UNITIL ENERGY SYSTEMS, INC.
COST OF LONG-TERM DEBT COMPARISON
AS OF DECEMBER 31, 2020

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									PROFORMED	MOODY'S BOND YIELD	
LINE NO.	ISSUE	ISSUE DATE	MATURITY DATE	COUPON RATE	TENOR	INITIAL OFFERING	AMOUNT OUTSTANDING	PROFORMA ADJUSTMENT	AMOUNT OUTSTANDING	UTILITY A-RATED	UTILITY BAA-RATED
1	Series I	10/14/1994	10/14/2024	8.49%	30 Yrs	$ 6,000,000	$ 1,200,000	$ (600,000)	$ 600,000	8.76%	9.37%
2	Series J	9/1/1998	9/1/2028	6.96%	30 Yrs	10,000,000	8,000,000	(1,000,000)	7,000,000	6.99%	7.20%
3	Series K	5/1/2001	5/1/2031	8.00%	30 Yrs	7,500,000	7,500,000	-	7,500,000	7.98%	8.09%
4	Series L	10/14/1994	10/14/2024	8.49%	30 Yrs	9,000,000	1,800,000	(900,000)	900,000	8.76%	9.37%
5	Series M	9/1/1998	9/1/2028	6.96%	30 Yrs	10,000,000	8,000,000	(1,000,000)	7,000,000	6.99%	7.20%
6	Series N	5/1/2001	5/1/2031	8.00%	30 Yrs	7,500,000	7,500,000	-	7,500,000	7.98%	8.09%
7	Series O	9/26/2006	9/26/2036	6.32%	30 Yrs	15,000,000	15,000,000	-	15,000,000	5.85%	6.13%
8	Series Q	11/30/2018	11/30/2048	4.18%	30 Yrs	30,000,000	30,000,000	-	30,000,000	4.53%	5.07%
9	Series R	9/15/2020	9/15/2040	3.58%	20 Yrs	27,500,000	27,500,000	-	27,500,000	2.84%	3.16%
10	TOTAL					$ 122,500,000	$ 106,500,000	$ (3,500,000)	$ 103,000,000		
11	WEIGHTED AVERAGES			5.33%						5.17%	5.51%

Notes

Sources: Schedule RevReq 5-4 and S&P Global Market Intelligence. Weighted average cost of debt rates are based on the Proformed Outstanding Amounts and do not include transaction costs. Moodys Bond Yield figures are as of the offering date of the relevant Notes.

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UNITIL ENERGY SYSTEMS, INC.
HISTORICAL SHORT-TERM DEBT LIMITS

	(1)	(2)	(3)
LINE NO.	YEAR	AMOUNT [1]	CAGR [2]
1	2011	$ 25,008,257	-
2	2012	25,573,440	2.3%
3	2013	26,810,488	3.5%
4	2014	26,936,217	2.5%
5	2015	27,869,777	2.7%
6	2016	29,121,025	3.1%
7	2017	30,488,676	3.4%
8	2018	31,686,298	3.4%
9	2019	32,299,751	3.2%
10	2020	34,794,001	3.7%

Notes
(1) Annual limits take effect June 1
(2) The base used in the CAGR calculations is 2011

UNITIL ENERGY SYSTEMS, INC.
LONG-TERM DEBT RETIREMENTS
HISTORICAL AND PROJECTED AS OF DECEMBER 31, 2020

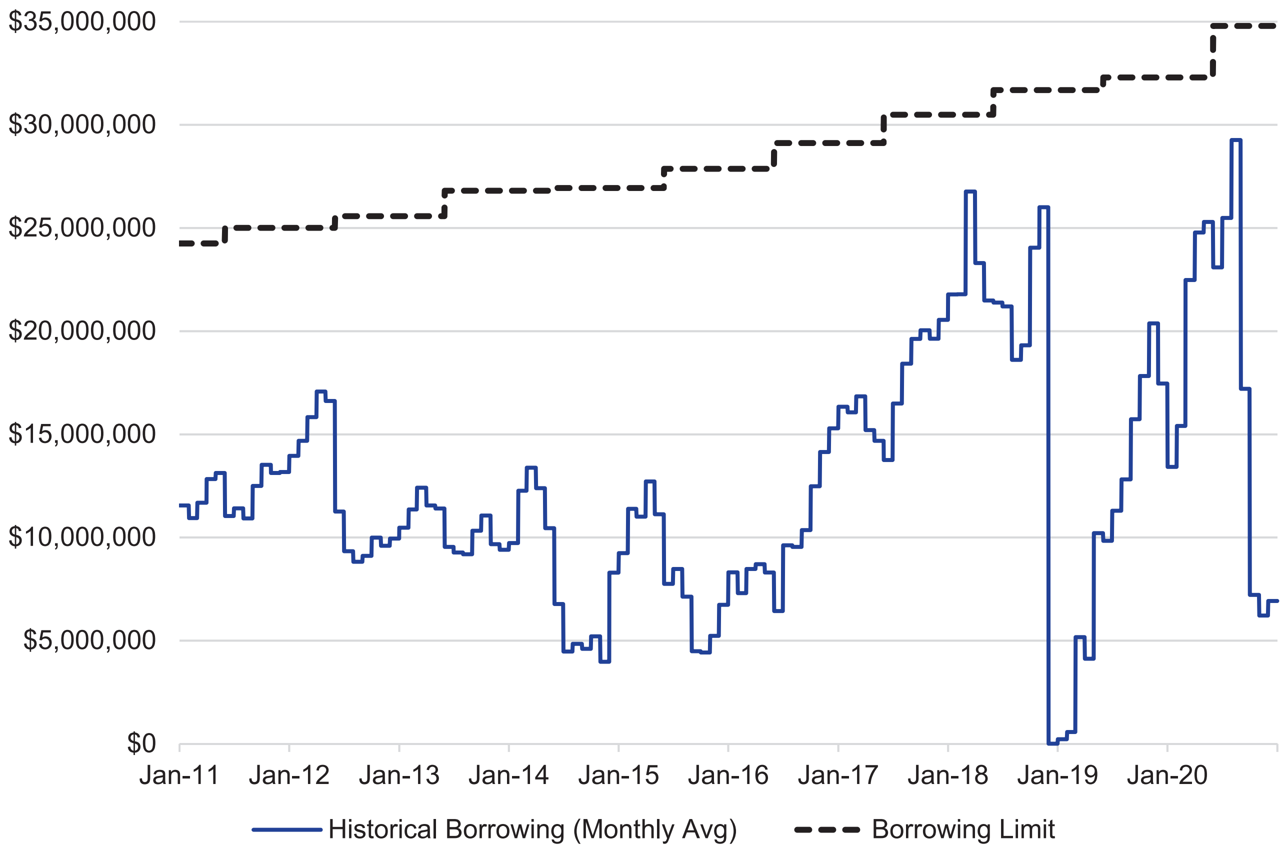
	(1)	(2)	(3)	(4)
LINE NO.	YEAR	RETIREMENTS (HISTORICAL)	RETIREMENTS (PROJECTED)	ROLLING THREE YEAR SUM
1	2005	$ -	$ -	$ -
2	2006	-	-	-
3	2007	-	-	-
4	2008	-	-	-
5	2009	-	-	-
6	2010	-	-	-
7	2011	-	-	-
8	2012		-	-
9	2013		-	-
10	2014		-	-
11	2015	3,000,000	-	-
12	2016	3,000,000	-	-
13	2017	1,500,000	-	7,500,000
14	2018	6,500,000	-	11,000,000
15	2019	8,500,000	-	16,500,000
16	2020	8,500,000	-	23,500,000
17	2021	-	3,500,000	20,500,000
18	2022	-	5,000,000	17,000,000
19	2023	-	3,500,000	12,000,000
20	2024	-	3,500,000	12,000,000
21	2025	-	3,500,000	10,500,000
22	2026	-	3,500,000	10,500,000
23	2027	-	3,500,000	10,500,000
24	2028	-	3,500,000	10,500,000
25	2029	-	1,500,000	8,500,000
26	2030	-	1,500,000	6,500,000
27	TOTAL	$ 31,000,000	$ 32,500,000	$ 12,642,857
				AVERAGE (1)

Notes
(1) Simple average from 2017 to 2030

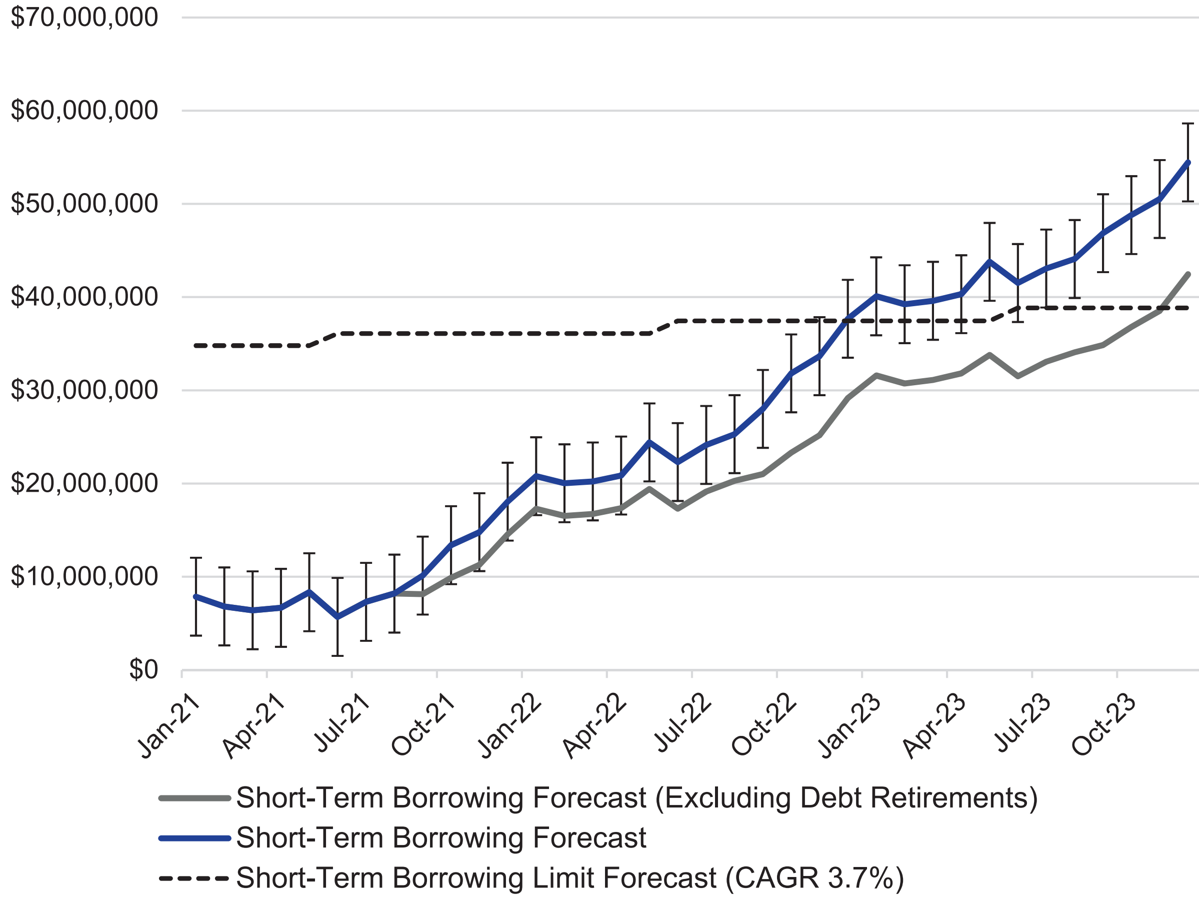
UNITIL ENERGY SYSTEMS, INC.
HISTORICAL FINANCING PROCEEDS
AS OF DECEMBER 31, 2020

	(1)	(2)	(3)	(4)
LINE NO.	YEAR	EQUITY	LONG-TERM DEBT	TOTAL
1	2011	$ -	$ -	$ -
2	2012	5,000,000	-	5,000,000
3	2013	-	-	-
4	2014	-	-	-
5	2015	5,000,000	-	5,000,000
6	2016	-	-	-
7	2017	-	-	-
8	2018	-	30,000,000	30,000,000
9	2019	12,000,000	-	12,000,000
10	2020	7,750,000	27,500,000	35,250,000
11	TOTAL	$29,750,000	$57,500,000	$87,250,000

UNITIL ENERGY SYSTEMS, INC.
HISTORICAL SHORT-TERM BORROWINGS
AS OF DECEMBER 31, 2020



UNITIL ENERGY SYSTEMS, INC.
FORECASTED SHORT-TERM BORROWINGS
AS OF DECEMBER 31, 2020



Notes

(1) The error bars represent two standard deviations of intermonth borrowings compared to the average borrowings in the month

(2) The borrowing limit was forecasted under the currently authorized formula by using the 10 year historical growth rate of 3.7%

S&P Global
Ratings

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Research Update:

Unitil Corp. And Subsidiaries Outlooks Revised To Negative On Weaker Consolidated Financial Measures; Ratings Affirmed

November 5, 2020

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Rating Action Overview

- U.S. utility holding company Unitil Corp.'s consolidated financial measures have weakened from historical levels due to weaker cash flows and greater leverage.
- As such, we are revising our rating outlook on Unitil Corp. and subsidiaries Northern Utilities Inc. (NU), Fitchburg Gas & Electric Light Co. (FG&E), Unitil Energy Systems Inc. (UES), and Granite State Gas Transmission Inc. to negative from stable.
- We are affirming our issuer credit ratings on each entity, including our 'BBB+' issuer credit ratings.
- The negative outlook reflects the potential for a one-notch downgrade over the next 24 months if Unitil's consolidated financial measures do not improve, including funds from operations (FFO) to debt consistently above 16%.

Rating Action Rationale

The negative outlook reflects the increased possibility that Unitil might not consistently achieve FFO to debt of at least 16%. As a result of weaker economic conditions related to the pandemic, lower gas and electric sales margins primarily due to warmer winter weather in 2020 compared to 2019, and an elevated capital spending plan, we expect Unitil's financial measures to be pressured over the forecast period. FFO to debt as of the third quarter 2020 was 15.3%, which is below our downgrade trigger. While Unitil benefits from electric and natural gas decoupling in Massachusetts, decoupled margins represent only 25% of consolidated margins. Forward-looking, both UES and NU are required by the Public Utilities Commission of New Hampshire to propose revenue decoupling or alternative lost base revenue mechanisms in their next rate case filing. While we believe this is credit positive, as it could result in about decoupled margins representing about 75% of consolidated margins, Unitil's margins remain exposed to revenue uncertainty at least through next year. Additionally, the company's elevated capital spending needs will likely lead to further debt issuances during our forecast period, which will further pressure credit measures. However, we expect the company will take various steps to mitigate some of the anticipated financial impact of its robust capital spending program and the weaker margins. Under our base case, we expect Unitil will continue to effectively manage its regulatory risk and implement other liquidity/credit-supportive measures, as necessary.

Unitil's five-year capital spending program will increase about 25% compared with the previous five years. Unitil is deploying about $680 million in capital through 2024 to support gas system growth and electric distribution system modernization. While our base case incorporates incremental debt issuances to fund this elevated spending, Unitil operates with capital tracker mechanisms in Maine and Massachusetts that allow for the recovery of costs between base rate cases through rate surcharges.

Our business risk assessment for Unitil incorporates our view of its effective management of regulatory risk. Our assessment of Unitil's business risk reflects its lower-risk, rate-regulated electric and natural gas distribution operations that provide essential services. The company operates under a generally constructive regulatory framework in supportive jurisdictions that allows it to recover costs, including capital spending, through annual adjustments, multiyear rate plans, and capital tracker mechanisms. Unitil also benefits from electric and natural gas decoupling in Massachusetts. Our ratings on Unitil include a comparable ratings analysis modifier that is considered positive to reflect our view that the company's business risk profile is at the upper end of our assessment based on its lower-risk electric and gas distribution operations. Although Unitil serves only around 190,000 customers, the company's expansion projects provide new opportunities to grow its customer base over the next few years.

Because it serves primarily the natural gas needs of affiliate utility Northern Utilities, we assess Granite State's business risk as somewhat less risky compared with other transmission pipelines exposed primarily to third-party marketers.

Unitil's size and exposure to industrial and commercial customers weighs on the business risk profile. Compared to peers, Unitil has fewer customers and its electric and gas utilities have material exposure to a cyclical industrial and commercial customer base (about 40% of electric sales margins and 60% of gas sales margins). However, we expect this exposure to decrease should the proportion of decoupled margins increase.

Outlook

The negative outlook reflects the potential for lower ratings over the next 24 months if we believe Unitil will not be able to consistently achieve consolidated FFO to debt of at least 16%. This could occur from weaker cash flows due to lower sales margins or a lag on timely recovery of capital spending, or if the company uses primarily debt leverage to fund capital spending.

Downside scenario

We could lower the ratings on Unitil and its subsidiaries if financial measures remain weak and result in FFO to debt that is consistently below 16%. This could occur from weaker cash flows driven by lower sales margins or a lag on timely recovery of capital spending, or if the company uses primarily debt leverage to fund capital spending.

Upside scenario

We could revise the outlook to stable if Unitil's financial measures improve to a level that supports the current ratings, demonstrated by FFO to debt of at least 16% consistently, while business risk remains at least as strong as the existing level.

Company Description

U.S.-based Unitil is a holding company of three regulated electric and natural gas distribution utilities serving around 190,000 customers in Massachusetts, Maine, and New Hampshire--FG&E, NU, and UES. Together, these regulated subsidiaries contribute more than 90% of consolidated revenues.

Unitil also operates a FERC-regulated gas transmission pipeline, Granite State, that provides predominantly NU (more than 80% of revenues) and other third-party suppliers with access to domestic and Canadian natural gas.

Our Base-Case Scenario

- Gross margin growth primarily from regulated capital recovery and customer growth in New Hampshire, Maine and Massachusetts.
- Elevated capital spending to support gas system growth and distribution system modernization.
- Capital spending of about $680 million over the next five years.
- Discretionary cash flow deficit that we expect to be funded primarily with debt.

Liquidity

We assess Unitil's liquidity as adequate because the company's sources are likely to cover its uses by more than 1.1x over the next 12 months, even if EBITDA declines by 10%. The company has the likely ability to absorb high-impact, low-probability events without refinancing, has well-established and sound relationships with banks, a generally satisfactory standing in credit markets, and generally prudent risk management.

Principal liquidity sources

- Cash and liquid investments of about $10 million;
- Cash FFO of about $105 million; and
- Revolving credit facility availability of about $100 million.

Principal liquidity uses

- Capital spending of about $130 million;
- Debt maturities of about $25 million; and

- Dividends of about $25 million.

Ratings Score Snapshot

Issuer Credit Rating: BBB+/Negative/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: bbb

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: bbb+

- Group credit profile: bbb+

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

UNITIL ENERGY SYSTEMS, INC.
UNITIL CORPORATION: RETIREMENT BENEFIT OBLIGATIONS FUNDED STATUS
ASSETS VS PROJECTED BENEFIT OBLIGATION
($000's)

	(1)	(2)	(3)	(4)	(5)	(6)
LINE NO.	DESCRIPTION	2016	2017	2018	2019	2020
1	Benefit Obligation Discount Rate	4.10%	3.60%	4.25%	3.25%	2.50%
2	Pension Plan	$ 59,381	$ 64,606	$ 48,389	$ 56,380	$ 68,686
3	PBOP Plan	80,053	73,888	59,896	68,377	73,984
4	SERP	9,566	11,723	13,754	17,759	20,225
5	Total Obligation	$ 149,000	$ 150,217	$ 122,039	$ 142,516	$ 162,895
6	Change (2016 to 2020):					$ 13,895
7	Federal Tax Rate	34.00%	34.00%	21.00%	21.00%	21.00%
8	Imputed Debt *Line 5 x (1 - Line 7)*	$ 98,340	$ 99,143	$ 96,411	$ 112,588	$ 128,687
9	Change (2016 to 2020):					$ 30,347

Notes
Source: SEC Filings. S&P reduces the retirement benefit obligation by the federal tax rate.

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