

SECTION 2: TRANSITION SERVICES – UPDATE

A) Transition Services Agreement – Overview

The TSA is an integral component of the Transition Plan because it provides for the smooth transition of Northern and Granite to Unitil by ensuring that there is no interruption or diminution to the quality of service to customers as Northern and Granite are fully integrated into Unitil. A copy of the TSA is provided as Appendix A to this report. The TSA acts as the Transition Plan “safety net” to remain in place only as long as needed. The TSA only covers those services that Unitil requires and only for a time period that Unitil elects. The TSA contains an initial term and provide for extended terms, if needed, with notice from Unitil. The TSA term is transitional and is meant to end for each Unitil function as promptly as practicable once Unitil’s ability to provide each service have been properly tested followed by the execution of a Go-Live transfer plan. Under the TSA, NiSource provides, at its fully loaded cost, transitional services to continue the operation and maintenance of Northern and Granite until the successful transition to Unitil of business functions previously performed by NiSource and its affiliates. Unitil's objective is to replace the TSA services in an efficient and timely manner after the transaction closing but not before Unitil is prepared to provide these services.

The TSA provides for the general contractual terms and conditions and also includes 13 Annexes, which represent specific services to be provided during the transition period. In addition, the TSA also includes Section 1.2(a), which covers temporary services and Section 1.2(b), which covers ancillary services. Sections 1.2(a) and 1.2(b) were added as mechanisms for NiSource to respond to Unitil requests for support that either have not been identified at this time or are relatively minor efforts. The 13 Annexes (included in Appendix A to this report) address services to be provided by NiSource and it affiliates, including Bay State, on an “as needed” basis and at cost, in the following areas:

1. Customer Information System ("CIS") Services: Continue to perform all NiSource CIS functions, reconcile CIS billing and receivables, provide revenue and cash reporting to Unitil Accounting, and transfer daily work orders to Unitil and record customer work order completion activities in CIS;
2. Billing Services: Bill regulated services (at rates determined and maintained by Unitil/Northern) provided to metered and unmetered customers (including special contract and transportation customers), bill unregulated services (at rates determined and maintained by Unitil/Northern) provided to customers, and provide customer refund data to Unitil Accounts Payable;
3. Treasury Services: Receive, process and post cash receipts to customer accounts and transfer cash receipts to Unitil;
4. Customer Communications Services: Perform all call center services for regulated emergency and non-emergency calls. Services include, but are not limited to, internal and external reporting, answering calls within the current guideline, issuing and managing work orders, collecting and reporting activity required for SQI reporting;
5. Credit and Collections Services: Provide credit and collections services associated with regulated and non-regulated services including, but not limited to, deposits, write-offs, payment arrangements, agency programs, customer protections, moratorium-related processes, preparation of regulatory reports and implementation of new requirements;
6. Meter Reading Services: Daily work assignment for meter readers, download routes to meter readers, upload monthly meter readings to NiSource Customer Information System, read Metscan meters and monitor associated processing activities, prepare monthly regulatory reports;

7. Accounting Services: Journal entries for customer transactions, monthly and annual (2008) financial reports, and accounting entries for Granite State;
8. Gas Dispatch and Control Services: Monitor and/or control the Northern and Granite SCADA systems, perform nominations and balancing activities, record all activities, and provide training to Unitil dispatch personnel;
9. Gas Supply Services: Provide support as needed for daily operations, gas cost accounting, interruptible billing, regulatory reporting, resource planning, hedging and retail supplier management;
10. Field Services: Provide coverage for field services in Northern Utilities' southern New Hampshire service territory, which is currently covered by Bay State's operations in Lawrence, MA, including emergency response, leak response, dig-safe activities and maintenance activities;
11. Granite Transportation Services: Perform certain Granite administrative activities including nominations and balancing and invoice processing, record all daily transactions, produce FERC integrity management reports, and provide financial performance data to Unitil Accounting. Support and maintain the work management system for Granite;
12. Regulatory Services: Continue to perform certain regulatory services, including preparation of filings that rely on 2008 data, until Unitil is prepared to assume these responsibilities; and
13. Engineering - Regulatory Reporting Services: Gather and compile 2008 data through the closing date for various engineering regulatory reports. Provide 2008 data through closing date to Unitil. Unitil will compile remaining 2008 data and file the reports.

In addition, the current list of Unitil's requested transition services, which were reviewed with the NiSource and Bay State counterparts and used to produce the Annexes,

is attached as Appendix B. As provided in the TSA, if services are needed beyond the “Initial Term,” there is a provision for Unitil to request extended periods of service from NiSource until Unitil is able to perform the particular function independently of NiSource.