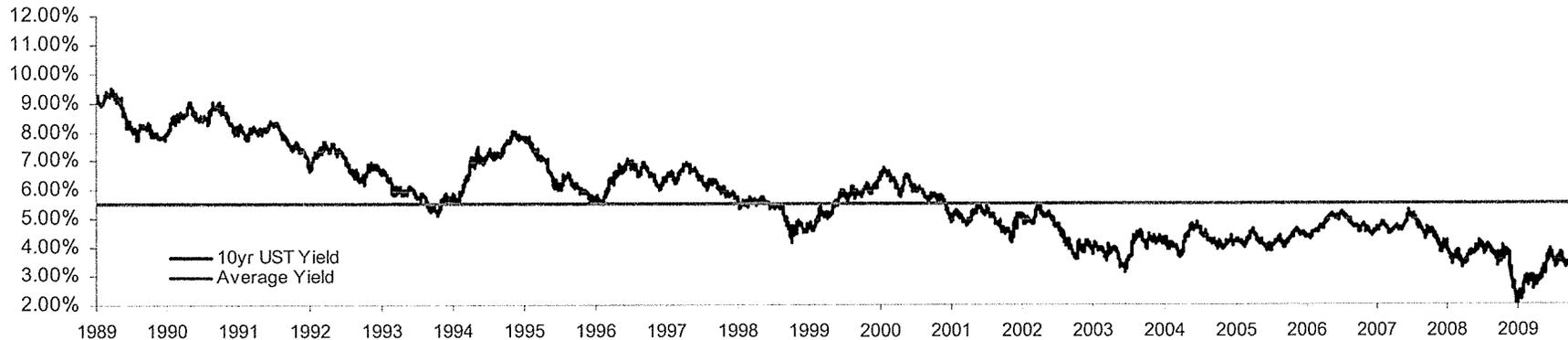
Estimated 2009 Treasury Issuance 2.4x 2008



Yield Curve Steepens to Record High



In the Last 20 Years the 10-year Treasury Yield Has Been Higher than Today 97% of the Time





Private Placement Market 2009 Utility Private Placements

Date	Issuer	Ratings	Principal (\$MM)	Pricing	Maturity
11/13	Water Utility - HoldCo	NAIC-1	50	T + 130	10Y
11/2	Water Utility - OpCo	NAIC-2	30	T + 125	10Y
10/30	South Texas Electric Cooperative	A- / A- / NAIC-1	320	T + 200 T15 + 235	18Y / 10 AL 30Y / 15 AL
10/15	Powercor Australia, LLC	A3 / A- / NAIC-1	275	T + 195 T + 190	5Y 7Y
10/3	Northwestern Corp.	A3 / A- / NAIC-1	55	T + 155	30Y
9/30	Basin Electric Power Cooperative	A1 / A+ / NAIC-1	535	T + 149 T10 + 165 T + 160	7Y / 6Y AL 18Y / 14Y AL 30.5Y / 29.5Y AL
9/29	People Gas	NAIC-1	75	T + 120	10Y
9/23	Portland General Electric	A3 / A / NAIC-1	150	T + 125	30Y
9/23	Brazos Sandy Creek Electric Cooperative	NAIC-1	540	T + 310	14.7Y / 12.6Y AL
8/25	PJM Interconnection	Aa3 / NAIC-1	75	3.60%	7Y / 4Y AL
8/14	Great River Energy	A3 / BBB+ / A- / NAIC-1	400	T10 + 215 T10 + 240 T30 + 245	12Y / 8.37Y AL 17Y / 14.5Y AL 22Y
8/10	Vermont Electric Power	A / NAIC-1	135	T + 100	20Y / 10Y AL
7/21	Nicor Gas	A1 / AA / NAIC-1	50	T + 120	10Y
7/15	ETSA Utilities	A3 / A- / NAIC-1	500	T + 275	5Y - 10Y
6/23	Penn Power	Baa1 / A- / NAIC-2	100	T10 + 245	13Y
6/16	Georgia Transmission Corporation	A3 / AA- / NAIC-1	150	T10 + 185	21Y / 14Y AL
6/5	New Jersey American Water Company	NAIC-1	100	5.48% 6.35%	10Y 30Y
5/28	Integrus Energy	A3 / BBB / NAIC-2	155	T + 475	5Y - 7Y
5/23	American Water Works Co. Inc.	NAIC-2	50	7.21% 8.27%	10Y 30Y
5/22	Caribbean Utilities Company	A / NAIC-1	40	T + 410	15Y / 12Y AL
3/20	Tri-State Generation & Transmission Association, Inc.	Baa1 / A / A / NAIC-1	300	T + 385 T + 370	10Y / 7Y AL 12 Y / 10Y AL

Note: Shaded Transactions Denote BAML led transactions.



Private Placement Market Secondary Public Market Comparables

Operating Company - Secured Deals

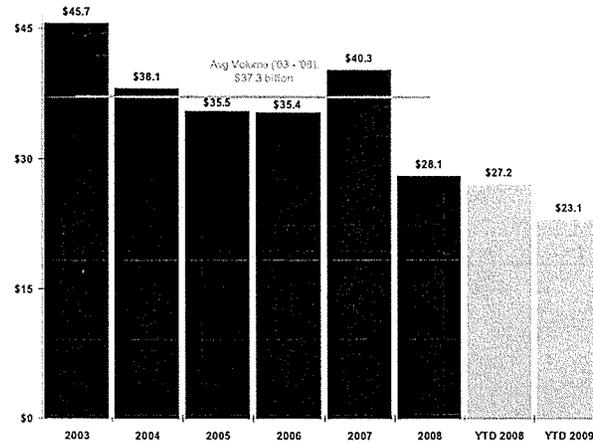
Opco - Secured		Security Description					Bid Spread	
	Ticker	Issue Description	Ratings	Coupon	Maturity	Size	16-Nov	Yield
10-Year Issues	NU	Connecticut Light & Power	A2/BBB+	5.500%	Feb-19	\$250	112	4.46%
	SCG	South Carolina Electric & Gas	A3/A-	6.500%	Nov-18	\$300	93	4.27%
	NWE	NorthWestern Energy	A3/A-	6.340%	Apr-19	\$250	110	4.44%
	GXP	Kansas City Power & Light	A3/BBB+	7.150%	Apr-19	\$400	165	4.99%
	AEE	Union Electric Co.	A3/BBB	6.700%	Feb-19	\$450	155	4.89%
	CMS	Consumers Energy	A3/BBB	6.700%	Sep-19	\$500	133	4.67%
	FE	Toledo Edison Co.	Baa1/BBB+	7.250%	May-20	\$300	165	4.99%
	WR	Kansas Gas & Electric Co.	Baa1/BBB	6.700%	Jun-19	\$300	215	5.49%
NVE	Nevada Power Co.	Baa3/BBB	7.125%	Mar-19	\$500	185	5.19%	
30-Year Issues	OGLETH	Ogithorpe Power	A3/A	5.950%	Nov-39	\$400	142	5.68%
	SCG	South Carolina Electric & Gas	A3/A-	6.050%	Jan-38	\$535	110	5.36%
	POM	Potomac Electric Power	A3/BBB+	7.900%	Dec-38	\$250	145	5.71%
	FE	Ohio Edison	A3/BBB+	8.250%	Oct-38	\$275	165	5.91%
	AEE	Union Electric	A3/BBB	8.450%	Mar-39	\$350	180	6.06%
	PSD	Puget Sound Energy	Baa1/A-	5.750%	Oct-39	\$350	155	5.81%
	EXC	Commonwealth Edison	Baa2/BBB+	6.450%	Jan-38	\$450	135	5.61%
	NVE	Nevada Power Co.	Baa3/BBB	6.750%	Jul-37	\$350	175	6.01%



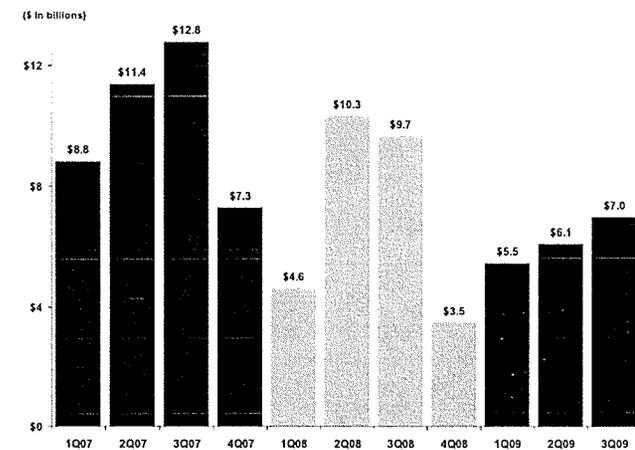
Private Placement Market General Trends

- YTD 2009 issuance has totaled \$23.1bn (a YoY decline of 15%)
- However, the recent improvement in market tone has caused issuance levels to increase
 - Volume has grown during each of the last three quarters
 - September and October each generated over \$3.0bn of issuance
 - The deal backlog indicates that 13 deals (\$2.1bn) are in the market or coming soon
- Currently, investor demand exceeds available supply and investors are submitting increasingly aggressive bids with each successive offering
- However, investors are still focused on strong investment grade profile credits
- While total dollar issuance is down, average deal sizes have stayed level

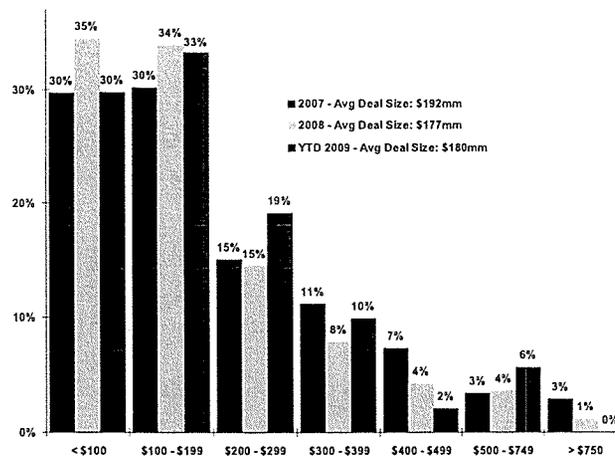
Annual Volume (Last 6 Years)



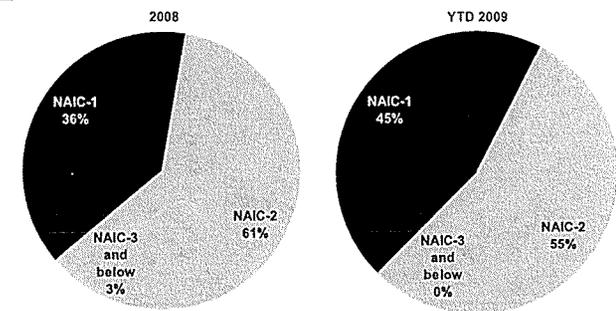
Quarterly Volume (since 2007)



Average Deal Sizes



Issuance by Credit Quality



- Nearly all of the YTD 2009 activity has been related with NAIC-1 and strong to solid NAIC-2 credit profiles
- Capacity for NAIC-3 deals, or NAIC-2 issuers with borderline credit profiles, remains constrained

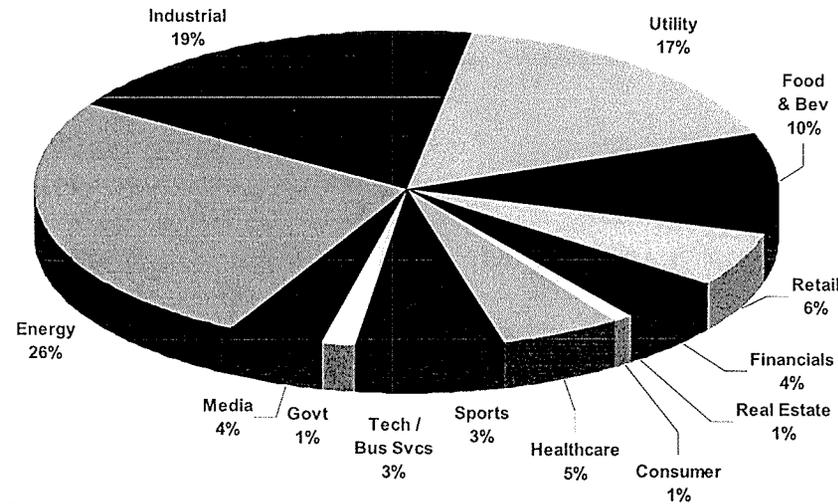
Source: Thomson Reuters - 1994 to 2008 Totals
 Bank of America Merrill Lynch - YTD Totals



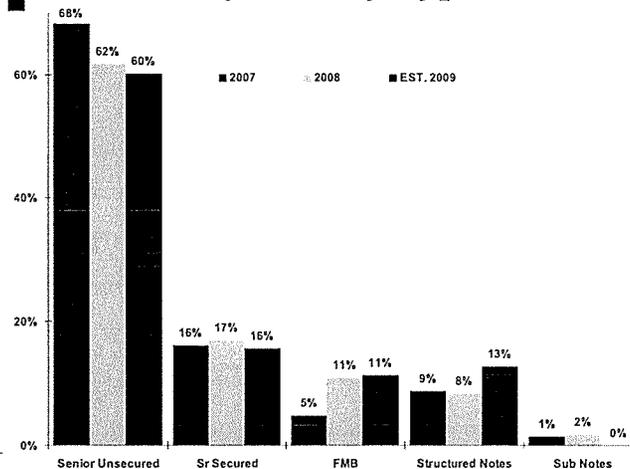
Private Placement Market General Trends

- Investors generally have focused on solid investment grade credits in stable, familiar industries during 2009
 - As a result of investors' clear focus on defensive sectors, energy and power transactions have accounted for approximately 45% of the YTD volume
- Roughly 2/3 of the transactions are completed on a senior unsecured basis where the notes are pari-passu with issuer's bank debt

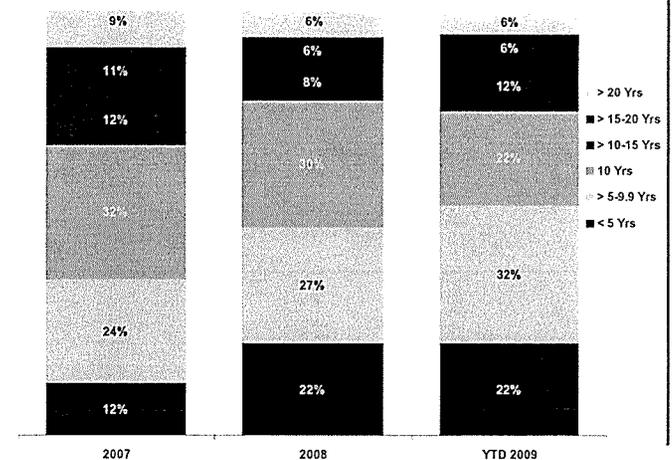
Issuance by Sector YTD 2009



Issuance by Security Type



Issuance by Final Maturity



Source: Thomson Reuters - 2007-2008 Totals
 Bank of America Merrill Lynch - YTD Totals



Process Timetable and Responsibilities

November							December							January						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7			1	2	3	4	5						1	2
8	9	10	11	12	13	14	6	7	8	9	10	11	12	3	4	5	6	7	8	9
15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16
22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23
29	30						27	28	29	30	31			24	25	26	27	28	29	30

11/11 - Veteran's Day
11/26 - Thanksgiving Day

12/25 - Christmas Day

01/01 - New Years Day
01/18 - Martin Luther King Day

Week of	Action	Responsibility
Nov. 9 th	BAML begins updating Offering Memorandum ("OM") IC starts updating Note Purchase Agreement and Indenture (collectively "NPA")	BAML IC
Nov. 16 th	BAML delivers revised draft of the OMs to UES IC delivers first draft of NPAs to UES	BAML IC
Nov. 16 th – Nov. 23 rd	UES files for regulatory approval with New Hampshire PUC UES delivers comments on OM BAML, CC, IC, and UES continue to revise and update OM and NPA Investors verbally agree to key business terms on UES amendment	CC, UES UES BAML, CC, IC, UES I
Nov. 30 th – Dec. 7 th	BAML prepares and delivers draft of investor presentation BAML, CC and IC finalize the OM, investor presentation and NPA The transaction is launched to prospective investors. The OM, investor presentation and NPA are released via Intralinks CC and IC continue to work on amendment documents BAML discusses and answers investors' questions on note offering	BAML BAML, CC, IC, UES BAML BAML, CC, IC, I, UES BAML, I
Dec. 7 th – Dec. 14 th	BAML and UES conduct a conference call with investors BAML continues answering investors' questions on note offering Amendment process is completed and terms are finalized BAML accepts bids on the note offering Deal is circled and priced. The rate is fixed, coupon is set and all significant terms and conditions are agreed to	BAML, I, UES BAML, I BAML, CC, IC, I, UES BAML, I BAML, I
Dec. 21 st – Jan. 4 th	New Hampshire PUC grants NISI order (~30 days after initial filing) CC and IC continue to work on NPA and other legal documentation	UES CC, IC
Jan. 11 th	Investor due diligence is held at the Company's offices	BAML, I, UES
Jan. 18 th – 25 th	New Hampshire PUC grants final order (~60 days after initial filing) CC and IC finalize NPA and other legal documentation Final documentation and the NPA is signed; transaction is closed; securities are sold; and funds are disbursed	UES CC, IC BAML, CC, I, IC, UES

UES – Unitil Energy Systems, Inc.
CC – Company Counsel

BAML – Bank of America Merrill Lynch
I – Investors

IC – Investors' Counsel

UNITIL ENERGY SYSTEM, INC
 BONDABLE ADDITIONS

ACCOUNT SUMMARY
 FROM:8/31/06 TO: 9/30/2009

	<u>TOTAL ADDITIONS</u>
<u>TRANSMISSION & DISTRIBUTION PLANT</u>	
301 Organization	0.00
303.0 Intangible Software - Five Year	470,426.08
303.1 Intangible Software - Three Year	0.00
343 Movers	10,383.44
350.1 Transmission System Land	5,637.30
350.2 Transmission System Rights of Way	25,543.63
352 Transmission System Structures	0.00
353 Transmission Substation Equipment	158,249.48
354 Transmission Towers & Fixtures	0.00
355 Transmission Poles & Fixtures	299,361.69
356 Transmission Overhead Conductors	416,005.00
357 Transmission Underground Conduit	0.00
358 Transmission Underground Conductors	0.00
359 Transmission Roads, Trails & Bridges	0.00
360.1 Distribution System Land	0.00
360.2 Distribution System Rights of Way	11,650.00
361 Distribution Structures	0.00
362 Distribution Substation Equipment	1,328,872.34
364 Distribution Poles, Towers & Fixtures	6,923,167.72
365 Distribution Overhead Conductors	10,182,039.96
366 Distribution Underground Conduits	145,627.31
367 Distribution Underground Conductors	2,418,349.52
368.1 Line Transformers	4,358,973.10
368.2 Line Transformers - Installations	4,106,020.79
368.3 Industrial Transformer Station	0.00
369 Customers' Services	4,947,244.67
370.1 Meters	2,750,864.23
370.2 Meters - Installations	2,908,428.09
371 Misc. Property on Customers' Premises	245,015.75
373.1 Municipal Street Lighting Equipment	589,340.84
373.2 Street Lighting Underground Conductors	631.38
Total Transm. & Dist Plant	<u>42,301,832.32</u>
<u>GENERAL PLANT</u>	
389 General & Misc. Land	0.00
390 General & Misc. Structures	22,683.08
390.1 General Structures	405,106.04
391.1 Office Furniture & Equipment	32,200.12
391.2 Demonstration Equipment	8,822.60
391.3 Computer Equipment	0.00
391.4 Major Software	0.00
392 Transportation Equipment	0.00
393 Stores Equipment	100.73
394 Tools, Shop & Garage Equipment	225,630.91
395 Laboratory Equipment	85,486.80
397 Communication Equipment	1,018,469.04
398 Misc. General Equipment	872.52
399 Other Tangible Property	28,498.68
Total General Plant	<u>1,827,870.52</u>
TOTAL ADDITIONS	44,129,702.84
Amounts not Used	541,755.69
Net Bondable Additions	<u>43,587,947.15</u>

UNITIL ENERGY SYSTEM, INC
 BONDABLE RETIREMENTS

ACCOUNT SUMMARY
 FROM:8/31/06 TO: 9/30/2009

	<u>TOTAL RETIREMENTS</u>
<u>TRANSMISSION & DISTRIBUTION PLANT</u>	
301 Organization	0.00
303.0 Intangible Software - Five Year	55,064.24
303.1 Intangible Software - Three Year	0.00
350.1 Transmission System Land	0.00
350.2 Transmission System Rights of Way	0.00
352 Transmission System Structures	0.00
353 Transmission Substation Equipment	19,851.48
354 Transmission Towers & Fixtures	0.00
355 Transmission Poles & Fixtures	25,412.45
356 Transmission Overhead Conductors	46,949.47
357 Transmission Underground Conduit	0.00
358 Transmission Underground Conductors	0.00
359 Transmission Roads, Trails & Bridges	0.00
360.1 Distribution System Land	0.00
360.2 Distribution System Rights of Way	0.00
361 Distribution Structures	0.00
362 Distribution Substation Equipment	344,637.72
364 Distribution Poles, Towers & Fixtures	643,433.65
365 Distribution Overhead Conductors	1,759,823.76
366 Distribution Underground Conduits	28,227.06
367 Distribution Underground Conductors	114,495.40
368.1 Line Transformers	865,964.12
368.2 Line Transformers - Installations	690,436.22
368.3 Industrial Transformer Station	0.00
369 Customers' Services	226,662.71
370.1 Meters	2,623,896.21
370.2 Meters - Installations	4,171,186.28
371 Misc. Property on Customers' Premises	214,643.08
373.1 Municipal Street Lighting Equipment	388,957.49
373.2 Street Lighting Underground Conductors	0.00
 Total Transm. & Dist Plant	 <u>12,219,641.34</u>
<u>GENERAL PLANT</u>	
389 General & Misc. Land	0.00
390 General & Misc. Structures	2,980.73
390.1 General Structures - Leasehold Imp.	4,990.00
391.1 Office Furniture & Equipment	54,247.95
391.2 Demonstration Equipment	0.00
391.3 Computer Equipment	0.00
391.4 Major Software	0.00
392 Transportation Equipment	677,398.00
393 Stores Equipment	4,642.08
394 Tools, Shop & Garage Equipment	89,860.90
395 Laboratory Equipment	58,097.87
397 Communication Equipment	11,226.30
398 Misc. General Equipment	8,336.08
399 Other Tangible Property	0.00
Total General Plant	<u>911,779.91</u>
 TOTAL RETIREMENTS	 13,131,421.25
Amounts not Used	60,054.24
Net Bondable Retirements	<u>13,071,367.01</u>

UNITIL ENERGY SYSTEMS, INC.
SOURCES AND USES OF FUNDS
Proposed Sale of \$15,000,000 First Mortgage Bonds
(\$ In Thousands)

Sources of Funds

Proposed Sale of First Mortgage Bonds	\$15,000
Equity Contribution from Unitil Corporation	5,000
Total Sources of Funds	<u><u>\$20,000</u></u>

Uses of Funds

Repay Short-Term Debt	\$16,696
General Corporate Purposes	2,754
Fees and Expenses	550
Total Uses of Funds	<u><u>\$20,000</u></u>

UNITIL ENERGY SYSTEMS, INC.
ESTIMATED COST OF FINANCING
Proposed Sale of \$15,000,000 First Mortgage Bonds
(\$ in Thousands)

Estimated Cost of Financing

Private Placement Fee to Placement Agent	\$135
Legal Fees	405
Miscellaneous	10
Total Estimated Costs	<u><u>\$550</u></u>

UNITIL ENERGY SYSTEMS, INC.
UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2009
Proformed for the Issuance and Sale of \$15,000,000 First Mortgage Bonds
(\$ in Millions)

ASSETS:

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Utility Plant:			
Electric	\$ 195.4		\$ 195.4
Construction Work in Progress	8.4		8.4
Utility Plant	<u>203.8</u>		<u>203.8</u>
Less: Accumulated Depreciation	<u>63.8</u>		<u>63.8</u>
Net Utility Plant	<u>140.0</u>		<u>140.0</u>
Current Assets:			
Cash	3.3	2.8 (A)	6.1
Accounts Receivable – Less Allowance for Doubtful Accounts of \$0.6, \$0.2 and \$0.6	11.9		11.9
Accrued Revenue	10.2		10.2
Due from Affiliates	1.5		1.5
Materials and Supplies	0.8		0.8
Prepayments and Other	<u>1.5</u>		<u>1.5</u>
Total Current Assets	<u>29.2</u>	<u>2.8</u>	<u>32.0</u>
Noncurrent Assets:			
Regulatory Assets	30.9		30.9
Other Noncurrent Assets	<u>5.3</u>	<u>0.6 (B)</u>	<u>5.9</u>
Total Noncurrent Assets	<u>36.2</u>	<u>0.6</u>	<u>36.8</u>
TOTAL	<u>\$ 205.4</u>	<u>\$ 3.3</u>	<u>\$ 208.7</u>

(A) General corporate purposes

(B) Debt issuance costs

UNITIL ENERGY SYSTEMS, INC.
UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2009
Proformed for the Issuance and Sale of \$15,000,000 First Mortgage Bonds
(\$ in Millions, Except Par Value and Stock Shares Data)

CAPITALIZATION AND LIABILITIES:

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Capitalization:			
Common Stock Equity:			
Common Stock, No Par Value			
Authorized - 250,000 shares			
Outstanding - 131,746 shares	\$ 27.4	\$ 5.0 (C)	\$ 32.4
Retained Earnings	30.8		30.8
Total Common Stock Equity	58.2	5.0	63.2
Preferred Stock:			
Preferred Stock, Non-Redeemable, Non-Cumulative:			
6% Series, \$100 Par Value	0.2		0.2
Long-term Debt	65.0	15.0 (D)	80.0
Total Capitalization	123.4	20.0	143.4
Current Liabilities:			
Accounts Payable	7.5		7.5
Due to Affiliates	-		-
Short-Term Debt	16.7	(16.7) (E)	0.0
Energy Supply Contract Obligations	5.4		5.4
Other Current Liabilities	3.9		3.9
Total Current Liabilities	33.5	(16.7)	16.8
Deferred Income Taxes	10.7		10.7
Noncurrent Liabilities:			
Energy Supply Contract Obligations	5.0		5.0
Retirement Benefit Obligations	30.4		30.4
Other Noncurrent Liabilities	2.4		2.4
Total Noncurrent Liabilities	37.8		37.8
TOTAL	\$ 205.4	\$ 3.3	\$ 208.7

(C) Equity contribution from Unitil Corporation
(D) Proposed offering of First Mortgage Bonds
(E) Repayment of short-term debt

UNITIL ENERGY SYSTEMS, INC.
UNAUDITED STATEMENT OF EARNINGS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2009
Performed for the Issuance and Sale of \$15,000,000 First Mortgage Bonds
(\$ in Millions)

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Operating Revenues	<u>\$ 154.0</u>	<u> </u>	<u>\$ 154.0</u>
Operating Expenses:			
Purchased Electricity	117.1		117.1
Operation and Maintenance	14.5		14.5
Conservation & Load Management	1.4		1.4
Depreciation and Amortization	7.7	0.06 (A)	7.8
Provisions for Taxes:			
Local Property and Other	3.6		3.6
Federal and State Income	0.9	(0.20) (B)	0.7
Total Operating Expense	<u>145.2</u>	<u>(0.14)</u>	<u>145.1</u>
Operating Income	8.8	0.14	8.9
Non-operating Income	<u>-</u>	<u> </u>	<u>-</u>
Income Before Interest Expense	8.8	0.14	8.9
Interest Expense	<u>5.6</u>	<u>0.84 (C)</u>	<u>6.4</u>
Net Income	3.2	(0.70)	2.5
Less Dividends on Preferred Stock	<u>-</u>	<u> </u>	<u>-</u>
Net Income Applicable to Common Stock	<u>\$ 3.2</u>	<u>(0.70)</u>	<u>\$ 2.5</u>

(A) Assumes financing fees and expenses amortized over 10 years

(B) Utilizes actual effective tax rate of 22.0% for twelve month period

(C) Reflects interest savings at 2.0% for repayment of short-term debt and interest expense at 7.8% from proposed financing

UNITIL ENERGY SYSTEMS, INC.
CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2009
Proformed for the Issuance and Sale of \$15,000,000 First Mortgage Bonds
(\$ In Millions)

Excluding Short-Term Debt

	<u>Actual</u>		<u>Adjustments</u>	<u>Pro Forma</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>Amount</u>	<u>% of Total</u>
Long-Term Debt	\$65.0	52.7%	\$15.0	\$80.0	55.8%
Common Equity	58.2	47.2%	5.0	63.2	44.1%
Preferred Stock	0.2	0.2%	0.0	0.2	0.1%
Total	\$123.4	100.0%	\$20.0	\$143.4	100.0%

Including Short-Term Debt

	<u>Actual</u>		<u>Adjustments</u>	<u>Pro Forma</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>Amount</u>	<u>% of Total</u>
Long-Term Debt	\$65.0	46.4%	\$15.0	\$80.0	55.8%
Short-Term Debt	16.7	11.9%	(16.7)	0.0	0.0%
Common Equity	58.2	41.5%	5.0	63.2	44.1%
Preferred Stock	0.2	0.1%	0.0	0.2	0.1%
Total	\$140.1	100.0%	\$3.3	\$143.4	100.0%

EXECUTION COPY

UNITIL ENERGY SYSTEMS, INC.

TO

U.S. BANK NATIONAL ASSOCIATION, TRUSTEE

THIRTEENTH

SUPPLEMENTAL INDENTURE

Dated as of September 26, 2006

Additional Issue of Bonds
(Series O, 6.32%, due September 15, 2036)

\$15,000,000

THIS THIRTEENTH SUPPLEMENTAL INDENTURE is dated as of September 26, 2006 and entered into by and between UNITIL ENERGY SYSTEMS, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Hampshire, having its principal office and place of business in Hampton, County of Rockingham in the State of New Hampshire (hereinafter sometimes referred to as the "*Company*"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (successor to Old Colony Trust Company), having an office and place of business in Boston, Massachusetts, as Trustee (hereinafter sometimes referred to as the "*Trustee*"), with reference to the following Recitals:

WITNESSETH:

WHEREAS, the Company heretofore duly executed and delivered to the Trustee its Indenture of Mortgage and Deed of Trust (hereinafter generally referred to as the "*Original Indenture*") and referred to, with each and every other instrument, including the Twelfth Supplemental Indenture, which amended and restated the Original Indenture in its entirety, and this Thirteenth Supplemental Indenture, which the Company may execute with the Trustee and which is therein stated to be supplemental to the Original Indenture, as the "*Indenture*"), dated as of July 15, 1958, but actually executed on September 18, 1958, and recorded, among other places, in Merrimack County, New Hampshire, Registry of Deeds, Volume 832, Page 96, and in the Office of the City Clerk of the City of Concord, New Hampshire, Volume 188, Page 156 and duly recorded First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh and Twelfth Supplemental Indentures thereto dated as of January 15, 1968, as of November 15, 1971, as of July 1, 1975, as of March 28, 1984, as of June 1, 1984, as of October 29, 1987, as of August 29, 1991, as of October 14, 1994, as of September 1, 1998, as of January 15, 2001, as of April 20, 2001 and as of December 2, 2002, respectively, to which this instrument is supplemental and in modification and confirmation thereof, whereby substantially all the properties of the Company used by it in its electric business, whether then owned or thereafter acquired, with certain exceptions and reservations fully set forth in the Indenture were given, granted, bargained, sold, warranted, pledged, assigned, transferred, mortgaged and conveyed to the Trustee, its successors and assigns, in trust upon the terms and conditions set forth therein to secure bonds of the Company issued and to be issued thereunder, and for other purposes more particularly specified therein; and

WHEREAS, on January 4, 1971 Old Colony Trust Company was merged into The First National Bank of Boston, which thereupon succeeded to the trusts under the Indenture; and

WHEREAS, effective May 1, 1996 The First National Bank of Boston resigned as trustee under the Indenture and the Company appointed State Street Bank and Trust Company ("*State Street*") as successor trustee, which accepted such appointment and thereupon succeeded to the trusts under the Indenture; and

WHEREAS, effective January 1, 2003 U.S. Bank National Association purchased substantially all of the corporate trust business of State Street including the trust herein and thereupon succeeded State Street as Trustee hereunder; and

WHEREAS, on December 2, 2002 (the "*Merger Date*"), Unitil Corporation, a corporation organized under the laws of the State of New Hampshire ("*Unitil*"), combined all of the operations of the Company and Exeter & Hampton Electric Company ("*Exeter*") through the merger of Exeter into the Company pursuant to an Agreement and Plan of Merger dated as of November 26, 2002 between the Company and Exeter. On the Merger Date the Company assumed all of the obligations of Exeter under (a) Exeter's Indenture of Mortgage and Deed of Trust dated as of December 1, 1952 (hereinafter referred to as the "*Original Exeter Indenture*") as supplemented by the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh and Twelfth Supplemental Indentures thereto dated as of January 16, 1956, as of January 15, 1960, as of June 1, 1964, as of January 15, 1968, as of November 15, 1971, as of April 1, 1974, as of December 15, 1977, as of October 28, 1987, as of August 29, 1991, as of October 14, 1994, as of September 1, 1998 and as of April 20, 2001, respectively (the Original Exeter Indenture and such supplemental indentures being sometimes collectively referred to as the "*Exeter Indenture*"), and (b) the bonds then outstanding under the Exeter Indenture (the "*Exeter Bonds*") pursuant to a Consent and Agreement dated as of November 26, 2002 among Exeter, the Company and the holders of the Exeter Bonds and the Bonds outstanding under the Indenture; and

WHEREAS, on January 24, 2003 (i) each holder of an Exeter Bond exchanged such Exeter Bond for a bond issued by the Company under the Indenture containing substantially the same terms and provisions as such Exeter Bond, (ii) the Exeter Indenture was cancelled and discharged and (iii) the Exeter Bonds were cancelled; and

WHEREAS, there are now outstanding under the Indenture \$6,000,000 in principal amount of First Mortgage Bonds, Series I, \$10,000,000 in principal amount of First Mortgage Bonds, Series J, \$7,500,000 in principal amount of First Mortgage Bonds, Series K, \$9,000,000 in principal amount of First Mortgage Bonds, Series L, \$10,000,000 in principal amount of First Mortgage Bonds, Series M and \$7,500,000 in principal amount of First Mortgage Bonds, Series N and the Company proposes to issue \$15,000,000 in principal amount of additional First Mortgage Bonds of a new series designated as First Mortgage Bonds, Series O (hereinafter sometimes referred to as "*Series O Bonds*" or "*bonds of Series O*"); and

WHEREAS, all things have been done and performed which are necessary to make the Series O Bonds, when authenticated by the Trustee and issued as in the Indenture and herein provided, and to make this Thirteenth Supplemental Indenture, when executed and delivered by the Company and the Trustee, legal, valid and binding obligations of the Company;

NOW, THEREFORE, in consideration of the premises, and of the acceptance and purchase of the Series O Bonds by the holder thereof, and of other good and valuable consideration, the receipt whereof is hereby acknowledged, and in confirmation of and supplementing the Indenture and in performance of and compliance with the provisions thereof, the Company, by these presents, does give, grant, bargain, sell, warrant, pledge, assign, transfer, mortgage and convey unto the Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created, and its and their assigns, all and singular, the property, and rights and interests in property, described in the Indenture and thereby conveyed, pledged, assigned, transferred and mortgaged, or intended or required so to be (said descriptions in the Indenture

being hereby made a part hereof to the same extent as if set forth herein at length), whether then or now owned or thereafter or hereafter acquired, except such of said properties or interests therein as may have been released by the Trustee or sold or disposed of in whole or in part as permitted by the provisions of the Indenture and also, but without in any way limiting the generality of the foregoing, all the rights, titles, interests, easements and properties described as acquired by the Company in **Schedule A** hereto attached and hereby made a part hereof as fully as if set forth herein at length, and all proceeds of any of the foregoing at any time conveyed, pledged, assigned, transferred, mortgaged, paid or delivered to and from time to time held by the Trustee upon the trusts of the Indenture.

SUBJECT, HOWEVER, insofar as affected hereby, to any Permitted Encumbrances as defined in Section 1.01 of the Indenture, and, as to the property specifically described in Schedule A of the Indenture and in **Schedule A** hereof, to the liens, encumbrances, reservations, restrictions, conditions, limitations, covenants, interests and exceptions, if any, set forth or referred to in the descriptions thereof contained in said Schedules, none of which substantially interferes with the free use and enjoyment by the Company of the property and rights hereinabove described for the general purposes and uses of the Company's electric business;

AND SUBJECT FURTHER, as to all hereafter-acquired property, insofar as affected thereby, to any mortgages, encumbrances or liens on such after-acquired property existing at the time of such acquisition or contemporaneously created, conforming to the provisions of Section 8.07 of the Original Indenture;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING from this instrument, and from the grant, conveyance, mortgage, transfer and assignment herein contained, all right, title and interest of the Company, now owned or hereafter acquired in and to properties and rights of the kind specified in subclauses (a) to (d), both inclusive, of the paragraph beginning "But Specifically Reserving, Excepting and Excluding from this Indenture" of the granting clauses of the Indenture.

TO HAVE AND TO HOLD the trust estate, with all of the privileges and appurtenances thereunto belonging, unto the Trustee, its successors in the trusts of the Indenture, and its and their assigns, to its and their own use, forever;

BUT IN TRUST NEVERTHELESS, upon the terms and trusts set forth in the Indenture, for the equal *pro rata* benefit, security and protection (except as provided in Section 8.14 of the Indenture and except insofar as a sinking, improvement and analogous fund or funds, established in accordance with the provisions of the Indenture, or any indenture supplemental thereto, may afford particular security for bonds of one or more series) of the bearers and the registered owners of the bonds from time to time authenticated, issued and outstanding under the Indenture, and the bearers of the coupons appertaining thereto, without (except as aforesaid) any preference, priority or distinction whatever of any one bond over any other bond by reason of priority in the issue, sale or negotiation thereof, or otherwise;

PROVIDED, HOWEVER, and these presents are upon the condition, that, if the Company shall pay or cause to be paid the principal of and premium, if any, and interest on the bonds at the

times and in the manner therein and in the Indenture provided, and shall keep, perform and observe all and singular the covenants, agreements and provisions in the bonds and in the Indenture expressed to be kept, performed and observed by or on the part of the Company, then this Thirteenth Supplemental Indenture and the estate and rights hereby granted shall, pursuant to the provisions of Article XIII of the Indenture, cease, determine and be void, but otherwise shall be and remain in full force and effect.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, upon the trusts and for the purposes aforesaid, as set forth in the following covenants, agreements, conditions and provisions, viz.:

ARTICLE ONE

SERIES O BONDS

Section 1.01. There shall be and is hereby created an additional series of bonds designated as and entitled "*First Mortgage Bonds, Series O.*" Series O Bonds shall be fully registered bonds without coupons, of the denomination of \$1,000 and multiples thereof. The bonds of Series O originally issued shall be dated the date of such issue and any bonds of Series O subsequently issued shall be dated as provided in Section 2.03 of the Indenture. All Series O Bonds shall mature on September 15, 2036, and shall bear interest at the rate of six and thirty-two hundredths percent (6.32%) per annum from their respective dates, such interest to be payable semi-annually in arrears on the fifteenth day of March and September and in each year commencing the fifteenth day of March, 2007, and shall bear interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at the rate of 8.32% per annum. The principal of, premium, if any, and interest on bonds of Series O shall be payable at the corporate trust office of U.S. Bank National Association, in Boston, Massachusetts, St. Paul, Minnesota, or at the corporate trust office designated by the Trustee or by its successors as Trustee hereunder, in lawful money of the United States of America, *provided* that the Company may enter into a written agreement with any registered Institutional Holder of the bonds of Series O providing that payment of interest thereon and of the redemption price of any portion of the principal amount thereof (including premium, if any) which may be redeemed shall be made directly to such holder or to its nominee, as the case may be, at a duly designated place of payment within the United States, without surrender or presentation of such bonds of Series O to the Trustee, *provided* that (A) there shall have been filed with the Trustee a copy of such agreement, (B) pursuant to such agreement such holder shall agree that it will not sell, transfer or otherwise dispose of any such bond of Series O in respect of which any such payment or redemption shall have been made unless, prior to the delivery thereof by it, either (i) it shall have made a clear and accurate notation of the amount of principal so redeemed upon any such bond to be transferred, or (ii) such bond of Series O shall have been presented to the Trustee for appropriate notation thereon of the portion of the principal amount thereof redeemed, or (iii) such bond or bonds of Series O shall have been surrendered in exchange for a new bond or bonds of Series O for the unredeemed balance of the principal amount thereof in accordance with the other terms of the Indenture and (C) in such agreement such holder shall agree that prior to

receiving any final payment of the entire remaining unpaid principal amount of any Series O Bond, the holder thereof shall be required to deliver such bond to the Trustee. For purposes of this **Section 1.01**, the term “*Institutional Holder*” shall mean any insurance company, bank, savings and loan association, trust company, investment company, charitable foundation, employee benefit plan (as defined in ERISA) or other institutional investor or financial institution. The text of the Series O Bonds and of the Trustee’s Certificate with respect thereto shall be respectively substantially of the tenor and purport set forth in **Schedule B** hereto. The Series O Bonds shall be numbered in such manner or by such method as shall be satisfactory to the Trustee.

The issue of bonds of Series O hereunder is hereby limited to the \$15,000,000 in aggregate principal amount of Series O Bonds initially issued as provided in **Section 1.08** hereof and to Series O Bonds issued in exchange or substitution for outstanding Series O Bonds under the provisions of Sections 2.08, 2.10, 2.11 and 7.05 of the Indenture and **Section 1.07** hereof.

Section 1.02. As a required sinking fund for the benefit of the Series O Bonds, the Company covenants that it will, on or prior to September 15 in each year, beginning with September 15, 2032, and continuing to and including September 15, 2036, pay to the Trustee immediately available funds sufficient to redeem, at par, Series O Bonds then outstanding, in the principal amount of Three Million Dollars (\$3,000,000) (or the remaining principal amount if less than \$3,000,000 principal amount of Series O Bonds at the time remains outstanding). The payments required for the sinking fund as above provided are in this **Section 1.02** and elsewhere in this Thirteenth Supplemental Indenture referred to as “*required sinking fund payments*” and the day following the latest date on which each such payment is required to be made is herein and therein referred to as a “*required sinking fund redemption date.*” Each required sinking fund payment shall be applied to the redemption of Series O Bonds on the applicable required sinking fund redemption date.

No redemption under **Section 1.03, 1.04, 1.05** or **1.06** hereof shall affect or reduce the obligation of the Company to provide for required sinking fund redemptions under this **Section 1.02** until all Series O Bonds shall have been paid in full.

Section 1.03. At the same time it makes any required sinking fund payment, the Company shall have the option (which shall be non-cumulative) to pay the Trustee, in immediately available funds, an additional principal amount of Three Million Dollars (\$3,000,000) (in this **Section 1.03** and elsewhere in this Thirteenth Supplemental Indenture referred to as an “*optional sinking fund payment*”), *provided*, that the cumulative amount of all optional sinking fund payments pursuant to this **Section 1.03** shall not exceed Six Million Dollars (\$6,000,000) and each such optional sinking fund payment shall be applied to the redemption of Series O Bonds on the required sinking fund redemption date for such required sinking fund payment and applied to the redemption of Series O Bonds in the inverse order of maturity. The Company will give notice, by registered mail, postage prepaid, or by a reputable overnight carrier to the Trustee and to each registered owner of a bond of Series O of any required or optional payment to be made pursuant to **Section 1.02**, this **Section 1.03**, **Section 1.04** or **Section 1.05** hereof not more than 60, nor less than 30, days prior to the required sinking fund redemption date (or other designated date of redemption in the case of a redemption pursuant to **Section 1.04** or **Section 1.05**).

Section 1.04. In addition to the required and optional sinking funds provided by **Sections 1.02** and **1.03** hereof, all of the bonds of Series O, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, on any date before September 15, 2034, on not less than 15 days' notice, pursuant to the provisions of Article VII of the Indenture, and by payment of an amount equal to the Make Whole Amount, as defined below in this **Section 1.04** determined five Business Days prior to such redemption. In addition to the foregoing, on any date on or after September 15, 2034, all of the bonds of Series O, or any part of the principal amount thereof constituting One Hundred Thousand Dollars (\$100,000) or any integral multiple thereof, shall be subject to redemption, at the option of the Company, by payment of the interest accrued on the principal amount of the bond or bonds optionally to be redeemed to the dates fixed for such redemption plus 100% of the principal amount thereof.

For purposes of this **Section 1.04**, the *Make Whole Amount* shall mean the greater of (i) the outstanding principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for such redemption, and (ii) the sum of (A) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed (taking into account each redemption required by **Section 1.02** above) and the amount of interest (exclusive of interest accrued to the date fixed for such redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such redemption, plus (B) interest accrued on the bonds to be redeemed to the date fixed for such redemption.

For purposes of any determination of the Make Whole Amount:

"Reinvestment Rate" shall mean (1) the sum of 0.50%, plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (Eastern time) on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this **Section 1.04** for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the bonds being redeemed (taking into account the application of each redemption required by **Section 1.02**) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of 0.50%, plus the arithmetic mean of the yields for the two columns under the heading *"Week Ending"* published on the fifth Business Day preceding the date the Make Whole Amount becomes due and payable pursuant to the foregoing provisions of this **Section 1.04** in the Statistical Release under the caption *"Treasury Constant Maturities"* for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the bonds being redeemed (taking into account each redemption required by **Section 1.02**). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such

yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Amount shall be used.

“*Statistical Release*” shall mean the then most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of outstanding Series O Bonds.

“*Weighted Average Life to Maturity*” of the principal amount of the bonds being redeemed shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term “*Remaining Dollar-Years*” of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled redemption date under **Section 1.02** hereof if the redemption pursuant to this **Section 1.04** had not been made, less (2) the amount of principal on the bonds scheduled to become payable on each such redemption date under **Section 1.02** after giving effect to the redemption pursuant to this **Section 1.04**, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such scheduled redemption date under **Section 1.02**, and (ii) totaling the products obtained in (i).

Section 1.05. Series O Bonds may be redeemed pursuant to Article XI of the Indenture (i) out of Trust Moneys required by Section 8.12 of the Indenture to be deposited with the Trustee, on any date and shall be redeemed for an amount equal to the principal amount of the bonds to be redeemed, plus interest accrued to the date of redemption; or (ii) out of Trust Moneys required by Sections 8.10, 10.03, 10.04 or 10.04A of the Indenture to be deposited with the Trustee, on any date and, if redeemed prior to September 15, 2034, then they shall be redeemed for an amount equal to the Make Whole Amount, as defined above in **Section 1.04**, and if redeemed on any date on or after September 15, 2034, then they shall be redeemed for an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for such redemption plus an amount equal to 100% of the principal amount thereof.

Section 1.06. In the event that all or any part of the bonds of Series O shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such bonds of Series O shall be entitled to be paid thereafter an amount equal to the Make Whole Amount, if such redemption or discharge occurs prior to September 15, 2034, or, if such redemption occurs on or after September 15, 2034, then the registered owners of such bonds shall be entitled to be paid thereafter an amount equal to the interest accrued on the principal amount of the bond or bonds to be redeemed to the date fixed for such redemption, plus an amount equal to 100% of the principal amount thereof.

Section 1.07. Bonds of Series O, upon surrender thereof at the principal corporate trust office of the Trustee in Boston, Massachusetts, St. Paul, Minnesota, or other such office designated by the Trustee, may be exchanged for the same aggregate principal amount of other fully registered bonds of this Series.

Within a reasonable time after the receipt of a request for such an exchange, the Company shall issue and the Trustee shall authenticate and deliver all bonds required in connection therewith, and the Trustee shall make such exchange upon payment to it of such charge, if any, as is required by the following paragraph.

For any exchange of bonds of Series O, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp or other tax or governmental charge required to be paid by the Company or the Trustee.

Section 1.08. Upon the execution of this Thirteenth Supplemental Indenture and subject to the provisions of Article III of the Indenture and upon compliance with the applicable provisions of Articles IV of the Indenture, the Company shall execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to or upon the order of the Company, bonds of Series O in the form set forth in **Schedule B** hereto in the aggregate principal amount of Fifteen Million Dollars (\$15,000,000).

ARTICLE TWO

REDEMPTION

Section 2.01. In the case of any required or optional sinking fund redemption pursuant to **Sections 1.02** and **1.03** hereof, forthwith after the August 15 preceding each required sinking fund redemption date, and in the case of any proposed redemption pursuant to **Sections 1.04** or **1.05**, forthwith after the Trustee's receipt of proper notice from the Company of any such proposed redemption, the Trustee shall act in accordance with the provisions of Article VII of the Indenture.

The Company covenants that it will pay to the Trustee:

(i) on or before the day prior to each required sinking fund redemption date, the sum required by **Section 1.02** hereof, plus the sum, if any, payable in accordance with any notice of optional redemption delivered prior to such required sinking fund redemption date pursuant to **Section 1.03** hereof,

(ii) on or before the day prior to the date proposed by the Company in a notice (which notice shall conform to the requirements of Article VII of the Indenture) of any redemption pursuant to **Section 1.04** or **1.05** hereof, the amount payable in accordance with such notice, and

(iii) at the time of each required sinking fund redemption or other redemption the Company shall pay to the Trustee the amount of the charges

which shall be due the Trustee and the amount of expenses which the Trustee advises the Company it has incurred or will incur in connection with such redemption.

ARTICLE THREE

COVENANTS OF THE COMPANY

Section 3.01. The Company covenants that it will not declare or pay dividends (other than in its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of, or make any other distribution through reduction of capital or otherwise, in respect of, any shares of its common stock if, after giving effect to such distribution, the aggregate of all such distributions declared, paid, made or applied subsequent to December 31, 2005, plus the amount of all dividends declared or accrued on any class of preferred stock of the Company subsequent to December 31, 2005, and any amounts charged to net income after December 31, 2005 in connection with the purchase or retirement of any shares of preferred stock of the Company would exceed an amount equal to net income of the Company available for dividends after December 31, 2005, plus the sum of \$13,300,000.

The term "*net income*", as applied to any period shall mean the net income (or deficit) of the Company for such period properly transferable to its earned surplus, all computed, if a uniform system of accounts is prescribed by any commission or other governmental body having jurisdiction in the premises, in accordance with such uniform system; otherwise in accordance with accepted accounting practice, and in any event by deducting from the aggregate gross revenues of the Company for such period all expenses required to be deducted in computing earnings available for interest charges for such period in accordance with Section 4.02B of the Indenture, and also by deducting all interest requirements, taxes, amortization of debt discount and expense and other deferred charges, and all other non-operating expenses for such period.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

Section 4.01. The Company covenants that, except as to that part of the trust estate which may hereafter be acquired by it, it is now well seized of the physical properties by it hereby mortgaged or intended so to be and has good right, full power, and lawful authority to make this Thirteenth Supplemental Indenture and to subject such physical properties to the lien of the Indenture as hereby supplemented; and that, subject to the provisions of the Indenture as hereby supplemented, it has and will preserve good and indefeasible title to all such physical properties and will warrant and forever defend the same to the Trustee against the claims of all persons whomsoever.

Section 4.02. The use of terms and the construction of the provisions hereof shall be in accordance with the definitions, uses and constructions contained in the Indenture as hereby supplemented.

Section 4.03. The Trustee shall be entitled to, may exercise and shall be protected by, where and to the full extent that the same are applicable, with respect to the Series O Bonds herein provided for, all the rights, powers, privileges, immunities and exemptions provided in the Indenture as if the provisions concerning the same were incorporated herein at length. The recitals and statements in this Thirteenth Supplemental Indenture and in the Series O Bonds (other than the Trustee's Certificate attached thereto) shall be taken as statements by the Company alone, and shall not be considered as made by or as imposing any obligation or liability upon the Trustee, nor shall the Trustee be held responsible for the legality or validity of this Thirteenth Supplemental Indenture or of the Series O Bonds, and the Trustee makes no covenant or representation, and shall not be responsible, as to and for the effect, authorization, execution, delivery or recording of this Thirteenth Supplemental Indenture. The Trustee shall not be taken impliedly to waive by this Thirteenth Supplemental Indenture any right it would otherwise have. As provided in the Indenture, this Thirteenth Supplemental Indenture shall hereafter form a part of the Indenture.

The remedies and provisions of the Indenture applicable in case of any default by the Company thereunder are hereby adopted and made applicable in case of any default with respect to the properties included herein and, without limitation of the generality of the foregoing, there are hereby conferred upon the Trustee the same powers of sale and other powers over the properties described herein as are expressly to be conferred by the Indenture.

Section 4.04. The Series O Bonds issued under this Thirteenth Supplemental Indenture are subject to the terms of the Indenture.

Section 4.05. This Thirteenth Supplemental Indenture shall become void when the Indenture shall be void.

Section 4.06. This Thirteenth Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.07. The cover of this Thirteenth Supplemental Indenture and all article and descriptive headings herein are inserted for convenience only, and shall not effect any construction or interpretation hereof.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this instrument to be executed in its corporate name by its President, one of its Vice Presidents, its Treasurer or its Assistant Treasurer and its corporate seal to be hereunto affixed and to be attested by the Secretary of the Board of Directors or its Secretary, and U.S. Bank National Association, to evidence its acceptance of the trust hereby created, has caused this instrument to be executed in its corporate name, all as of the day and year first above written.

Attest:

UNITIL ENERGY SYSTEMS, INC.

Doreen D. Whitney
Secretary

By: *Mark H. Collins*
Name: Mark H. Collins
Title: Treasurer

Signed, sealed and delivered by
Unitil Energy Systems, Inc.
in the presence of us:

Jennifer Auger
Jane Martin

(Corporate Seal)

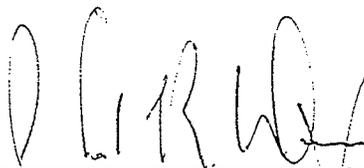
U.S. BANK NATIONAL ASSOCIATION, TRUSTEE

By: _____
Authorized Officer

Signed and delivered by
U.S. Bank National Association
in the presence of us:

STATE OF NEW HAMPSHIRE)
) SS
COUNTY OF RUCKINGHAM)

On this 22ND day of SEPTEMBER, 2006, before me personally appeared MARK H. COLLIN, to me personally known, who, being by me duly sworn, did say that he is the TREASURER of Unitol Energy Systems, Inc., that the seal affixed to the foregoing instrument was signed and sealed by him on behalf of said corporation by authority of its Board of Directors; and the said MARK H. COLLIN acknowledged said instrument to be the free act and deed of said corporation.



Notary Public CHAD R. DIXON, Notary Public
My Commission Expires November 16, 2010

(Notarial Seal)

COMMONWEALTH OF MASSACHUSETTS)
) SS
COUNTY OF SUFFOLK)

On this _____ day of _____, 2006, before me personally appeared _____, to me personally known, who being by me duly sworn, did say that he is an authorized officer of U.S. Bank National Association, and that the foregoing instrument was signed by him on behalf of said Bank by authority of its Board of Directors; and the said _____ acknowledged said instrument to be the free act and deed of said Bank.

Notary Public
My Commission Expires:

(Notarial Seal)

ENDORSEMENT

U.S. Bank National Association, Trustee, being the trustee under the foregoing Thirteenth Supplemental Indenture, hereby consents to the cutting of any timber standing upon any of the lands conveyed by the said Thirteenth Supplemental Indenture and to the sale of any such timber so cut as well as any personal property conveyed by said Thirteenth Supplemental Indenture to the extent, but only to the extent, that such cutting and sale is permitted under the provisions of the Indenture referred to in said Thirteenth Supplemental Indenture.

Dated: Boston, Massachusetts, _____ 2006.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Officer

Signed and delivered by
U.S. Bank National Association
in the presence of us:

UNITIL ENERGY SYSTEMS, INC.
THIRTEENTH SUPPLEMENTAL INDENTURE
SCHEDULE A

DESCRIPTION OF CERTAIN LAND AND EASEMENTS
ACQUIRED BY THE COMPANY SINCE DECEMBER 2, 2002

1. PARCELS ACQUIRED:

None since date set forth above.

2. EASEMENTS AND RIGHTS ACQUIRED FOR TRANSMISSION LINE:
 - a. Transmission Line Easement conveyed by deed of Public Service Company of New Hampshire to UNITIL Energy Systems, Inc. dated March 3, 2003 and recorded with the Merrimack County Registry of Deeds at Book 2479, Page 163.
 - b. Transmission Line Easement conveyed by deed of Hodges Development Corporation to UNITIL Energy Systems, Inc. dated June 21, 2005 and recorded with the Merrimack County Registry of Deeds at Book 2791, Page 1117.
 - c. Transmission Line Easement conveyed by deed of Kurt Meisner, Trustee of Links Realty Trust to UNITIL Energy Systems, Inc. dated May 5, 2006 and recorded with the Merrimack County Registry of Deeds at Book 2889, Page 1068.
 - d. Transmission Line Easement conveyed by deed of Thornhill Condominium Association to Exeter & Hampton Electric Co. dated October 26, 2002 and recorded with the Rockingham County Registry of Deeds at Book 3901, Page 1043.
 - e. Utility Access Easement Deed conveyed by Thornhill Condominium Association to Exeter & Hampton Electric Co. dated October 26, 2002 and recorded with the Rockingham County Registry of Deeds at Book 3901, Page 1050.
 - f. Transmission Line Easement Deed conveyed by William A. Woods to Exeter & Hampton Electric Company dated November 15, 2002 and recorded with the Rockingham County Registry of Deeds at Book 3916, Page 2044.

- g. Transmission Line Easement Deed from Cabernet Builders of Stratham, L.L.C. to Exeter & Hampton Electric Company dated November 12, 2002 and recorded with the Rockingham County Registry of Deeds at Book 3916, Page 2048.
- h. Transmission Line Easement conveyed by deed of Rollins Hill Development, L.L.C. to UNITIL Energy Systems, Inc. dated May 15, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4048, Page 541.
- i. Transmission Line Easement from Public Service Company of New Hampshire to UNITIL Energy Systems, Inc. dated June 26, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4089, Page 1843.
- j. Transmission Line Easement from Larry A. Royal and Barbara M. Royal, Trustees of Barlar Revocable Trust to UNITIL Energy Systems, Inc. dated July 18, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4133, Page 1520.
- k. Transmission Line Easement from Terry S. Martin and Diane L. Martin to UNITIL Energy Systems, Inc. dated August 11, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4232, Page 1561.
- l. Transmission Line Easement from Mark E. Wojcicki and John J. McPartland, Trustees of M&J Realty Trust to UNITIL Energy Systems, Inc. dated December 16, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4232, Page 1567.
- m. Transmission Line Easement from Morgando Development, LLC to UNITIL Energy Systems, Inc. dated January 21, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4235, Page 1471.
- n. Utility Access Easement for access to Transmission Line Easement from Morgando Development, LLC to UNITIL Energy Systems, Inc. dated January 21, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4235, Page 1480.
- o. Transmission Line Easement from Carol A. Johnson Trustee of Carol A. Johnson Trust to UNITIL Energy Systems, Inc. dated March 20, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4294, Page 265.
- p. Utility Access Easement for access to Transmission Line Easement and to Substation from Jay D. McFarland and Susan McFarland Moynihan, Trustees of McFarland Realty Trust to UNITIL Energy Systems, Inc. dated February 3, 2005 and recorded with the Rockingham County Registry of Deeds at Book 4451, Page 430.

- q. Utility Access Easement for access to Transmission Line Easement and to Substation from Route 88 Connector, LLC to UNITIL Energy Systems, Inc. dated January 14, 2005 and recorded with the Rockingham County Registry of Deeds at Book 4451, Page 447.

- r. Utility Access Easement for access to Substation from Michael J. Parkin and Deborah M. Parkin, Trustees of the Parkin Living Trust to UNITIL Energy Systems Inc. dated March 14, 2005 and recorded with the Rockingham County Registry of Deeds at Book 4561, Page 832.

**DESCRIPTION OF CERTAIN LAND AND EASEMENTS
CONVEYED BY THE COMPANY SINCE DECEMBER 2, 2002**

1. PARCELS CONVEYED:

None since date set forth above.

2. EASEMENTS AND RIGHTS CONVEYED FOR TRANSMISSION LINE:

- a. Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to Fox Brook Holdings, LLC dated May 3, 2005 and recorded with the Merrimack County Registry of Deeds at Book 2814, Page 866.
- b. Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to Hodges Development Corporation dated September 27, 2005 and recorded with the Merrimack County Registry of Deeds at Book 2852, Page 998.
- c. Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to Thornhill Condominium Association dated April 9, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4015, Page 890.
- d. Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to Peter R. Smith and Beverly H. Smith dated April 9, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4015, Page 893.
- e. Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to William A Woods dated April 9, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4015, Page 896.
- f. Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to James J. Rogers and Susan R. Rogers dated April 9, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4105, Page 899.
- g. Release of Utility Easement conveyed by deed of UNITIL Energy Systems, Inc. to Parkman Brook Development, LLC dated April 9, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4015, Page 901.
- h. Release of Utility Easement by deed of UNITIL Energy Systems, Inc. to Sewall Farms Realty, LLC dated June 11, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4062, Page 1198. (This Release is a Confirmatory Release that confirms the release to Parkman Brook

Development, LLC dated April 9, 2003 and recorded with the Rockingham County Registry of Deeds at Book 4015, Page 901. See item g above.)

- i. Release of Utility Easement by deed of UNITIL Energy Systems, Inc. to Michael S. Knapp and Patricia Knapp dated April 6, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4294, Page 257.
- j. Release of Utility Easement by deed of UNITIL Energy Systems, Inc. to Terry S. Martin and Diane L. Martin dated April 6, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4294, Page 259.
- k. Release of Utility Easement by deed of UNITIL Energy Systems, Inc. to Mark E. Wojicki and John J. McPartland, Trustees of M&J Realty Trust dated April 6, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4294, Page 261.
- l. Release of Utility Easement by deed of UNITIL Energy Systems, Inc. to Carol A. Johnson, Trustee of Carol A. Johnson Trust dated April 6, 2004 and recorded with the Rockingham County Registry of Deeds at Book 4294, Page 263.

SCHEDULE B

(Form of Series O Fully Registered Bond without Coupons)

No. OR- _____ \$ _____

UNITIL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series O, 6.32%

Due September 15, 2036

PPN: 913260 B* 5

Unitil Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "*Company*"), for value received, hereby promises to pay to _____ or registered assigns, on the fifteenth day of September, 2036, the principal sum of _____ Dollars (\$ _____) and to pay interest thereon from the date hereof at the rate of six and thirty-two hundredths per centum (6.32%) per annum (computed on the basis of a thirty (30) day month and a three hundred sixty (360) day year) payable semi-annually in arrears on the fifteenth day of March and September in each year, commencing with the fifteenth day of March, 2007, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest at the rate of 8.32% per annum. The principal of, premium, if any, and the interest on this bond shall be payable at the corporate trust office of U.S. Bank National Association, in Boston, Massachusetts, St. Paul, Minnesota, or at the corporate trust office designated by the Trustee or by its successor trustee of the trust hereinafter referred to, or at the option of certain holders in accordance with the provisions of Section 1.01 of the Thirteenth Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a series known as First Mortgage Bonds, Series O, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "*Original Indenture*") duly executed and delivered by the Company to Old Colony Trust Company (The First National Bank of Boston, and State Street Bank and Trust Company being the initial successor Trustees and U.S. Bank National Association being the current successor Trustee, the "*Trustee*"), to which Original Indenture, as amended and restated by the Twelfth Supplemental Indenture, and supplemented by a Thirteenth Supplemental Indenture (the "*Thirteenth Supplemental Indenture*") dated as of September 26, 2006 (herein together called the "*Indenture*") reference is hereby made for a description of the property transferred, assigned

SCHEDULE B

(to Thirteenth Supplemental Indenture)

and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay, at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

Bonds of this Series O are entitled to the benefit of a required sinking fund and an optional sinking fund provided for in the Thirteenth Supplemental Indenture and shall become subject to redemption for the purposes of such sinking funds at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in the Thirteenth Supplemental Indenture.

Bonds of this Series O are also redeemable, in whole or in part, in integral multiples of one hundred thousand dollars, at the option of the Company on any date on at least 15 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section 1.04 of the Thirteenth Supplemental Indenture.

On the conditions and in the manner provided in Section 1.05 of the Thirteenth Supplemental Indenture, Series O Bonds may also become subject to redemption, in whole or in part, at any time on at least 15 days' notice, in the manner, with the effect and for the amounts specified in said Section 1.05, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.

In the event that all or any part of the bonds of this Series O shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series O Bonds shall be entitled to be paid therefor an amount specified in Section 1.06 of the Thirteenth Supplemental Indenture.

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series O Bonds, or of any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the redemption date, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the redemption date, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision thereof made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized denominations and of the same series, for the same aggregate principal amount. Bonds of Series O upon surrender thereof at said office may be exchanged for the same aggregate principal amount of fully registered bonds of Series O of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, any of the provisions of the Indenture or of any instrument supplemental thereto may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, *provided, however*, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitil Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer or one of its Assistant Treasurers, and this bond to be dated the _____ day of _____, 2006.

UNITIL ENERGY SYSTEMS, INC.

By

Name: _____

Title: _____

ATTEST: _____

(Corporate Seal)

(FORM OF TRUSTEE'S CERTIFICATE FOR ALL BONDS OF SERIES O)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the First Mortgage Bonds, Series O, referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION
Trustee

By: _____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Dated: _____

Signature of Registered Owner

In the presence of _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

UNITIL ENERGY SYSTEMS, INC.

C E R T I F I C A T E

VOTED: That the proposed issuance and sale to an institutional investor(s) by private placement of up to Fifteen Million Dollars (\$15,000,000) aggregate principal amount of First Mortgage Bonds of Unitil Energy Systems, Inc. (the "Company") be and hereby are approved in principle, such Bonds to be sold at such price and to have such terms and provisions as may be determined by the Board of Directors; and further

That the President, any Vice President, and the Treasurer of this Company be and they are, and each of them singly is hereby authorized in the name of and on behalf of the Company, to execute and file with the New Hampshire Public Utilities Commission, and any other regulatory authority having jurisdiction petitions for the approval and authorization of up to Fifteen Million Dollars (\$15,000,000) of First Mortgage Bonds; and that the President, any Vice President, and the Treasurer of this Company be and they are, and each of them singly is, hereby authorized in the name and on behalf of this Company to execute and file with said regulatory authorities any amendments to said petitions as may be necessary or desirable in connection with the foregoing; and further

That the officers of this Company be and they are, and each of them singly is, hereby authorized and directed in the name of and on behalf of the Company to execute such documents, including the engagement of a financial advisor; and do all such acts and things and to take all such other steps as may be necessary or advisable or convenient and proper to carry out the intent of the foregoing votes.

I, Sandra L. Whitney, hereby certify that I am Secretary of Unitil Energy Systems, Inc.;

that the foregoing is a true copy from the record of votes unanimously adopted at a meeting of the Directors of said Company, duly called and held March 26, 2009, at which meeting a quorum was present and acting throughout; and that the said votes have not since been altered, amended or rescinded.

WITNESS my hand and the corporate seal of Unitil Energy Systems, Inc. this 13th day of November, 2009.


Sandra L. Whitney
Secretary

