Exhibit UNITIL-MHC-1

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

DG 08-____

UNITIL CORPORATION

AND

NORTHERN UTILITIES, INC.

JOINT PETITION

for

APPROVAL OF LONG-TERM DEBT FINANCING

DIRECT TESTIMONY OF

MARK H. COLLIN

MAY 30, 2008

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Mark H. Collin. My business address is 6 Liberty Lane West, Hampton, New Hampshire 03842.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Senior Vice President, Chief Financial Officer and Treasurer of Unitil Corporation (hereinafter referred to as "Unitil").

Q. PLEASE DESCRIBE YOUR BUSINESS AND EDUCATIONAL BACKGROUND.

A. I have over 23 years of professional experience in the utility industry including an extensive financial and regulatory background. I have held a number of progressively senior management positions with Unitil in the areas of finance, administration and regulation. I have been Treasurer of the Unitil's utility operating companies since 1993, and the Treasurer of Unitil since 1998. I assumed my responsibilities as Chief Financial Officer of Unitil in 2003. Prior to joining Unitil, I was employed as an economist and utility analyst in the Economics Department of the New Hampshire Public Utilities Commission (the "NHPUC"), where I advised the Commission on economic, ratemaking and regulatory matters concerning electric, gas and water utilities.

I earned a Bachelor of Arts in Economics and a minor in Management from the State University of New York at Cortland in 1981 and a Master of Arts in Economics from the University of New Hampshire Whittemore School of Business and Economics in 1984.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY TO THE COMMISSION OR OTHER REGULATORY AGENCIES?

A. Yes. I have testified before the Commission in several proceedings on various financial, ratemaking and industry restructuring matters. Most recently, I filed testimony with the NHPUC in DG 08-048 in support of Unitil's request to acquire all the common stock outstanding of Northern Utilities, Inc. ("Northern"). I have also testified before the Massachusetts Department of Public Utilities ("MDPU") and submitted testimony before the Federal Energy Regulatory Commission ("FERC").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to explain and support the Joint Petition of Unitil and Northern requesting that Northern be authorized, pursuant to RSA 369:1, 369:2 and 369:4, to issue, at par, to institutional investors, promissory notes evidencing unsecured long-term debt in an aggregate amount of up to $80,000,000 (hereinafter referred to as the "Notes") required to conclude Unitil's acquisition of Northern. The final maturity of the Notes will range from 10 to 30 years and are to bear fixed annual rates of interest not to exceed 7.5% on an aggregate (weighted average) basis, to be determined through a private placement process as more fully discussed below.

II. UNITIL'S FINANCING OF THE PROPOSED ACQUISITION OF NORTHERN

Q. PLEASE PROVIDE A BRIEF DISCRIPTION OF THE PROPOSED ACQUISITION BY UNITIL.

A. On February 15, 2008, Unitil entered into a Stock Purchase Agreement ("Agreement") with NiSource, Inc. ("NiSource") and Bay State Gas Company ("Bay State") for the purpose of acquiring Northern and Granite State Gas Transmission, Inc. ("Granite"). Regulatory filings were made with the Maine Public Utilities Commission ("MPUC") and the NHPUC on March 31, 2008, requesting approval for Unitil's acquisition of Northern. Under the Agreement, Unitil has agreed to purchase all of the capital stock of (i) Northern from Bay State and (ii) Granite from NiSource (the"Transaction"). The aggregate purchase price for the shares of Northern and Granite is one-hundred sixty million dollars ($160,000,000), which amount is subject to a net working capital adjustment. In addition, under the terms of the Agreement, Northern and Granite will be transferred to Unitil debt-free.

Q. PLEASE SUMMARIZE UNITIL'S PLAN TO FINANCE THE ACQUISITION OF NORTHERN

A. The purchase price will be financed by Unitil through a balanced mix of permanent capital consisting of approximately 50 percent newly issued long-term debt and 50 percent common equity. Any additional working capital requirements will be financed using short-term debt under Unitil's Cash Pooling and Loan arrangement. On a <u>total</u> debt (including short-term debt) to capitalization basis, Unitil expects that Northern's equity ratio will range from 40 percent to 45 percent after the transaction is completed. This range primarily reflects variability in short-term debt used to finance Northern's working capital requirements, which are highly seasonal in nature.

Q. PLEASE SUMMARIZE THE COMMON EQUITY PORTION OF THE FINANCING.

A. The common equity portion of the acquisition will be financed by Unitil through a public offering and issuance of Unitil common stock. In connection with the equity financing, Unitil will be filing a proxy statement with the Securities and Exchange Commission ("SEC") under The Securities Exchange Act of 1934. The proxy statement is currently anticipated to be mailed to Unitil's shareholders in early August 2008 seeking approval to increase the number of authorized common shares available to Unitil to finance the Transaction, including Unitil's purchase of Northern. Thereafter, Unitil will file a public offering prospectus for the sale and issuance of additional common stock. Unitil expects to receive this approval and to complete the equity offering and funding in late October 2008 prior to the closing of the Transaction and the acquisition of Northern by Unitil.

Q. WILL THE EQUITY BE ISSUED BEFORE OR AFTER THE DEBT?

A. The equity offering will be issued concurrently with the funding from the debt financing in anticipation of the closing of the acquisition. However, Northern will market the long-term debt offering and circle (i.e., lock-in) on the coupon rate and other key terms for the debt financing in early September 2008, well before the equity offering is marketed and issued. The issuance of the debt will be dependent upon regulatory approval of the acquisition of Northern and the closing of the Transaction.

III. NORTHERN'S LONG-TERM DEBT FINANCING

Q. PLEASE SUMMARIZE THE LONG-TERM DEBT PORTION OF THE FINANCING.

A. The long term debt portion of the financing will consist of the private placement of senior long-term notes issued directly by Northern as subsidiary level debt. This portion of the financing essentially constitutes a refinancing or replacement of the inter-company debt formerly included in the capital structure of Northern, which will be redeemed and paid-off in full prior to completion of the acquisition, so that Northern can be transferred to Unitil free of the debt associated with the inter-company NiSource Money Pool.

Q. PLEASE DESCRIBE THE KEY TERMS OF THE PROPOSED LONG-TERM DEBT FINANCING.

A. The Joint Petitioners are submitting their petition for approval of Northern's debt financing at this time to allow the Commission and the parties to review the financing in conjunction with the review of the acquisition transaction in DG 08-048. Because the financing is not expected to circle until early September 2008 for a target closing of the debt financing before the Transaction closes on or about November 3, 2008, the information provided in this filing regarding the specific terms of the debt financing (e.g. coupon rates) are, at this time, preliminary estimates and must be subject to change. Schedule MHC- 1 is a draft term sheet for the proposed long-term debt offering and includes a summary of the key terms and conditions of the financing.

As shown on the term sheet, Northern is seeking to issue, at par, to institutional investors promissory unsecured long-term debt in an aggregate amount of up to \$80,000,000. The Notes are to be marketed in three tranches: a 10-year final, 9-year average life; a 20-year final, 15.5-year average life; and a 30-year final, 25.5-year average life. Each of the Notes will have sinking fund and redemption provisions that are designed to allow Northern to pay off the Notes in increments over an extended number of years, or to redeem the Notes during the final years to maturity in one lump sum without paying a premium. The other major covenants, including Financial

Covenants and Representations and Warranties are also described on the term sheet (Schedule MHC-1).

Q. HAS UNITIL USED THIS TYPE OF DEBT FINANCING STRUCTURE FOR ITS OTHER UTIILITY SUBSIDARIES?

A. Yes, the senior unsecured note structure proposed for Northern has been successfully used by Unitil on multiple occasions for its Massachusetts utility subsidiary, Fitchburg Gas and Electric Light Company. In addition, Unitil has used similar sinking fund and redemption features for all its utility subsidiaries for private placements of long-term debt. Private placement investors are familiar with longer maturity offerings with various sinking fund and redemption structures like these. All of Unitil's outstanding utility subsidiary long term debt issuances have comparable sinking fund structures, and they were well received by the private placement market.

Q. PLEASE DISCUSS THE KEY CONSIDERATIONS FOR DEVELOPING THE PROPOSED STRUCTURE FOR THE OFFERING.

A. Unitil has worked very closely with its placement agent, RBC Capital Markets (RBC), to develop the proposed offering structure for Northern. The key considerations that were taken into account in developing the proposed structure are summarized in tabular form on Schedule MHC-2.

Q. HOW WILL THE AGGREGATE AMOUNT OF THE FINANCING BE ALLOCATED ACROSS EACH OF THE THREE DEBT TRANCHES.

A. The offering will be marketed based on the total aggregate value of the transaction by providing fairly broad guidance to investors on each individual tranche. Initially, the target is to achieve a roughly equal weighting and allocation of the aggregate amount to each tranche. However, the marketing process will allow investors to provide feedback on their tranche preference, and pricing levels. The process is designed to minimize the aggregate pricing of the transaction in achieving Northern's financing objectives, because the final tranche allocation decision will be based upon an analysis of specific investor bids.

Q. DO YOU EXPECT THE KEY TERMS OF THE OFFERING TO CHANGE DURING THE MARKETING PROCESS?

A. It is unlikely that the key terms of the financing will change during the marketing process. Investors may request certain minor changes and the option is available to evaluate these changes in comparison to the other bids submitted. It may be appropriate to make certain minor changes to the terms if it improves the execution and pricing of the transaction, or in response to changing market conditions.

Q. WHY ARE YOU PROPOSING TO USE AN UNSECURED NOTE STRUCTURE RATHER THAN A FIRST MORTGAGE BOND STRUCTURE?

A. An unsecured note structure provides Northern with greater flexibility for future financings as compared to a secured note structure. Additionally, the legal documentation for an unsecured transaction is simpler and less costly to complete and administer on an ongoing basis, which will significantly reduce legal expenses and other fees (e.g., trust fees). Unitil's investment advisors confirm that there is market acceptance for an unsecured structure and there should be no significant difference in pricing for an unsecured structure for a private placement of this type. The unsecured note structure is commonly used in the gas utility industry. This is also the form of debt that is utilized by Unitil's Massachusetts subsidiary, Fitchburg Gas and Electric Light Company.

Q. WHAT DO YOU EXPECT NORTHERN'S INDICATIVE CREDIT RATING TO BE FOR THE OFFERING?

A. Unitil and its subsidiaries do not have a public rating. Unitil's placement agent, RBC, indicates that, based on recent issuances and a review of credit statistics, the implied rating of Unitil's operating subsidiaries would be Baa2/BBB. All of Unitil's outstanding long-term debt has a private rating of NAIC-2 by the National Association of Insurance Commissioners (NAIC). The NAIC-2 rating is the equivalent of the BBB rating by Standard and Poor's rating agency, reflecting the NAIC's view of Unitil as an investment grade credit.

Q. WILL NORTHERN RECEIVE A NAIC-2 RATING PRIOR TO PLACEMENT OF THE DEBT?

A. Unitil will market the transaction on an unrated basis, with the expectation that it will receive a NAIC-2 rating. A NAIC rating is not typically obtained in advance of a private placement, but rather is assigned subsequent to closing based on a filing made by the investors in the issue. All of Unitil's utility operating subsidiaries have established NAIC-2 credits in the private placement market, and this debt financing will be structured similar to existing Unitil note offerings. As a result, Unitil expects Northern to receive the NAIC-2 rating after the NAIC performs their review of the credit when the deal has been completed.

Q. WHAT ARE THE CURRENT INDICATIVE COUPON RATES FOR THIS LONG-TERM DEBT OFFERING?

A. The calculation of the indicative coupon rates for the three proposed tranches of the private placement offering (10-year, 20-year and 30-year) are shown on Schedule MHC-3. The indicative coupon rates are highlighted at the center of Schedule MHC-3. As shown, they are derived by applying a projected credit spread to the appropriate US Treasury Benchmark rate. The coupon rate for the 10-year maturity is currently estimated at 6.53%. The 20-year and 30-year maturity are currently estimated at 7.26% and 7.47%, respectively. Assuming the Notes are placed at equal amounts across these three maturity tranches, the estimate for the aggregate or weighted average coupon rate is 7.09%.

Q. HOW DOES THE CURRENT U.S. TREASURY YIELD BENCHMARK COMPARE TO YIELDS IN PRIOR MARKET PERIODS?

A. The U.S. Treasury benchmark yields have declined across the yield curve year-to-date in 2008 as compared to the prior two years as shown on Schedule MHC-4, especially for shorter term maturities. From a longer term perspective, Treasury yields are near historically low levels, although they have risen recently compared to the low levels reached earlier this year, as shown on Schedule MHC-5. However, credit spreads have widened significantly reflecting the global repricing of credit risk, offsetting the recent fall in the benchmark. Nevertheless, the resulting long-term coupon rates remain at comparatively low levels from an historical perspective and provide Northern with an opportunity to lock-in these favorable yields for the long-term

.

Q. PLEASE EXPLAIN HOW THE PRICING BENCHMARKS SHOWN ON SCHEDULE MHC-3 WERE DETERMINED?

A. The pricing benchmarks for private placements are typically the most liquid or actively traded U.S. Treasury issues that have a maturity closest to the average life of the notes being issued. The 10-year and 30-year bond meets this liquidity criterion. For the 20-year/15.5 year average life bond, there is no liquid or actively traded bond that will mature in that time. The pricing benchmark for this tranche will be an interpolated 15.5

year bond that will be agreed upon by the investors. When making their pricing bids, investors will often determine their desired all-in coupons and back into the spreads based upon the specific pricing benchmarks selected.

Q. **HOW WERE THE CURRENT SPREADS OVER THE TREASURY BENCHMARKS DETERMINED?**

A. Unitil's views on the expected spreads over the benchmarks are based upon its most recent discussions and feedback from its placement agent, RBC. RBC has provided Unitil with a synopsis of comparable utility transactions that have priced in both the public and private placement markets.

Q. **PLEASE DESCRIBE NORTHERN'S CAPITAL STRUCTURE AND COST OF CAPITAL AFTER THE COMPLETION OF THE EQUITY AND DEBT FINACINGS?**

Schedule MHC – 6 provides a comparison of Northern's pre-transaction and post-closing capital structure and cost of capital based on audited financial information for the year ending December 31, 2007, as proformed. As of December 31, 2007, Northern's capitalization ratios were 56% equity and 44% long-term debt. Northern also had $31.9 million of short-term debt outstanding (including long-term debt amounts due within one year). After proforming for the proposed equity and debt financing, Northern's permanent capitalization ratio will be 50% equity and 50% long-term debt, reflecting Unitil's desire to finance the acquisition with equal amounts of debt and equity. The post-closing and pre-transaction cost of equity shown on Schedule MHC-6 is Northern's currently authorized return on equity.

Also shown on Schedule MHC-6 is Unitil's current estimate of Northern's cost of long-tem debt post-closing. Unitil projects Northern's cost of long-term debt post-closing will initially be higher than its pre-transaction cost of debt, primarily due to the relatively short duration and concentrated structure of Northern's current long-term debt outstanding. All of Northern's long –term debt has a remaining life of less then five years, and over 95% is concentrated in a single $60 million issue with a bullet payoff due in June 2013. In contrast, Unitil will be issuing debt securities for Northern with several institutional investors that match the life of the utility assets, which will include maturities ranging from 10 to 30 years, with multi-year sinking fund structures and optional redemption features.

Q. WHY IS THE EXPECTED COUPON RATE OF THIS DEBT OFFERING SO MUCH HIGHER THAN NORTHERN'S EXISTING 4.80% 10-YEAR NOTE, ISSUED 6/1/2003, MATURING ON 6/2/2013?

A. Northern's 10-year 4.80% note was an intercompany note that was priced based on market benchmarks and a stipulated credit spread at the time it was issued. Capital markets have changed significantly since 2003, making this level of pricing unachievable. The proposed pricing should be compared only to current new issue pricing with comparable terms, as referenced above.

Q. WHY SHOULDN'T UNITIL REPLACE NORTHERN'S CURRENT 10-YEAR NOTE WITH ANOTHER 10-YEAR NOTE WITH SIMILAR TERMS AND MATURITY?

A. Replacing this 10-year note with another 10-year note offering would not meet Unitil's goals of using longer-term debt to match longer asset lives and using sinking fund structures to manage our maturity schedules. Unitil considered issuing debt for Northern at shorter maturities but decided to remain with its existing practice because it better matches the majority of capital expenditures which are for longer-term assets and provides for more financing flexibility in the future. The shorter term maturities would be less effective in managing near-term liquidity and would increase the potential for refinancing risk. Unitil believes that the debt portfolio approach it is taking has a number of advantages when compared to Northern's current debt structure, including: avoidance of single year/market financing risk; better matching of financing liabilities with asset lives; greater flexibility for future financings, and broader investor interest and participation. As discussed above, these and other financing considerations are further summarized in tabular form in Schedule MHC -2.

Q. WHAT ARE THE PROJECTED ISSUANCE COSTS FOR THE PROPOSED OFFERING?

A. Under the terms of our engagement letter with RBC, issuance costs will include payment of a placement fee of $320,000 at the time of the closing of the Notes, which fee is equal to 0.40% of the principal amount of the Notes. Additionally, issuance costs will include legal expenses, including all fees and expenses of the lender's counsel incurred in commencing the offering and sale of the Notes. The current estimate is that the total fees and expenses associated with the issuance of the Notes, including filing and legal fees, will be about $500,000.

Q. WHAT TYPES OF INVESTORS PARTICIPATE IN THE PRIVATE PLACEMENT PROCESS?

A. Typically, the investors for this type of transaction will be insurance companies that have a demand for longer term maturity securities and have a strong familiarity with the utility sector. This transaction will be marketed to approximately 50 private placement investors that are active participants in the utility sector and that have demand for longer-term securities. Unitil expects that 10-15 of the investors to whom the offering has been marketed will make competitive offers of varying sizes and maturities. We also anticipate that many investors will opt to not make a bid once they realize they may not be competitive on the price guidance provided during the marketing period.

Q. HAVE YOU OBTAINED AN ASSESSEMENT OF THE CURRENT STATE OF THE PRIVATE PLACEMENT MARKET?

A. Yes. A normal part of Unitil's due diligence and preparatory work before going to the market for a private placement is to have several strategic discussions with the placement agent and other advisors on overall market conditions. After a slow start in the beginning of 2008, private placements have strengthened considerably. Over $6.0 billion of transactions were completed in the past two months while only $2.1 billion were completed in the first two months of the year. The private placement market has not been constrained by the same liquidity issues as in other sectors of the global financial markets. In the bond market and especially in the private placement market, RBC expects that investor liquidity will increase due to ongoing receipt of interest payments, bond redemptions and scheduled maturities. During the earlier portion of the year, the slowed pace of new issuance resulted in a buildup of investor liquidity. This has had a positive impact on the private placement market in the past two months as the pace of new issue activity has increased and is expected to continue in the foreseeable future.

Q. HAVE RECENT PROBLEMS IN OTHER LENDING SECTORS NEGATIVELY AFFECTED THE PRIVATE PLACEMENT MARKET?

A. RBC has advised Unitil that though the private placement market has been negatively affected like the other lending sectors during the global credit weakness, it was not affected to the same degree. In fact, the market has recovered in the past two months with significant new issuances, especially in the utility sector. Liquidity in the market remains strong as investors have significant cash balances to invest due to the low issuance levels in the first quarter of 2008. However, credit spreads have increased significantly. For example, the indicative spread of 295 basis points on the 30-year transaction compares to a spread of 124 basis points achieved on the last financing completed by one of Unitil's operating utilities in 2006. As discussed above, the impact of increased credit spreads has been partially offset by the reduced benchmark U.S. Treasury yields.

Q. **DOES UNITIL EXPECT THE PRIVATE PLACEMENT MARKET TO BE RECEPTIVE TO THIS OFFERING?**

A. Yes. Unitil believes that the private placement market will be very receptive to this offering, similar to the previous deals completed by Unitil and its utility operating subsidiaries, where Unitil and its subsidiaries have been viewed favorably by the private placement market. According to RBC, investors have been attracted by Unitil's stable growth and performance in its sector, regulatory climate and strong management team, and will welcome the opportunity to invest in a larger issuance than previous Unitil offerings. From a broader perspective, the fact that the utility sector has been viewed favorably by investors is evidenced by the high levels of new issuance in the past few years and year-to-date. There has been over $1.5 billion of utility new issuance for year-to-date 2008, which is 19% of the total new issuance. Additionally, RBC has informed Unitil that there has been significant demand for longer-dated securities in the private placement market, as investors are looking for debt to match their longer dated liabilities.

Q. WHAT IS THE TIMETABLE FOR THE PROPOSED FINANCING?

A. Schedule MHC-7 is a timetable for each of the major activities associated with the proposed debt offering. As shown on this timetable, Unitil and Northern are requesting a final order from the Commission approving the acquisition of Northern and this debt financing on or before October 1, 2008. This will provide for the necessary expiration of the appeal period prior to the final closing. The timetable calls for the offering to be marketed and circled in early September, after the Labor Day holiday. The circling terms for the offering will be filed with the Commission shortly thereafter. The final closing on the Notes is currently targeted for on or about November 3, 2008. In previous financings undertaken by utilities, the Commission has recognized the tight time frames under which market transactions of this nature must necessarily take place and has provided for an expeditious discovery process and issued its approvals within about 60 days of filing. The Joint Petitioners are requesting a final order in this proceeding as soon as possible and no later than October 1, 2008.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

INDEX OF SCHEDULES:

BS122009