UNITIL CORP
Form 10-Q
April 23, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2015

Commission File Number 1-8858

UNITIL CORPORATION

(Exact name of registrant as specified in its charter)

New Hampshire	**02-0381573**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
6 Liberty Lane West, Hampton, New Hampshire	**03842-1720**
(Address of principal executive office)	**(Zip Code)**

Registrant s telephone number, including area code: (603) 772-0775

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at April 20, 2015
Common Stock, no par value	**13,966,702 Shares**

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

FORM 10-Q

For the Quarter Ended March 31, 2015

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CAUTIONARY STATEMENT

This report and the documents incorporated by reference into this report contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included or incorporated by reference into this report, including, without limitation, statements regarding the financial position, business strategy and other plans and objectives for the Company s future operations, are forward-looking statements.

These statements include declarations regarding the Company s beliefs and current expectations. In some cases, forward-looking statements can be identified by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or negative of such terms or other comparable terminology. These forward-looking statements are subject to inherent risks and uncertainties in predicting future results and conditions that could cause the actual results to differ materially from those projected in these forward-looking statements. Some, but not all, of the risks and uncertainties include those described in Item 1A (Risk Factors) and the following:

- the Company s regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters), which could affect the rates the Company is able to charge, the Company s authorized rate of return and the Company s ability to recover costs in its rates;
- fluctuations in the supply of, demand for, and the prices of energy commodities and transmission capacity and the Company s ability to recover energy commodity costs in its rates;
- customers preferred energy sources;
- severe storms and the Company s ability to recover storm costs in its rates;
- the Company s stranded electric generation and generation-related supply costs and the Company s ability to recover stranded costs in its rates;
- declines in the valuation of capital markets, which could require the Company to make substantial cash contributions to cover its pension obligations, and the Company s ability to recover pension obligation costs in its rates;
- general economic conditions, which could adversely affect (i) the Company s customers and, consequently, the demand for the Company s distribution services, (ii) the availability of credit and liquidity resources and (iii) certain of the Company s counterparties obligations (including those of its insurers and lenders);
- the Company s ability to obtain debt or equity financing on acceptable terms;
- increases in interest rates, which could increase the Company s interest expense;
- restrictive covenants contained in the terms of the Company s and its subsidiaries indebtedness, which restrict certain aspects of the Company s business operations;

variations in weather, which could decrease demand for the Company s distribution services;

long-term global climate change, which could adversely affect customer demand or cause extreme weather events that could disrupt the Company s electric and natural gas distribution services;

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- numerous hazards and operating risks relating to the Company s electric and natural gas distribution activities, which could result in accidents and other operating risks and costs;
- catastrophic events;
- the Company s ability to retain its existing customers and attract new customers;
- the Company s energy brokering customers performance under multi-year energy brokering contracts; and
- increased competition.

Many of these risks are beyond the Company s control. Any forward-looking statements speak only as of the date of this report, and the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for the Company to predict all of these factors, nor can the Company assess the impact of any such factor on its business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

OVERVIEW

Unitil Corporation (Unitil or the Company) is a public utility holding company headquartered in Hampton, New Hampshire. Unitil is subject to regulation as a holding company system by the Federal Energy Regulatory Commission (FERC) under the Energy Policy Act of 2005.

Unitil s principal business is the local distribution of electricity and natural gas throughout its service territory in the states of New Hampshire, Massachusetts and Maine. Unitil is the parent company of three wholly-owned distribution utilities:

i) Unitil Energy Systems, Inc. (Unitil Energy), which provides electric service in the southeastern seacoast and state capital regions of New Hampshire, including the capital city of Concord;

ii) Fitchburg Gas and Electric Light Company (Fitchburg), which provides both electric and natural gas service in the greater Fitchburg area of north central Massachusetts; and

iii) Northern Utilities, Inc. (Northern Utilities), which provides natural gas service in southeastern New Hampshire and portions of southern and central Maine, including the city of Portland, which is the largest city in northern New England.

Unitil Energy, Fitchburg and Northern Utilities are collectively referred to as the distribution utilities. Together, the distribution utilities serve approximately 102,700 electric customers and 77,900 natural gas customers in their service territory.

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In addition, Unitil is the parent company of Granite State Gas Transmission, Inc. (Granite State) an interstate natural gas transmission pipeline company, operating 86 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to major natural gas pipelines and access to domestic natural gas supplies in the south and Canadian natural gas supplies in the north.

Unitil had an investment in Net Utility Plant of $738.2 million at March 31, 2015. Unitil s total operating revenue includes revenue to recover the approved cost of purchased electricity and natural gas in rates on a fully reconciling basis. As a result of this reconciling rate structure, the Company s earnings are not directly affected by changes in the cost of purchased electricity and natural gas. Earnings from Unitil s utility operations are primarily derived from the return on investment in the utility assets of the three distribution utilities and Granite State.

Unitil also conducts non-regulated operations principally through Usource Inc. and Usource L.L.C. (collectively, Usource), which is wholly-owned by Unitil Resources Inc., a wholly-owned subsidiary of Unitil. Usource provides energy brokering and advisory services to large commercial and industrial customers primarily in the northeastern United States. The Company s other subsidiaries include Unitil Service Corp., which provides, at cost, a variety of administrative and professional services to Unitil s affiliated companies, Unitil Realty Corp. (Unitil Realty), which owns and manages Unitil s corporate office building and property located in Hampton, New Hampshire and Unitil Power Corp., which formerly functioned as the full requirements wholesale power supply provider for Unitil Energy. Unitil s consolidated net income includes the earnings of the holding company and these subsidiaries.

RATES AND REGULATION

Regulation

Unitil is subject to comprehensive regulation by federal and state regulatory authorities. Unitil and its subsidiaries are subject to regulation as a holding company system by the Federal Energy Regulatory Commission (FERC) under the Energy Policy Act of 2005 with regard to certain bookkeeping, accounting and reporting requirements. Unitil s utility operations related to wholesale and interstate energy business activities are also regulated by the FERC. Unitil s distribution utilities are subject to regulation by the applicable state public utility commissions, with regard to their rates, issuance of securities and other accounting and operational matters: Unitil Energy is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC); Fitchburg is subject to regulation by the Massachusetts Department of Public Utilities (MDPU); and Northern Utilities is regulated by the NHPUC and the Maine Public Utilities Commission (MPUC). Granite State, Unitil s interstate natural gas transmission pipeline, is subject to regulation by the FERC with regard to its rates and operations. Because Unitil s primary operations are subject to rate regulation, the regulatory treatment of various matters could significantly affect the Company s operations and financial position.

Unitil s distribution utilities deliver electricity and/or natural gas to all customers in their service territory, at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil s distribution utilities recover the cost of providing distribution service to their customers based on a historical test year, in addition to earning a return on their capital investment in utility assets. As a result of a restructuring of the utility industry in New Hampshire, Massachusetts and Maine, Unitil s customers, with the exception of Northern Utilities residential customers, have the opportunity to purchase their electricity or natural gas supplies from third-party energy supply vendors. Most customers, however, continue to purchase such supplies

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through the distribution utilities under regulated energy rates and tariffs. Unitil s distribution utilities purchase electricity or natural gas from unaffiliated wholesale suppliers and recover the actual approved costs of these supplies on a pass-through basis, as well as certain costs associated with industry restructuring, through reconciling rate mechanisms that are periodically adjusted.

Fitchburg is subject to revenue decoupling mechanisms (RDM). Revenue decoupling is the term given to the elimination of the dependency of a utility s distribution revenue on the volume of electricity or natural gas sales. The difference between distribution revenue amounts billed to customers and the targeted RDM amounts is recognized as an increase or a decrease in Accrued Revenue which forms the basis for resetting rates for future cash recoveries from, or credits to, customers. These RDM revenue targets may be adjusted as a result of rate cases that the Company files with the MDPU. The Company estimates that RDM applies to approximately 27% and 11% of Unitil s total annual electric and natural gas sales volumes, respectively.

Rate Case Activity

Northern Utilities Pipeline Refund On May 12, 2010, Portland Natural Gas Transmission System (PNGTS) filed a Natural Gas Act Section 4 rate case with the FERC proposing increased pipeline rates of approximately 55 percent over the previously approved rate. The filing was docketed as RP10-729 and rates went into effect on December 1, 2010, subject to refund pending the determination in the rate proceeding. Northern Utilities and other long-term shippers on PNGTS opposed the proposed rate increase. On December 8, 2011, an Initial Decision was issued and on March 21, 2013, the FERC issued Opinion No. 524. Opinion No. 524 was appealed and the FERC issued Opinion No. 524-A on February 19, 2015 denying all appeals and ordering PNGTS to issue refunds to shippers within 60 days. Northern Utilities received a pipeline refund of $22.0 million on April 15, 2015. As a gas supply-related refund, the entire amount refunded will be credited to retail customers. Northern Utilities has proposed to credit the refund to customers over a three year period with interest and that proposal is pending review of the MPUC and the NHPUC.

The Company has recorded Accrued Revenue and Regulatory Liabilities of $22.0 million each on its Consolidated Balance Sheets as of March 31, 2015.

Northern Utilities Maine On December 27, 2013, the MPUC approved a settlement agreement providing for a $3.8 million permanent increase in annual revenue for Northern Utilities Maine division, effective January 1, 2014. The settlement agreement also provided that the Company shall be allowed to implement a Targeted Infrastructure Replacement Adjustment (TIRA) rate mechanism to adjust base distribution rates annually to recover the revenue requirements associated with targeted investments in gas distribution system infrastructure replacement and upgrade projects. The TIRA has an initial term of four years, and covers targeted capital expenditures in 2013 through 2016. The 2014 TIRA provided for an annual increase in base distribution revenue of $1.3 million, effective May 1, 2014. On February 27, 2015 Northern Utilities filed its second annual TIRA for rates effective May 1, 2015, seeking an annual increase in base distribution revenue of $1.2 million. This filing remains pending. TIRA filings in future periods are projected to result in annual increases in revenue of approximately $1.0 million each year.

Northern Utilities New Hampshire On April 21, 2014, the NHPUC approved a settlement agreement providing for an increase of $4.6 million in distribution base revenue and a return on equity of 9.5% for Northern Utilities New Hampshire division. In addition, the settlement agreement provides for additional step adjustments in 2014 and 2015 to recover the revenue requirements associated with investments in gas mains extensions and infrastructure replacement projects. The 2014 step adjustment provided for an annual increase in revenue of $1.4 million, effective May 1, 2014. On February 27, 2015 Northern Utilities New Hampshire

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division filed for a step increase of $1.8 million in base distribution revenue effective May 1, 2015. On April 15, 2015, the NHPUC approved the step increase as filed by issuing an Order Nisi. The Order is effective April 28, 2015, subject to the right of any party to file comments or request a hearing prior to the effective date.

Unitil Energy On April 26, 2011, the NHPUC approved a rate settlement that extends through May 1, 2016 and provides for a long-term rate plan and earnings sharing mechanism, with a series of step adjustments to increase revenue in future years to support Unitil Energy s continued capital improvements to its distribution system. On April 30, 2014, the NHPUC approved Unitil Energy s third and final step increase of $1.5 million in annual revenue effective May 1, 2014.

Granite State Granite State has in place a FERC approved rate settlement agreement under which it is permitted each June to file for a rate adjustment to recover the revenue requirements associated with specified capital investments in gas transmission projects up to a specific cost cap. On June 27, 2014, Granite State filed to increase its rates and annual revenue by an additional $0.6 million beginning August 1, 2014. With this filing, Granite State reached the cost cap. The FERC accepted this filing on July 18, 2014 and the new rates became effective August 1, 2014. For 2015, the rate settlement agreement requires Granite State to file a Section 4 FERC rate case by June 2015 with rates effective by January 1, 2016.

Fitchburg Electric On May 30, 2014, the Massachusetts Department of Public Utilities (MDPU) issued its final order approving a $5.6 million increase in Fitchburg s electric RDM base revenue target, effective June 1, 2014. The MDPU approved a 9.7% return on equity and a common equity ratio of 48%. As part of the increase in base revenue, the MDPU approved the recovery, over three years, of $5.0 million of previously deferred emergency storm repair costs incurred in 2011 and 2012. In addition, the MDPU approved an expanded storm resiliency vegetation management program at an annual funding amount of $0.5 million. The MDPU also approved the recovery of $0.9 million over a five-year period of past due amounts associated with hardship accounts that are protected from shut-off. The impact of the rate order on previously capitalized or deferred items was not material.

RESULTS OF OPERATIONS

The following section of MD&A compares the results of operations for each of the two fiscal periods ended March 31, 2015 and March 31, 2014 and should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and the accompanying Notes to unaudited Consolidated Financial Statements included in Part I, Item 1 of this report, which are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Company s results of operations reflect the seasonal nature of the natural gas business. Annual gas revenues are substantially realized during the heating season as a result of higher sales of natural gas due to cold weather. Accordingly, the results of operations are historically most favorable in the first and fourth quarters. Fluctuations in seasonal weather conditions may have a significant effect on the result of operations. Sales of electricity are generally less sensitive to weather than natural gas sales, but may also be affected by the weather conditions in both the winter and summer seasons. Also, as a result of recent rate cases, the Company s natural gas sales margins are derived from a higher percentage of fixed billing components, including customer charges. Therefore, natural gas revenues and margin will be less affected by the seasonal nature of the natural gas business. In addition, as discussed above, approximately 27% and 11% of the Company s total annual electric and natural gas sales volumes, respectively, are decoupled and changes in sales to existing customers do not affect sales margin.

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Earnings Overview

The Company s Net Income was $13.6 million, or $0.98 per share, for the first quarter of 2015, an increase of $1.0 million, or $0.07 per share, compared to the first quarter of 2014. The 7.9% increase in earnings for the first three months of 2015 was driven by higher natural gas and electric sales and margins partially offset by higher net operating expenses.

Natural gas sales margin was $38.8 million in the three months ended March 31, 2015, resulting in an increase of $2.3 million compared to the same period in 2014. Natural gas sales margin was positively affected by higher therm unit sales in the first quarter of 2015, a growing customer base and higher distribution rates. Therm sales of natural gas increased 6.5% in the three months ended March 31, 2015 compared to the same period in 2014. The increase in gas therm sales in the Company s utility service territories was driven by colder winter weather in the first quarter of 2015 compared to 2014 coupled with strong growth in the number of customers. Based on weather data collected in the Company s service areas, there were 4% more Heating Degree Days (HDD) in the first quarter of 2015 compared to the same period in 2014 and 14% more HDD than normal. Weather-normalized gas therm sales are estimated to be up 4.6% in the first quarter of 2015 compared to the same period in 2014.

Electric sales margin was $21.2 million in the three months ended March 31, 2015, resulting in an increase of $2.0 million compared to the same period in 2014 primarily reflecting higher electric distribution rates. Electric kilowatt-hour (kWh) sales increased 0.3% compared to the first quarter of 2014.

Operation and Maintenance (O&M) expenses decreased $0.2 million in the three months ended March 31, 2015 compared to the same period in 2014. The change in O&M expenses reflects lower professional fees of $0.8 million, partially offset by higher utility operating costs of $0.4 million and higher compensation and benefit costs of $0.3 million. All other O&M costs, net were $0.1 million lower in the first quarter of 2015 compared to 2014. Included in the increase in utility operating costs are $0.2 million of higher vegetation management costs which are currently recovered in electric rates and reflected in electric sales margin.

Depreciation and Amortization expense increased $1.2 million in the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher depreciation of $0.6 million on normal utility plant assets in service, higher amortization of major storm restoration costs of $0.4 million and an increase in all other amortization of $0.2 million. The amortization of major storm restoration costs is currently recovered in electric rates and reflected in electric sales margin.

Taxes Other Than Income Taxes increased $0.3 million in the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher local property taxes on higher levels of utility plant in service.

Interest Expense, net increased $0.6 million in the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher levels of long-term debt and lower net interest income on regulatory assets.

Revenues of $1.6 million in the first quarter of 2015 for Usource, the Company s non-regulated energy brokering business, were on par with results for the first quarter of 2014.

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At its January 2015 and April 2015 meetings, Unitil s Board of Directors declared quarterly dividends on the Company s common stock of $0.35 per share, resulting in an increase in the effective annual dividend rate to $1.40 per share from $1.38 per share. These dividend declarations continue an unbroken record of quarterly dividend payments since trading began in Unitil s common stock.

A more detailed discussion of the Company s results of operations for the three months ended March 31, 2015 is presented below.

Gas Sales, Revenues and Margin

Therm Sales Unitil s total therm sales of natural gas increased 6.5% in the three months ended March 31, 2015 compared to the same period in 2014, reflecting increases of 9.6% and 5.5% in sales to Residential and Commercial and Industrial (C&I) customers, respectively. The increase in gas therm sales in the Company s utility service territories was driven by the colder winter weather in the first quarter of 2015 compared to 2014 coupled with strong growth in the number of customers. Based on weather data collected in the Company s service areas, there were 4% more HDD in the first quarter of 2015 compared to the same period in 2014 and 14% more HDD than normal. Weather-normalized gas therm sales are estimated to be up 4.6% in the first quarter of 2015 compared to the same period in 2014. As of March 31, 2015, the number of total natural gas customers served has increased by 2.3% in the last twelve months.

The following table details total firm therm sales for the three months ended March 31, 2015 and 2014, by major customer class:

Therm Sales (millions)

	Three Months Ended March 31,			
	2015	**2014**	**Change**	**% Change**
Residential	**25.1**	22.9	2.2	9.6%
Commercial/Industrial	**74.4**	70.5	3.9	5.5%
Total	**99.5**	93.4	6.1	6.5%

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Gas Operating Revenues and Sales Margin The following table details total Gas Operating Revenues and Sales Margin for the three months ended March 31, 2015 and 2014:

Gas Operating Revenues and Sales Margin (millions)

	Three Months Ended March 31,			
	2015	**2014**	**$ Change**	**% Change**
Gas Operating Revenues:				
Residential	**$ 40.5**	$ 37.7	$ 2.8	7.4%
Commercial / Industrial	**59.8**	54.9	4.9	8.9%
Total Gas Operating Revenues	**$ 100.3**	$ 92.6	$ 7.7	8.3%
Cost of Gas Sales	**$ 61.5**	$ 56.1	$ 5.4	9.6%
Gas Sales Margin	**$ 38.8**	$ 36.5	$ 2.3	6.3%

The Company analyzes operating results using Gas Sales Margin, a non-GAAP measure. Gas Sales Margin is calculated as Total Gas Operating Revenue less Cost of Gas Sales. The Company believes Gas Sales Margin is a better measure to analyze profitability than Total Gas Operating Revenue because the approved cost of sales are tracked and reconciled costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in Total Gas Operating Revenue. Sales margin can be reconciled to Operating Income, a GAAP measure, by including Operation and Maintenance, Depreciation and Amortization and Taxes Other Than Income Taxes for each segment in the analysis.

Natural gas sales margin was $38.8 million in the three months ended March 31, 2015, resulting in an increase of $2.3 million compared to the same period in 2014. The increase in gas sales margin is attributable to customer growth of approximately $1.0 million; $0.8 million in higher distribution rates related to Northern Utilities TIRA and step adjustments which went into effect in the second quarter of 2014; and $0.5 million related to the effect of the colder winter weather in 2015.

The increase in Total Gas Operating Revenues of $7.7 million in the first quarter of 2015 reflects higher gas sales margin of $2.3 million and higher Cost of Gas Sales of $5.4 million, which are tracked and reconciled costs that are passed through directly to customers.

Electric Sales, Revenues and Margin

Kilowatt-hour Sales In the first quarter of 2015, Unitil s total electric kWh sales increased 0.3% compared to the first quarter of 2014. Sales to Residential customers decreased 1.6% in the first quarter of 2015 compared to the same period in 2014, reflecting lower average usage in 2015 compared to 2014. Sales to C&I customers increased 1.9% in the first quarter of 2015 compared to the same period in 2014, driven by the addition of new customers. As discussed above, sales margin derived from decoupled unit sales (representing approximately 27% of total annual kWh sales volume) is not sensitive to changes in electric kWh sales.

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The following table details total kWh sales for the three months ended March 31, 2015 and 2014 by major customer class:

kWh Sales (millions)

	Three Months Ended March 31,			
	2015	**2014**	**Change**	**% Change**
Residential	**198.6**	201.9	(3.3)	(1.6%)
Commercial/Industrial	**249.8**	245.1	4.7	1.9%
Total	**448.4**	447.0	1.4	0.3%

Electric Operating Revenues and Sales Margin The following table details total Electric Operating Revenues and Sales Margin for the three months ended March 31, 2015 and 2014:

Electric Operating Revenues and Sales Margin (millions)

	Three Months Ended March 31,			
	2015	**2014**	**$ Change**	**% Change**
Electric Operating Revenues:				
Residential	**$ 42.7**	$ 34.8	$ 7.9	22.7%
Commercial / Industrial	**27.6**	27.1	0.5	1.8%
Total Electric Operating Revenues	**$ 70.3**	$ 61.9	$ 8.4	13.6%
Total Cost of Electric Sales	**$ 49.1**	$ 42.7	$ 6.4	15.0%
Electric Sales Margin	**$ 21.2**	$ 19.2	$ 2.0	10.4%

The Company analyzes operating results using Electric Sales Margin, a non-GAAP measure. Electric Sales Margin is calculated as Total Electric Operating Revenues less Cost of Electric Sales. The Company believes Electric Sales Margin is a better measure to analyze profitability than Total Electric Operating Revenues because the approved cost of sales are tracked and reconciled costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in Total Electric Operating Revenues. Sales margin can be reconciled to Operating Income, a GAAP measure, by including Operation and Maintenance, Depreciation and Amortization and Taxes Other Than Income Taxes for each segment in the analysis.

Electric sales margin was $21.2 million in the three months ended March 31, 2015, resulting in an increase of $2.0 million compared to the same period in 2014 primarily reflecting higher electric distribution rates resulting from Fitchburg s recent base rate case and Unitil Energy s most recent step adjustment, both of which went into effect in the second quarter of 2014.

The increase in Total Electric Operating Revenues of $8.4 million in the first quarter of 2015 reflects higher electric sales margin of $2.0 million and higher Costs of Electric Sales of $6.4 million, which are tracked and reconciled costs that are passed through directly to customers.

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Operating Revenue - Other

The following table details total Other Operating Revenue for the three months ended March 31, 2015 and 2014:

Other Operating Revenue (Millions)

	Three Months Ended March 31,			
	2015	**2014**	**$ Change**	**% Change**
Other	**$ 1.6**	$ 1.6	$	
Total Other Operating Revenue	**$ 1.6**	$ 1.6	$	

Total Other Operating Revenue in the first quarter of 2015, which is comprised of revenues from the Company s non-regulated energy brokering business, Usource, was on par with results for the first quarter of 2014. Usource s revenues are primarily derived from fees and charges billed to suppliers as customers take delivery of energy from these suppliers under term contracts brokered by Usource.

Operating Expenses

Cost of Gas Sales Cost of Gas Sales includes the cost of natural gas purchased and manufactured to supply the Company s total gas supply requirements and spending on energy efficiency programs. Cost of Gas Sales increased $5.4 million, or 9.6%, in the three months ended March 31, 2015 compared to the same period in 2014. This increase reflects higher sales of natural gas and a decrease in the amount of natural gas purchased by customers directly from third-party suppliers, partially offset by lower wholesale natural gas prices. The Company reconciles and recovers the approved Cost of Gas Sales in its rates at cost on a pass through basis and therefore changes in approved expenses do not affect earnings.

Cost of Electric Sales Cost of Electric Sales includes the cost of electric supply as well as other energy supply related restructuring costs, including power supply buyout costs, and spending on energy efficiency programs. Cost of Electric Sales increased $6.4 million, or 15.0%, in the three months ended March 31, 2015 compared to the same period in 2014. This increase reflects higher wholesale electricity prices, an increase in the amount of electricity purchased by customers directly from third-party suppliers and higher electric sales. The Company reconciles and recovers the approved Cost of Electric Sales in its rates at cost and therefore changes in approved expenses do not affect earnings.

Operation and Maintenance O&M expense includes electric and gas utility operating costs, and the operating costs of the Company s other business activities. O&M expenses decreased $0.2 million, or 1.2%, in the three months ended March 31, 2015 compared to the same period in 2014. The change in O&M expenses reflects lower professional fees of $0.8 million, partially offset by higher utility operating costs of $0.4 million and higher compensation and benefit costs of $0.3 million. All other O&M costs, net were $0.1 million lower in the first quarter of 2015 compared to 2014. Included in the increase in utility operating costs are $0.2 million of higher vegetation management costs which are currently recovered in electric rates and reflected in electric sales margin.

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Depreciation and Amortization Depreciation and Amortization expense increased $1.2 million, or 11.8%, in the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher depreciation of $0.6 million on normal utility plant assets in service, higher amortization of major storm restoration costs of $0.4 million and an increase in all other amortization of $0.2 million. The amortization of major storm costs is currently recovered in electric rates and reflected in electric sales margin.

Taxes Other Than Income Taxes Taxes Other Than Income Taxes increased $0.3 million, or 6.5%, in the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher local property taxes on higher levels of utility plant in service.

Other Expense, net Other Expense, net in the three month period ended March 31, 2015 was flat compared to the same period in 2014.

Income Taxes Federal and State Income Taxes increased by $1.4 million for the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher pre-tax earnings in the current period.

Interest Expense, net

Interest expense is presented in the financial statements net of interest income. Interest expense is mainly comprised of interest on long-term debt and short-term borrowings. In addition, certain reconciling rate mechanisms used by the Company s distribution operating utilities give rise to regulatory assets and regulatory liabilities on which interest is calculated.

Unitil s utility subsidiaries operate a number of reconciling rate mechanisms to recover specifically identified costs on a pass-through basis. These reconciling rate mechanisms track costs and revenue on a monthly basis. In any given month, this monthly tracking and reconciling process will produce either an under-collected or an over-collected balance of costs. In accordance with the distribution utilities rate tariffs, interest is accrued on these balances and will produce either interest income or interest expense. Consistent with regulatory precedent, interest income is recorded on an under-collection of costs which creates a regulatory asset to be recovered in future periods when rates are reset. Interest expense is recorded on an over-collection of costs, which creates a regulatory liability to be refunded in future periods when rates are reset.

Interest Expense, net (millions)	**Three Months Ended March 31, 2015**	**2014**	**Change**
Interest Expense			
Long-term Debt	**$ 5.5**	$ 5.1	$ 0.4
Short-term Debt	**0.2**	0.3	(0.1)
Regulatory Liabilities	**0.2**	0.1	0.1
Subtotal Interest Expense	**5.9**	5.5	0.4
Interest (Income)			
Regulatory Assets		(0.2)	0.2
AFUDC and Other	**(0.1)**	(0.1)	
Subtotal Interest (Income)	**(0.1)**	(0.3)	0.2
Total Interest Expense, net	**$ 5.8**	$ 5.2	$ 0.6

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Interest Expense, net increased $0.6 million in the three months ended March 31, 2015 compared to the same period in 2014, reflecting higher levels of long-term debt and lower net interest income on regulatory assets.

CAPITAL REQUIREMENTS

Sources of Capital

Unitil requires capital to fund utility plant additions, working capital and other utility expenditures recovered in subsequent periods through regulated rates. The capital necessary to meet these requirements is derived primarily from internally-generated funds, which consist of cash flows from operating activities. The Company initially supplements internally generated funds through bank borrowings, as needed, under its unsecured short-term revolving credit facility. Periodically, the Company replaces portions of its short-term debt with long-term financings more closely matched to the long-term nature of its utility assets. Additionally, from time to time, the Company has accessed the public capital markets through public offerings of equity securities. The Company s utility operations are seasonal in nature and are therefore subject to seasonal fluctuations in cash flows. The amount, type and timing of any future financing will vary from year to year based on capital needs and maturity or redemptions of securities.

On October 15, 2014, Northern Utilities completed a private placement of $50 million aggregate principal amount of 4.42% Senior Unsecured Notes due October 15, 2044 to institutional investors. The proceeds from the offering were used to repay short-term debt and for general corporate purposes.

The Company and its subsidiaries are individually and collectively members of the Unitil Cash Pool (the Cash Pool). The Cash Pool is the financing vehicle for day-to-day cash borrowing and investing. The Cash Pool allows for an efficient exchange of cash among the Company and its subsidiaries. The interest rates charged to the subsidiaries for borrowing from the Cash Pool are based on actual interest costs from lenders under the Company s revolving credit facility. At March 31, 2015, March 31, 2014 and December 31, 2014, the Company and all of its subsidiaries were in compliance with the regulatory requirements to participate in the Cash Pool.

On October 4, 2013, the Company entered into an Amended and Restated Credit Agreement (the Credit Facility) with a syndicate of lenders which amended and restated in its entirety the Company s prior credit agreement, dated as of November 26, 2008, as amended. The Credit Facility extends to October 4, 2018 and provides for a new borrowing limit of $120 million which includes a $25 million sublimit for the issuance of standby letters of credit. The Credit Facility provides Unitil with the ability to elect that borrowings under the Credit Facility bear interest under several options, including at a daily fluctuating rate of interest per annum equal to one-month London Interbank Offered Rate plus 1.375%. Provided there is no event of default under the Credit Facility, the Company may on a one-time basis request an increase in the aggregate commitments under the Credit Facility by an aggregate additional amount of up to $30 million.

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The following table details the borrowing limits, amounts outstanding and amounts available under the revolving Credit Facility as of March 31, 2015, March 31, 2014 and December 31, 2014:

	Revolving Credit Facility ($ millions)		
	March 31,		December 31,
	2015	2014	2014
Limit	**$ 120.0**	$ 120.0	$ 120.0
Outstanding	**$ 32.0**	$ 59.2	$ 29.3
Available	**$ 88.0**	$ 60.8	$ 90.7

The Credit Facility contains customary terms and conditions for credit facilities of this type, including affirmative and negative covenants. There are restrictions on, among other things, Unitil s and its subsidiaries ability to permit liens or incur indebtedness, and restrictions on Unitil s ability to merge or consolidate with another entity or change its line of business. The affirmative and negative covenants under the Credit Facility shall apply to Unitil until the Credit Facility terminates and all amounts borrowed under the Credit Facility are paid in full (or with respect to letters of credit, they are cash collateralized). The only financial covenant in the Credit Facility provides that Unitil s Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65% tested on a quarterly basis. At March 31, 2015, March 31, 2014 and December 31, 2014, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date. (See also Credit Arrangements in Note 4.)

On December 23, 2014, Standard &Poor s Ratings Services assigned its BBB+ issuer credit rating to Unitil Corporation and its utility subsidiaries, Fitchburg, Unitil Energy and Northern Utilities.

In April 2014, Unitil Service Corp. entered into an arrangement for the financing of the construction and installation of a customer information system, including software and equipment. The financing arrangement is structured as a capital lease obligation with maximum availability of $15 million. As of March 31, 2015, Unitil Service Corp. has received funding under this financing arrangement in the amount of $7.7 million, which was used to fund project costs.

The continued availability of various methods of financing, as well as the choice of a specific form of security for such financing, will depend on many factors, including, but not limited to: security market conditions; general economic climate; regulatory approvals; the ability to meet covenant issuance restrictions; the level of earnings, cash flows and financial position; and the competitive pricing offered by financing sources.

The Company provides limited guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities. The Company s policy is to limit the duration of these guarantees. As of March 31, 2015, there were approximately $37.1 million of guarantees outstanding and the longest term guarantee extends through April 2015.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. There was $5.6 million, $3.2 million and $15.1 million of natural gas storage inventory at March 31, 2015, March 31, 2014 and December 31, 2014, respectively, related to these asset management agreements. The amount of natural gas inventory released in March 2015 and

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payable in April 2015 is $2.0 million and is recorded in Accounts Payable at March 31, 2015. The amount of natural gas inventory released in March 2014 and payable in April 2014 was $2.2 million and is recorded in Accounts Payable at March 31, 2014. The amount of natural gas inventory released in December 2014 and payable in January 2015 was $1.0 million and was recorded in Accounts Payable at December 31, 2014.

The Company also guarantees the payment of principal, interest and other amounts payable on the notes issued by Unitil Realty and Granite State. As of March 31, 2015, the principal amount outstanding for the 8% Unitil Realty notes was $1.5 million. On December 15, 2008, the Company entered into a guarantee for the payment of principal, interest and other amounts payable on the $10.0 million Granite State notes due 2018. As of March 31, 2015, the principal amount outstanding for the 7.15% Granite State notes was $10.0 million.

Off-Balance Sheet Arrangements

The Company and its subsidiaries do not currently use, and are not dependent on the use of, off-balance sheet financing arrangements such as securitization of receivables or obtaining access to assets or cash through special purpose entities or variable interest entities. Unitil s subsidiaries conduct a portion of their operations in leased facilities and also lease some of their vehicles, machinery and office equipment under both capital and operating lease arrangements.

Cash Flows

Unitil s utility operations, taken as a whole, are seasonal in nature and are therefore subject to seasonal fluctuations in cash flows. The tables below summarize the major sources and uses of cash (in millions) for the three months ended March 31, 2015 compared to the same period in 2014.

	Three Months Ended March 31,	
	2015	**2014**
Cash Provided by Operating Activities	**$ 27.8**	$ 28.7

Cash Provided by Operating Activities Cash Provided by Operating Activities was $27.8 million in the three months ended March 31, 2015, a decrease of $0.9 million compared to the same period in 2014.

Cash flow from Net Income, adjusted for non-cash charges to depreciation, amortization and deferred taxes, was $33.8 million in 2015 compared to $29.8 million in 2014, representing an increase of $4.0 million. The increase in net income in the three months ended March 31, 2015 compared to the same period in 2014 is primarily attributable to increases in natural gas and electric sales margins as a result of higher unit sales from colder weather and customer growth, as well as base rate relief from recently completed base rate cases. The increase in depreciation and amortization in 2015 compared to 2014 reflects higher utility depreciation from higher net utility plant in service and higher amortization from major storm restoration costs. The increase in the deferred tax provision in 2015 compared to 2014 is due to higher tax depreciation and tax repair expense on capital additions partially offset by federal and state net operating loss carryforward assets.

Changes in working capital items resulted in a $7.6 million net use of cash in 2015 compared to a $0.6 million net use of cash in 2014, representing an increase in the use of cash of $7.0 million.

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Uses of cash for Accounts Receivable were higher by $7.9 million in 2015 compared to 2014 as a result of normal variations in payment patterns by customers and higher electricity costs. All other changes in Current Assets and Liabilities resulted in an increase in sources of cash of $0.9 million in 2015 compared to 2014.

Changes in Deferred Regulatory and Other Charges and Other, net operating activities resulting in an increase in sources of cash of $2.1 million in 2015 compared to 2014.

	Three Months Ended March 31,	
	2015	**2014**
Cash (Used in) Investing Activities	**$ (13.1)**	$ (9.2)

Cash (Used in) Investing Activities Cash (Used in) Investing Activities was ($13.1) million in the three months ended March 31, 2015 compared to ($9.2) million in 2014. The higher cash used in investing activities in the 2015 period is reflective of normal variations in the timing of cash disbursements. The actual capital spending in both 2015 and 2014 is representative of distribution utility capital expenditures for electric and gas utility system additions. The Company s projected capital spending range for 2015 is $95 million to $100 million.

	Three Months Ended March 31,	
	2015	**2014**
Cash (Used in) Financing Activities	**$ (11.9)**	$ (14.6)

Cash (Used in) Financing Activities Cash (Used in) Financing Activities was ($11.9) million in the three months ended March 31, 2015 compared to ($14.6) million in 2014. The lower cash used in financing activities in 2015 is primarily a result of greater Short-Term Debt financing of $3.7 million in 2015 compared to 2014.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company s financial statements in conformity with generally accepted accounting principles in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In making those estimates and assumptions, the Company is sometimes required to make difficult, subjective and/or complex judgments about the impact of matters that are inherently uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements. If actual results were to differ significantly from those estimates, assumptions and judgment, the financial position of the Company could be materially affected and the results of operations of the Company could be materially different than reported. The following is a summary of the Company s most critical accounting policies, which are defined as those policies where judgments or uncertainties could materially affect the application of those policies. For a complete discussion of the Company s significant accounting policies, refer to the Note 1 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on January 28, 2015.

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Regulatory Accounting The Company s principal business is the distribution of electricity and natural gas by the three distribution utilities: Unitil Energy, Fitchburg and Northern Utilities. Unitil Energy and Fitchburg are subject to regulation by the FERC. Fitchburg is also regulated by the MDPU, Unitil Energy is regulated by the NHPUC and Northern Utilities is regulated by the MPUC and NHPUC. Granite State, the Company s natural gas transmission pipeline, is regulated by the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the Financial Accounting Standards Board Accounting Standards Codification (FASB Codification). In accordance with the FASB Codification, the Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

The FASB Codification specifies the economic effects that result from the cause and effect relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or regulatory assets. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or regulatory liabilities.

The Company s principal regulatory assets and liabilities are included on the Company s Consolidated Balance Sheet and a summary of the Company s Regulatory Assets and Regulatory Liabilities is provided in Note 1 thereto. The Company receives a return on investment on its regulated assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company s consolidated financial statements.

The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company s opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

Utility Revenue Recognition Utility revenues are recognized according to regulations and are based on rates and charges approved by federal and state regulatory commissions. Revenues related to the sale of electric and gas service are recorded when service is rendered or energy is delivered to customers. However, the determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenues are calculated. These unbilled revenues are calculated each month based on estimated customer usage by class and applicable customer rates.

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Fitchburg is subject to RDM. Revenue decoupling is the term given to the elimination of the dependency of a utility s distribution revenue on the volume of electricity or natural gas sales. The difference between distribution revenue amounts billed to customers and the targeted RDM amounts is recognized as an increase or a decrease in Accrued Revenue which forms the basis for resetting rates for future cash recoveries from, or credits to, customers. These RDM revenue targets may be adjusted as a result of rate cases that the Company files with the MDPU. The Company estimates that RDM applies to approximately 27% and 11% of Unitil s total annual electric and natural gas sales volumes, respectively.

Allowance for Doubtful Accounts The Company recognizes a provision for doubtful accounts each month based upon the Company s experience in collecting electric and gas utility service accounts receivable in prior years. At the end of each month, an analysis of the delinquent receivables is performed which takes into account an assumption about the cash recovery of delinquent receivables. The analysis also calculates the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company s distribution utilities are authorized by regulators to recover the costs of their energy commodity portion of bad debts through rate mechanisms. Also, the electric division of Fitchburg is authorized to recover through rates past due amounts associated with hardship accounts that are protected from shut-off. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis, including expected fuel assistance payments from governmental authorities and the level of customers enrolling in payment plans with the Company. It has been the Company s experience that the assumptions it has used in evaluating the adequacy of the Allowance for Doubtful Accounts have proven to be reasonably accurate.

Retirement Benefit Obligations The Company sponsors the Unitil Corporation Retirement Plan (Pension Plan), which is a defined benefit pension plan covering substantially all of its employees. The Company also sponsors an unfunded retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (SERP), covering certain executives of the Company, and an employee 401(k) savings plan. Additionally, the Company sponsors the Unitil Employee Health and Welfare Benefits Plan (PBOP Plan), primarily to provide health care and life insurance benefits to retired employees.

The FASB Codification requires companies to record on their balance sheets as an asset or liability the overfunded or underfunded status of their retirement benefit obligations (RBO) based on the projected benefit obligation. The Company has recognized a corresponding Regulatory Asset to recognize the future collection of these obligations in electric and gas rates.

The Company s RBO and reported costs of providing retirement benefits are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. The Company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation, health care cost trends, and appropriate discount rates. The Company s RBO are affected by actual employee demographics, the level of contributions made to the plans, earnings on plan assets, and health care cost trends. Changes made to the provisions of these plans may also affect current and future costs. If these assumptions were changed, the resultant change in benefit obligations, fair values of plan assets, funded status and net periodic benefit costs could have a material impact on the Company s financial statements. The discount rate assumptions used in determining retirement plan costs and retirement plan obligations are based on an assessment of current market conditions using high quality corporate bond interest rate indices and pension yield curves. For the year ended December 31, 2014, a change in the discount rate of 0.25% would have resulted in an increase or decrease of approximately $341,000 in the Net Periodic Benefit Cost for the Pension Plan. Similarly, a change of 0.50% in the expected long-term rate of return on plan assets would have resulted in an increase or decrease of approximately $390,000 in the

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Net Periodic Benefit Cost for the Pension Plan. For the year ended December 31, 2014, a 1.0% increase in the assumption of health care cost trend rates would have resulted in an increase in the Net Periodic Benefit Cost for the PBOP Plan of $989,000. Similarly, a 1.0% decrease in the assumption of health care cost trend rates for that same time period would have resulted in a decrease in the Net Periodic Benefit Cost for the PBOP Plan of $771,000. (See Note 9 to the accompanying Consolidated Financial Statements.)

Income Taxes The Company is subject to Federal and State income taxes as well as various other business taxes. This process involves estimating the Company s current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company s unaudited consolidated balance sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification guidance on Income Taxes. The Company classifies penalty and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the unaudited consolidated statements of earnings.

Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company s current and deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. Periodically, the Company assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known.

Depreciation Depreciation expense is calculated on a group straight-line basis based on the useful lives of assets, and judgment is involved when estimating the useful lives of certain assets. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company s fixed assets. A change in the estimated useful lives of these assets could have a material impact on the Company s unaudited consolidated financial statements.

Commitments and Contingencies The Company s accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of March 31, 2015, the Company is not aware of any material commitments or contingencies other than those disclosed in the Commitments and Contingencies footnote to the Company s unaudited consolidated financial statements below.

Refer to Recently Issued Pronouncements in Note 1 of the Notes to the unaudited Consolidated Financial Statements for information regarding recently issued accounting standards.

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LABOR RELATIONS

As of March 31, 2015, the Company and its subsidiaries had 495 employees. The Company considers its relationship with employees to be good and has not experienced any major labor disruptions.

As of March 31, 2015, a total of 158 employees of certain of the Company s subsidiaries were represented by labor unions. The following table details by subsidiary the employees covered by a collective bargaining agreement (CBA) as of March 31, 2015:

	Employees Covered	CBA Expiration
Fitchburg	44	05/31/2019
Northern Utilities NH Division	34	06/05/2017
Northern Utilities ME Division/Granite State	37	03/31/2017
Unitil Energy	38	05/31/2018
Unitil Service	5	05/31/2016

The CBAs provide discrete salary adjustments, established work practices and uniform benefit packages. The Company expects to negotiate new agreements prior to their expiration dates.

INTEREST RATE RISK

As discussed above, Unitil meets its external financing needs by issuing short-term and long-term debt. The majority of debt outstanding represents long-term notes bearing fixed rates of interest. Changes in market interest rates do not affect interest expense resulting from these outstanding long-term debt securities. However, the Company periodically repays its short-term debt borrowings through the issuance of new long-term debt securities. Changes in market interest rates may affect the interest rate and corresponding interest expense on any new issuances of long-term debt securities. In addition, short-term debt borrowings bear a variable rate of interest. As a result, changes in short-term interest rates will increase or decrease interest expense in future periods. For example, if the average amount of short-term debt outstanding was $25 million for the period of one year, a change in interest rates of 1% would result in a change in annual interest expense of approximately $250,000. The average interest rates on the Company s short-term borrowings for the three months ended March 31, 2015 and March 31, 2014 were 1.57% and 1.55%, respectively. The average interest rate on the Company s short-term borrowings for the twelve months ended December 31, 2014 was 1.60%.

COMMODITY PRICE RISK

Although Unitil s three distribution utilities are subject to commodity price risk as part of their traditional operations, the current regulatory framework within which these companies operate allows for full collection of electric power and natural gas supply costs in rates on a pass-through basis. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, the Company has divested its commodity-related contracts and therefore, further reduced its exposure to commodity risk.

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REGULATORY MATTERS

Please refer to Note 6 to the unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of Regulatory Matters.

ENVIRONMENTAL MATTERS

Please refer to Note 7 to the unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of Environmental Matters.

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Item 1. Financial Statements

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Millions, except per share data)

(UNAUDITED)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating Revenues		
Gas	**$ 100.3**	$ 92.6
Electric	**70.3**	61.9
Other	**1.6**	1.6
Total Operating Revenues	**172.2**	156.1
Operating Expenses		
Cost of Gas Sales	**61.5**	56.1
Cost of Electric Sales	**49.1**	42.7
Operation and Maintenance	**16.9**	17.1
Depreciation and Amortization	**11.4**	10.2
Taxes Other than Income Taxes	**4.9**	4.6
Total Operating Expenses	**143.8**	130.7
Operating Income	**28.4**	25.4
Interest Expense, net	**5.8**	5.2
Other Expense, net	**0.1**	0.1
Income Before Income Taxes	**22.5**	20.1
Income Taxes	**8.9**	7.5
Net Income	**$ 13.6**	$ 12.6
Net Income Per Common Share (Basic and Diluted)	**$ 0.98**	$ 0.91
Weighted Average Common Shares Outstanding (Basic and Diluted)	**13.9**	13.8
Dividends Declared Per Share of Common Stock	**$ 0.350**	$ 0.345

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Millions)

(UNAUDITED)

	March 31, 2015	March 31, 2014	December 31, 2014
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	**$ 11.2**	$ 14.3	$ 8.4
Accounts Receivable, net	**85.9**	69.5	60.7
Accrued Revenue	**64.2**	49.6	48.5
Exchange Gas Receivable	**4.0**	1.3	15.0
Deferred Income Taxes	**2.6**		
Gas Inventory	**0.4**	0.6	1.1
Materials and Supplies	**5.9**	5.1	6.3
Prepayments and Other	**5.9**	5.2	5.2
Total Current Assets	**180.1**	145.6	145.2
Utility Plant:			
Gas	**529.7**	483.0	522.9
Electric	**393.7**	377.3	390.6
Common	**34.6**	31.6	32.7
Construction Work in Progress	**39.4**	21.3	42.6
Total Utility Plant	**997.4**	913.2	988.8
Less: Accumulated Depreciation	**259.2**	246.4	255.1
Net Utility Plant	**738.2**	666.8	733.7
Other Noncurrent Assets:			
Regulatory Assets	**106.2**	96.5	107.6
Other Assets	**16.3**	19.1	13.7
Total Other Noncurrent Assets	**122.5**	115.6	121.3
TOTAL ASSETS	**$ 1,040.8**	$ 928.0	$ 1,000.2

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS (Cont.)

(Millions, except number of shares)

(UNAUDITED)

	March 31, 2015	March 31, 2014	December 31, 2014
LIABILITIES AND CAPITALIZATION:			
Current Liabilities:			
Accounts Payable	**$ 34.8**	$ 31.8	$ 44.2
Short-Term Debt	**32.0**	59.2	29.3
Long-Term Debt, Current Portion	**4.0**	2.5	4.0
Energy Supply Obligations	**12.6**	6.1	22.1
Deferred Income Taxes		3.4	3.1
Environmental Obligations	**3.4**	1.4	3.5
Interest Payable	**6.3**	5.4	3.5
Regulatory Liabilities (Note 6)	**39.4**	13.1	8.7
Other Current Liabilities	**7.9**	8.8	11.0
Total Current Liabilities	**140.4**	131.7	129.4
Noncurrent Liabilities:			
Deferred Income Taxes	**87.3**	82.5	72.9
Cost of Removal Obligations	**65.7**	59.2	63.8
Retirement Benefit Obligations	**121.4**	79.1	118.6
Capital Lease Obligations	**8.2**	0.1	7.5
Energy Supply Obligations	**1.9**	2.3	1.9
Environmental Obligations	**2.0**	12.8	2.0
Other Noncurrent Liabilities	**1.9**	1.6	1.9
Total Noncurrent Liabilities	**288.4**	237.6	268.6
Capitalization:			
Long-Term Debt, Less Current Portion	**328.7**	284.7	328.9
Stockholders Equity:			
Common Equity (Authorized: 25,000,000 and Outstanding:13,966,150, 13,886,768 and 13,916,026 Shares)	**236.0**	233.1	234.7
Retained Earnings	**47.1**	40.7	38.4
Total Common Stock Equity	**283.1**	273.8	273.1
Preferred Stock	**0.2**	0.2	0.2
Total Stockholders Equity	**283.3**	274.0	273.3
Total Capitalization	**612.0**	558.7	602.2
Commitments and Contingencies (Notes 6 & 7)			
TOTAL LIABILITIES AND CAPITALIZATION	**$ 1,040.8**	$ 928.0	$ 1,000.2

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

(UNAUDITED)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating Activities:		
Net Income	**$ 13.6**	$ 12.6
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	**11.4**	10.2
Deferred Tax Provision	**8.8**	7.0
Changes in Working Capital Items:		
Accounts Receivable	**(25.2)**	(17.3)
Accrued Revenue	**6.3**	7.0
Exchange Gas Receivable	**11.0**	9.5
Regulatory Liabilities	**8.7**	3.4
Accounts Payable	**(9.4)**	(6.3)
Other Changes in Working Capital Items	**1.0**	3.1
Deferred Regulatory and Other Charges	**(0.5)**	(1.9)
Other, net	**2.1**	1.4
Cash Provided by Operating Activities	**27.8**	28.7
Investing Activities:		
Property, Plant and Equipment Additions	**(13.1)**	(9.2)
Cash (Used in) Investing Activities	**(13.1)**	(9.2)
Financing Activities:		
Proceeds from (Repayment of) Short-Term Debt, net	**2.7**	(1.0)
Repayment of Long-Term Debt	**(0.2)**	(0.1)
Increase / (Decrease) in Capital Lease Obligations	**0.7**	(0.1)
Net Decrease in Exchange Gas Financing	**(10.5)**	(8.8)
Dividends Paid	**(4.9)**	(4.8)
Proceeds from Issuance of Common Stock	**0.3**	0.3
Other, net		(0.1)
Cash (Used in) Financing Activities	**(11.9)**	(14.6)
Net Increase in Cash and Cash Equivalents	**2.8**	4.9
Cash and Cash Equivalents at Beginning of Period	**8.4**	9.4
Cash and Cash Equivalents at End of Period	**$ 11.2**	$ 14.3
Supplemental Cash Flow Information:		
Interest Paid	**$ 3.1**	$ 3.0
Income Taxes Paid	**$ 1.4**	$ 0.3
Non-cash Investing Activity:		

Capital Expenditures Included in Accounts Payable	**$ 0.4**	$ 0.4

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCK EQUITY

(Millions, except number of shares)

(UNAUDITED)

	Common Equity	Retained Earnings	Total
Balance at January 1, 2015	$ 234.7	$ 38.4	**$ 273.1**
Net Income		13.6	**13.6**
Dividends on Common Shares		(4.9)	**(4.9)**
Stock Compensation Plans	1.0		**1.0**
Issuance of 10,114 Common Shares	0.3		**0.3**
Balance at March 31, 2015	**$ 236.0**	**$ 47.1**	**$ 283.1**
Balance at January 1, 2014	$ 232.1	$ 32.9	**$ 265.0**
Net Income		12.6	**12.6**
Dividends on Common Shares		(4.8)	**(4.8)**
Stock Compensation Plans	0.7		**0.7**
Issuance of 9,868 Common Shares	0.3		**0.3**
Balance at March 31, 2014	**$ 233.1**	**$ 40.7**	**$ 273.8**

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Unitil Corporation (Unitil or the Company) is a public utility holding company. Unitil and its subsidiaries are subject to regulation as a holding company system by the Federal Energy Regulatory Commission (FERC) under the Energy Policy Act of 2005. The following companies are wholly-owned subsidiaries of Unitil: Unitil Energy Systems, Inc. (Unitil Energy), Fitchburg Gas and Electric Light Company (Fitchburg), Northern Utilities, Inc. (Northern Utilities), Granite State Gas Transmission, Inc. (Granite State), Unitil Power Corp. (Unitil Power), Unitil Realty Corp. (Unitil Realty), Unitil Service Corp. (Unitil Service) and its non-regulated business unit Unitil Resources, Inc. (Unitil Resources). Usource Inc. and Usource L.L.C. are subsidiaries of Unitil Resources.

The Company s earnings are seasonal and are typically higher in the first and fourth quarters when customers use natural gas for heating purposes.

Unitil s principal business is the local distribution of electricity in the southeastern seacoast and state capital regions of New Hampshire and the greater Fitchburg area of north central Massachusetts, and the local distribution of natural gas in southeastern New Hampshire, portions of southern and central Maine and in the greater Fitchburg area of north central Massachusetts. Unitil has three distribution utility subsidiaries, Unitil Energy, which operates in New Hampshire, Fitchburg, which operates in Massachusetts and Northern Utilities, which operates in New Hampshire and Maine (collectively referred to as the distribution utilities).

Granite State is a natural gas transportation pipeline, operating 86 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to three major natural gas pipelines and access to domestic natural gas supplies in the south and Canadian natural gas supplies in the north. Granite State derives its revenues principally from the transportation services provided to Northern Utilities and, to a lesser extent, third-party marketers.

A fifth utility subsidiary, Unitil Power, formerly functioned as the full requirements wholesale power supply provider for Unitil Energy. In connection with the implementation of electric industry restructuring in New Hampshire, Unitil Power ceased being the wholesale supplier of Unitil Energy on May 1, 2003 and divested of its long-term power supply contracts through the sale of the entitlements to the electricity associated with various electric power supply contracts it had acquired to serve Unitil Energy s customers.

Unitil also has three other wholly-owned subsidiaries: Unitil Service; Unitil Realty; and Unitil Resources. Unitil Service provides, at cost, a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology, energy management and management services on a centralized basis to its affiliated Unitil companies. Unitil Realty owns and manages the Company s corporate office in Hampton, New Hampshire and leases this facility to Unitil Service under a long-term lease arrangement. Unitil Resources is the Company s wholly-owned non-regulated subsidiary. Usource, Inc. and Usource L.L.C. (collectively, Usource) are wholly-owned subsidiaries of Unitil Resources. Usource provides brokering and advisory services to large commercial and industrial customers in the northeastern United States.

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Basis of Presentation The accompanying unaudited consolidated financial statements of Unitil have been prepared in accordance with the instructions to Form 10-Q and include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of results to be expected for the year ending December 31, 2015. For further information, please refer to Note 1 of Part II to the Consolidated Financial Statements Summary of Significant Accounting Policies of the Company s Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission (SEC) on January 28, 2015, for a description of the Company s Basis of Presentation.

Fair Value The Financial Accounting Standards Board (FASB) Codification defines fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

There have been no changes in the valuation techniques used during the current period.

Income Taxes The Company is subject to Federal and State income taxes as well as various other business taxes. This process involves estimating the Company s current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Company s Consolidated Balance Sheets. The Company accounts for income tax assets, liabilities and expenses in accordance with the FASB Codification guidance on Income Taxes. The Company classifies penalty and interest expense related to income tax liabilities as income tax expense and interest expense, respectively, in the Consolidated Statements of Earnings.

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Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. The Company accounts for income taxes in accordance with the FASB Codification guidance on Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Significant judgments and estimates are required in determining the current and deferred tax assets and liabilities. The Company s current and deferred tax assets and liabilities reflect its best assessment of estimated future taxes to be paid. In accordance with the FASB Codification, the Company periodically assesses the realization of its deferred tax assets and liabilities and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts and circumstances which gave rise to the revision become known. Deferred income taxes are reflected as Deferred Income Taxes in Current Assets and Noncurrent Liabilities on the Consolidated Balance Sheets based on the nature of the underlying timing item.

Cash and Cash Equivalents Cash and Cash Equivalents includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits. The Company s cash and cash equivalents are held at financial institutions and at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Under the Independent System Operator New England (ISO-NE) Financial Assurance Policy (Policy), Unitil s subsidiaries Unitil Energy, Fitchburg and Unitil Power are required to provide assurance of their ability to satisfy their obligations to ISO-NE. Under this Policy, Unitil s subsidiaries provide cash deposits covering approximately 2-1/2 months of outstanding obligations. As of March 31, 2015, March 31, 2014 and December 31, 2014, the Unitil subsidiaries had deposited $1.5 million, $9.8 million and $6.3 million, respectively to satisfy their ISO-NE obligations. In addition, Northern Utilities has cash margin deposits to satisfy requirements for its natural gas hedging program. As of March 31, 2015, March 31, 2014 and December 31, 2014, there was $0, $0.1 million and $0, respectively, deposited for this purpose.

Allowance for Doubtful Accounts The Company recognizes a provision for doubtful accounts each month based upon the Company s experience in collecting electric and gas utility service accounts receivable in prior years. At the end of each month, an analysis of the delinquent receivables is performed which takes into account an assumption about the cash recovery of delinquent receivables. The analysis also calculates the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company s distribution utilities are authorized by regulators to recover the costs of their energy commodity portion of bad debts through rate mechanisms. Also, the electric division of Fitchburg is authorized to recover through rates past due amounts associated with hardship accounts that are protected from shut-off. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis, including expected fuel assistance payments from governmental authorities and the level of customers enrolling in payment plans with the Company. It has been the Company s experience that the assumptions it has used in evaluating the adequacy of the Allowance for Doubtful Accounts have proven to be reasonably accurate.

The Allowance for Doubtful Accounts as of March 31, 2015, March 31, 2014 and December 31, 2014, which are included in Accounts Receivable, net on the accompanying unaudited consolidated balance sheets, were as follows:

($ millions)	**March 31,**		**December 31,**
	2015	**2014**	**2014**
Allowance for Doubtful Accounts	**$ 1.9**	$ 2.1	$ 1.8

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Accrued Revenue Accrued Revenue includes the current portion of Regulatory Assets and unbilled revenues. The following table shows the components of Accrued Revenue as of March 31, 2015, March 31, 2014 and December 31, 2014.

Accrued Revenue ($ millions)	March 31, 2015	March 31, 2014	December 31, 2014
Regulatory Assets Current	**$ 33.7**	$ 39.7	$ 37.8
Gas Pipeline Refund (Note 6)	**22.0**		
Unbilled Revenues	**8.5**	9.9	10.7
Total Accrued Revenue	**$ 64.2**	$ 49.6	$ 48.5

Exchange Gas Receivable Northern Utilities and Fitchburg have gas exchange and storage agreements whereby natural gas purchases during the months of April through October are delivered to a third party. The third party delivers natural gas back to the Company during the months of November through March. The exchange and storage gas volumes are recorded at weighted average cost. The following table shows the components of Exchange Gas Receivable as of March 31, 2015, March 31, 2014 and December 31, 2014.

Exchange Gas Receivable ($ millions)	March 31, 2015	March 31, 2014	December 31, 2014
Northern Utilities	**$ 3.6**	$ 1.0	$ 14.2
Fitchburg	**0.4**	0.3	0.8
Total Exchange Gas Receivable	**$ 4.0**	$ 1.3	$ 15.0

Gas Inventory The Company uses the weighted average cost methodology to value natural gas inventory. The following table shows the components of Gas Inventory as of March 31, 2015, March 31, 2014 and December 31, 2014.

Gas Inventory ($ millions)	March 31, 2015	March 31, 2014	December 31, 2014
Natural Gas	**$ 0.1**	$ 0.2	$ 0.8
Propane	**0.2**	0.1	0.2
Liquefied Natural Gas & Other	**0.1**	0.3	0.1
Total Gas Inventory	**$ 0.4**	$ 0.6	$ 1.1

Utility Plant The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). The costs of current repairs and minor replacements are charged to appropriate operating expense accounts. The original cost of utility plant retired or otherwise disposed of is charged to the accumulated provision for depreciation. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, cost of removal amounts to provide for future negative salvage value. At March 31, 2015, March 31, 2014 and December 31, 2014, the

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Company estimates that the cost of removal amounts, which are recorded on the Consolidated Balance Sheets in Cost of Removal Obligations are $65.7 million, $59.2 million, and $63.8 million, respectively.

Regulatory Accounting The Company s principal business is the distribution of electricity and natural gas by the three distribution utilities: Unitil Energy, Fitchburg and Northern Utilities. Unitil Energy and Fitchburg are subject to regulation by the FERC. Fitchburg is also regulated by the Massachusetts Department of Public Utilities (MDPU), Unitil Energy is regulated by the New Hampshire Public Utilities Commission (NHPUC) and Northern Utilities is regulated by the Maine Public Utilities Commission (MPUC) and NHPUC. Granite State, the Company s natural gas transmission pipeline, is regulated by the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the FASB Codification. The Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

	March 31,		December 31,
Regulatory Assets consist of the following ($ millions)	**2015**	**2014**	**2014**
Retirement Benefits	$ 65.0	$ 42.3	$ 65.1
Energy Supply & Other Regulatory Tracker Mechanisms	28.5	30.3	31.0
Deferred Storm Charges	20.1	24.2	21.2
Environmental	11.0	16.0	11.0
Income Taxes	9.5	10.7	9.7
Deferred Restructuring Costs		6.9	1.6
Other	5.8	5.8	5.8
Total Regulatory Assets	**139.9**	136.2	145.4
Less: Current Portion of Regulatory Assets(1)	**33.7**	39.7	37.8
Regulatory Assets noncurrent	**$ 106.2**	$ 96.5	$ 107.6

(1) Reflects amounts included in Accrued Revenue, discussed above, on the Company s Consolidated Balance Sheets.

	March 31,		December 31,
Regulatory Liabilities consist of the following ($ millions)	**2015**	**2014**	**2014**
Regulatory Tracker Mechanisms	**$ 17.4**	$ 13.1	$ 8.7
Gas Pipeline Refund (Note 6)	**22.0**		
Total Regulatory Liabilities	**$ 39.4**	$ 13.1	$ 8.7

Generally, the Company receives a return on investment on its regulated assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company s Consolidated Financial Statements. The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company s opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

Derivatives The Company s regulated energy subsidiaries enter into energy supply contracts to serve their electric and gas customers. The Company follows a procedure for determining whether each contract qualifies as a derivative instrument under the guidance provided by the FASB Codification on Derivatives and Hedging. For each contract, the Company reviews and documents the key terms of the contract. Based on those terms and any additional relevant components of the contract, the Company determines and documents whether the contract qualifies as a derivative instrument as defined in the FASB Codification. The Company has determined that none of its energy supply contracts, other than the regulatory approved hedging program, described below, qualifies as a derivative instrument under the guidance set forth in the FASB Codification.

The Company has a regulatory approved hedging program for Northern Utilities designed to fix or cap a portion of its gas supply costs for the coming years of service. Prior to April 2013 Northern Utilities purchased natural gas futures contracts on the New York Mercantile Exchange (NYMEX) that correspond to associated delivery months. Beginning in April 2013, the hedging program was redesigned and the Company began purchasing call option contracts on NYMEX natural gas futures contracts for future winter period months. As of March 31, 2015, all futures contracts purchased under the prior program design have been sold and the hedging portfolio now consists entirely of call option contracts.

Any gains or losses resulting from the change in the fair value of these derivatives are passed through to ratepayers directly through Northern Utilities Cost of Gas Adjustment Clause. The fair value of these derivatives is determined using Level 2 inputs (valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly), specifically based on the NYMEX closing prices for outstanding contracts as of the balance sheet date. As a result of the ratemaking process, the Company records gains and losses resulting from the change in fair value of the derivatives as regulatory liabilities or assets, then reclassifies these gains or losses into Cost of Gas Sales when the gains and losses are passed through to customers through the Cost of Gas Adjustment Clause.

As of March 31, 2015, March 31, 2014 and December 31, 2014 the Company had 2.0 billion, 1.1 billion and 2.4 billion cubic feet (BCF), respectively, outstanding in natural gas futures and options contracts under its hedging program.

The tables below show derivatives, which are part of the regulatory approved hedging program, that are not designated as hedging instruments under FASB ASC 815-20. The tables below include disclosure of the derivative assets and liabilities and the recognition of the charges from their corresponding regulatory liabilities and assets, respectively into Cost of Gas Sales. The current and noncurrent portions of these regulatory assets are recorded as Accrued Revenue and Regulatory Assets, respectively, on the Company s unaudited Consolidated Balance Sheets. The current and noncurrent portions of these regulatory liabilities are recorded as Regulatory Liabilities and Other Noncurrent Liabilities, respectively on the Company s unaudited Consolidated Balance Sheets.

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Fair Value Amount of Derivative Assets / Liabilities ($ millions) Offset in Regulatory Liabilities / Assets, as of:

Description	Balance Sheet Location	Fair Value March 31, 2015	March 31, 2014	December 31, 2014
Derivative Assets				
Natural Gas Futures/ Options Contracts	Prepayments and Other	**$ 0.1**	$ 0.2	$
Natural Gas Futures/ Options Contracts	Other Assets			0.1
Total Derivative Assets		**$ 0.1**	$ 0.2	$ 0.1
Derivative Liabilities				
Natural Gas Futures/ Options Contracts	Other Current Liabilities	**$**	$	$
Natural Gas Futures/ Options Contracts	Other Noncurrent Liabilities			
Total Derivative Liabilities		**$**	$	$

($ millions)	Three Months Ended March 31, 2015	2014
Amount of Loss / (Gain) Recognized in Regulatory Assets (Liabilities) for Derivatives:		
Natural Gas Futures / Options Contracts	**$**	$ 0.9
Amount of Loss / (Gain) Reclassified into unaudited Consolidated Statements of Earnings[1]:		
Cost of Gas Sales	**$**	$ 0.9

(1) These amounts are offset in the unaudited Consolidated Statements of Earnings with Accrued Revenue and therefore there is no effect on earnings.

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Energy Supply Obligations The following discussion and table summarize the nature and amounts of the items recorded as current and noncurrent Energy Supply Obligations on the Company s Consolidated Balance Sheets.

Energy Supply Obligations ($ millions)	**March 31, 2015**	**March 31, 2014**	**December 31, 2014**
Current:			
Exchange Gas Obligation	**$ 3.6**	$ 1.0	$ 14.2
Renewable Energy Portfolio Standards	**8.5**	4.3	7.4
Power Supply Contract Divestitures	**0.5**	0.8	0.5
Total Energy Supply Obligations Current	**12.6**	6.1	22.1
Long-Term:			
Power Supply Contract Divestitures	**1.9**	2.3	1.9
Total Energy Supply Obligations	**$ 14.5**	$ 8.4	$ 24.0

Exchange Gas Obligation Northern Utilities enters into gas exchange agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. The gas inventory related to these agreements is recorded in Exchange Gas Receivable on the Company s Consolidated Balance Sheets while the corresponding obligations are recorded in Energy Supply Obligations.

Renewable Energy Portfolio Standards Renewable Energy Portfolio Standards (RPS) require retail electricity suppliers, including public utilities, to demonstrate that required percentages of their sales are met with power generated from certain types of resources or technologies. Compliance is demonstrated by purchasing and retiring Renewable Energy Certificates (REC) generated by facilities approved by the state as qualifying for REC treatment. Unitil Energy and Fitchburg purchase RECs in compliance with RPS legislation in New Hampshire and Massachusetts for supply provided to default service customers. RPS compliance costs are a supply cost that is recovered in customer default service rates. Unitil Energy and Fitchburg collect RPS compliance costs from customers throughout the year and demonstrate compliance for each calendar year on the following July 1. Due to timing differences between collection of revenue from customers and payment of REC costs to suppliers, Unitil Energy and Fitchburg typically maintain accrued revenue for RPS compliance which is recorded in Accrued Revenue with a corresponding liability in Energy Supply Obligations on the Company s Consolidated Balance Sheets.

Fitchburg has a contract for energy procurement with a renewable energy developer which began commercial production in September 2013. Fitchburg will recover its costs under this contract through a regulatory approved cost tracker reconciling rate mechanism.

Power Supply Contract Divestitures As a result of the restructuring of the utility industry in New Hampshire and Massachusetts, Unitil Energy s and Fitchburg s customers have the opportunity to purchase their electric or natural gas supplies from third-party suppliers. In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power supply provider for Unitil Energy, and Fitchburg divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy and Fitchburg recover in their rates all the costs associated with the divestiture of their power supply portfolios and have secured regulatory approval from the NHPUC and MDPU, respectively, for the recovery of power supply-related stranded costs. The obligations related to these divestitures are recorded in Energy Supply Obligations on the Company s Consolidated Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion) and Regulatory Assets (long-term portion).

Massachusetts Green Communities Act In compliance with the Massachusetts Green Communities Act, discussed below in Note 6, Regulatory Matters, Fitchburg has entered into long-term renewable contracts for electric energy and/or renewable energy credits. The facility associated with one of these contracts has been constructed and is operating. The other contracts are pending approval by the MDPU as well as subsequent facility construction and operation. These facilities are anticipated to begin operation by the end of 2016. Fitchburg will recover its costs associated with long-term renewable contracts on a fully reconciling basis through a MDPU-approved cost recovery mechanism.

Recently Issued Pronouncements On April 7, 2015, the FASB issued ASU 2015-03 which requires entities to present debt issuance costs related to a debt liability as a direct deduction from the carrying amount of that debt liability on the balance sheet as opposed to being presented as a deferred charge. The effective date of this pronouncement is for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the impact that this new guidance will have on the Company s Consolidated Financial Statements.

On May 28, 2014, the FASB issued ASU 2014-09 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The effective date of this pronouncement is for fiscal years beginning after December 15, 2017. The Company is evaluating the impact that this new guidance will have on the Company s Consolidated Financial Statements.

Other than ASU 2015-03 and ASU 2014-09, there are no recently issued pronouncements that the Company has not already adopted or that have a material impact on the Company.

Subsequent Events The Company evaluates all events or transactions through the date of the related filing. During the period through the date of this filing, the Company did not have any material subsequent events that impacted its Consolidated Financial Statements.

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NOTE 2 DIVIDENDS DECLARED PER SHARE

Declaration Date	Date Paid (Payable)	Shareholder of Record Date	Dividend Amount
04/22/15	05/28/15	05/14/15	$ 0.350
01/26/15	02/27/15	02/13/15	$ 0.350
10/21/14	11/28/14	11/14/14	$0.345
07/22/14	08/29/14	08/15/14	$0.345
04/22/14	05/29/14	05/15/14	$ 0.345
01/16/14	02/28/14	02/14/14	$ 0.345

NOTE 3 SEGMENT INFORMATION

The following table provides significant segment financial data for the three months ended March 31, 2015 and March 31, 2014:

Three Months Ended March 31, 2015 ($ millions)	**Gas**	**Electric**	**Non-Regulated**	**Other**	**Total**
Revenues	**$ 100.3**	**$ 70.3**	**$ 1.6**	**$**	**$ 172.2**
Segment Profit (Loss)	**11.6**	**1.8**	**0.3**	**(0.1)**	**13.6**
Identifiable Segment Assets	**593.2**	**421.3**	**5.6**	**20.7**	**1,040.8**
Capital Expenditures	**7.2**	**4.4**		**1.5**	**13.1**
Three Months Ended March 31, 2014 ($ millions)					
Revenues	$ 92.6	$ 61.9	$ 1.6	$	$ 156.1
Segment Profit	11.5	0.9	0.2		12.6
Identifiable Segment Assets	506.1	405.1	5.8	11.0	928.0
Capital Expenditures	3.0	5.1	0.1	1.0	9.2
As of December 31, 2014 ($ millions)					
Identifiable Segment Assets	$ 566.3	$ 414.1	$ 6.3	$ 13.5	$ 1,000.2

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NOTE 4 DEBT AND FINANCING ARRANGEMENTS

Long-Term Debt On October 15, 2014, Northern Utilities completed a private placement of $50 million aggregate principal amount of 4.42% Senior Unsecured Notes due October 15, 2044 to institutional investors. The proceeds from the offering were used to repay short-term debt and for general corporate purposes.

Details on long-term debt at March 31, 2015, March 31, 2014 and December 31, 2014 are shown below:

($ millions)	March 31, 2015	March 31, 2014	December 31, 2014
Unitil Corporation Senior Notes:			