

SECTION 1: EXECUTIVE SUMMARY

The Transaction Closing (“Closing”) occurred on Monday, December 1, 2008. On that date, Unitil Corporation (“Unitil”) acquired all of the stock of Northern Utilities, Inc. (“Northern”) and Granite State Gas Transmission, Inc. (“Granite”). Immediately following the Closing, Unitil’s integration of Northern’s and Granite’s operations into the Unitil system of companies moved from the planning and preparation phases into the implementation phase.

The planning and preparation for the integration of Northern and Granite had been underway for over six months. Most of Northern’s and Granite’s business functions were assumed by Unitil’s management during the first two weeks following Closing, with the support of the Transition Services Agreement (“TSA”) between Unitil and NiSource and its affiliates, including Bay State Gas Company (“Bay State”). The business functions necessary to provide Customer Service to Northern’s 52,000 customers is planned to transition entirely to Unitil’s control by March 31, 2009. The Customer Service functions including customer billing, cash remittance and call center operations, will remain with Bay State until March, 2009 when these functions migrate to Unitil’s Customer Service Center.

This December Transition Plan Report presents Unitil’s efforts to report the completion of the regulatory approval process and to bring the transition and integration of Northern and Granite into its final execution stages. As of December 1, 2008, all necessary regulatory approvals were received as follows:

- On October 10, 2008, the New Hampshire Public Utilities Commission (“NHPUC”) issued its Order Approving Settlement Agreement.
- On October 22, 2008, the Maine Public Utilities Commission (“MPUC”) issued its Order Approving Stipulation with Conditions. Unitil, along with Northern, filed motions for reconsideration of the Order, requesting clarification and/or

modification of the conditions of approval. The MPUC issued its Order on Reconsideration Modifying Conditions on November 5, 2008.

- On November 18, 2008, the Massachusetts Department of Public Utilities (“MDPU”) issued its final order approving the acquisition. On November 26, 2008 Unitil received a letter from the Massachusetts Attorney General indicating her office did not intend to appeal the MDPU decision.

Both the NHPUC and the MPUC also approved the long-term debt financing associated with the acquisition. As a result of all the timely regulatory approvals, and the expiration of all appeal processes, Unitil and NiSource were able to target the Closing for Monday, December 1, 2008, which resulted in a month-end close for transition purposes.

In the September Transition Plan Report, we updated you on the draft “Go-Live” plans and the estimated timelines for their execution. In the October Transition Plan Report, we updated those items and provided details on Unitil communication plans to Northern’s customers and employees. In the November Transition Report, we provided more information regarding the two major components of Unitil’s Transition Plan: a) the TSA between Unitil and NiSource and its affiliates, and b) the Business Integration Plan (“BIP”), which was coordinated between Unitil and NiSource to combine all of Northern’s and Granite’s operations within the business processes of Unitil. In this December report, we report on the execution of our plan.

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 provided to customers as Northern and Granite are fully integrated into Unitil. In the December Transition Plan Report, we provide: a) an overview of the TSA, b) a summary of expenditures to date, c) the final executed TSA, d) the TSA Annexes describing the services to be rendered under the agreement, and e) the detailed list of tasks to be performed by NiSource and Bay State in delivering the services described

in the contract Annexes. The executed TSA and accompanying Annexes were filed with the MPUC and NHPUC on Thursday, December 4.

The second component of the Transition Plan, the BIP, contains the individual, functional Go-Live plans prepared by Unitil's Functional Integration Team Leaders ("FIT's") in conjunction with their NiSource and Bay State counterparts. The December Transition Plan Report includes a report on the significant progress that was made to finalize and execute those plans to cutover responsibility for Northern's and Granite's business functions to Unitil at the Closing. In this report, we summarize: a) the cutover update, b) the functional Go-Live plans for remaining systems, and c) the expenditures for integration projects.

The cutover approach, as reported in the November Transition Plan Report, was designed around the closing of the transaction at month-end with cutover of the majority of the financial and operational systems taking place in the days and weeks following Closing. The development and testing of systems relied upon to produce public and management financial reports, and to provide back office services to many gas company functions was a focus of the integration effort over the month prior to closing. These systems include general ledger accounting, construction accounting, plant accounting, payroll, accounts payable and cash. These cutover plans were successfully executed in the days and weeks following the Closing. A detailed list of other daily milestones achieved during the first week following the Closing is located at Appendix C. Three significant financial and operational systems will cutover in the months following the closing: 1) the Customer Service functions (currently scheduled for the first quarter of 2009) 2) the Gas Dispatch and Control functions and the Gas Supply functions (currently scheduled for the second quarter of 2009) and, 3) the Granite Transportation functions (currently scheduled for the first quarter of 2009). A more detailed summary of the cutover of these functions is provided in Section 3 of this report.

The Closing occurred on December 1 with the execution of Unitil's financing plan, which included the issuance of \$80 million in long-term debt by Northern on December 3, 2008 and the issuance of \$10 million in long-term debt by Granite on December 15, 2008. A public offering of 2.0 million newly issued Unitil common shares was priced on December 11, 2008 at \$20 per share. Unitil also granted the underwriters a 30-day option to purchase up to an additional 300,000 shares to cover any over-allotments. The net proceeds from this offering will be used to repay a portion of the bank financing for the acquisition. We expect to repay the remaining balance outstanding under a bridge facility prior to its maturity date of November 1, 2009 by issuing additional equity or debt or by using borrowings under a revolving credit facility.

Unitil has committed to provide these Transition Plan Report updates monthly, on the 15th of each month throughout the transition period. Unitil will provide the next update on January 15 and will continue to provide monthly updates until the transition is completed.