UNITIL CORP
Form 424B5
December 12, 2008
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-152823

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 10, 2008)

2,000,000 Shares

Common Stock

Unitil Corporation is offering 2,000,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol UTL. The last reported sale price of our common stock on December 10, 2008 was $20.35 per share.

Investing in our common stock involves risks that are described in the section entitled Risk Factors beginning on page S-15 of this prospectus supplement and on page 2 of the accompanying prospectus.

PRICE $20.00 PER SHARE

	Per Share	Total
Public offering price	$ 20.00	$ 40,000,000
Underwriting discount	$ 1.05	$ 2,100,000
Proceeds, before expenses, to Unitil Corporation	$ 18.95	$ 37,900,000

The underwriters may also purchase up to an additional 300,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about December 15, 2008.

RBC CAPITAL MARKETS

JANNEY MONTGOMERY SCOTT LLC	**OPPENHEIMER & CO.**
BREAN MURRAY, CARRET & CO.	**EDWARD JONES**

December 10, 2008

Table of Contents

Map of Service Territory[(1)]

(1) This map is presented to illustrate the effects of Unitil Corporation s acquisition of all of the outstanding capital stock of Northern Utilities, Inc. and Granite State Gas Transmission, Inc., as discussed in the prospectus supplement. For the purposes of this map, Overlapping Service Territory illustrates service territories served by Unitil Corporation prior to the consummation of the acquisition and Northern Utilities, Inc.

Table of Contents

TABLE OF CONTENTS

Table of Contents

We provide information to you about this offering of shares of our common stock in two separate documents that are bound together: (i) this prospectus supplement, which described the specific details regarding this offering; and (ii) the accompanying prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both documents combined. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the shares and seeking offers to buy the shares only in jurisdictions where offers and sales are permitted. You should not assume that the information we have included in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the respective dates shown or that the information we have incorporated by reference to another document is accurate as of any date other than the date of such document. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

In this prospectus, the company, Unitil, we, us, and our refer to Unitil Corporation and its subsidiaries, excluding Northern Utilities Inc. and Granite State Gas Transmission, Inc., unless the context otherwise requires.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read the following summary together with the more detailed information regarding our company, our common stock and the financial statements and notes to those statements included in this prospectus or incorporated by reference in this prospectus by reference to our other filings with the Securities and Exchange Commission (the SEC). We urge you to read the entire prospectus carefully, especially the risks of investing in our common stock, which are discussed in the section entitled *Risk Factors* in this prospectus supplement, before making an investment decision.

Who We Are

The following is a description of our company as it existed prior to the consummation of our purchase of (i) all of the outstanding capital stock of Northern Utilities, Inc. (Northern Utilities) and (ii) all of the outstanding capital stock of Granite State Gas Transmission, Inc. (Granite State), which we closed on December 1, 2008. As such, the description generally excludes information about Northern Utilities and Granite State. For a description of Northern Utilities and Granite State, please see the sections entitled (i) Prospectus Summary The Acquisitions, (ii) The Acquisitions, (iii) Northern Utilities and (iv) Granite State.

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

Our principal business is the retail distribution of electricity in the southeastern seacoast and state capital regions of New Hampshire and the retail distribution of both electricity and natural gas in the greater Fitchburg area of north central Massachusetts. We have two distribution utility subsidiaries, Unitil Energy Systems, Inc. (UES), which operates in New Hampshire, and Fitchburg Gas and Electric Light Company (FG&E), which operates in Massachusetts. UES, through its predecessors Concord Electric Company and Exeter & Hampton Electric Company, was incorporated in 1901. FG&E was incorporated in 1852. UES and FG&E are collectively referred to as our retail distribution utilities.

Our retail distribution utilities serve approximately 100,000 electric customers and 15,100 natural gas customers in their service territory. Our retail distribution utilities are local pipes and wires utility distribution companies with a combined investment in Net Utility Plant of $256.0 million at September 30, 2008. We do not own or operate electric generating facilities or major transmission facilities and substantially all of our utility assets are dedicated to the local delivery of electricity and natural gas to our customers. Our total revenue was $262.9 million in 2007 and $200.4 million for the nine months ended September 30, 2008, which includes revenue to recover the cost of purchased electricity and natural gas in rates on a fully reconciling basis. As a result of this reconciling rate structure, our earnings are not affected by changes in the cost of purchased electricity and natural gas. Earnings applicable to common shareholders for 2007 were $8.6 million and for the nine months ended September 30, 2008 were $6.4 million. Substantially all of our earnings are derived from the return on investment in our retail distribution utilities.

Our business strategy is to be a leader in the reliable and cost effective management of a growing level of local electric and natural gas distribution assets. Our growth initiatives include evaluation of organic growth opportunities as well as strategic acquisitions. As part of our growth strategy, on December 1, 2008, we purchased (i) all of the outstanding capital stock of Northern Utilities, a retail natural gas distribution utility serving customers in Maine and New Hampshire, from Bay State Gas Company (Bay State) and (ii) all of the outstanding capital stock of Granite State, an interstate gas pipeline company primarily serving

Table of Contents

the needs of Northern Utilities, from NiSource Inc. (NiSource) pursuant to the Stock Purchase Agreement dated as of February 15, 2008 by and among NiSource, Bay State and us (the Stock Purchase Agreement). Bay State is a wholly owned subsidiary of NiSource. We refer to these transactions as the Acquisitions. Please see the sections entitled (i) *Prospectus Summary The Acquisitions*, (ii) *Risk Factors Risks Relating to the Acquisitions* in this prospectus supplement, (iii) *Prospectus Summary Summary Unaudited Pro Forma Combined Financial Data* and (iv) *The Acquisitions.*

The Acquisitions

Purchase Price

The aggregate purchase price for the Acquisitions was $160 million in cash, plus an additional $41.6 million in cash as a working capital adjustment, including approximately $33.9 million of natural gas storage inventory.

Financing the Acquisitions

We financed the Acquisitions and the related costs and expenses using borrowings under a bridge credit facility, as described below, coupled with proceeds from the contemporaneous financing of Northern Utilities gas inventory pursuant to a gas storage management contract. We closed the Acquisitions on December 1, 2008.

As of December 1, 2008, we had $165 million outstanding under the bridge credit facility, which provides for a loan for up to eleven months. We subsequently repaid approximately $79.3 million of the amount outstanding under the bridge credit facility using the net proceeds from the sale and issuance by Northern Utilities of $80.0 million aggregate principal amount of long-term unsecured notes, which closed on December 3, 2008.

As of December 10, 2008, we had approximately $85.7 million outstanding under the bridge credit facility. We expect to repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million, as soon as practicable using the net proceeds from:

(i) the offering of our common stock, as described in this prospectus; and

(ii) the anticipated sale and issuance by Granite State to institutional investors in a private placement of $10.0 million aggregate principal amount of long-term unsecured notes on December 15, 2008.

We expect to repay the estimated $38.9 million balance outstanding under the bridge credit facility prior to its maturity date of November 1, 2009 by issuing additional equity or debt or by using borrowings under a revolving credit facility.

We expect to guarantee the payment of principal, interest and other amounts payable on the Granite State notes. This guarantee will terminate if Granite State reorganizes and merges with and into Northern Utilities.

The foregoing is not intended to, and does not, constitute an offering of the notes described above. The sale and issuance of the Granite State notes (i) is subject to the execution of a definitive note purchase agreement by Granite State and the prospective purchasers of the notes and satisfaction of closing conditions and (ii) will not be, and has not been, registered under the Securities Act of 1933 (the Securities Act) and the notes may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

Table of Contents

Please see the sections entitled (i) *Prospectus Summary Recent Developments* and (ii) *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements*.

Regulatory Requirements and Approvals and Closing

We closed the Acquisitions on December 1, 2008.

The Acquisitions were subject to certain regulatory requirements and approvals and customary closing conditions. In connection with the closing of the Acquisitions, we obtained the following regulatory approvals and clearances:

(i) approval by the Massachusetts Department of Public Utilities (the MDPU);

(ii) approval by the Maine Public Utilities Commission (the MPUC);

(iii) approval by the State of New Hampshire Public Utilities Commission (the NHPUC);

(iv) early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and

(v) approval by the Federal Communications Commission of certain license transfers.

All applicable appeal periods on the above approval orders have expired.

Please see the sections entitled (i) *Prospectus Summary Recent Developments*, (ii) *The Acquisitions Description of the Acquisitions* and (iii) *Northern Utilities Business and Financial Information Management s Discussion and Analysis of Financial Condition and Results of Operations*.

Descriptions of Northern Utilities and Granite State

Northern Utilities

Northern Utilities is a retail natural gas distribution utility serving customers in Maine and New Hampshire. Northern Utilities provides natural gas distribution services to approximately 52,000 customers in 44 New Hampshire and southern Maine communities, stretching from Plaistow, New Hampshire in the south to Lewiston-Auburn, Maine in the north.

Northern Utilities was incorporated under the laws of New Hampshire in 1979. It is a wholly owned subsidiary of Unitil Corporation. As of September 30, 2008, it had 76 full-time employees. Northern Utilities customers include residences, businesses and organizations.

Northern Utilities had an investment in Net Utility Plant of $163.5 million at December 31, 2007 and $169.4 million at September 30, 2008, and net revenues of $44.2 million for 2007 and $31.0 million for the nine months ended September 30, 2008. Northern Utilities derives its revenues and earnings from its regulated utility operations. Northern Utilities recovers the cost of purchased natural gas in rates on a fully reconciling basis and, therefore, Northern Utilities earnings are not affected by changes in the cost of purchased gas. Prior to the closing of the Acquisitions, Northern Utilities received centralized administrative, management, and support services from NiSource and its affiliates, the cost of which amounted to $8.6 million in 2007 and $6.8 million for the nine months ended September 30, 2008.

Table of Contents

Granite State

Granite State is a natural gas transmission pipeline, regulated by the FERC, operating 87 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 pipeline supplies.

Granite State was incorporated under the laws of New Hampshire in 1955. It is a wholly owned subsidiary of Unitil Corporation. As of September 30, 2008, it had five full-time employees.

Granite State had an investment in Net Utility Plant of $16.5 million at December 31, 2007 and $16.1 million at September 30, 2008, and net operating revenue of $3.4 million for 2007 and $2.1 million for the nine months ended September 30, 2008. Granite State derives its revenues principally from the transportation services provided to Northern Utilities and, to a lesser extent, third-party marketers. Prior to the closing of the Acquisitions, Granite State received centralized administrative, management, and support services from NiSource and its affiliates, the cost of which amounted to $0.6 million in 2007 and $0.5 million for the nine months ended September 30, 2008.

Reasons for Engaging in, and Estimated Potential Synergy Savings Attributable to, the Acquisitions

We believe that the Acquisitions and related transactions will result in the following significant benefits to us:

Attractive Local Growth Opportunity Consistent with our Strategy. Northern Utilities and Granite State provide us with an attractive opportunity to grow our operations within coastal northern New England. Northern Utilities brings approximately 52,000 additional natural gas distribution customers, which has increased our customer base to approximately 167,000 customers in our service territory in the New England region. Given the lower penetration of gas distribution customers among the population in Northern Utilities service territory, we believe that there are significant opportunities for Northern Utilities to expand its operations, particularly in light of our customer-driven expertise in serving rural and small metropolitan areas such as Northern Utilities service territory. Additionally, Northern Utilities provides further diversification to our operations with respect to geography (into Maine) and utility business mix (between our gas and electric divisions).

Reduced Operating Expenses and Cash Flow Savings. We project that the Acquisitions will produce annual system-wide synergy savings of approximately $5.6 million, of which approximately $2.4 million is expected to be directly realized by Northern Utilities and Granite State. We expect to begin realizing these synergy savings within the first year after integration. These projected savings are primarily due to operating efficiencies obtained from economies of scale, efficient use of our personnel, infrastructure and information systems, achievement of efficiencies associated with the provision of shared utility services and adoption of best practices associated with these shared utility services. Our expected achievement of these system-wide synergy savings should allow Northern Utilities and our other retail distribution utilities to improve their respective earnings and to stabilize the rates charged to their respective customers.

Pursuant to the MPUC s and NHPUC s orders authorizing our acquisition of Northern Utilities, we will retain these system-wide synergy savings until the time of the next rate case for Northern Utilities. In this way, these synergy savings will help to extend the period between rate cases and stabilize rates for our retail distribution utilities and Northern Utilities by reducing their costs of service and improving operating results. At the time of the next base rate case, these synergy savings will be reflected in the cost of service used to determine Northern Utilities revenue requirements for ratemaking purposes.

Table of Contents

Opportunity for Improved Regulated Utility Operating Earnings through the Execution of Our Regulatory Plan. We believe there is an opportunity to stabilize and improve the operating earnings of Northern Utilities and Granite State by executing a consistent and well-structured regulatory plan that provides Northern Utilities and Granite State with an opportunity to earn a reasonable rate of return. Northern Utilities has not sought base rate relief since 1983 in Maine or since 2002 in New Hampshire. Our regulatory plan will seek to maximize the benefits of the expected synergy savings discussed above for Northern Utilities and Granite State and provide Northern Utilities and Granite State with an opportunity to earn a reasonable rate of return on their utility rate base.

Pursuant to the MPUC s and NHPUC s orders authorizing our acquisition of Northern Utilities, we cannot seek base rate relief in Maine or New Hampshire until November 1, 2010, subject to certain exceptions. At such time, the system-wide synergy savings discussed above will be reflected in the cost of service used to determine Northern Utilities revenue requirements for ratemaking purposes.

Increased Market Capitalization and Liquidity. We expect that the Acquisitions and this offering will increase our market capitalization by approximately 34.6% and increase our shareholders liquidity. As a result, we and our shareholders should benefit from the long-term financial stability of a larger, more liquid company.

We also believe that the Acquisitions and related transactions will result in the following significant benefits to our other stakeholders:

Increased Commitment to Local Communities. We expect the Acquisitions to demonstrate our increased commitment to local communities in New Hampshire and Maine through the creation of employment opportunities and the expansion of our local presence. We anticipate retaining all of Northern Utilities employees and estimate that we will add approximately 65 new positions, while still achieving the expected synergy savings discussed above. The new positions will be primarily in the areas of gas operations and customer service, which are necessary to provide shared utility services previously provided by NiSource and included in the Northern Utilities and Granite State operating expenses.

Improved Customer Convenience and Service. We anticipate that the overlap between portions of our electric service territory in southeastern New Hampshire and portions of Northern Utilities natural gas service territory will increase the convenience for many of Northern Utilities customers who are now doing business with a single gas and electric distribution utility as a result of the Acquisitions. Additionally, we estimate that we will add several new positions to our customer service department.

Our Strengths

We believe our strengths have enabled us to grow our business profitably and create shareholder value. These strengths include:

Growing Service Territory. Prior to the closing of the Acquisitions, our operations were located in the southeastern seacoast and state capital regions of New Hampshire, as well as in the greater Fitchburg area of north central Massachusetts. This service territory provides a diverse and growing customer base. With the addition of Northern Utilities and Granite State, we have added approximately 52,000 natural gas customers in the local region and extended our operations into Maine.

Regulated Asset Base. Our core assets consist of retail distribution facilities necessary for the delivery of our customers electric and natural gas supply needs within our service territory and regulatory assets related to our regulated utility operations. Our electric and natural gas distribution assets and regulatory

Table of Contents

assets, from which we derive substantially all of our operating income, provide stable earnings and cash flow. We expect the Acquisitions to increase our assets by approximately 52%, contributing to significant growth of our retail distribution facilities.

Diversified Customer Base. Our customers are a diversified mix of residential and commercial and industrial (C&I) customers, with no single customer representing more than 5% of our total revenues. Our sales to large C&I customers are not concentrated in one industry segment but vary from government facilities to large retail outlets, colleges and hospitals and a broad range of industrial companies that reflect the diverse nature of the communities that we serve. The Acquisitions have increased our customer base by approximately 52,000 natural gas customers and have provided further diversification to our operations with respect to geography (into Maine) and utility business mix (between our gas and electric divisions).

Efficient and Flexible Operating Structure. We believe that due in part to our size and the proximity of our utility operations, we are able (i) to expeditiously and effectively respond to changing regulatory and public policy initiatives, (ii) to leverage new technology solutions that significantly improve productivity and customer service, and (iii) to implement organizational changes that improve our performance. We have a proven track record of successfully transitioning our company to meet the business and operational challenges affecting our industry. The Acquisitions bring together similarly sized local utilities that will continue to provide a high level of service to their communities.

Historic Dividend Stability. Since our incorporation in 1984, we have continuously paid quarterly dividends and we have never reduced our dividend rate, while still increasing our investment in our utility distribution facilities. We expect to maintain our current dividend policy while providing for future growth of earnings available to shareholders.

Experienced Management Team. Our senior management team is highly experienced in the utility industry. Our Chairman and Chief Executive Officer, Robert Schoenberger, has 30 years of industry experience. Our senior management team as a whole averages approximately 24 years experience in the industry and 16 years experience with us. Our management team is well-equipped and prepared to lead the integration of Northern Utilities and Granite State.

* * *

Our principal executive office is located at 6 Liberty Lane West, Hampton, New Hampshire 03842-1720 and our telephone number is (603) 772-0775.

Recent Developments

The Acquisitions

On December 1, 2008, we closed our acquisition of (i) all of the outstanding capital stock of Northern Utilities and (ii) all of the outstanding capital stock of Granite State.

Regulatory Proceedings

Our acquisition of Northern Utilities was subject to the approval of the MPUC, NHPUC, and MDPU.

MPUC. On March 31, 2008, we, along with Northern Utilities, filed a joint petition and supporting testimony with the MPUC requesting approval of our acquisition of Northern Utilities. On May 30, 2008, we, along with Northern Utilities, filed a joint petition with the MPUC requesting authority for Northern

Table of Contents

Utilities to issue unsecured long-term debt to assist in financing our acquisition of Northern Utilities. On August 22, 2008, we, along with Northern Utilities and the active parties to the proceedings, filed with the MPUC an unopposed settlement agreement resolving all outstanding issues and recommending approval of our acquisition of Northern Utilities and the financing petition.

On October 7, 2008, the MPUC issued an order approving the financing petition. The financing order is final, as the appeal period has expired.

On October 22, 2008, the MPUC issued a written decision approving the settlement agreement and authorizing our acquisition of Northern Utilities, subject to several conditions. On October 28, 2008, we filed a joint petition with Northern Utilities for reconsideration of the order on narrow grounds requesting clarification and/or modification of a condition of approval contained in the order that purported to change the parties agreed-upon sharing of risk under the Stock Purchase Agreement. On November 5, 2008, the MPUC issued an Order on Reconsideration Modifying Conditions, which is final, as the appeal period has expired.

NHPUC. On March 31, 2008, we, along with Northern Utilities, filed a joint petition and supporting testimony with the NHPUC requesting approval of our acquisition of Northern Utilities. On May 30, 2008, we, along with Northern Utilities, filed a joint petition with the NHPUC requesting authority for Northern Utilities to issue unsecured long-term debt to assist in financing our acquisition of Northern Utilities. On August 15, 2008, we, along with Northern Utilities and the active parties to the proceedings, filed with the NHPUC an unopposed settlement agreement resolving all outstanding issues and recommending approval of our acquisition of Northern Utilities and the financing petition. On October 10, 2008, the NHPUC issued orders approving the settlement agreement and the financing petition and authorizing our acquisition of Northern Utilities. The orders are final, as the appeal period has expired.

MDPU. On August 13, 2008, we, along with Bay State, filed a joint petition with the MDPU requesting an advisory ruling that Massachusetts law is not applicable to our acquisition of Northern Utilities, or, in the alternative, that the MDPU approve the acquisition as consistent with the public interest. The Massachusetts Attorney General asserted that Massachusetts law grants the MDPU jurisdiction to review the transaction and argued that Bay State s customers will be harmed by the sale. We, along with Bay State, disputed the Attorney General s assertions. On October 1, 2008, the MDPU held a hearing on the joint petition, and on October 10, 2008 and October 17, 2008, Unitil and Bay State and the Attorney General filed their initial and reply briefs, respectively. On November 18, 2008, the MDPU issued an order approving our acquisition of Northern Utilities. The order is final, as the appeal period has expired.

Issuance of Notes by Northern Utilities and Granite State

On September 12, 2008, we priced the sale and issuance of $80.0 million aggregate principal amount of senior unsecured notes by Northern Utilities to institutional investors pursuant to a private placement and the anticipated sale and issuance of $10.0 million aggregate principal amount of senior unsecured notes by Granite State to institutional investors pursuant to a private placement, subject to the conditions discussed below. The notes consist of:

(i) $30.0 million aggregate principal amount of 6.95% senior unsecured notes of Northern Utilities, which are due in 2018;

(ii) $50.0 million aggregate principal amount of 7.72% senior unsecured notes of Northern Utilities, which are due in 2038; and

Table of Contents

(iii) $10.0 million aggregate principal amount of 7.15% senior unsecured notes of Granite State, which are due in 2018.

We agreed to guarantee the payment of principal, interest and other amounts payable on the Granite State notes. This guarantee will terminate if Granite State is reorganized and merges with and into Northern Utilities.

As discussed elsewhere in this prospectus, we financed the Acquisitions and the related costs and expenses using borrowings under a bridge credit facility coupled with proceeds from the contemporaneous financing of Northern Utilities gas inventory pursuant to a gas storage management contract. We expect to repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million, as soon as practicable using the net proceeds from the offering of our common stock, as described in this prospectus, and the sale and issuance of the Granite State notes. We expect to repay the estimated $38.9 million balance outstanding under the bridge credit facility prior to its maturity date of November 1, 2009 by issuing additional equity or debt or using borrowings under a revolving credit facility.

We closed the sale and issuance of the Northern Utilities notes on December 3, 2008 and we expect to close the sale and issuance of the Granite State notes on December 15, 2008.

The foregoing is not intended to, and does not, constitute an offering of the notes described above. The sale and issuance of the Granite State notes (i) is subject to the execution of a definitive note purchase agreement by Granite State and the prospective purchasers of the notes and satisfaction of closing conditions and (ii) will not be, and has not been, registered under the Securities Act and the notes may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. We have received the required regulatory approvals from the NHPUC and the MPUC for the sale and issuance of the notes.

Gas Storage Management Agreement

Northern Utilities has entered into a gas storage management agreement pursuant to which (i) Northern Utilities released certain pipeline and storage capacity to an asset manager from November 1, 2008 through March 31, 2009 or April 30, 2009 and (ii) the asset manager financed inventories associated with the released storage capacity from Northern Utilities contemporaneously with the closing of the Acquisitions. The agreement also requires Northern Utilities to repurchase quantities of natural gas over the 2008/2009 winter heating season at a specified price and any remaining balance of the gas inventories on April 30, 2009 at the same price initially paid by the asset manager. The agreement provides for us to issue a guarantee of payment of $15 million for the term of the agreement.

Table of Contents

Summary Historical Consolidated Financial Information

The following table contains summary historical consolidated financial information, including per share information, for each of the periods indicated, which periods precede the closing of the Acquisitions. The summary historical consolidated financial information as of and for each of the years in the three-year period ended December 31, 2007 was derived from our consolidated financial statements as filed with the SEC in our December 31, 2007 Form 10-K, which were audited by Vitale, Caturano & Company, Ltd and which statements are incorporated by reference in this prospectus. The summary historical consolidated financial information as of and for the nine months ended September 30, 2008 and 2007 was derived from our unaudited consolidated financial statements as filed with the SEC in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2008, which statements are incorporated by reference in this prospectus. See the section entitled *Where You Can Find More Information* in this prospectus supplement.

The summary historical consolidated financial information should be read in conjunction with our audited financial statements, our unaudited interim financial statements and the related notes and the section entitled *Management s Discussion and Analysis of Financial Condition and Results of Operations*. Our financial results for the nine months ended September 30, 2008 and 2007 are not necessarily indicative of the results that may be expected for an entire year.

Sales of natural gas and the related results of operations can be significantly affected by seasonal weather conditions. Annual revenues are substantially realized during the heating season as a result of higher sales of natural gas due to cold weather. Accordingly, our operating results historically are most favorable in the first and fourth calendar quarters. Therefore, fluctuations in seasonal weather conditions between years may have a significant effect on our results of operations and cash flows.

Sales of electricity are generally less sensitive to weather than natural gas sales, but may also be affected by weather conditions in both the winter and summer seasons.

Table of Contents

	(unaudited) For the Nine Months Ended September 30,		For the Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
(millions except shares and per share data)							
Consolidated Statements of Earnings:							
Operating Revenue	$ 200.4	$ 198.6	$ 262.9	$ 260.9	$ 232.1	$ 214.1	$ 220.7
Operating Income	$ 14.1	$ 12.9	$ 18.5	$ 15.8	$ 15.5	$ 15.2	$ 15.4
Non-operating Expense (Income)	0.3	0.1	0.2		0.1	0.2	
Income Before Interest Expense, net	13.8	12.8	18.3	15.8	15.4	15.0	15.4
Interest Expense, net	7.3	6.8	9.6	7.8	6.8	6.8	7.5
Net Income	6.5	6.0	8.7	8.0	8.6	8.2	7.9
Dividends on Preferred Stock	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Earnings Applicable to Common Shareholders	$ 6.4	$ 5.9	$ 8.6	$ 7.9	$ 8.4	$ 8.0	$ 7.7
Earnings Per Common Share Data:							
Earnings Per Average Common Share Diluted	$ 1.12	$ 1.04	$ 1.52	$ 1.41	$ 1.51	$ 1.45	$ 1.58
Common Stock Data:							
Shares of Common Stock (000 s)	5,738	5,659	5,672	5,612	5,568	5,525	4,896
Dividends Declared Per Share	$ 1.38	$ 1.38	$ 1.38	$ 1.38	$ 1.38	$ 1.38	$ 1.38
Book Value Per Share (Period-End)	$ 17.27	$ 16.99	$ 17.50	$ 17.30	$ 17.21	$ 17.00	$ 16.87

	(unaudited) As of September 30,		As of December 31,				
	2008	2007	2007	2006	2005	2004	2003
(millions except shares and per share data)							
Consolidated Balance Sheet Data:							
Utility Plant (Original Cost)	$ 385.0	$ 376.0	$ 380.5	$ 353.0	$ 325.0	$ 308.1	$ 288.7
Total Assets	$ 467.5	$ 474.5	$ 474.6	$ 483.4	$ 450.1	$ 457.0	$ 483.9
Capitalization:							
Common Stock	$ 99.9	$ 97.4	$ 100.4	$ 97.8	$ 96.3	$ 94.3	$ 92.8
Preferred Stock	2.0	2.0	2.1	2.1	2.3	2.3	3.3
Long-Term Debt, less Current Portion	159.4	159.8	159.6	140.0	125.4	110.7	110.9
Total Capitalization	$ 261.3	$ 259.2	$ 262.1	$ 239.9	$ 224.0	$ 207.3	$ 207.0
Current Portion of Long-Term Debt	$ 0.4	$ 0.4	$ 0.4	$ 0.3	$ 0.3	$ 0.3	$ 3.3
Short-Term Debt	$ 21.7	$ 13.0	$ 18.8	$ 26.0	$ 18.7	$ 25.7	$ 22.4

Table of Contents

Summary Unaudited Pro Forma Combined Financial Data

The following summary unaudited pro forma combined financial data (the Summary Pro Forma Financial Data) and the unaudited pro forma combined financial statements and explanatory notes beginning on page F-1 (the Pro Forma Financial Statements) have been prepared to give effect to the Acquisitions as if the businesses had actually been combined as of December 31, 2007 and September 30, 2008 (with respect to the balance sheet information using currently available fair value information) and as of January 1, 2007 (with respect to statements of earnings information).

The Summary Pro Forma Financial Data and the Pro Forma Financial Statements include adjustments for the Acquisitions pursuant to the purchase method of accounting for business combinations (pursuant to which the assets and liabilities of Northern Utilities and Granite State were recorded, as of the closing of the Acquisitions, at their fair values and added to our assets and liabilities) and the replacement of the predecessor owner s equity and debt amounts with the new equity and debt capitalization, as described below. The Summary Pro Forma Financial Data and the Pro Forma Financial Statements include adjustments to give effect to:

(i) the receipt of the estimated net proceeds of approximately $42.4 million from the issuance of 2,000,000 shares of common stock in this offering at an assumed public offering price of $22.95 per share, which was the closing price of our common stock on November 17, 2008, and the application of the estimated net proceeds from this offering;

(ii) the sale and issuance by Northern Utilities of $80.0 million aggregate principal amount of long-term unsecured notes, which closed on December 3, 2008;

(iii) the anticipated sale and issuance by Granite State of $10.0 million aggregate principal amount of long-term unsecured notes;

(iv) the receipt of proceeds from the financing by Northern Utilities of its natural gas storage inventory of $30.5 million as of September 30, 2008 and $13.4 million as of December 31, 2007;

(v) the anticipated utilization of a bridge credit facility to fund the residual portion of the Acquisitions of $34.2 million as of September 30, 2008 and $57.3 million as of December 31, 2007;

(vi) certain other adjustments related to assets and liabilities retained by NiSource; and

(vii) to record Northern Utilities financing obligation for natural gas in storage.

The Summary Pro Forma Financial Data and the Pro Forma Financial Statements exclude adjustments to recognize:

(i) estimated operating expense savings of $5.6 million annually due to the achievement of efficiencies associated with the provision of shared utility services and the adoption of best practices associated with these shared utility services;

(ii) a reduction in operating expenses of $1.7 million, after tax, related to compliance violation penalties incurred by Northern Utilities in 2007 and $2.0 million, after tax, related to compliance violation penalties incurred by Northern Utilities in the first nine months of 2008;

(iii) a reduction in Purchased Gas costs of $0.5 million and a resulting increase in gross operating margin for 2007 to reflect an error in a prior regulatory filing for which Northern Utilities has been granted recovery; and

(iv) adjustments to recognize the enhancements to revenue of Northern Utilities and Granite State that may occur from the execution of our regulatory plan.

Table of Contents

The Summary Pro Forma Financial Data and the Pro Forma Financial Statements (i) reflect that we financed the Acquisitions and the related costs and expenses using borrowings under a bridge credit facility coupled with proceeds from the contemporaneous financing of Northern Utilities gas inventory pursuant to a gas storage management contract and (ii) assume that we will use the net proceeds from the sale and issuance of our common stock, as described in this prospectus, and the sale and issuance of the above-referenced long-term unsecured notes to promptly repay amounts outstanding under the bridge credit facility, except for an estimated $34.2 million as of September 30, 2008 and $57.3 million as of December 31, 2007. Please see the section entitled *Risk Factors Risks Relating to the Acquisitions* in this prospectus supplement.

The Summary Pro Forma Financial Data and the Pro Forma Financial Statements are presented for illustrative purposes only and do not indicate the financial results of the combined companies had the companies actually been combined and had the impact of possible revenue enhancements and expense efficiencies, among other factors, been considered, and is not intended to be a projection of future results. The Summary Pro Forma Financial Data and the Pro Forma Financial Statements have been derived from and should be read together with our historical consolidated financial statements and the related notes, which are incorporated by reference herein, and the historical financial statements and the related notes of both Northern Utilities and Granite State, which are included in this prospectus. In addition, as explained in more detail in the accompanying notes to the Pro Forma Financial Statements, the allocation of the purchase price reflected in the Summary Pro Forma Financial Data and the Pro Forma Financial Statements is subject to adjustment and may vary from the actual purchase price allocation that was recorded upon the effective completion of the Acquisitions.

Sales of natural gas and the related results of operations can be significantly affected by seasonal weather conditions. Annual revenues are substantially realized during the heating season as a result of higher sales of natural gas due to cold weather. Accordingly, our operating results historically are most favorable in the first and fourth calendar quarters. Therefore, fluctuations in seasonal weather conditions between years may have a significant effect on our results of operations and cash flows.

Sales of electricity are generally less sensitive to weather than natural gas sales, but may also be affected by weather conditions in both the winter and summer seasons.

(millions except shares and per share data)	**(unaudited) For the Nine Months Ended September 30, 2008**	**(unaudited) For the Year Ended December 31, 2007**
Combined Statements of Earnings:		
Operating Revenue	$ 288.1	$ 396.2
Operating Income	$ 18.6	$ 28.8
Non-operating Expense (Income)	0.3	0.3
Income Before Interest Expense, net	18.3	28.5
Interest Expense, net	13.5	18.2
Net Income	4.8	10.3
Dividends on Preferred Stock	0.1	0.1
Earnings Applicable to Common Shareholders	$ 4.7	$ 10.2

Table of Contents

(millions except shares and per share data)	(unaudited) For the Nine Months Ended September 30, 2008	(unaudited) For the Year Ended December 31, 2007
Earnings Per Common Share Data:		
Earnings Per Average Common Share Diluted	$ 0.61	$ 1.33
Common Stock Data:		
Shares of Common Stock (000 s)	7,738	7,672
Dividends Declared Per Share	$ 1.035	$ 1.38

(millions)	(unaudited) As of September 30, 2008	(unaudited) As of December 31, 2007
Combined Balance Sheet Data:		
Utility Plant	$ 623.5	$ 615.4
Total Assets	$ 711.8	$ 715.0
Capitalization:		
Common Stock Equity	$ 142.3	$ 142.8
Preferred Stock	2.0	2.1
Long-Term Debt, less current portion	249.4	249.6
Total Capitalization	$ 393.7	$ 394.5
Current Portion of Long-Term Debt	$ 0.4	$ 0.4
Short-Term Debt	$ 55.9	$ 76.1

Table of Contents

The Offering

Common stock offered by us	2,000,000 shares (2,300,000 shares if the underwriters exercise their over-allotment option).
Common stock outstanding after this offering	7,788,440 shares (8,088,440 shares if the underwriters exercise their over-allotment option).
Use of proceeds	We intend to use the net proceeds from this offering (including the proceeds from any exercise by the underwriters of their over-allotment option) and the anticipated sale and issuance of long-term unsecured notes by Granite State (i) to repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million, that we used to partially finance the Acquisitions and the related costs and expenses and (ii) for other general corporate purposes. Please see the section entitled *The Acquisitions*.

See the section entitled *Use of Proceeds* in this prospectus supplement and *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements.*

Current annual dividend	$1.38 per share. Since our incorporation in 1984, we have continuously paid quarterly dividends and we have never reduced our dividend rate. We expect to maintain our current dividend policy.
Risk factors	An investment in our common stock involves risk. Please see the section entitled *Risk Factors* in this prospectus supplement, as well as the risk factors identified in our Annual Report on Form 10-K for the year ended December 31, 2007 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which are specifically incorporated by reference into this prospectus.
Stock exchange symbol	Our common stock is listed on the New York Stock Exchange under the symbol UTL.

The number of shares of our common stock shown above to be outstanding after this offering is based on the number of shares outstanding as of December 10, 2008, and excludes (i) 169,200 shares of common stock issuable upon exercise of outstanding stock options and (ii) 106,365 shares of common stock reserved for issuance under our stock incentive plans, in each case as of December 10, 2008.

Unless we indicate otherwise, the share information in this prospectus assumes that the underwriters option to cover over-allotments is not exercised. See the section entitled *Underwriting*.

Table of Contents

RISK FACTORS

Before making an investment in shares of our common stock, you should carefully consider the risks described below, as well as the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have identified a number of these factors in our Annual Report on Form 10-K for the year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the three months ended September 30, 2008, each of which is specifically incorporated by reference into this prospectus. See the section entitled *Where You Can Find More Information* in this prospectus supplement. In addition, you should carefully consider the risks and uncertainties referred to below or listed under the section entitled *Cautionary Statement about Forward-Looking Statements* in this prospectus supplement.

Risks Relating to Our Business

Risks related to the regulation of our business could impact the rates we are able to charge, our costs and our profitability. We are subject to comprehensive regulation by federal and state regulatory authorities, which significantly influences our operating environment and our ability to recover costs from our customers. In particular, we are regulated by the FERC and state regulatory authorities with jurisdiction over public utilities, including the NHPUC, the MDPU and, with respect to Northern Utilities operations in Maine, the MPUC. These authorities regulate many aspects of our operations, including, but not limited to, construction and maintenance of facilities, operations, safety, issuance of securities, accounting matters, transactions between affiliates, the rates that we can charge customers and the rate of return that we are allowed to realize. Our ability to obtain rate adjustments to maintain our current rate of return depends upon regulatory action under applicable statutes, rules and regulations, and we cannot assure you that we will be able to obtain rate adjustments or continue receiving our current authorized rates of return. These regulatory authorities are also empowered to impose financial penalties and other sanctions on us if we are found to have violated statutes and regulations governing our utility operations.

We are unable to predict the impact on our operating results from the regulatory activities of any of these agencies. Although we have attempted to actively manage the rate making process and have had recent success in obtaining rate adjustments, we can offer no assurances as to future success in the rate making process. Despite our requests, these regulatory commissions have authority under applicable statutes, rules and regulations to leave our rates unchanged, grant increases or order decreases in such rates. They have similar authority with respect to the recovery of our electricity and natural gas supply costs incurred by UES, FG&E, and Northern Utilities. In the event that we are unable to recover these costs or recovery of these costs were to be significantly delayed, our operating results could be materially adversely affected. Changes in regulations or the imposition of additional regulations could also have an adverse effect on our operating results.

As a result of electric industry restructuring, we have a significant amount of certain stranded electric generation and generation related supply costs. The stranded costs resulting from the implementation of electric industry restructuring mandated by the states of New Hampshire and Massachusetts are recovered by us on a pass-through basis through periodically reconciled rates. Any unrecovered balance of purchased power or stranded costs is deferred for future recovery as a regulatory asset. Such regulatory assets are subject to periodic regulatory review and approval for recovery in future periods.

Our power supply portfolio related stranded costs due to the electric industry restructuring in New Hampshire and Massachusetts for which regulatory approval has been obtained for recovery were approximately $42.0 million for FG&E and $30.7 million for UES as of December 31, 2007. Additionally,

Table of Contents

our other restructuring-related regulatory assets for which regulatory approval has been obtained for recovery were approximately $32.1 million in the aggregate as of December 31, 2007.

Substantially all of FG&E s stranded costs relate to owned generation assets and power purchase agreements divested by FG&E under a long-term contract buy-out agreement. UES stranded costs are attributable to the long-term power purchase agreements divested by Unitil Power Corp. (Unitil Power) under long-term contract buyout agreements. Because FG&E and Unitil Power remain ultimately responsible for purchase power payments underlying these long-term buyout agreements, FG&E and Unitil Power could incur additional stranded costs were they required to resell such divested entitlements prior to the end of their term for amounts less than the amounts agreed to under the existing long-term buyout agreements. We expect that any such additional stranded costs would be recovered from our customers, although such recovery would require approval from the MDPU or NHPUC, the receipt of which cannot be assured.

Our electric and natural gas sales and revenues are highly correlated with the economy, and national, regional and local economic conditions may negatively impact our customers and correspondingly our operating results and financial condition. Our business is influenced by the economic activity of our service territory. The level of economic growth in our electric and natural gas distribution service territory directly affects our potential for future growth in our business. As a result, adverse changes in the economy, including the significant adverse changes in the economy in 2008, may have negative effects on our revenues, operating results and financial condition. Similarly, Northern Utilities and Granite State s businesses are influenced by the economic activity in their service territory, and adverse changes in the economy, including the significant adverse changes in the economy in 2008, may negatively affect their revenues, operating results and financial condition.

We may not be able to obtain debt financing, obtain debt financing on acceptable terms, or obtain debt financing under our current credit facilities because of the deterioration of the credit and capital markets, which could have an adverse affect on our operating results and financial condition. We, along with Northern Utilities and Granite State, require capital to fund utility plant additions, working capital and other utility expenditures. While the capital necessary to meet these requirements is derived primarily from internally-generated funds, we initially supplement internally generated funds through short-term debt financings, as needed, and periodically replace portions of our short-term debt with long-term debt. General economic conditions, including recent distress in the financial markets, have had an adverse impact on the availability of credit resources generally, which could negatively affect our ability to obtain short- and long-term debt financings and the terms of such financings. In addition, we may be unable to obtain debt financing under our current credit facilities because our lending counterparties may be unwilling or unable to meet their funding obligations. In each case, this could hinder or prevent us from meeting our future capital needs, which could correspondingly have an adverse affect on our operating results and financial condition. In addition, the material terms of our existing indebtedness will also restrict our ability to incur any material amount of additional indebtedness, which could negatively impact our operating results and financial condition. Please see the section entitled *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements*.

Declines in the valuation of capital markets could require us to make substantial cash contributions to cover our pension obligations, which could negatively impact our financial condition. On August 17, 2006, the Pension Protection Act of 2006 (the PPA) was signed into law. Included in the PPA are new minimum funding rules which came into effect for plan years beginning in 2008. The funding target will be 100% of a plan s liability with any shortfall amortized over seven years, with lower (92% 100%) funding targets available to well-funded plans during the transition period provided pursuant to the PPA.

Table of Contents

We made cash contributions of $2.8 million, $2.5 million and $2.5 million to our pension plan in 2007, 2006 and 2005, respectively, which exceeded minimum funding requirements. Recent and future declines in the valuation of capital markets could require us to make cash contributions to our pension plans substantially in excess of our cash contributions in prior years, which could adversely affect our financial condition.

In September 2006, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158), which requires companies to record on their balance sheets the funded status of their retirement benefit obligations (RBO). We have recognized a liability for the projected RBO of our plans and a corresponding regulatory asset, to recognize the future collection of these obligations in electric and gas retail rates. In the event that we are unable to recover these costs or recovery of these costs were to be significantly delayed, our operating results could be materially adversely affected. Please see Note 8 to our financial statements and supplementary data contained in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated herein by reference.

Increases in interest rates could have a negative impact on our financial condition. Our utility subsidiaries have ongoing capital expenditure and cash funding requirements which they frequently fund by issuing short and long-term debt. Changes in interest rates do not affect interest expense associated with presently outstanding fixed rate long-term debt securities. However, changes in interest rates may affect the interest rate and corresponding interest expense on any new long-term debt securities that are issued. In addition, short-term debt borrowings are typically at variable rates of interest. As a result, changes in short-term interest rates will increase or decrease our interest expense associated with short-term borrowings. Increases in interest rates generally will increase our borrowing costs and could adversely affect our financial condition or results of operations.

Weather conditions may cause our sales to vary from year to year. Sales by our retail distribution utilities and by Northern Utilities vary from year to year, depending on weather conditions. We estimate that approximately 75% of our annual natural gas sales were temperature sensitive prior to the closing of the Acquisitions. As a result, mild winter temperatures can cause a decrease in the amount of gas we sell in any year, particularly during the winter heating season. The Acquisitions will likely cause this seasonality to become more pronounced. Our electric sales are generally less sensitive to weather than our gas sales, but may also be affected by weather conditions in both the winter and summer seasons.

We are a holding company and have no operating income of our own. Our ability to pay dividends on our common stock is dependent on dividends received from our subsidiaries and on factors directly affecting us, the parent corporation. We cannot assure you that our current annual dividend will be paid in the future. We are a public utility holding company and we do not have any operating income of our own. Consequently, our ability to pay dividends on our common stock is dependent on dividends and other payments received from our subsidiaries, principally UES, FG&E, Northern Utilities and Granite State. The ability of our subsidiaries to pay dividends or make distributions to us will depend on, among other things:

- the actual and projected earnings and cash flow, capital requirements and general financial condition of our subsidiaries;
- the prior rights of holders of existing and future preferred stock, mortgage bonds, long-term notes (including the long-term notes to be issued by Northern Utilities and Granite State) and other debt issued by our subsidiaries;
- the restrictions on the payment of dividends contained in the existing loan agreements of UES and FG&E and that may be contained in future debt agreements of our subsidiaries, if any (including the

agreements under which the long-term notes of Northern Utilities and Granite State are to be issued); and

limitations that may be imposed by New Hampshire, Massachusetts and Maine state regulatory agencies.

In addition, we may incur indebtedness in the future. Before we can pay dividends on our common stock, we have to satisfy our debt obligations, including the bridge credit facility that we used to partially finance the Acquisitions and the long-term notes issued by Northern Utilities and to be issued by Granite State, and comply with any statutory or contractual limitations.

Our current annual dividend is $1.38 per share of common stock, payable quarterly. However, our Board of Directors reviews our dividend policy periodically in light of the factors referred to above, and we cannot assure you of the amount of dividends, if any, that may be paid in the future.

Transporting and storing natural gas and supplemental gas supplies, as well as electricity, involves numerous risks that may result in accidents and other operating risks and costs. Inherent in our electric and gas distribution activities, including those of Northern Utilities and Granite State, are a variety of hazards and operating risks, such as leaks, explosions, electrocutions and mechanical problems that could cause substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution, and impairment of our operations and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses. The location of pipelines, storage facilities and electric distribution equipment near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. The occurrence of any of these events not fully covered by insurance could adversely affect our financial position and results of operations.

Our business is subject to environmental regulation in all jurisdictions in which we operate and our costs of compliance are significant. Any changes in existing environmental regulation and the incurrence of environmental liabilities could negatively affect our results of operations and financial condition. Our utility operations, including those of Northern Utilities, are generally subject to extensive federal, state and local environmental laws and regulations relating to air quality, water quality, waste management, natural resources, and the health and safety of our employees. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties; imposition of remedial requirements; and even issuance of injunctions to ensure future compliance. Liability under certain environmental laws is strict, joint and several in nature. Although we believe we are in general compliance with all applicable environmental and safety laws and regulations, there can be no assurance that significant costs and liabilities will not be incurred in the future. Moreover, it is possible that other developments, such as increasingly stringent federal, state or local environmental laws and regulations, could result in increased environmental compliance costs.

Catastrophic events could have a material adverse effect on our financial condition or results of operations. The electric and natural gas utility industries are from time to time affected by catastrophic events, such as unusually severe weather and significant and widespread failures of plant and equipment. Other catastrophic occurrences, such as terrorist attacks on utility facilities, may occur in the future. Such events could have a material adverse effect on us, including Northern Utilities and Granite State, since they could inhibit our ability to continue providing electric and/or gas distribution services to our customers for an extended period, which is the principal source of our operating income.

Table of Contents

Our business could be adversely affected if we are unable to retain our existing customers or attract new customers. The success of our business depends, in part, on our ability to maintain and increase our customer base. Our failure to maintain or attract customers could have a material adverse effect on our business, financial condition and operating results. Similarly, the success of Northern Utilities and Granite State s businesses depends, in part, on their ability to maintain and increase their customer base. Their failure to maintain or attract customers could have a material adverse effect on our business, financial condition and operating results.

Risks Relating to the Acquisitions

If we are not successful in effectively integrating Northern Utilities and Granite State, we may not be able to operate cost-efficiently. Achieving the benefits of the Acquisitions will depend in part on the successful integration of Northern Utilities and Granite State s operations, services, and personnel with our operations, services, and personnel in a timely and efficient manner. Integration involves the integration of systems, applications, policies, procedures, business processes, and other operations and requires coordination of administrative staff (e.g., human resources, customer service, regulatory services, information technology, accounting and finance, accounts receivable, and accounts payable) and development and engineering teams. Integration may be difficult, unpredictable, and subject to delay because of possible cultural conflicts and differing opinions. Additionally, integration could divert management s attention away from our operations, which could harm our business, financial condition and operating results. If we cannot successfully integrate the operations, services, and personnel of Northern Utilities and Granite State, we will not realize the expected benefits of the Acquisitions, including reduced operating expenses and cash flow savings, and may not be able to operate cost-efficiently.

We expect to incur significant costs integrating Northern Utilities and Granite State, which may adversely affect our results of operations and financial condition. We expect to incur significant costs integrating Northern Utilities and Granite State s operations, services, and personnel with our operations, services, and personnel. These costs may include costs for:

- additional staff s salaries and benefits;
- converting information systems;
- combining gas operations; and
- purchasing additional equipment.

We do not know whether we will be successful in these integration efforts and cannot assure our shareholders that we will realize the expected benefits of the Acquisitions.

Our ability to execute a reasonable regulatory plan for Northern Utilities and Granite State depends upon regulatory action under applicable statutes, rules, and regulations. We believe there is an opportunity to stabilize and improve the operating earnings of Northern Utilities and Granite State by executing a consistent and well-structured regulatory plan that will provide Northern Utilities and Granite State with an opportunity to earn a reasonable rate of return. If we are unable to obtain approval of a reasonable regulatory plan, or are delayed in obtaining approval of a reasonable regulatory plan, we may not be able to improve the operating earnings of Northern Utilities and Granite State. Also, pursuant to the MPUC s and NHPUC s orders authorizing our acquisition of Northern Utilities, we cannot seek base rate relief in Maine or New Hampshire until November 1, 2010, subject to certain exceptions.

Table of Contents

The trading price of our common stock may be affected by factors different from those that affected the trading price of our common stock prior to the closing the Acquisitions. The Acquisitions increased our assets by approximately 52%, increased our customer base by approximately 52,000 natural gas customers to 167,000 total natural gas and electric customers, and further diversified our operations with respect to geography (into Maine) and utility mix (between our gas and electric divisions). Therefore, our results of operations, as well as the trading price of our common stock, may be affected by factors different from those that affected the results of operations and the trading price of our common stock prior to the closing of the Acquisitions.

Increases in interest rates could have a negative effect on our cost to finance a portion of the Acquisitions with borrowings under a bridge credit facility. We financed the Acquisitions and the related costs and expenses using borrowings under a bridge credit facility coupled with proceeds from the contemporaneous financing of Northern Utilities gas inventory pursuant to a gas storage management contract.

As of December 10, 2009, we had approximately $85.7 million outstanding under the bridge credit facility, which provides for a loan for up to eleven months. We expect to repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million, as soon as practicable using the net proceeds from (i) the offering of our common stock, as described in this prospectus and (ii) the anticipated sale and issuance by Granite State of $10.0 million aggregate principal amount of long-term unsecured notes. We expect to repay the estimated $38.9 million balance outstanding under the bridge credit facility prior to its maturity date of November 1, 2009 by issuing additional equity or debt or using borrowings under a revolving credit facility.

We expect to guarantee the payment of principal, interest and other amounts payable on the Granite State notes. This guarantee will terminate if Granite State reorganizes and merges into Northern Utilities.

There is no assurance that the sale and issuance of the long-term unsecured notes as described above, will close in a timely manner or at all. Changes in interest rates will affect the interest rate and corresponding interest expense associated with amounts outstanding under the bridge credit facility. We will be required to repay amounts outstanding under the bridge credit facility on or before its maturity date of November 1, 2009. If we repay all or any portion of the amounts that may be outstanding under the bridge credit facility using borrowings under a revolving credit facility, changes in interest rates will affect the interest expense associated with amounts outstanding under the revolving credit facility. In each case, increases in interest rates generally will increase our financing costs associated with the Acquisitions and could adversely affect our financial condition and results of operations.

Please see the section entitled *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements.*

Amounts outstanding under the bridge credit facility or a revolving credit facility could adversely affect our cash flow. We financed the Acquisitions and the related costs and expenses using borrowings under a bridge credit facility coupled with proceeds from the contemporaneous financing of Northern Utilities gas inventory pursuant to a gas storage management contract.

As of December 10, 2008, we had approximately $85.7 million outstanding under the bridge credit facility, which provides for a loan for up to eleven months. We expect to repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million, as soon as practicable using the net proceeds from (i) the offering of our common stock, as described in this prospectus and (ii) the anticipated sale and issuance by Granite State of $10.0 million aggregate principal amount of long-term unsecured notes. We expect to repay any balance outstanding under the bridge credit facility prior to its maturity date of November 1, 2009 by issuing additional equity or debt or using borrowings under a revolving credit facility. However, there is no assurance that we will be able to do so in a timely manner. Therefore, we may need to use a significant portion of our cash flow to repay the balance outstanding under the bridge credit facility, which would limit the amount of cash we have available for working capital, capital expenditures and other general corporate purposes and could negatively affect our liquidity, financial condition and results of operations. Also, if we repay all or any portion of the amounts that may be outstanding under the bridge credit facility using borrowings under a revolving credit facility, we may need to use a significant portion of our cash flow to pay interest on the revolving credit facility and to repay the principal amount outstanding under the revolving credit facility when required, which would limit the amount of cash we have available for working capital, capital expenditures and other general corporate purposes and could negatively affect our liquidity, financial condition and results of operations.

Please see the section entitled *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements.*

Amounts outstanding under the bridge credit facility and the sale and issuance of long-term unsecured notes by Northern Utilities and Granite State could restrict our business operations and adversely affect our cash flow.

We may be restricted from engaging in certain business operations because of financial covenants associated with the above-referenced bridge credit facility, which could negatively affect our financial condition and results of operations. These financial covenants include, without limitation, restrictions relating to paying dividends, incurring indebtedness and liens, merging or consolidating with another entity or selling, leasing or otherwise disposing of all or substantially all of our assets.

We repaid a portion of the above-referenced bridge credit facility using the net proceeds from the sale and issuance of long-term unsecured notes by Northern Utilities and expect to repay an additional portion using the net proceeds from the anticipated sale and issuance of long-term unsecured notes by Granite State. We may be restricted from engaging in certain business operations because of financial covenants associated with these notes, which could negatively affect our financial condition and results of operations. These financial covenants include, without limitation, restrictions relating to paying dividends, incurring indebtedness and liens, merging or consolidating with another entity or selling, leasing or otherwise disposing of all or substantially all of our assets.

In addition, we may need to use a significant portion of our cash flow to pay interest on amounts outstanding under the bridge credit facility and the notes and to repay the amount outstanding under the bridge credit facility and the principal amount of the notes when required, which would limit the amount of cash we have available for working capital, capital expenditures and other general corporate purposes and could negatively affect our liquidity, financial condition and results of operations.

Please see the section entitled *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements.*

The Acquisitions will result in significant costs to us, which will result in a reduction in our income and cash flows. We will be required to pay our costs relating to the Acquisitions and such costs will be significant. Incurring these costs will cause a reduction in our income and cash flows.

We could be exposed to unknown liabilities of Northern Utilities and Granite State, which could cause us to incur substantial financial obligations and harm our business. If Northern Utilities and Granite State have liabilities of which we are not aware, we have assumed those liabilities and may have limited recourse against NiSource and Bay State. If such unknown liabilities exist and we are not fully indemnified for any loss that we incur as a result thereof, we could incur substantial financial obligations, which could adversely affect our financial condition and harm our business. Please see the section entitled *The Acquisitions Description of the Acquisitions*.

Table of Contents

Risks Relating to this Offering

Our stock price may decline when our results decline or when events occur that are adverse to us or our industry. You can expect the market price of our common stock to decline when our results decline or at any time when events actually or potentially adverse to us or the electricity and gas industry occur. Our common stock price may decline to a price below the price you paid to purchase your shares of common stock in this offering.

Substantial sales of our common stock could cause our stock price to decline. If we or our existing shareholders sell a large number of shares of our common stock or the public market perceives that we or our existing shareholders might sell shares of our common stock, the market price of our common stock could significantly decline. All of the shares offered by this prospectus supplement will be freely tradable without restriction or further registration under the federal securities laws unless purchased by an affiliate, as that term is defined in Rule 144 under the Securities Act. The outstanding shares subject to lock-up agreements between each of our directors and our senior executive officers and the underwriters may be sold 90 days after the date of this prospectus, except as noted in the section entitled *Underwriting*.

The proposed sale and issuance of common stock will reduce the proportionate share of the holdings of our current shareholders. As of December 10, 2008, we had 5,788,440 shares of common stock outstanding. If the proposed sale and issuance of common stock is consummated, we will have approximately 7,788,440 shares of common stock outstanding (8,088,440 shares if the underwriters exercise their over-allotment option). As a result, our shareholders proportionate holding in us would be reduced by approximately 25.7% (28.4% if the underwriters exercise their over-allotment option).

Table of Contents

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This prospectus and the documents we incorporate by reference into this prospectus contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities and 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 prospectus, including, without limitation, statements regarding the financial position, business strategy and other plans and objectives for our future operations, are forward-looking statements.

These statements include declarations regarding our or our management s beliefs and current expectations. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, continue or the 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 the section entitled *Risk Factors* in this prospectus supplement and the following:

- our ability to integrate the business, operations, and personnel of Northern Utilities and Granite State and to achieve the estimated potential synergy savings attributable to the Acquisitions;
- our, Northern Utilities , and Granite State s ability to retain existing customers and gain new customers;
- variations in weather;
- changes in the regulatory environment;
- customers preferences on energy sources;
- interest rate fluctuation and credit market concerns;
- general economic conditions including recent distress in the financial markets that has had an adverse impact on the availability of credit and liquidity resources generally and could jeopardize certain of our counterparty obligations, including those of our insurers and financial institutions;
- fluctuations in supply, demand, transmission capacity and prices for energy commodities; and
- increased competition.

Many of these risks are beyond our control. Any forward-looking statements speak only as of the date of this prospectus, and we undertake 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 us to predict all of these factors, nor can we assess the impact of any such factor on our 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.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $36.8 million (approximately $42.5 million if the underwriters over-allotment option is exercised in full), after deducting the underwriting discounts and our estimated offering expenses, based on an offering price of $20.00 per share.

We intend to use the net proceeds from this offering (including the proceeds from any exercise by the underwriters of their over-allotment option) and the anticipated sale and issuance of long-term unsecured notes by Granite State (i) to repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million, that we used to partially finance the Acquisitions and the related costs and expenses and (ii) for other general corporate purposes. Please see the sections entitled (i) *The Acquisitions* and (ii) *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Commitments and Capital Requirements*.

Table of Contents

CAPITALIZATION

The table below shows our capitalization as of September 30, 2008:

- on an actual consolidated basis; and
- on a pro forma basis to give effect to:
  - (i) the receipt of the estimated net proceeds of approximately $36.8 million from the issuance of 2,000,000 shares of common stock in this offering at a public offering price of $20.00 per share and the application of the estimated net proceeds from this offering (see the section entitled *Use of Proceeds* in this prospectus supplement);
  - (ii) the sale and issuance by Northern Utilities of $80.0 million aggregate principal amount of long-term unsecured notes, which closed on December 3, 2008;
  - (iii) the anticipated sale and issuance by Granite State of $10.0 million aggregate principal amount of long-term unsecured notes, which is not contingent on this offering; and
  - (iv) the anticipated utilization of a bridge credit facility to fund the residual portion of the Acquisitions of $38.9 million as of September 30, 2008 (please see the section entitled *Prospectus Summary The Acquisitions*).

The table below (i) reflects that we financed the Acquisitions and the related costs and expenses using borrowings under a bridge credit facility coupled with proceeds from the contemporaneous financing of Northern Utilities gas inventory pursuant to a gas storage management contract and (ii) assumes that we will use the net proceeds from the sale and issuance of our common stock, as described in this prospectus, and the sale and issuance of the above-referenced long-term unsecured notes to promptly repay amounts outstanding under the bridge credit facility, except for an estimated $38.9 million. Please see the section entitled *Risk Factors Risks Relating to the Acquisitions* in this prospectus supplement.

You should read this table in conjunction with our consolidated financial statements and the related notes incorporated by reference in this prospectus.

	(unaudited) As of September 30, 2008			
(in millions)	**Actual**	**Adjustments for Issuances of Notes and Short-Term Debt**	**Adjustments for this Offering**	**Pro forma**
Common stock equity	$ 99.9	$	$ 36.8	$ 136.7
Preferred stock, non-redeemable, non-cumulative	0.2			0.2
Preferred stock, redeemable, cumulative	1.8			1.8
Long-Term debt, less current portion	159.4	90.0		249.4
Short-Term debt(1)	22.1	38.9		61.0
Total capitalization, including short-term debt	$ 283.4	$ 128.9	$ 36.8	$ 449.1

(1) Includes $0.4 million for the Current Portion of Long-Term Debt.

Table of Contents

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock is listed on the New York Stock Exchange under the symbol UTL.

As of December 10, 2008, there were 1,661 shareholders of record.

The following table sets forth the range of high and low intra-day market prices per share of our common stock and the dividends paid per share for the periods indicated. The closing price of our common stock was $20.35 on December 10, 2008. Past performance is not necessarily indicative of future price performance. You should obtain current market quotations for shares of our common stock.

	Price Range		Dividends Per Share
	High	Low	
2005:			
First Quarter	$ 28.70	$ 25.40	$ 0.345
Second Quarter	28.75	25.35	0.345
Third Quarter	28.90	27.00	0.345
Fourth Quarter	28.17	24.15	0.345
2006:			
First Quarter	$ 26.11	$ 24.22	$ 0.345
Second Quarter	26.08	23.63	0.345
Third Quarter	25.00	23.80	0.345
Fourth Quarter	26.35	23.81	0.345
2007:			
First Quarter	$ 27.35	$ 25.08	$ 0.345
Second Quarter	28.40	26.55	0.345
Third Quarter	34.60	27.00	0.345
Fourth Quarter	30.17	25.50	0.345
2008:			
First Quarter	$ 29.00	$ 25.55	$ 0.345
Second Quarter	28.80	26.12	0.345
Third Quarter	28.05	25.40	0.345
Fourth Quarter (through December 10, 2008)	27.00	19.90	n/a

On September 25, 2008, our Board of Directors declared a dividend in the amount of $0.345 per common share, which was paid on October 31, 2008 to common shareholders of record on October 17, 2008.

Our current annual dividend is $1.38 per share of common stock, payable quarterly. However, our Board of Directors reviews our dividend policy periodically in light of the factors referred to above, and we cannot assure you of the amount of dividends, if any, that may be paid in the future.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations, which generally relates to periods preceding the Acquisitions, should be read in conjunction with our historical financial statements and notes, which are incorporated by reference in this prospectus. For an overview of our business and a discussion of the uncertainties relating to our operations, refer to the sections entitled (i) *Risk Factors Risks Relating to Our Business*, (ii) *Cautionary Statement about Forward-Looking Statements* and (iii) *Our Company* in this prospectus supplement.

Three and Nine Months Ended September 30, 2008 and 2007

Results of Operations

Our Earnings Applicable to Common Shareholders (Net Income) were $1.5 million for the third quarter of 2008, compared to $1.6 million for the third quarter of 2007. Earnings per common share (EPS) were $0.27 for the three months ended September 30, 2008 compared with $0.28 in the third quarter of 2007. Earnings for the third quarter of 2008 reflect higher operating expenses and interest expense in the quarter offset by higher electric and gas utility sales margins. For the nine months ended September 30, EPS were $1.12 for 2008 compared to $1.04 for 2007, an increase of $0.08 per share, or 8%.

The following table presents the significant items (discussed below) contributing to the change in EPS in the three and nine month periods ended September 30, 2008:

	Three Months Ended September 30,	Nine Months Ended September 30,
2007	**$ 0.28**	**$ 1.04**
Electric Sales Margin	0.01	(0.03)
Gas Sales Margin	0.03	0.15
Usource Sales Margin	0.01	0.01
Operation and Maintenance Expense	(0.05)	0.12
Depreciation, Amortization, and Other		(0.12)
Interest Expense, Net	(0.01)	(0.05)
2008	**$ 0.27**	**$ 1.12**

Our total electric kilowatt-hour (kWh) sales decreased 2.0% and 2.1% in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. Natural gas sales in the three month period ended September 30, 2008 increased 5.7% compared to the same period in 2007 and decreased 0.5% in the nine month period ended September 30, 2008 compared to the same period in 2007. The lower kWh sales in 2008 compared to 2007 reflect milder summer weather in 2008 and lower average usage by our customers reflecting a slowing economy and energy conservation. The increased natural gas sales in the three month period reflect increased consumption by C&I customers for production operations. The lower natural gas sales in the nine month period reflect a milder winter heating season earlier this year and lower average usage by our customers reflecting a slowing economy and energy conservation.

Electric sales margin increased $0.1 million in the three month period ended September 30, 2008 compared to the same period in 2007, reflecting higher electric base rates partially offset by lower sales volumes. For the nine month period ended September 30, 2008, electric sales margin decreased $0.3 million

Table of Contents

compared to the same period in 2007. The decrease in electric sales margin in the nine month period primarily reflects lower sales volumes, partially offset by higher electric base rates, which were implemented in March 2008.

Gas sales margin increased $0.2 million and $1.3 million in the three and nine months ended September 30, 2008, respectively, compared to the same periods in 2007. The increase in the three month period reflects gas base rates implemented in November 2007 and higher natural gas sales to C&I customers. The increased sales margin in the nine month period reflects higher rates, partially offset by lower sales.

Revenues of Usource, Inc. and Usource LLC (collectively, Usource) increased by $0.1 million and $0.1 million in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007 reflecting higher revenues from energy brokering.

Operation & Maintenance (O&M) expenses increased $0.5 million for the three month period ended September 30, 2008 compared to the same period in 2007. The increase in the three month period reflects higher salary and benefit costs of $0.3 million, higher bad debt expenses of $0.2 million and higher utility operating costs of $0.2 million, partially offset by lower professional fees of $0.2 million. For the nine month period ended September 30, 2008, O&M expenses decreased $1.1 million compared to the same period in 2007, including a reduction of $2.8 million from the proceeds of an insurance settlement, lower utility operating costs of $0.1 million and lower professional fees of $0.1 million, partially offset by increases in salary and benefit costs of $1.5 million and higher bad debt expenses of $0.4 million.

Depreciation, Amortization & Other expenses decreased $0.1 million in the three month period ended September 30, 2008, reflecting lower amortization of information systems related costs and lower income tax expense in the current quarter compared to the same period in 2007, partially offset by higher depreciation on normal utility plant additions. For the nine month period ended September 30, 2008, Depreciation, Amortization & Other expenses increased $1.2 million, primarily reflecting the amortization, in the first quarter of 2008, of $0.7 million of natural gas inventory carrying costs deferred under a previous regulatory ruling and higher depreciation on normal utility plant additions.

Interest Expense, Net increased $0.1 million and $0.5 million for the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007, reflecting higher overall debt outstanding.

Also in the third quarter, our Board of Directors declared the regular quarterly dividend on our common stock of $0.345 per share. This quarterly dividend results in a current effective annual dividend rate of $1.38 per share representing an unbroken record of quarterly dividend payments since trading began in our common stock.

A more detailed discussion of our results of operations for the three and nine months ended September 30, 2008 and a period-to-period comparison of changes in financial position are presented below.

Balance Sheet

Our investment in Net Utility Plant increased by $9.4 million as of September 30, 2008 compared to September 30, 2007. This increase was due to capital expenditures related to UES and FG&E s electric and gas distribution systems, including expenditures of approximately $0.5 million for our Advanced Metering Infrastructure (AMI) project, which was substantially completed in the first quarter of 2008.

Regulatory Assets decreased by $30.5 million as of September 30, 2008 compared to September 30, 2007, primarily reflecting current year cost recoveries. A significant portion of this decrease is matched by a corresponding decrease of $20.0 million in Power Supply Contract Obligations. The remaining decrease

Table of Contents

primarily reflects lower levels of Regulatory Assets associated with RBO as well as recoveries of deferred charges. Please see the section entitled *Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Regulatory Accounting*.

Other Noncurrent Assets increased by $6.8 million as of September 30, 2008 compared to September 30, 2007, including the deferral of $3.9 million of transaction costs and $0.6 million of financing costs in connection with our pending acquisition of Northern Utilities and Granite State, discussed above, $1.6 million of pre-acquisition information system development costs and $0.7 million of other items unrelated to the acquisition.

Electric Sales, Revenues and Margin

Kilowatt-hour Sales. Our total electric kWh sales decreased 2.0% and 2.1% in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. Electric kWh sales to residential customers in the three and nine month periods ended September 30, 2008 decreased 1.9% and 1.8%, respectively, compared to the same periods in 2007 while sales to C&I customers decreased 2.0% and 2.3%, respectively, compared to the same periods in 2007. The lower electric kWh sales in 2008 compared to 2007 were driven by lower average usage per customer reflecting milder summer temperatures, a slowing economy and energy conservation.

The following table details total electric kWh sales for the three and nine months ended September 30, 2008 and 2007 by major customer class:

	Three Months Ended September 30,				Nine Months Ended September 30,			
kWh Sales (millions)	**2008**	**2007**	**Change**	**% Change**	**2008**	**2007**	**Change**	**% Change**
Residential	176.3	179.7	(3.4)	(1.9%)	506.2	515.6	(9.4)	(1.8%)
Commercial / Industrial	279.4	285.1	(5.7)	(2.0%)	794.5	813.2	(18.7)	(2.3%)
Total	455.7	464.8	(9.1)	(2.0%)	1,300.7	1,328.8	(28.1)	(2.1%)

Electric Operating Revenues and Sales Margin. The following table details Total Electric Operating Revenues and Sales Margin for the three and nine month periods ended September 30, 2008 and 2007:

	Three Months Ended September 30,				Nine Months Ended September 30,			
Electric Operating Revenues and Sales Margin (millions)	**2008**	**2007**	**$ Change**	**% Change(1)**	**2008**	**2007**	**$ Change**	**% Change(1)**
Electric Operating Revenues:								
Residential	$ 30.9	$ 28.6	$ 2.3	4.0%	$ 87.0	$ 87.2	$ (0.2)	(0.1%)
Commercial / Industrial	32.7	28.3	04.4	7.8%	85.2	84.1	1.1	0.6%
Total Electric Operating Revenues	$ 63.6	$ 56.9	$ 6.7	11.8%	$ 172.2	$ 171.3	$ 0.9	0.5%
Cost of Electric Sales:								
Purchased Electricity	$ 48.7	$ 41.9	$ 6.8	12.0%	$ 128.4	$ 126.4	$ 2.0	1.2%
Conservation and Load Management	0.6	0.8	(0.2)	(0.4%)	2.0	2.8	(0.8)	(0.5%)
Electric Sales Margin	$ 14.3	$ 14.2	$ 0.1	0.2%	$ 41.8	$ 42.1	$ (0.3)	(0.2%)

(1) Represents change as a percent of Total Electric Operating Revenues.

S-29

Table of Contents

Total Electric Operating Revenues, increased by $6.7 million, or 11.8%, and $0.9 million, or 0.5%, in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. Total Electric Operating Revenues include the recovery of costs of electric sales, which are recorded as Purchased Electricity and Conservation and Land Management (C&LM) in Operating Expenses. The net increase in Total Electric Operating Revenues in the three month period reflects higher Purchased Electricity costs of $6.8 million and higher sales margin of $0.1 million, partially offset by lower C&LM revenues of $0.2 million. The net increase in Total Electric Operating Revenues in the nine month period reflects higher Purchased Electricity costs of $2.0 million, lower C&LM revenues of $0.8 million and lower sales margin of $0.3 million.

Purchased Electricity and C&LM revenues increased a net $6.6 million, or 11.6%, and $1.2 million, or 0.7%, of Total Electric Operating Revenues in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. The increase in the three month period primarily reflects higher electric commodity prices, partially offset by lower sales volumes. The increase in the nine month period reflects higher electric commodity prices, largely offset by lower sales volumes and lower spending on energy efficiency and conservation programs. Purchased Electricity revenues include the recovery of the cost of electric supply as well as other energy supply related restructuring costs, including long-term power supply contract buyout costs. C&LM revenues include the recovery of the cost of energy efficiency and conservation programs. We recover the cost of Purchased Electricity and C&LM in our rates at cost on a pass through basis.

Electric sales margin increased $0.1 million in the three month period ended September 30, 2008 compared to the same period in 2007, reflecting higher electric base rates partially offset by lower sales volumes. For the nine month period ended September 30, 2008, electric sales margin decreased $0.3 million compared to the same period in 2007. The decrease in electric sales margin in the nine month period primarily reflects lower sales volumes, partially offset by higher electric base rates, which were implemented in March 2008. Total electric kWh sales decreased 2.0% and 2.1% in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007, driven by milder weather and lower average usage per customer reflecting a slowing economy and energy conservation.

Gas Sales, Revenues and Margin

Therm Sales. Our total therm sales of natural gas increased 5.7% in the three month period ended September 30, 2008 compared to the same period in 2007. Gas sales to residential customers in the three month period ended September 30, 2008 were flat compared to the same period in 2007 while sales to C&I customers increased 7.1% in that period compared to the same period in 2007. The increase in gas sales to C&I customers in the three month period reflects increased usage of natural gas in their production operations.

Total therm sales of natural gas in the nine month period ended September 30, 2008 decreased 0.5% compared to the same period in 2007. Gas sales to residential customers in the nine month period ended September 30, 2008 decreased 2.5% compared to the same period in 2007 while sales to C&I customers increased 0.7% in that period compared to the same period in 2007. The lower sales to residential customers in 2008 reflects a milder winter heating season earlier this year and lower average usage by our customers reflecting a slowing economy and energy conservation. The increase in gas sales to C&I customers in the nine month period reflects increased usage of natural gas in those customers production operations.

Table of Contents

The following table details total therm sales for the three and nine months ended September 30, 2008 and 2007 by major customer class:

Therm Sales (millions)	Three Months Ended September 30, 2008	2007	Change	% Change	Nine Months Ended September 30, 2008	2007	Change	% Change
Residential	0.7	0.7			7.7	7.9	(0.2)	(2.5%)
Commercial / Industrial	3.0	2.8	0.2	7.1%	13.9	13.8	0.1	0.7%
Total	3.7	3.5	0.2	5.7%	21.6	21.7	(0.1)	(0.5%)

Gas Operating Revenues and Sales Margin. The following table details Total Gas Operating Revenues and Sales Margin for the three and nine months ended September 30, 2008 and 2007:

Gas Operating Revenues and Sales Margin (millions)	Three Months Ended September 30, 2008	2007	$ Change	% Change(1)	Nine Months Ended September 30, 2008	2007	$ Change	% Change(1)
Gas Operating Revenues:								
Residential	$ 2.1	$ 1.8	$ 0.3	7.7%	$ 13.7	$ 13.6	$ 0.1	0.4%
Commercial / Industrial	2.3	2.1	0.2	5.1%	11.6	10.9	0.7	2.9%
Total Gas Operating Revenues	$ 4.4	$ 3.9	$ 0.5	12.8%	$ 25.3	$ 24.5	$ 0.8	3.3%
Cost of Gas Sales:								
Purchased Gas	$ 2.4	$ 2.1	$ 0.3	7.7%	$ 15.3	$ 15.8	$ (0.5)	(2.0%)
Conservation and Load Management					0.1	0.1		
Gas Sales Margin	$ 2.0	$ 1.8	$ 0.2	5.1%	$ 9.9	$ 8.6	$ 1.3	5.3%

(1) Represents change as a percent of Total Gas Operating Revenues.

Total Gas Operating Revenues increased $0.5 million, or 12.8%, and $0.8 million, or 3.3%, in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. Total Gas Operating Revenues include the recovery of the cost of gas sales, which are recorded as Purchased Gas and C&LM in Operating Expenses. The net increase in Total Gas Operating Revenues in the three month period reflects higher Purchased Gas costs of $0.3 million and higher gas sales margin of $0.2 million. The net increase in Total Gas Operating Revenues in the nine month period reflects higher gas sales margin of $1.3 million, partially offset by lower Purchased Gas costs of $0.5 million.

Purchased Gas and C&LM revenues increased by $0.3 million, or 7.7% of Total Gas Operating Revenues in the three month period ended September 30, 2008 compared to the same period in 2007 and decreased $0.5 million, or 2.0% of Total Gas Operating Revenues in the nine month period ended September 30, 2008 compared to the same period in 2007. The increase in the three month period reflects higher sales volumes and higher natural gas commodity prices. The decrease in the nine month period reflects lower sales volumes and an increase in the amount of natural gas purchased by customers directly from third-party suppliers, partially offset by higher natural gas commodity prices. Purchased Gas revenues include the recovery of the cost of gas purchased and manufactured to supply our total gas supply requirements as well as other energy supply related costs. C&LM revenues include the recovery of the cost of energy efficiency and conservation programs. We recover the cost of Purchased Gas and C&LM in our rates at cost on a pass through basis.

S-31

Table of Contents

Gas sales margin increased $0.2 million and $1.3 million in the three and nine months ended September 30, 2008, respectively, compared to the same periods in 2007. The increase in the three month period reflects gas base rates implemented in November 2007 and higher natural gas sales to C&I customers. The increased gas sales margin in the nine month period reflects higher rates, partially offset by lower sales.

Operating Revenue Other

The following table details total Other Operating Revenue for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(millions)	**2008**	**2007**	**$ Change**	**% Change**	**2008**	**2007**	**$ Change**	**% Change**
Other	$ 1.1	$ 1.0	$ 0.1	10.0%	$ 2.9	$ 2.8	$ 0.1	3.6%
Total Other Operating Revenue	$ 1.1	$ 1.0	$ 0.1	10.0%	$ 2.9	$ 2.8	$ 0.1	3.6%

Total Other Operating Revenue increased by $0.1 million, or 10.0%, and $0.1 million, or 3.6%, in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. These increases reflect higher revenues from our non-regulated energy brokering business, Usource.

Operating Expenses

Purchased Electricity. Purchased Electricity expenses include the cost of electric supply as well as other energy supply related restructuring costs, including long-term power supply contract buyout costs. Purchased Electricity increased $6.8 million, or 16.2%, and $2.0 million, or 1.6%, in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. These increases reflect higher electric commodity prices, partially offset by lower sales volumes. We recover the costs of Purchased Electricity in our rates at cost on a pass through basis and therefore changes in these expenses do not affect Net Income.

Purchased Gas. Purchased Gas expenses include the cost of gas purchased and manufactured to supply our total gas supply requirements. Purchased Gas expenses increased by $0.3 million, or 14.3%, in the three month period ended September 30, 2008 compared to the same period in 2007 and decreased $0.5 million, or 3.2% in the nine month period ended September 30, 2008 compared to the same period in 2007. The increase in the three month period reflects higher sales volumes and higher natural gas commodity prices. The decrease in the nine month period reflects lower sales volumes and an increase in the amount of natural gas purchased by customers directly from third-party suppliers, partially offset by higher natural gas commodity prices. We recover the costs of Purchased Gas in our rates at cost on a pass through basis and therefore changes in these expenses do not affect Net Income.

Operation and Maintenance. O&M expense includes electric and gas utility operating costs, and the operating cost of our unregulated business activities. O&M expenses increased $0.5 million for the three month period ended September 30, 2008 compared to the same period in 2007. The increase in the three month period reflects higher salary and benefit costs of $0.3 million, higher bad debt expenses of $0.2 million and higher utility operating costs of $0.2 million, partially offset by lower professional fees of $0.2 million. For the nine month period ended September 30, 2008, O&M expenses decreased $1.1 million compared to the same period in 2007, including a reduction of $2.8 million from the proceeds of an insurance settlement, lower utility operating costs of $0.1 million and lower professional fees of $0.1 million, partially offset by increases in salary and benefit costs of $1.5 million and higher bad debt expenses of $0.4 million.

Table of Contents

Conservation and Load Management. C&LM expenses are associated with the development, management, and delivery of our Energy Efficiency programs. Energy Efficiency programs are designed, in conformity with state regulatory requirements, to help consumers use natural gas and electricity more efficiently and thereby decrease their energy costs. Programs are tailored to residential, small business and large business customer groups and provide educational materials, technical assistance, and rebates that contribute toward the cost of purchasing and installing approved measures. Approximately 90% of these costs are related to electric operations and 10% to gas operations.

Total C&LM expenses decreased $0.2 million, or 25.0% and $0.8 million, or 27.6%, in the three and nine month periods ended September 30, 2008 compared to the same periods in 2007. These changes reflect the timing of spending on the implementation of Energy Efficiency programs. These costs are collected from customers on a pass through basis and therefore fluctuations in program costs have no impact on Net Income.

Depreciation, Amortization and Taxes

Depreciation and Amortization. Depreciation and Amortization expense increased by $0.1 million, or 2.2%, and $0.9 million, or 6.7%, in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. The increase in the three month period primarily reflects higher depreciation on normal utility plant additions, partially offset by lower amortization of information systems related costs. The increase in the nine month period primarily reflects the amortization, in the first quarter of 2008, of $0.7 million of natural gas inventory carrying costs deferred under a previous regulatory ruling and higher depreciation on normal utility plant additions.

Local Property and Other Taxes. Local Property and Other Taxes increased by $0.1 million, or 7.7%, and by $0.3 million, or 7.1%, in the three and nine month periods ended September 30, 2008, respectively, compared to the same periods in 2007. These increases were due to higher property tax rates on increased property assessments and higher payroll taxes on higher compensation expenses.

Federal and State Income Taxes. Federal and State Income Taxes were lower by $0.3 million in the three month period ended September 30, 2008 compared to the same period in 2007 reflecting lower pre-tax earnings and a lower effective tax rate year over year due to the recognition of higher permanent book/tax differences, including higher tax credits and prior year tax return true-up adjustments, in the third quarter of 2008. Federal and State Income Taxes were lower by $0.2 million in the nine month period ended September 30, 2008 compared to the same period in 2007 reflecting a lower effective tax rate year over year due to the same items discussed above.

Other Non-Operating Expense (Income)

Other Non-Operating Expenses (Income) were flat in the three month period ended September 30, 2008 compared to the same period in 2007 and increased by $0.2 million in the nine month period ended September 30, 2008 compared to the same period in 2007. The increase in the nine month period reflects an adjustment of $0.1 million in conjunction with our electric base distribution rate increase in Massachusetts which was implemented in March 2008.

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. Certain reconciling rate mechanisms used by our retail distribution utilities give rise to regulatory assets (and regulatory liabilities) on which interest is calculated.

Table of Contents

We operate a number of reconciling rate mechanisms to recover from our customers 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 our tariff, interest is accrued on these balances and will produce either interest income or interest expense. 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.

	Three Months Ended September 30,			Nine Months Ended September 30,		
Interest Expense, Net (millions)	**2008**	**2007**	**Change**	**2008**	**2007**	**Change**
Interest Expense						
Long-Term Debt	$ 2.9	$ 2.9	$	$ 8.6	$ 8.2	$ 0.4
Short-Term Debt	0.1	0.1		0.5	0.8	(0.3)
Regu						