

STONEMOR PARTNERS LP
Form 8-K
June 18, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 12, 2018

StoneMor Partners L.P.
(Exact name of Registrant as Specified in Its Charter)

Delaware 001-32270 80-0103159
(State or other jurisdiction (Commission (I.R.S. Employer
of incorporation) file number) Identification No.)
3600 Horizon Boulevard 19053
Trevose, Pennsylvania
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (215) 826-2800
Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry Into a Material Definitive Agreement.

On June 12, 2018, StoneMor Operating LLC (the “Operating Company”), a wholly-owned subsidiary of StoneMor Partners L.P. (the “Partnership”), the Subsidiaries (as defined in the Amended Credit Agreement) of the Operating Company (together with the Operating Company, “Borrowers”), the Lenders party thereto and Capital One, National Association (“Capital One”), as Administrative Agent (in such capacity, the “Administrative Agent”), entered into the Sixth Amendment and Waiver to Credit Agreement (the “Sixth Amendment”) which further amended the Credit Agreement (as previously amended by that certain First Amendment to Credit Agreement dated as of March 15, 2017, Second Amendment and Limited Waiver dated July 26, 2017, Third Amendment and Limited Waiver effective August 15, 2017, Fourth Amendment to Credit Agreement dated as of September 29, 2017 and Fifth Amendment to Credit Agreement dated as of December 22, 2017 but effective as of September 29, 2017, the “Original Credit Agreement” and, as further amended by the Sixth Amendment, the “Amended Credit Agreement”), dated as of August 4, 2016, among the Borrowers, the Lenders, Capital One, as Administrative Agent, Issuing Bank and Swingline Lender, Citizens Bank of Pennsylvania, as Syndication Agent, and TD Bank, N.A. and Raymond James Bank, N.A., as Co-Documentation Agents. Capitalized terms not otherwise defined herein have the same meanings as specified in the Amended Credit Agreement.

The Sixth Amendment included covenants pursuant to which the Partnership agreed to deliver to the Administrative Agent (a) the consolidated financial statements to be included in its Annual Report on Form 10-K for the Year Ended December 31, 2017 (the “2017 Form 10-K”) on or before June 30, 2018 and (b) the consolidated financial statements to be included in its Quarterly Reports on Form 10-Q for the period ended March 31, 2018 and the period ending June 30, 2018 within 60 and 105 days, respectively, after the 2017 Form 10-K is filed. The Partnership also agreed to use reasonable commercial efforts to consummate the disposition of assets with Net Cash Proceeds of at least \$12 million by June 30, 2019. The Sixth Amendment also amended certain terms of the Original Credit Agreement to:

• reduce the amount of the Revolving Commitments from \$200 million to \$175 million and eliminate the Borrowers’ ability to increase the Revolving Commitments;

• add a further limitation on Revolving Credit Availability at any time prior to the date on which the Partnership shall have achieved (i) as of the last day of any fiscal quarter after the effective date of the Fourth Amendment, a Consolidated Leverage Ratio of less than 4.00:1.00 for the four consecutive fiscal quarters ending on such date and (ii) as of the last day of any fiscal quarter after the Sixth Amendment Effective Date, a Consolidated Secured Net Leverage Ratio of less than 3.00:1.00 for the four consecutive fiscal quarters ending on such date (provided Borrowers received the necessary consent to permit the occurrence of such event) by establishing a Secured Leverage Borrowing Base, which is equal to the sum of 80% of accounts receivable outstanding less than 120 days (without giving effect to the application of the Financial Accounting Standards Board’s Accounting Standards Codification Topic 606) plus 40% of the book value, net of depreciation, of property, plant and equipment, and (z) the aggregate Revolving Commitments of the Lenders at such time;

• amend the definition of “Consolidated EBITDA” for purposes of calculating the various financial covenants to (A) (i) permit the Partnership to add back goodwill impairment charges; (ii) permit the Partnership to add back non-cash deferred financing fees written off in an aggregate amount for all periods after the Sixth Amendment Effective Date not to exceed \$9.8 million; (iii) adjust the limit on add backs for non-recurring cash expenses, losses, costs and charges to \$13.9 million for the period ended June 30, 2017, \$13.6 million for the period ended September 30, 2017, \$17.0 million for the period ended December 31, 2017 and \$16.3 million for the period ended March 31, 2018; (iv) remove the add back for non-cash items determined in good faith by the Partnership’s Financial Officer; (v) remove the add back for unrealized losses (less unrealized gains) and non-cash expenses arising from or attributable to the early termination of any Swap Agreement; (vi) remove the add back for fees incurred in unsuccessful acquisition efforts and cap the add back for fees incurred in successful acquisition efforts at \$3.0 million; and (vii) remove the add back for realized losses in the trust account’s investment portfolio in an aggregate amount for all periods not to exceed \$53 million; (B) eliminate the deduction for non-cash items increasing Consolidated Net Income for the

applicable period; and (C) eliminate the adjustment for “Change in Deferred Selling and Obtaining Costs” and “Change In Deferred Revenue, net” as presented in the Partnership’s consolidated financial statements;

- replace the Consolidated Leverage Ratio covenant with a Consolidated Secured Net Leverage Ratio covenant that:
 - o defines Consolidated Secured Net Leverage Ratio as the ratio of (i) (x) Consolidated Secured Funded Indebtedness, which is indebtedness secured by a lien, minus (y) cash and cash equivalents subject to a first priority lien in favor of the Administrative Agent in an amount not to exceed \$5 million, to (ii) Consolidated EBITDA; and
 - o establishes limitations on the Partnership's Consolidated Secured Net Leverage Ratio at 5.75:1.00 for the periods ending June 30, 2018 and September 30, 2018, stepping down to 5.50:1.00 for the period ending December 31, 2018, 5.00:1.00 for periods ending in fiscal 2019 and 4.50:1.00 for periods ending in fiscal 2020;
 - o prohibit distributions to the Partnership's partners unless the Consolidated Leverage Ratio (which includes the effect of unsecured indebtedness) is not greater than 7.50:1.00 and the Revolving Credit Availability is at least \$25 million;
 - increase the Applicable Rate by 0.50%;
 - o revise the provisions relating to the Consolidated Fixed Charge Coverage Ratio by (A) reducing the minimum Consolidated Fixed Charge Coverage Ratio from 1.20:1.00 to 1.00:1.00 for fiscal 2018, stepping up to 1.10:1.00 for fiscal 2019 and returning to 1.20:1.00 for fiscal 2020 and (B) permitting the Partnership to include in calculating the ratio adjustments for "Change in Deferred Selling and Obtaining Costs," "Change In Deferred Revenue" and "Change In Merchandise Trust Fund" as presented in the Partnership's consolidated financial statements;
 - remove the Consolidated Debt Service Charge Ratio;
 - o provide for mandatory prepayments in an amount equal to 100% of the net cash proceeds, subject to certain thresholds in certain cases, from sale/leaseback transactions and certain other permitted dispositions of real estate;
 - o further modify the Partnership's ability to incur additional indebtedness by: (i) decreasing the capital equipment financing basket from \$10 million to \$5 million; (ii) decreasing the general basket for certain permitted debt from \$10 million to \$7.5 million; (iii) eliminating the Borrowers' ability to incur subordinated debt to fund consideration payable for certain permitted acquisitions; (iv) eliminating the Borrowers' ability to incur unsecured indebtedness; and (v) permitting the Partnership to incur indebtedness of up to an aggregate of \$11.0 million in the form of deferred purchase price obligations payable pursuant to certain specified agreements entered into prior to the Sixth Amendment Effective Date;
 - o eliminate the Partnership's (A) right to consummate, subject to certain other conditions, acquisitions if, on a pro forma basis, the Consolidated Leverage Ratio was not greater than 3.75:1 and (B) ability to fund acquisitions with Borrowers' own funds, except for an aggregate of up to \$11.0 million of purchase price obligations pursuant to certain acquisitions for which agreements had been executed prior to the Sixth Amendment Effective Date;
 - o modify the scope of permitted dispositions: (i) to decrease the general basket from \$10 million annually to \$5 million after the Sixth Amendment Effective Date; (ii) except with respect to certain existing sale/leaseback transactions, reduce the limit on dispositions involving sale/leaseback transactions from \$10 million during the term of the facility to \$3 million after the Sixth Amendment Effective Date; and (iii) for dispositions that would not otherwise be permitted dispositions, change the basket from an annual aggregate limit of \$10 million to a limit of \$12 million from the Sixth Amendment Effective Date until June 30, 2019 and a limit of \$3 million from July 1, 2019 until December 31, 2019 and each year thereafter (provided that such limitations will not apply to certain specified dispositions);
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reduce the amount that may be invested in non-guarantor subsidiaries from \$1 million to \$0.5 million and decrease the general basket on all other investments from \$5 million to \$2.5 million;

decrease the limit on loans to officers or employees from \$0.5 million to \$0.25 million; and

extend the deadline for filing the Partnership's Forms 10-Q for the period ended March 31, 2018 and the period ending June 30, 2018 to 60 and 105 days, respectively, following the filing of the 2017 Form 10-K.

In addition, the Administrative Agent and Lenders party thereto waived existing defaults under the Original Credit Agreement as a result of the Partnership's failure to (i) deliver the financial statements for the periods ended December 31, 2017 and March 31, 2018 and the relative compliance certificates; (ii) comply with the facility's maximum Consolidated Leverage Ratio for fiscal 2017 and the period ended March 31, 2018; and (iii) give notice of such defaults and inaccuracies in representations and warranties resulting from such defaults. This waiver was subject to the satisfaction of certain conditions, including the payment to the Lenders of a fee in the aggregate amount of \$656,250.

The foregoing summary of the Sixth Amendment is not intended to be complete and is qualified in its entirety by reference to the Sixth Amendment, a copy of which is attached as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 2.03 Creation of a Direct Financial Obligation or Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference herein.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Employment Agreement with Austin K. So

On June 15, 2018, StoneMor GP LLC, the general partner of the Partnership ("StoneMor GP"), and Austin K. So, General Counsel, Chief Legal Officer and Secretary of StoneMor GP entered into an employment agreement pursuant to which Mr. So continues to serve as General Counsel, Chief Legal Officer and Secretary of StoneMor GP. The agreement superseded the letter agreements previously entered into with Mr. So in May 2016 and January 2017.

Mr. So's base salary under the agreement remains \$375,000 per year, which base salary is subject to annual review by the Board of Directors of StoneMor GP (the "Board"). Any decrease in base salary will be made only to the extent StoneMor GP contemporaneously and proportionately decreases the base salaries of all of its senior executives.

The agreement provides that Mr. So is eligible to receive an annual incentive cash bonus with respect to each fiscal year of StoneMor GP, provided that he will not be eligible to receive such bonus if he is not employed on the last day of the fiscal year to which such bonus relates and, further, he will not be eligible for such bonus unless other senior executive team members have also earned a bonus for such fiscal year. The amount of the cash bonus will be targeted at 50% of his base salary with respect to the applicable fiscal year. Mr. So remains entitled to receive a quarterly retention bonus of \$25,000 per quarter, payable in cash after the end of each quarter in 2018, provided that he is employed by StoneMor GP on the day StoneMor GP pays the applicable retention bonus.

Under the agreement, Mr. So is also entitled to participate in the Partnership's 2014 Long-Term Incentive Plan (the "LTIP") to the extent that StoneMor GP offers the LTIP to all senior executives of StoneMor GP. Mr. So's participation in the LTIP, if offered by StoneMor GP, will be in an annual amount equal to 50% of his base salary, with 50% of such annual amount vesting in equal annual installments over three years and 50% of the annual amount vesting based upon attainment of performance goals as determined by the Compensation Committee of the Board. To the extent Mr. So's employment terminates on account of "Retirement" (as such term is defined in the agreement) during a performance period applicable to a particular LTIP grant, the portion of such LTIP grant that is subject to performance goals will be earned pro-rata based on actual performance and the number of months that Mr. So was employed during the performance period. To be eligible for a pro-rated portion of the LTIP grant in the event of a Retirement, Mr. So must execute a release substantially in the form attached to his agreement.

If Mr. So's employment is terminated by StoneMor GP for "Cause" or by Mr. So without "Good Reason" or in the event of Mr. So's death or "Disability" (as such terms are defined in the agreement), Mr. So will be entitled to receive the following: (i) any base salary for days actually worked through the date of termination; (ii) reimbursement of all expenses for which Mr. So is entitled to be reimbursed pursuant to the agreement, but for which he has not yet been reimbursed; (iii) any vested accrued benefits under StoneMor GP's employee benefit plans and programs in accordance with the terms of such plans and programs, as accrued through the date of termination; (iv) vested but unissued equity in StoneMor GP or the Partnership; (v) any bonus or other incentive (or portion thereof) for any preceding completed fiscal year that has been awarded by StoneMor GP to Mr. So, but has not been received by him prior to the date of termination; and (vi) accrued but unused vacation, to the extent Mr. So is eligible in accordance with StoneMor GP's policies.

If Mr. So's employment is terminated by StoneMor GP without "Cause" or by Mr. So for "Good Reason" (as such terms are defined in the agreement), and provided that Mr. So enters into a release as provided for in the agreement, Mr. So would be entitled to receive, in addition to the benefits described in the preceding paragraph, the following: (i) payment of his base salary for a period of 12 months following the effective date of his termination, to be paid in equal installments in accordance with the normal payroll practices of StoneMor GP, commencing within 60 days following the date of termination, with the first payment including any amounts not yet paid between the date of termination and the date of the first payment and (ii) a pro-rata cash bonus for the fiscal year in which such termination occurs, if any, determined by StoneMor GP (subject to certain the restrictions as set forth above), which will be paid at the same time that annual incentive cash bonuses are paid to other executives of StoneMor GP, but in no event later than March 15 of the fiscal year following the fiscal year in which the date of termination occurs. In the event of a "Change in Control" (as such term is defined in the agreement), all outstanding equity interests granted to Mr. So that are subject to time-based vesting provisions and that are not fully vested will become fully vested as of the date of such Change in Control. The agreement also includes customary covenants running during Mr. So's employment and for 12 months thereafter prohibiting solicitation of employees, directors, officers, associates, consultants, agents or independent contractors, customers, suppliers, vendors and others having business relationships with StoneMor GP and prohibiting Mr. So from directly or indirectly competing with StoneMor GP. The agreement also contains provisions relating to protection of StoneMor GP's property, its confidential information and ownership of intellectual property as well as various other covenants and provisions customary for an agreement of this nature. The foregoing summary of Mr. So's employment agreement is not intended to be complete and is qualified in its entirety by reference to the agreement, a copy of which is attached as Exhibit 10.3 to this Current Report on Form 8-K and is incorporated by reference herein.

Agreements with Patricia D. Wellenbach and Stephen J. Negrotti

Restricted Phantom Unit Agreements

On June 15, 2018, each of Ms. Wellenbach and Mr. Negrotti (each, a "Director") entered into a Director Restricted Phantom Unit Agreement with StoneMor GP under the LTIP (each, a "Restricted Phantom Unit Agreement"). Each Restricted Phantom Unit Agreement provides, among other things, as follows:

commencing on July 1, 2018, compensation in the annual amount of \$20,000 ("Annual Deferral") payable to each Director in consideration for service as a director, pro rated for 2018, will be deferred and credited, in the form of restricted phantom units, to a mandatory deferred compensation account (the "Mandatory Deferred Compensation Account") established by StoneMor GP for the Director;

the Annual Deferral will be credited in equal quarterly installments, each installment to be credited on the date of the regular quarterly meeting of the Board for such quarter; provided, however, that the Annual Deferral for 2018 will be credited in installments of \$10,000 and \$5,000 on the date of the regular quarterly meeting of the Board for the third and fourth quarter, respectively, of 2018;

•

the number of restricted phantom units (or fractions thereof) to be credited to the Director's Mandatory Deferred Compensation Account will be determined by dividing the amount of each quarterly installment by the closing price for common units of the Partnership for the trading day immediately prior to the first day of such regular quarterly Board meeting (in the event that there is no meeting

of the Board during any calendar quarter, the crediting will occur on such date as is designated by StoneMor GP); for each restricted phantom unit in the Mandatory Deferred Compensation Account, StoneMor GP will credit the account, solely in additional restricted phantom units, an amount of distribution equivalent rights so as to provide the Directors a means of participating on a one-for-one basis in distributions made to holders of the Partnership's common units;

payments of the Director's Mandatory Deferred Compensation Account will be made on the earliest of (i) separation of the Director from service as such, (ii) disability (as described in the Restricted Phantom Unit Agreement), (iii) "Unforeseeable Emergency" (as defined in the Restricted Phantom Unit Agreement), (iv) death or (v) "Change of Control" (as defined in the Plan including the last sentence thereof applicable to 409A Awards (as defined in the Plan)) of the Partnership or StoneMor GP;

payments for restricted phantom units (or fractions thereof) credited to the Mandatory Deferred Compensation Account will be made in the Partnership's common units, provided that StoneMor GP, at its option, may elect to pay all or any portion of the Mandatory Deferred Compensation Account in cash instead of paying in common units; and restricted phantom units (or fractions thereof) credited to the Mandatory Deferred Compensation Account shall be valued at the closing price for the Partnership's common units as published in The Wall Street Journal or in Yahoo Finance for the trading day immediately prior to the payment date.

The foregoing summary of Ms. Wellenbach's and Mr. Negrotti's respective Restricted Unit Agreements is not intended to be complete and is qualified in its entirety by reference to such agreements, copies of which are attached as Exhibits 10.4 and 10.5, respectively, to this Current Report on Form 8-K and are incorporated by reference herein.

Indemnification Agreements

On June 15, 2018, each of Ms. Wellenbach and Mr. Negrotti entered into an indemnification agreement with StoneMor GP, the terms of which are consistent with the terms of the indemnification provided to the other directors of StoneMor GP and by StoneMor GP's limited liability company agreement. Under the indemnification agreements, StoneMor GP is required to indemnify Ms. Wellenbach and Mr. Negrotti to the fullest extent of the law against liabilities, costs and expenses incurred by them in their capacities as a director or agent of StoneMor GP unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the director acted in bad faith or engaged in fraud, willful misconduct or gross negligence. The indemnification agreements also require StoneMor GP to indemnify Ms. Wellenbach and Mr. Negrotti for criminal proceedings unless the applicable director acted with knowledge that such director's conduct was unlawful. Any such indemnification will be only out of the assets of StoneMor GP.

The foregoing summary of Ms. Wellenbach's and Mr. Negrotti's respective indemnification agreements is not intended to be complete and is qualified in its entirety by reference to such agreements, copies of which are attached as Exhibits 10.6 and 10.7, respectively, to this Current Report on Form 8-K and are incorporated by reference herein.

Item 7.01 Regulation FD Disclosure

On June 18, 2018, the Partnership issued a press release summarizing the principal amendments to the Original Credit Agreement. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Item 7.01, including Exhibit 99.1 incorporated by reference herein, is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be incorporated by reference into any filing made by the Partnership pursuant to the Securities Act or the Exchange Act, other than to the extent that such filing incorporates any or all of such information by express reference thereto.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description
10.1	<u>Sixth Amendment and Waiver to Credit Agreement, dated as of June 12, 2018. *</u>
10.2	<u>Fifth Amendment to Credit Agreement, dated as of December 22, 2017 but effective as of September 29, 2017. *</u>
10.3	<u>Employment Agreement dated June 15, 2018 by and between StoneMor GP LLC and Austin K. So. *</u>
10.4	<u>Director Restricted Phantom Unit Agreement effective June 15, 2018 by and between StoneMor GP LLC and Patricia D. Wellenbach. *</u>
10.5	<u>Director Restricted Phantom Unit Agreement effective June 15, 2018 by and between StoneMor GP LLC and Stephen J. Negrotti. *</u>
10.6	<u>Indemnification Agreement effective June 15, 2018 by and between StoneMor GP LLC and Patricia D. Wellenbach. *</u>
10.7	<u>Indemnification Agreement effective June 15, 2018 by and between StoneMor GP LLC and Stephen J. Negrotti. *</u>
99.1	<u>Press Release dated June 18, 2018. **</u>

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STONEMOR PARTNERS L.P.

Date: June 18, 2018 By: StoneMor GP LLC

its general partner

By: /s/ Mark L. Miller

Mark L. Miller

Chief Financial Officer and Senior Vice President

(16.7%)

Gas Operating Revenues and Sales Margin The following table details total Gas Operating Revenues and Sales Margin for the three months ended March 31, 2016 and 2015:

Gas Operating Revenues and Sales Margin (millions)

	Three Months Ended March 31,			
	2016	2015	\$ Change	% Change
Gas Operating Revenues:				
Residential	\$ 29.4	\$ 40.5	\$ (11.1)	(27.4%)
Commercial / Industrial	43.7	59.8	(16.1)	(26.9%)
Total Gas Operating Revenues	\$ 73.1	\$ 100.3	\$ (27.2)	(27.1%)
Cost of Gas Sales	\$ 37.2	\$ 61.5	\$ (24.3)	(39.5%)
Gas Sales Margin	\$ 35.9	\$ 38.8	\$ (2.9)	(7.5%)

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

Natural gas sales margin was \$35.9 million in the three months ended March 31, 2016, resulting in a decrease of \$2.9 million compared to the same period in 2015. The warmer weather in the first quarter of 2016 compared to 2015 had a negative impact on gas sales margin of approximately \$4.9 million, which was partially offset by the positive impacts of \$1.1 million in higher natural gas rates and \$0.9 million from customer usage and growth.

The decrease in Total Gas Operating Revenues of \$27.2 million in the first quarter of 2016 reflects lower gas sales volumes and lower cost of gas sales, which are tracked and reconciled costs that are passed through directly to customers.

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Kilowatt-hour Sales In the first quarter of 2016, Unitil's total electric kWh sales decreased 6.9% compared to the first quarter of 2015. Sales to Residential and C&I customers decreased 11.7% and 3.2%, respectively, in the first quarter of 2016 compared to the same period in 2015, reflecting warmer winter weather in 2016 compared to 2015. Based on weather data collected in the Company's electric service areas, there were 23% fewer HDD in the first quarter of 2016 compared to the same period in 2015. As discussed above, sales margin derived from decoupled unit sales (representing approximately 27% of total annual kWh sales volume) is not sensitive to changes in electric kWh sales.

The following table details total kWh sales for the three months ended March 31, 2016 and 2015 by major customer class:

kWh Sales (millions)	Three Months Ended March 31,			
	2016	2015	Change	% Change
Residential	175.4	198.6	(23.2)	(11.7%)
Commercial / Industrial	241.9	249.8	(7.9)	(3.2%)
Total	417.3	448.4	(31.1)	(6.9%)

Electric Operating Revenues and Sales Margin The following table details total Electric Operating Revenues and Sales Margin for the three months ended March 31, 2016 and 2015:

Electric Operating Revenues and Sales Margin (millions)	Three Months Ended March 31,			
	2016	2015	\$ Change	% Change
Electric Operating Revenues:				
Residential	\$ 30.1	\$ 42.7	\$ (12.6)	(29.5%)
Commercial / Industrial	21.0	27.6	(6.6)	(23.9%)
Total Electric Operating Revenues	\$ 51.1	\$ 70.3	\$ (19.2)	(27.3%)
Total Cost of Electric Sales	\$ 31.0	\$ 49.1	\$ (18.1)	(36.9%)
Electric Sales Margin	\$ 20.1	\$ 21.2	\$ (1.1)	(5.2%)

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

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Electric sales margin was \$20.1 million in the three months ended March 31, 2016, resulting in a decrease of \$1.1 million compared to the same period in 2015 reflecting lower kWh sales in the first quarter of 2016 primarily due to warmer weather in the first quarter of 2016 compared to 2015.

The decrease in Total Electric Operating Revenues of \$19.2 million in the first quarter of 2016 reflects lower electric sales volumes and lower cost of electric sales, which are tracked and reconciled costs that are passed through directly to customers.

Operating Revenue Other

The following table details total Other Operating Revenue for the three months ended March 31, 2016 and 2015:

Other Operating Revenue (Millions)	Three Months Ended March 31,			
	2016	2015	\$ Change	% Change
Other	\$ 1.6	\$ 1.6	\$	
Total Other Operating Revenue	\$ 1.6	\$ 1.6	\$	

Total Other Operating Revenue in the first quarter of 2016, which is comprised of revenues from the Company's non-regulated energy brokering business, Usource, was on par with results for the first quarter of 2015. Usource's revenues are primarily derived from fees and charges billed to suppliers as customers take delivery of energy from these suppliers under term contracts brokered by Usource.

Operating Expenses

Cost of Gas Sales Cost of Gas Sales includes the cost of natural gas purchased and manufactured to supply the Company's total gas supply requirements and spending on energy efficiency programs. Cost of Gas Sales decreased \$24.3 million, or 39.5%, in the three months ended March 31, 2016 compared to the same period in 2015. This decrease reflects lower sales of natural gas, a decrease in the amount of natural gas purchased by customers directly from third-party suppliers and lower wholesale natural gas prices. The Company reconciles and recovers the approved Cost of Gas Sales in its rates at cost on a pass through basis and therefore changes in approved expenses do not affect earnings.

Cost of Electric Sales Cost of Electric Sales includes the cost of electric supply as well as other energy supply related restructuring costs, including power supply buyout costs, and spending on energy efficiency programs. Cost of Electric Sales decreased \$18.1 million, or 36.9%, in the three months ended March 31, 2016 compared to the same period in 2015. This decrease reflects lower sales of electricity and lower wholesale electricity prices, partially offset by an increase in the amount of electricity purchased by customers directly from third-party suppliers. The Company reconciles and recovers the approved Cost of Electric Sales in its rates at cost and therefore changes in approved expenses do not affect earnings.

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Operation and Maintenance O&M expense includes electric and gas utility operating costs, and the operating costs of the Company's other business activities. O&M expenses increased \$0.5 million, or 3.0%, in the three months ended March 31, 2016 compared to the same period in 2015. The change in O&M expenses reflects higher compensation, health care and other benefit costs of \$0.8 million, partially offset by lower utility operating costs.

Depreciation and Amortization Depreciation and Amortization expense increased \$0.4 million, or 3.5%, in the three months ended March 31, 2016 compared to the same period in 2015, reflecting higher depreciation of \$0.6 million on normal utility plant assets in service, partially offset by lower amortization expense of \$0.2 million.

Taxes Other Than Income Taxes Taxes Other Than Income Taxes increased \$0.1 million, or 2.0%, in the three months ended March 31, 2016 compared to the same period in 2015, primarily reflecting higher local property tax expense.

Other Expense, net Other Expense, net in the three month period ended March 31, 2016 decreased \$0.1 million compared to the same period in 2015.

Income Taxes Federal and State Income Taxes decreased by \$1.9 million for the three months ended March 31, 2016 compared to the same period in 2015, reflecting lower pre-tax earnings in the current period.

Interest Expense, net

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

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

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Interest Expense, net (millions)	Three Months Ended		
	2016	March 31, 2015	Change
Interest Expense			
Long-term Debt	\$ 5.4	\$ 5.5	\$ (0.1)
Short-term Debt	0.3	0.2	0.1
Regulatory Liabilities	0.1	0.2	(0.1)
Subtotal Interest Expense	5.8	5.9	(0.1)
Interest (Income)			
Regulatory Assets	(0.2)		(0.2)
AFUDC and Other	(0.1)	(0.1)	
Subtotal Interest (Income)	(0.3)	(0.1)	(0.2)
Total Interest Expense, net	\$ 5.5	\$ 5.8	\$ (0.3)

Interest Expense, net decreased \$0.3 million in the three months ended March 31, 2016 compared to the same period in 2015, primarily reflecting lower levels of long-term debt.

CAPITAL REQUIREMENTS**Sources of Capital**

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

The Company and its subsidiaries are individually and collectively members of the Unitil Cash Pool (the Cash Pool). The Cash Pool is the financing vehicle for day-to-day cash borrowing and investing. The Cash Pool allows for an efficient exchange of cash among the Company and its subsidiaries. The interest rates charged to the subsidiaries for borrowing from the Cash Pool are based on actual interest costs from lenders under the Company's revolving Credit Facility. At March 31, 2016, March 31, 2015 and December 31, 2015, the Company and all of its subsidiaries were in compliance with the regulatory requirements to participate in the Cash Pool.

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

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On July 24, 2015, the Company entered into the First Amendment to the Credit Facility. The First Amendment provides for an extension of the scheduled termination date to October 4, 2020, reduces the daily fluctuating rate of interest per annum equal to one-month LIBOR plus 1.25%, and reduces other customary credit facility fees. All other terms and conditions of the Credit Facility, including affirmative and negative covenants, remain substantially unchanged.

The Company utilizes the credit facility for cash management purposes related to its short-term operating activities. Total gross borrowings were \$55.9 million and \$70.8 million for the quarters ended March 31, 2016 and March 31, 2015, respectively. Total gross repayments were \$50.0 million and \$68.1 million for the quarters ended March 31, 2016 and March 31, 2015, respectively. The following table details the borrowing limits, amounts outstanding and amounts available under the revolving Credit Facility as of March 31, 2016, March 31, 2015 and December 31, 2015:

	Revolving Credit Facility (\$ millions)		
	March 31, 2016	March 31, 2015	December 31, 2015
Limit	\$ 120.0	\$ 120.0	\$ 120.0
Outstanding	\$ 47.9	\$ 32.0	\$ 42.0
Available	\$ 72.1	\$ 88.0	\$ 78.0

The Credit Facility contains customary terms and conditions for credit facilities of this type, including affirmative and negative covenants. There are restrictions on, among other things, Unitil's and its subsidiaries' ability to permit liens or incur indebtedness, and restrictions on Unitil's ability to merge or consolidate with another entity or change its line of business. The affirmative and negative covenants under the Credit Facility shall apply to Unitil until the Credit Facility terminates and all amounts borrowed under the Credit Facility are paid in full (or with respect to letters of credit, they are cash collateralized). The only financial covenant in the Credit Facility provides that Unitil's Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At March 31, 2016, March 31, 2015 and December 31, 2015, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date. (See also Credit Arrangements in Note 5.)

Unitil Corporation and its utility subsidiaries, Fitchburg, Unitil Energy, and Northern Utilities are currently rated BBB+ by Standard & Poor's Ratings Services.

In April 2014, Unitil Service Corp. entered into a financing arrangement, structured as a capital lease obligation, for various information systems and technology equipment. Final funding under this capital lease occurred on October 30, 2015, resulting in total funding of \$13.4 million. The capital lease matures on September 30, 2020. As of March 31, 2016, there are \$2.6 million of current and \$9.8 million of noncurrent obligations under this capital lease on the Company's Consolidated Balance Sheets.

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

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The Company provides limited guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities. The Company's policy is to limit the duration of these guarantees. As of March 31, 2016, there were approximately \$18.6 million of guarantees outstanding and the longest term guarantee extends through August 2016.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. There was \$6.7 million, \$5.6 million and \$10.8 million of natural gas storage inventory at March 31, 2016, March 31, 2015 and December 31, 2015, respectively, related to these asset management agreements. The amount of natural gas inventory released in March 2016 and payable in April 2016 is \$0.4 million and is recorded in Accounts Payable at March 31, 2016. The amount of natural gas inventory released in March 2015 and payable in April 2015 was \$2.0 million and is recorded in Accounts Payable at March 31, 2015. The amount of natural gas inventory released in December 2015 and payable in January 2016 was \$0.6 million and was recorded in Accounts Payable at December 31, 2015.

The Company also guarantees the payment of principal, interest and other amounts payable on the notes issued by Unitil Realty and Granite State. As of March 31, 2016, the principal amount outstanding for the 8% Unitil Realty notes was \$0.9 million, and the principal amount outstanding for the 7.15% Granite State notes was \$10.0 million.

Off-Balance Sheet Arrangements

The Company and its subsidiaries do not currently use, and are not dependent on the use of, off-balance sheet financing arrangements such as securitization of receivables or obtaining access to assets or cash through special purpose entities or variable interest entities. Unitil's subsidiaries conduct a portion of their operations in leased facilities and also lease some of their vehicles, machinery and office equipment under both capital and operating lease arrangements. Additionally, as of March 31, 2016, there were approximately \$18.6 million of guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities outstanding and the longest term guarantee extends through August 2016. See Note 5 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In making those estimates and assumptions, the Company is sometimes required to make difficult, subjective and/or complex judgments about the impact of matters that are inherently uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements. If actual results were to differ significantly from those estimates, assumptions and judgment, the financial position of the Company could be materially affected and the results of operations of the Company could be materially different than reported. The following is a summary of the Company's most critical accounting policies, which are defined as those policies where judgments or uncertainties could materially affect the application of those policies. For a complete discussion of the Company's significant accounting policies, refer to the Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on January 28, 2016.

Table of Contents**LABOR RELATIONS**

As of March 31, 2016, the Company and its subsidiaries had 498 employees. The Company considers its relationship with employees to be good and has not experienced any major labor disruptions.

As of March 31, 2016, a total of 159 employees of certain of the Company's subsidiaries were represented by labor unions. The following table details by subsidiary the employees covered by a collective bargaining agreement (CBA) as of March 31, 2016:

	Employees Covered	CBA Expiration
Fitchburg	45	05/31/2019
Northern Utilities NH Division	33	06/05/2017
Northern Utilities ME Division/Granite State	38	03/31/2017
Unitil Energy	38	05/31/2018
Unitil Service	5	05/31/2016

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

INTEREST RATE RISK

As discussed above, Unitil meets its external financing needs by issuing short-term and long-term debt. The majority of debt outstanding represents long-term notes bearing fixed rates of interest. Changes in market interest rates do not affect interest expense resulting from these outstanding long-term debt securities. However, the Company periodically repays its short-term debt borrowings through the issuance of new long-term debt securities. Changes in market interest rates may affect the interest rate and corresponding interest expense on any new issuances of long-term debt securities. In addition, short-term debt borrowings bear a variable rate of interest.

As a result, changes in short-term interest rates will increase or decrease interest expense in future periods. For example, if the average amount of short-term debt outstanding was \$25 million for the period of one year, a change in interest rates of 1% would result in a change in annual interest expense of approximately \$250,000. The average interest rates on the Company's short-term borrowings for the three months ended March 31, 2016 and March 31, 2015 were 1.71% and 1.57%, respectively. The average interest rate on the Company's short-term borrowings for the twelve months ended December 31, 2015 was 1.55%.

COMMODITY PRICE RISK

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

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REGULATORY MATTERS

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

ENVIRONMENTAL MATTERS

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

Table of Contents**Item 1. Financial Statements****UNITIL CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF EARNINGS***(Millions, except per share data)*

(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Operating Revenues		
Gas	\$ 73.1	\$ 100.3
Electric	51.1	70.3
Other	1.6	1.6
Total Operating Revenues	125.8	172.2
Operating Expenses		
Cost of Gas Sales	37.2	61.5
Cost of Electric Sales	31.0	49.1
Operation and Maintenance	17.4	16.9
Depreciation and Amortization	11.8	11.4
Taxes Other than Income Taxes	5.0	4.9
Total Operating Expenses	102.4	143.8
Operating Income	23.4	28.4
Interest Expense, net	5.5	5.8
Other Expense, net		0.1
Income Before Income Taxes	17.9	22.5
Income Taxes	7.0	8.9
Net Income	\$ 10.9	\$ 13.6
Net Income Per Common Share (Basic and Diluted)	\$ 0.78	\$ 0.98
Weighted Average Common Shares Outstanding (Basic and Diluted)	14.0	13.9
Dividends Declared Per Share of Common Stock	\$ 0.355	\$ 0.350

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

Table of Contents**UNITIL CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS***(Millions)*

(UNAUDITED)

	March 31, 2016	March 31, 2015	December 31, 2015
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 8.1	\$ 11.2	\$ 8.7
Accounts Receivable, net	58.0	85.9	49.8
Accrued Revenue	42.1	64.2	38.4
Exchange Gas Receivable	6.8	4.0	11.1
Gas Inventory	0.4	0.4	0.8
Prepayments and Other	12.7	11.8	11.7
Total Current Assets	128.1	177.5	120.5
Utility Plant:			
Gas	586.8	529.7	576.8
Electric	409.9	393.7	408.4
Common	35.8	34.6	35.5
Construction Work in Progress	56.9	39.4	59.9
Total Utility Plant	1,089.4	997.4	1,080.6
Less: Accumulated Depreciation	276.3	259.2	271.7
Net Utility Plant	813.1	738.2	808.9
Other Noncurrent Assets:			
Regulatory Assets	98.2	106.2	99.6
Other Assets	13.5	13.2	9.8
Total Other Noncurrent Assets	111.7	119.4	109.4
TOTAL ASSETS	\$ 1,052.9	\$ 1,035.1	\$ 1,038.8

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

Table of Contents**UNITIL CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS (Cont.)***(Millions, except number of shares)*

(UNAUDITED)

	March 31, 2016	March 31, 2015	December 31, 2015
LIABILITIES AND CAPITALIZATION:			
Current Liabilities:			
Accounts Payable	\$ 27.0	\$ 34.8	\$ 33.3
Short-Term Debt	47.9	32.0	42.0
Long-Term Debt, Current Portion	17.1	3.7	17.1
Regulatory Liabilities	18.8	39.4	15.6
Energy Supply Obligations	13.9	12.6	14.6
Environmental Obligations	0.7	3.4	1.3
Capital Lease Obligations	3.1	0.5	3.1
Interest Payable	6.1	6.3	3.4
Other Current Liabilities	11.4	7.4	13.9
Total Current Liabilities	146.0	140.1	144.3
Noncurrent Liabilities:			
Retirement Benefit Obligations	126.8	121.4	124.4
Deferred Income Taxes	93.1	84.7	87.5
Cost of Removal Obligations	72.3	65.7	70.1
Regulatory Liabilities	3.3		8.1
Capital Lease Obligations	10.4	8.2	11.0
Environmental Obligations	2.0	2.0	1.5
Other Noncurrent Liabilities	3.5	3.8	3.6
Total Noncurrent Liabilities	311.4	285.8	306.2
Capitalization:			
Long-Term Debt, Less Current Portion	305.4	325.9	305.5
Stockholders' Equity:			
Common Equity (Authorized: 25,000,000 and Outstanding: 14,043,280, 13,966,150 and 13,991,430 Shares)	238.9	236.0	237.5
Retained Earnings	51.0	47.1	45.1
Total Common Stock Equity	289.9	283.1	282.6
Preferred Stock	0.2	0.2	0.2
Total Stockholders' Equity	290.1	283.3	282.8
Total Capitalization	595.5	609.2	588.3
Commitments and Contingencies (Notes 6 & 7)			
TOTAL LIABILITIES AND CAPITALIZATION	\$ 1,052.9	\$ 1,035.1	\$ 1,038.8

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

Table of Contents**UNITIL CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(Millions)*

(UNAUDITED)

	Three Months Ended	
	March 31,	
	2016	2015
Operating Activities:		
Net Income	\$ 10.9	\$ 13.6
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	11.8	11.4
Deferred Tax Provision	5.7	8.8
Changes in Working Capital Items:		
Accounts Receivable	(8.2)	(25.2)
Accrued Revenue	(3.7)	6.3
Exchange Gas Receivable	4.3	11.0
Regulatory Liabilities	3.2	8.7
Accounts Payable	(6.3)	(9.4)
Other Changes in Working Capital Items	2.2	1.0
Deferred Regulatory and Other Charges	(8.4)	(3.1)
Other, net	2.7	4.6
Cash Provided by Operating Activities	14.2	27.7
Investing Activities:		
Property, Plant and Equipment Additions	(11.3)	(13.0)
Cash (Used in) Investing Activities	(11.3)	(13.0)
Financing Activities:		
Proceeds from Short-Term Debt, net	5.9	2.7
Repayment of Long-Term Debt	(0.2)	(0.2)
(Decrease) / Increase in Capital Lease Obligations	(0.6)	0.7
Net Decrease in Exchange Gas Financing	(3.9)	(10.5)
Dividends Paid	(5.0)	(4.9)
Proceeds from Issuance of Common Stock	0.3	0.3
Cash (Used in) Financing Activities	(3.5)	(11.9)
Net (Decrease) / Increase in Cash and Cash Equivalents	(0.6)	2.8
Cash and Cash Equivalents at Beginning of Period	8.7	8.4
Cash and Cash Equivalents at End of Period	\$ 8.1	\$ 11.2
Supplemental Cash Flow Information:		
Interest Paid	\$ 2.9	\$ 3.1
Income Taxes Paid	\$ 1.0	\$ 1.4
Payments on Capital Leases	\$ 0.9	\$ 0.2
Non-cash Investing Activity:		

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Capital Expenditures Included in Accounts Payable	\$ 0.5	\$ 0.4
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(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCK EQUITY

(Millions, except number of shares)

(UNAUDITED)

	Common Equity	Retained Earnings	Total
Balance at January 1, 2016	\$ 237.5	\$ 45.1	\$ 282.6
Net Income		10.9	10.9
Dividends on Common Shares		(5.0)	(5.0)
Stock Compensation Plans	1.1		1.1
Issuance of 8,630 Common Shares	0.3		0.3
Balance at March 31, 2016	\$ 238.9	\$ 51.0	\$ 289.9
Balance at January 1, 2015	\$ 234.7	\$ 38.4	\$ 273.1
Net Income		13.6	13.6
Dividends on Common Shares		(4.9)	(4.9)
Stock Compensation Plans	1.0		1.0
Issuance of 10,114 Common Shares	0.3		0.3
Balance at March 31, 2015	\$ 236.0	\$ 47.1	\$ 283.1

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

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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Basis of Presentation The accompanying unaudited consolidated financial statements of Unitil have been prepared in accordance with the instructions to Form 10-Q and include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of results to be expected for the year ending December 31, 2016. For further information, please refer to Note 1 of Part II to the Consolidated Financial Statements – Summary of Significant Accounting Policies of the Company’s Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (SEC) on January 28, 2016, for a description of the Company’s Basis of Presentation. Certain reclassifications of prior year data were made in the accompanying financial statements. These reclassifications were made to conform to the current year presentation.

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

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

In the first quarter of 2016, the Company adopted ASU 2015-17 which simplifies the presentation of deferred income taxes in a classified statement of financial position. Current generally accepted accounting principles (GAAP) require an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. ASU 2015-17 amends current GAAP to require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position.

For all periods presented in this Form 10-Q for the quarter ended March 31, 2016, deferred income taxes are reported as Deferred Income Taxes in the Noncurrent Liabilities section on the Consolidated Balance Sheets. Prior to adoption, the Company reported deferred income taxes in either the Current Assets or Current Liabilities and Other Noncurrent Assets or Noncurrent Liabilities sections on the Consolidated Balance Sheets, depending on whether the net current deferred income taxes and net noncurrent deferred income taxes were in an asset or liability position, respectively. The change in presentation for the quarter ended March 31, 2016 resulted in a reduction of both Current Assets and Noncurrent Liabilities for all prior periods presented.

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Cash and Cash Equivalents Cash and Cash Equivalents includes all cash and cash equivalents to which the Company has legal title. Cash equivalents include short-term investments with original maturities of three months or less and interest bearing deposits. The Company's cash and cash equivalents are held at financial institutions and at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Under the Independent System Operator - New England (ISO-NE) Financial Assurance Policy (Policy), Unitil's subsidiaries Unitil Energy, Fitchburg and Unitil Power are required to provide assurance of their ability to satisfy their obligations to ISO-NE. Under this Policy, Unitil's subsidiaries provide cash deposits covering approximately 2-1/2 months of outstanding obligations, less credit amounts that are based on the Company's credit rating. As of March 31, 2016, March 31, 2015 and December 31, 2015, the Unitil subsidiaries had deposited \$2.1 million, \$1.5 million and \$2.3 million, respectively to satisfy their ISO-NE obligations. In addition, Northern Utilities has cash margin deposits to satisfy requirements for its natural gas hedging program. There were no cash margin deposits at Northern Utilities as of March 31, 2016, March 31, 2015 and December 31, 2015.

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

The Allowance for Doubtful Accounts as of March 31, 2016, March 31, 2015 and December 31, 2015, which are included in Accounts Receivable, net on the accompanying unaudited consolidated balance sheets, was as follows:

(\$ millions)

	March 31, 2016	March 31, 2015	December 31, 2015
Allowance for Doubtful Accounts	\$ 1.5	\$ 1.9	\$ 1.2

Accrued Revenue Accrued Revenue includes the current portion of Regulatory Assets and unbilled revenues. The following table shows the components of Accrued Revenue as of March 31, 2016, March 31, 2015 and December 31, 2015.

	March 31, 2016	March 31, 2015	December 31, 2015
Accrued Revenue (\$ millions)			
Regulatory Assets - Current	\$ 33.7	\$ 33.7	\$ 26.8
Gas Pipeline Refund (Note 6)		22.0	
Unbilled Revenues	8.4	8.5	11.6
Total Accrued Revenue	\$ 42.1	\$ 64.2	\$ 38.4

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Exchange Gas Receivable Northern Utilities and Fitchburg have gas exchange and storage agreements whereby natural gas purchases during the months of April through October are delivered to a third party. The third party delivers natural gas back to the Company during the months of November through March. The exchange and storage gas volumes are recorded at weighted average cost. The following table shows the components of Exchange Gas Receivable as of March 31, 2016, March 31, 2015 and December 31, 2015.

Exchange Gas Receivable (\$ millions)	March 31,		December 31,
	2016	2015	2015
Northern Utilities	\$ 6.3	\$ 3.6	\$ 10.3
Fitchburg	0.5	0.4	0.8
Total Exchange Gas Receivable	\$ 6.8	\$ 4.0	\$ 11.1

Gas Inventory The Company uses the weighted average cost methodology to value natural gas inventory. The following table shows the components of Gas Inventory as of March 31, 2016, March 31, 2015 and December 31, 2015.

Gas Inventory (\$ millions)	March 31,		December 31,
	2016	2015	2015
Natural Gas	\$ 0.1	\$ 0.1	\$ 0.3
Propane	0.2	0.2	0.3
Liquefied Natural Gas & Other	0.1	0.1	0.2
Total Gas Inventory	\$ 0.4	\$ 0.4	\$ 0.8

Utility Plant The cost of additions to Utility Plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction (AFUDC). The costs of current repairs and minor replacements are charged to appropriate operating expense accounts. The original cost of utility plant retired or otherwise disposed of is charged to the accumulated provision for depreciation. The Company includes in its mass asset depreciation rates, which are periodically reviewed as part of its ratemaking proceedings, cost of removal amounts to provide for future negative salvage value. At March 31, 2016, March 31, 2015 and December 31, 2015, the Company estimates that the cost of removal amounts, which are recorded on the Consolidated Balance Sheets in Cost of Removal Obligations are \$72.3 million, \$65.7 million, and \$70.1 million, respectively.

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

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Regulatory Assets consist of the following (\$ millions)	March 31,		December 31,
	2016	2015	2015
Retirement Benefits	\$ 64.4	\$ 65.0	\$ 64.7
Energy Supply & Other Regulatory Tracker Mechanisms	28.2	28.5	21.3
Deferred Storm Charges	13.8	20.1	15.4
Environmental	11.9	11.0	11.2
Income Taxes	8.3	9.5	8.5
Other	5.3	5.8	5.3
Total Regulatory Assets	131.9	139.9	126.4
Less: Current Portion of Regulatory Assets ⁽¹⁾	33.7	33.7	26.8
Regulatory Assets noncurrent	\$ 98.2	\$ 106.2	\$ 99.6

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

Regulatory Liabilities consist of the following (\$ millions)	March 31,		December 31,
	2016	2015	2015
Regulatory Tracker Mechanisms	\$ 12.0	\$ 17.4	\$ 8.0
Gas Pipeline Refund (Note 6)	10.1	22.0	15.7
Total Regulatory Liabilities	22.1	39.4	23.7
Less: Current Portion of Regulatory Liabilities	18.8	39.4	15.6
Regulatory Liabilities noncurrent	\$ 3.3	\$	\$ 8.1

Generally, the Company receives a return on investment on its regulated assets for which a cash outflow has been made. Included in Regulatory Assets as of March 31, 2016 are \$5.8 million of deferred storm charges to be recovered over the next two and a half years and \$8.3 million of environmental costs, rate case costs and other expenditures to be recovered over varying periods in the next seven and a half years. Regulators have authorized recovery of these expenditures, but without a return. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company's Consolidated Financial Statements. The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company's opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

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

The Company has a regulatory approved hedging program for Northern Utilities designed to fix or cap a portion of its gas supply costs for the coming years of service. The Company purchases call option contracts on NYMEX natural gas futures contracts for future winter period months.

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

As of March 31, 2016, March 31, 2015 and December 31, 2015 the Company had 1.8 billion, 2.0 billion and 2.5 billion cubic feet (BCF), respectively, outstanding in natural gas futures and options contracts under its hedging program.

As of March 31, 2016 and 2015, the Company's derivatives that are not designated as hedging instruments under FASB ASC 815-20 have a fair value of less than \$0.1 million and \$0.1 million, respectively.

Investments in Marketable Securities In 2015, the Company established a trust through which it invests in a variety of equity and fixed income mutual funds. These funds are intended to satisfy obligations under the Company's Supplemental Executive Retirement Plan (SERP) (See further discussion of the SERP in Note 9).

At March 31, 2016, March 31, 2015 and December 31, 2015, the fair value of the Company's investments in these trading securities, which are recorded on the Consolidated Balance Sheets in Other Assets, were \$0.7 million, \$0 and \$0.7 million, respectively, as shown in the table below. These investments are valued based on quoted prices from active markets and are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied. Changes in the fair value of these investments are recorded in Other Expense, net.

Fair Value of Marketable Securities (\$ millions)	March 31,		December 31,
	2016	2015	2015
Equity Funds	\$ 0.4	\$	\$ 0.4
Fixed Income Funds	0.3		0.3
Total Marketable Securities	\$ 0.7	\$	\$ 0.7

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Energy Supply Obligations The following discussion and table summarize the nature and amounts of the items recorded as Energy Supply Obligations (current portion) and Other Noncurrent Liabilities (noncurrent portion) on the Company's Consolidated Balance Sheets.

Energy Supply Obligations (\$ millions)	March 31, 2016	March 31, 2015	December 31, 2015
Current:			
Exchange Gas Obligation	\$ 6.3	\$ 3.6	\$ 10.3
Renewable Energy Portfolio Standards	7.3	8.5	4.0
Power Supply Contract Divestitures	0.3	0.5	0.3
Total Energy Supply Obligations - Current	13.9	12.6	14.6
Long-Term:			
Power Supply Contract Divestitures	1.5	1.9	1.6
Total Energy Supply Obligations	\$ 15.4	\$ 14.5	\$ 16.2

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

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

Fitchburg has entered into long-term renewable contracts for electric energy and/or renewable energy credits. The generating facilities associated with two of these contracts have been constructed and are operating. Another contract has been approved by the MDPU and is pending facility construction and operation, which is anticipated to begin by the end of 2016. Fitchburg will recover its costs under this contract through a regulatory approved cost tracker rate mechanism.

Power Supply Contract Divestitures As a result of the restructuring of the utility industry in New Hampshire and Massachusetts, Unitil Energy's and Fitchburg's customers have the opportunity to purchase their electric or natural gas supplies from third-party suppliers. In connection with the implementation of retail choice, Unitil Power, which formerly functioned as the wholesale power

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supply provider for Unitil Energy, and Fitchburg divested their long-term power supply contracts through the sale of the entitlements to the electricity sold under those contracts. Unitil Energy and Fitchburg recover in their rates all the costs associated with the divestiture of their power supply portfolios and have secured regulatory approval from the NHPUC and MDPU, respectively, for the recovery of power supply-related stranded costs. The obligations related to these divestitures are recorded in Energy Supply Obligations on the Company's Consolidated Balance Sheets with corresponding regulatory assets recorded in Accrued Revenue (current portion) and Regulatory Assets (long-term portion).

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

Debt Issuance Costs In the first quarter of 2016, the Company adopted Accounting Standards Update (ASU) 2015-03, which requires entities to present debt issuance costs related to a debt liability as a direct deduction from the carrying amount of that debt liability on the balance sheet as opposed to being presented as a deferred charge, and ASU 2015-15, which adds paragraphs to ASU 2015-03 indicating that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

For all periods presented in this Form 10-Q for the quarter ended March 31, 2016, unamortized debt issuance costs related to the Company's long-term debt are reported on the Consolidated Balance Sheets as a reduction of the carrying value of the related debt. Prior to adoption, the Company reported the unamortized debt issuance costs in Other Assets on the Consolidated Balance Sheets. The change in presentation resulted in a reduction of Other Assets and Long-Term Debt of \$3.1 million and \$2.9 million as of March 31, 2015 and December 31, 2015, respectively.

Recently Issued Pronouncements In April and March 2016, the FASB issued ASU 2016-10 and ASU 2016-08, respectively. ASU 2016-10 clarifies the implementation guidance on licensing and the identification of performance obligations considerations included in ASU 2014-09. ASU 2016-08 provides amendments to clarify the implementation guidance on principal versus agent considerations included in ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The effective date of this pronouncement is for fiscal years beginning after December 15, 2017 with early adoption permitted as of the original effective date. The Company is evaluating the impact that this new guidance will have on the Company's Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, which provides for improvements to employee share-based payment accounting. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company is evaluating the impact that this new guidance will have on the Company's Consolidated Financial Statements.

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In February 2016, the FASB issued ASU 2016-02, which replaces the existing guidance in Accounting Standard Codification 840, Leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance (also referred to as capital) leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases the lessee would recognize straight-line total lease expense. The Company is evaluating the impact that this new guidance will have on the Company's Consolidated Financial Statements.

Other than the pronouncements discussed above, there are no recently issued pronouncements that the Company has not already adopted or that have a material impact on the Company.

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

NOTE 2 DIVIDENDS DECLARED PER SHARE

Declaration	Date	Date	Shareholder of	Dividend
Date	Paid (Payable)	Record Date	Amount	
04/20/16	05/27/16	05/13/16	\$ 0.355	
01/27/16	02/26/16	02/12/16	\$ 0.355	
10/21/15	11/27/15	11/13/15	\$ 0.350	
07/22/15	08/28/15	08/14/15	\$ 0.350	
04/22/15	05/28/15	05/14/15	\$ 0.350	
01/26/15	02/27/15	02/13/15	\$ 0.350	

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The following table provides significant segment financial data for the three months ended March 31, 2016 and March 31, 2015:

	Gas	Electric	Non-Regulated	Other	Total
Three Months Ended March 31, 2016 (\$ millions)					
Revenues	\$ 73.1	\$ 51.1	\$ 1.6	\$	\$ 125.8
Segment Profit (Loss)	9.4	1.3	0.3	(0.1)	10.9
Identifiable Segment Assets	596.9	420.8	6.8	28.4	1,052.9
Capital Expenditures	3.1	5.7		2.5	11.3
Three Months Ended March 31, 2015 (\$ millions)					
Revenues	\$ 100.3	\$ 70.3	\$ 1.6	\$	\$ 172.2
Segment Profit	11.6	1.8	0.3	(0.1)	13.6
Identifiable Segment Assets	590.4	418.6	5.6	20.5	1,035.1
Capital Expenditures	7.2	4.4		1.4	13.0
As of December 31, 2015 (\$ millions)					
Identifiable Segment Assets	\$ 590.9	\$ 415.1	\$ 6.5	\$ 26.3	\$ 1,038.8

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Details on long-term debt at March 31, 2016, March 31, 2015 and December 31, 2015 are shown below:

(\$ millions)	March 31, 2016	March 31, 2015	December 31, 2015
Unitil Corporation Senior Notes:			
6.33% Notes, Due May 1, 2022	\$ 20.0	\$ 20.0	\$ 20.0
Unitil Energy Systems, Inc.:			
First Mortgage Bonds:			
5.24% Series, Due March 2, 2020	15.0	15.0	15.0
8.49% Series, Due October 14, 2024	12.0	15.0	12.0
6.96% Series, Due September 1, 2028	20.0	20.0	20.0
8.00% Series, Due May 1, 2031	15.0	15.0	15.0
6.32% Series, Due September 15, 2036	15.0	15.0	15.0
Fitchburg Gas and Electric Light Company:			
Long-Term Notes:			
6.75% Notes, Due November 30, 2023	11.4	15.2	11.4
7.37% Notes, Due January 15, 2029	12.0	12.0	12.0
7.98% Notes, Due June 1, 2031	14.0	14.0	14.0
6.79% Notes, Due October 15, 2025	10.0	10.0	10.0
5.90% Notes, Due December 15, 2030	15.0	15.0	15.0
Northern Utilities Senior Notes:			
6.95% Senior Notes, Series A, Due December 3, 2018	30.0	30.0	30.0
5.29% Senior Notes, Due March 2, 2020	25.0	25.0	25.0
7.72% Senior Notes, Series B, Due December 3, 2038	50.0	50.0	50.0
4.42% Senior Notes, Due October 15, 2044	50.0	50.0	50.0
Granite State Senior Notes:			
7.15% Senior Notes, Due December 15, 2018	10.0	10.0	10.0
Unitil Realty Corp.:			
Senior Secured Notes:			
8.00% Notes, Due Through August 1, 2017	0.9	1.5	1.1
Total Long-Term Debt	325.3	332.7	325.5
Less: Unamortized Debt Issuance Costs	2.8	3.1	2.9
Total Long-Term Debt, net of Unamortized Debt Issuance Costs	322.5	329.6	322.6
Less: Current Portion	17.1	3.7	17.1
Total Long-term Debt, Less Current Portion	\$ 305.4	\$ 325.9	\$ 305.5

Fair Value of Long-Term Debt Currently, the Company believes that there is no active market in the Company's debt securities, which have all been sold through private placements. If there were an active market for the Company's debt securities, the fair value of the Company's long-

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term debt would be estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's long-term debt is estimated using Level 2 inputs (valuations based on quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.) In estimating the fair value of the Company's long-term debt, the assumed market yield reflects the Moody's Baa Utility Bond Average Yield. Costs, including prepayment costs, associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

(\$ millions)	March 31,		December 31,
	2016	2015	2015
Estimated Fair Value of Long-Term Debt	\$ 355.7	\$ 385.3	\$ 345.2

Credit Arrangements

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

On July 24, 2015, the Company entered into the First Amendment to the Credit Facility. The First Amendment provides for an extension of the scheduled termination date to October 4, 2020, reduces the daily fluctuating rate of interest per annum equal to one-month LIBOR plus 1.25%, and reduces other customary credit facility fees. All other terms and conditions of the Credit Facility, including affirmative and negative covenants, remain substantially unchanged.

The Company utilizes the credit facility for cash management purposes related to its short-term operating activities. Total gross borrowings were \$55.9 million and \$70.8 million for the quarters ended March 31, 2016 and March 31, 2015, respectively. Total gross repayments were \$50.0 million and \$68.1 million for the quarters ended March 31, 2016 and March 31, 2015, respectively. The following table details the borrowing limits, amounts outstanding and amounts available under the revolving Credit Facility as of March 31, 2016, March 31, 2015 and December 31, 2015:

	Revolving Credit Facility (\$ millions)		
	March 31,	2015	December 31,
	2016		2015
Limit	\$ 120.0	\$ 120.0	\$ 120.0
Outstanding	\$ 47.9	\$ 32.0	\$ 42.0
Available	\$ 72.1	\$ 88.0	\$ 78.0

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The Credit Facility contains customary terms and conditions for credit facilities of this type, including affirmative and negative covenants. There are restrictions on, among other things, Unitil's and its subsidiaries' ability to permit liens or incur indebtedness, and restrictions on Unitil's ability to merge or consolidate with another entity or change its line of business. The affirmative and negative covenants under the Credit Facility shall apply to Unitil until the Credit Facility terminates and all amounts borrowed under the Credit Facility are paid in full (or with respect to letters of credit, they are cash collateralized). The only financial covenant in the Credit Facility provides that Unitil's Funded Debt to Capitalization (as each term is defined in the Credit Facility) cannot exceed 65%, tested on a quarterly basis. At March 31, 2016, March 31, 2015 and December 31, 2015, the Company was in compliance with the covenants contained in the Credit Facility in effect on that date.

The weighted average interest rates on all short-term borrowings were 1.7% and 1.6% for the three months ended March 31, 2016 and March 31, 2015, respectively. The weighted average interest rate on all short-term borrowings for the twelve months ended December 31, 2015 was 1.5%.

Unitil Corporation and its utility subsidiaries, Fitchburg, Unitil Energy, and Northern Utilities are currently rated BBB+ by Standard & Poor's Ratings Services.

In April 2014, Unitil Service Corp. entered into a financing arrangement, structured as a capital lease obligation, for various information systems and technology equipment. Final funding under this capital lease occurred on October 30, 2015, resulting in total funding of \$13.4 million. The capital lease matures on September 30, 2020. As of March 31, 2016, there are \$2.6 million of current and \$9.8 million of noncurrent obligations under this capital lease on the Company's Consolidated Balance Sheets.

Northern Utilities enters into asset management agreements under which Northern Utilities releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. There was \$6.7 million, \$5.6 million and \$10.8 million of natural gas storage inventory at March 31, 2016, March 31, 2015 and December 31, 2015, respectively, related to these asset management agreements. The amount of natural gas inventory released in March 2016 and payable in April 2016 is \$0.4 million and is recorded in Accounts Payable at March 31, 2016. The amount of natural gas inventory released in March 2015 and payable in April 2015 was \$2.0 million and is recorded in Accounts Payable at March 31, 2015. The amount of natural gas inventory released in December 2015 and payable in January 2016 was \$0.6 million and was recorded in Accounts Payable at December 31, 2015.

Guarantees

The Company provides limited guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities. The Company's policy is to limit the duration of these guarantees. As of March 31, 2016, there were approximately \$18.6 million of guarantees outstanding and the longest term guarantee extends through August 2016.

The Company also guarantees the payment of principal, interest and other amounts payable on the notes issued by Unitil Realty and Granite State. As of March 31, 2016, the principal amount outstanding for the 8% Unitil Realty notes was \$0.9 million, and the principal amount outstanding for the 7.15% Granite State notes was \$10.0 million.

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NOTE 5 COMMON STOCK AND PREFERRED STOCK

Common Stock

The Company's common stock trades on the New York Stock Exchange under the symbol, UTL.

The Company had 13,966,150, 13,991,430 and 14,043,280 shares of common stock outstanding at March 31, 2015, December 31, 2015 and March 31, 2016, respectively.

Dividend Reinvestment and Stock Purchase Plan During the first quarter of 2016, the Company sold 8,630 shares of its common stock, at an average price of \$39.19 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan (DRP) and its 401(k) plans resulting in net proceeds of approximately \$338,000. The DRP provides participants in the plan a method for investing cash dividends on the Company's common stock and cash payments in additional shares of the Company's common stock.

Stock Plan The Company maintains the Unitil Corporation Second Amended and Restated 2003 Stock Plan (the Stock Plan). Participants in the Stock Plan are selected by the Compensation Committee of the Board of Directors to receive awards under the Stock Plan, including awards of restricted shares (Restricted Shares), or of restricted stock units (Restricted Stock Units). The Compensation Committee has the authority to determine the sizes of awards; determine the terms and conditions of awards in a manner consistent with the Stock Plan; construe and interpret the Stock Plan and any agreement or instrument entered into under the Stock Plan as they apply to participants; establish, amend, or waive rules and regulations for the Stock Plan's administration as they apply to participants; and, subject to the provisions of the Stock Plan, amend the terms and conditions of any outstanding award to the extent such terms and conditions are within the discretion of the Compensation Committee as provided for in the Stock Plan. On April 19, 2012, the Company's shareholders approved an amendment to the Stock Plan to, among other things, increase the maximum number of shares of common stock available for awards to plan participants.

The maximum number of shares available for awards to participants under the Stock Plan is 677,500. The maximum number of shares that may be awarded in any one calendar year to any one participant is 20,000. In the event of any change in capitalization of the Company, the Compensation Committee is authorized to make an equitable adjustment to the number and kind of shares of common stock that may be delivered under the Stock Plan and, in addition, may authorize and make an equitable adjustment to the Stock Plan's annual individual award limit.

Restricted Shares

Outstanding awards of Restricted Shares fully vest over a period of four years at a rate of 25% each year. During the vesting period, dividends on Restricted Shares underlying the award may be credited to a participant's account. The Company may deduct or withhold, or require a participant to remit to the Company, an amount sufficient to satisfy any taxes required by federal, state, or local law or regulation to be withheld with respect to any taxable event arising in connection with an Award. For purposes of compensation expense, Restricted Shares vest immediately upon a participant becoming eligible for retirement, as defined in the Stock Plan. Prior to the end of the vesting period, the restricted shares are subject to forfeiture if the participant ceases to be employed by the Company other than due to the participant's death.

On January 26, 2016, 43,220 Restricted Shares were issued in conjunction with the Stock Plan with an aggregate market value at the date of issuance of approximately \$1.6 million. There were 94,706 and 81,251 non-vested shares under the Stock Plan as of March 31, 2016 and 2015, respectively. The weighted average grant date fair value of these shares was \$35.24 and \$33.15,

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respectively. The compensation expense associated with the issuance of shares under the Stock Plan is being recognized over the vesting period and was \$1.6 million and \$1.3 million for the three months ended March 31, 2016 and 2015, respectively. At March 31, 2016, there was approximately \$1.7 million of total unrecognized compensation cost under the Stock Plan which is expected to be recognized over approximately 2.9 years. There were no forfeitures or cancellations under the Stock Plan during the three months ended March 31, 2016.

Restricted Stock Units

Restricted Stock Units earn dividend equivalents and will generally be settled by payment to each Director as soon as practicable following the Director's separation from service to the Company. The Restricted Stock Units will be paid such that the Director will receive (i) 70% of the shares of the Company's common stock underlying the restricted stock units and (ii) cash in an amount equal to the fair market value of 30% of the shares of the Company's common stock underlying the Restricted Stock Units. The equity portion of Restricted Stock Units activity during the three months ended March 31, 2016 in conjunction with the Stock Plan are presented in the following table:

Restricted Stock Units (Equity Portion)		
	Units	Weighted Average Stock Price
Restricted Stock Units as of December 31, 2015	33,588	\$ 31.83
Restricted Stock Units Granted		
Dividend Equivalents Earned	304	\$ 39.18
Restricted Stock Units Settled		
Restricted Stock Units as of March 31, 2016	33,892	\$ 31.89

There were 23,819 Restricted Stock Units outstanding as of March 31, 2015 with a weighted average stock price of \$29.94. Included in Other Noncurrent Liabilities on the Company's Consolidated Balance Sheets as of March 31, 2016, March 31, 2015 and December 31, 2015 is \$0.6 million, \$0.4 million and \$0.5 million, respectively, representing the fair value of liabilities associated with the portion of fully vested RSUs that will be settled in cash.

Preferred Stock

There was \$0.2 million, or 1,898 shares, of Unitol Energy's 6.00% Series Preferred Stock outstanding as of March 31, 2016 and December 31, 2015. There was \$0.2 million, or 2,250 shares, of Unitol Energy's 6.00% Series Preferred Stock outstanding as of March 31, 2015. There were less than \$0.1 million of total dividends declared on Preferred Stock in each of the three month periods ended March 31, 2016 and March 31, 2015, respectively.

NOTE 6 REGULATORY MATTERS

UNITIL'S REGULATORY MATTERS ARE DESCRIBED IN NOTE 8 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S FORM 10-K FOR DECEMBER 31, 2015 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 28, 2016.

Regulatory Matters

Unitol Energy Base Rates On March 30, 2016 Unitol Energy filed notice of its intent to seek an increase in base rates with the NHPUC. NHPUC rules provide that such notice must be filed at least 30 days prior to the actual filing of a request for an increase in rates. The Company will be

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seeking an increase in base rates of approximately \$6.0 million, or 4 percent of total revenue. The Company intends to request a temporary increase in rates during the pendency of the investigation of the permanent rate relief request. The Company will also be requesting a long-term rate plan for the annual recovery, beginning in 2017, of the costs associated with certain plant additions.

Fitchburg Base Rates Electric On June 16, 2015, Fitchburg filed for a \$3.8 million increase in its electric base revenue decoupling target, which represents a 5.6 percent increase over 2014 test year operating electric revenues. The filing included a request for approval of a capital cost recovery mechanism to recover prudently incurred additions to utility plant on an annual basis. Hearings have been completed and briefs have been filed. By statute, the MDPU is afforded ten months to act on a request for a rate increase. A decision is expected by the end of April, 2016.

Fitchburg Base Rates Gas On June 16, 2015, Fitchburg filed for a \$3.0 million increase in its gas base revenue decoupling target, which represents an 8.3 percent increase over 2014 test year total gas operating revenues. Hearings have been completed and briefs have been filed. By statute, the MDPU is afforded ten months to act on a request for a rate increase. A decision is expected by the end of April, 2016.

Northern Utilities Base Rates Maine The rate case settlement in Northern Utilities Maine division's last rate case allowed the Company to implement a Targeted Infrastructure Replacement Adjustment (TIRA) rate mechanism to adjust base distribution rates annually to recover the revenue requirements associated with targeted investments in gas distribution system infrastructure replacement and upgrade projects. The TIRA has an initial term of four years and covers targeted capital expenditures in 2013 through 2016. The 2016 TIRA, for 2015 expenditures, was filed on February 29, 2016, and provides for an annual increase in base distribution revenue of \$1.5 million, effective May 1, 2016, and is pending approval.

Northern Utilities Base Rates New Hampshire Northern Utilities New Hampshire division's last rate case resulted in a settlement agreement providing for an increase of \$4.6 million in distribution base revenue and an additional step increase in revenue of \$1.4 million for investments in gas mains extensions and infrastructure replacement projects, effective May 1, 2014, and a step adjustment that provided for an annual increase of \$1.8 million in revenue effective May 1, 2015.

Northern Utilities Pipeline Refund On February 19, 2015 the FERC issued Opinion No. 524-A, the final order in Portland Natural Gas Transmission's (PNGTS) Section 4 rate case, requiring PNGTS to issue refunds to shippers. Northern Utilities received a pipeline refund of \$22.0 million on April 15, 2015. As a gas supply-related refund, the entire amount refunded will be credited to Northern Utilities' customers and marketers. In New Hampshire, the refund is being credited to all customers over a three year period as directed by the NHPUC. In Maine, the refund has been divided into two parts, as directed by the MPUC. Maine retail customers who purchase their gas directly from Northern Utilities are being credited their portion of the refund over a three year period. The second part of the refund was paid on October 5, 2015 as a one-time lump sum payment directly to marketers who transport gas on Northern Utilities' distribution system. The Company has recorded current and noncurrent Regulatory Liabilities of \$6.8 million and \$3.3 million, respectively, on its Consolidated Balance Sheets as of March 31, 2016.

Granite State Base Rates Granite State has in place a FERC approved amended settlement agreement under which it is permitted each June to file for a rate adjustment to recover the revenue requirements associated with specified capital investments in gas transmission projects up to a specific cost cap. The most recent rate increase under this provision was \$0.4 million, effective August 1, 2015. Granite State's next rate adjustment request will be filed with the FERC in June 2016.

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Major Storms Fitchburg and Unitil Energy

Fitchburg 2011 Storm Cost Deferral and 2012 Storm Costs As part of its May 30, 2014 order approving a base rate increase for Fitchburg, the MDPU approved the recovery over three years, without carrying charges, of \$5.0 million of costs of repair for damage due to severe storms, including previously deferred costs incurred in 2011, as well as costs incurred in 2012 as a result of Superstorm Sandy.

Unitil Energy 2012 Storm Costs On April 25, 2013, the NHPUC approved the recovery of \$2.3 million of costs to repair damage to Unitil Energy's electrical system resulting from Superstorm Sandy over a five-year period, with carrying charges at the Company's long-term cost of debt, net of deferred taxes, or 4.52%, applied to the uncollected balance through the recovery period. Thanksgiving 2014 Snow Storm Unitil Energy has requested recovery of \$1.7 million for the repair of damage due to this storm through its approved storm reserve fund. The request remains pending.

The Company does not believe that its storm restoration expenditures and the timing of cost recovery will have a material adverse impact on the Company's financial condition or results of operations.

NHPUC Energy Efficiency Resource Standard Proceeding In May 2015 the NHPUC opened a proceeding to establish an Energy Efficiency Resource Standard, an energy efficiency policy with specific targets or goals for energy savings that New Hampshire electric and gas utilities must meet. In this proceeding the Commission will define the savings targets and address issues related to public and private funding; program cost recovery; lost-revenue recovery (e.g. decoupling); performance-based incentives and penalties; program administration; and evaluation measurement, and verification. Initial and reply comments have been filed by interested parties and the matter remains pending.

Unitil Energy Other In July 2015, the NHPUC opened an investigation into Grid Modernization to address a variety of issues related to Distribution System Planning, Customer Engagement with Distributed Energy Resources, and Utility Cost Recovery and Financial Incentives. The NHPUC has engaged a consultant to form and direct a Working Group to investigate these issues over the next year and to prepare a final report with recommendations for the Commission. This matter remains pending.

Fitchburg Electric Operations On November 17, 2015, Fitchburg submitted its 2015 annual reconciliation of costs and revenues for transition and transmission under its restructuring plan, including the reconciliation of costs and revenues for a number of other surcharges and cost factors, for review and approval by the MDPU. All of the rates were given final approval by the MDPU on December 29, 2015, effective January 1, 2016.

Fitchburg Gas Operations On October 31, 2015, Fitchburg submitted its second annual filing to recover the estimated costs to be incurred in calendar year 2016 under its approved 20 year gas system enhancement plan program. The plan was established pursuant to a gas leak bill that was signed into law in 2014 that provided for the establishment of infrastructure replacement programs to address aging natural gas pipeline infrastructure. The Company seeks approval to collect in rates \$0.9 million for the costs of its cumulative capital investments for 2015 and 2016, effective May 1, 2016. This matter remains pending.

Fitchburg Service Quality On March 1, 2016, Fitchburg submitted its 2015 Service Quality Reports for both its gas and electric divisions. Fitchburg reported that it met or exceeded its benchmarks for service quality performance in all metrics for both its gas and electric divisions. On November 25, 2015, the MDPU approved Fitchburg's 2014 gas division Service Quality Report as filed. On March 10, 2016, the MDPU approved Fitchburg's 2013 electric division Service Quality Report as filed. Fitchburg's 2014 electric division and 2015 gas and electric division Service Quality Reports remain pending.

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MDPU Service Quality Guidelines In December 2015, the MDPU issued its final order adopting new and revised Service Quality Guidelines. The Company has generally been able to meet or exceed the performance metrics of the previous Service Quality Guidelines and believes that the new and revised Guidelines will not have a material impact on the Company's financial condition or results of operations.

Fitchburg Other In December 2013, the MDPU opened an investigation into Modernization of the Electric Grid. The stated objective of the Grid Modernization proceeding is to ensure that the electric distribution companies adopt grid modernization policies and practices. In June 2014, the MDPU issued its first Grid Modernization order, setting forth a requirement that each electric distribution company submit a ten-year strategic Grid Modernization Plan (GMP). As part of the GMP, each company must include a five-year Short-Term Investment Plan (STIP), which must include an approach to achieving advanced metering functionality within five years of the Department's approval of the GMP. The filing of a GMP is a recurring obligation and must be updated as part of subsequent base distribution rate cases, which by statute must occur no less often than every five years. Capital investments contained in the STIP are eligible for pre-authorization, meaning that the MDPU will not revisit in later filings whether the Company should have proceeded with these investments. Fitchburg and the Commonwealth's three other electric distribution companies filed their initial GMPs on August 19, 2015. These filings are currently under MDPU review and remain pending.

On January 28, 2016 the MDPU approved Fitchburg's Three-Year Energy Efficiency Plan for 2016-2018, subject to limited modifications and directives in the Order. The Department found that the savings goals included in each Three-Year Plan are reasonable and are consistent with the achievement of all available cost-effective energy efficiency; approved each Program Administrator's program implementation cost budget for the Three-Year Plans; approved the performance incentive pool, mechanism, and payout rates; found that all proposed energy efficiency programs are cost-effective; found that funding sources are reasonable and that each Program Administrator may recover the funds to implement its energy efficiency plan through its EES; and found that each Program Administrator's Three-Year Plan is consistent with the Green Communities Act, the Guidelines, and Department precedent.

FERC Transmission Formula Rate Proceeding On December 28, 2015, FERC issued an order, pursuant to Section 206 of the Federal Power Act, instituting a proceeding concerning the justness and reasonableness of ISO-New England, Inc. Participating Transmission Owners Regional Network Service and Local Network Service formula rates and to develop formula rate protocols for these rates. Fitchburg and Unitil Energy are Participating Transmission Owners, although Unitil Energy does not own transmission plant. To the extent that this proceeding results in any changes to the rates being charged, a refund period will begin as of January 4, 2016. The Company does not believe this investigation will have a material adverse impact on the Company's financial condition or results of operations.

Legal Proceedings

The Company is involved in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these claims will not have a material impact on its financial position, operating results or cash flows.

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In early 2009, a putative class action complaint was filed against Unitil's Massachusetts based utility, Fitchburg, in Massachusetts' Worcester Superior Court (the Court), (captioned Bellermand et al v. Fitchburg Gas and Electric Light Company). The Complaint seeks an unspecified amount of damages, including the cost of temporary housing and alternative fuel sources, emotional and physical pain and suffering and property damages allegedly incurred by customers in connection with the loss of electric service during the ice storm in Fitchburg's service territory in December 2008. The Town of Lunenburg has filed a separate action in the Court arising out of the December 2008 ice storm. The Company continues to believe that both of these suits are without merit and will continue to defend itself vigorously. The Company believes, based upon information furnished by counsel and others, that the ultimate resolution of these suits will not have a material impact on its financial position, operating results or cash flows.

NOTE 7 ENVIRONMENTAL MATTERS

UNITIL'S ENVIRONMENTAL MATTERS ARE DESCRIBED IN NOTE 8 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION'S FORM 10-K FOR DECEMBER 31, 2015 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 28, 2016.

The Company's past and present operations include activities that are generally subject to extensive and complex federal and state environmental laws and regulations. The Company believes it is in material compliance with applicable environmental and safety laws and regulations, and the Company believes that as of March 31, 2016, there were no material losses reasonably likely to be incurred in excess of recorded amounts. However, we cannot assure you that significant costs and liabilities will not be incurred in the future. 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.

Northern Utilities Manufactured Gas Plant Sites Northern Utilities has an extensive program to identify, investigate and remediate former manufactured gas plant (MGP) sites that were operated from the mid-1800s through the mid-1900s. In New Hampshire, MGP sites were identified in Dover, Exeter, Portsmouth, Rochester and Somersworth. In Maine, Northern Utilities has documented the presence of MGP sites in Lewiston and Portland, and a former MGP disposal site in Scarborough. Northern Utilities has worked with the environmental regulatory agencies in both New Hampshire and Maine to address environmental concerns with these sites. Northern Utilities or others have substantially completed remediation of the Exeter, Rochester, Dover, Somersworth, Portsmouth, Lewiston and Scarborough sites, though future activities may be required. In Lewiston, on-site monitoring continues.

Although remediation at the site in Exeter has been substantially completed, sediment contamination attributed to the former MGP was identified off-site. This off-site location has been investigated and associated remediation activities were completed in January 2016. The closure report, submitted by Northern Utilities in 2016, is currently under review by the regulatory agency. At the site in Somersworth, the regulatory agency in February 2016 requested that Northern Utilities prepare a work plan to investigate an on-site, groundwater impact. Northern Utilities submitted the work plan in April 2016 and is awaiting regulatory approval to proceed. The site in Portland has been investigated and remedial activities have largely been completed. Final remediation activities were completed in the fourth quarter of 2015, and closure documentation is expected to be submitted to the regulatory agency in the second quarter of 2016. The State of Maine completed its taking of the site via eminent domain for the expansion of the adjacent marine terminal in the second quarter of 2014. As a result of this taking, and pursuant to an agreement between the State of Maine and Northern Utilities, future remedial activities necessitated as a result of development of the site will be primarily the responsibility of the State of Maine.

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The NHPUC and MPUC have approved regulatory mechanisms for the recovery of MGP environmental costs. For Northern Utilities' New Hampshire division, the NHPUC has approved the recovery of MGP environmental costs over succeeding seven-year periods, without carrying costs. For Northern Utilities' Maine division, the MPUC has authorized the recovery of environmental remediation costs over succeeding five-year periods, without carrying costs.

The Environmental Obligations table below shows the amounts accrued for Northern Utilities related to estimated future cleanup costs associated with Northern Utilities' environmental remediation obligations for former MGP sites. Corresponding Regulatory Assets were recorded to reflect that the future recovery of these environmental remediation costs is expected based on regulatory precedent and established practices.

Fitchburg's Manufactured Gas Plant Site Fitchburg completed the scheduled site work at the former MGP site at Sawyer Passway, located in Fitchburg, Massachusetts in the fourth quarter of 2014. The closure documentation for the site was submitted in the fourth quarter of 2015 and is under review by the Massachusetts Department of Environmental Protection.

The Environmental Obligations table below shows the amounts accrued for Fitchburg related to estimated future cleanup costs for permanent remediation of the Sawyer Passway site with a corresponding Regulatory Asset recorded to reflect that the recovery of these environmental remediation costs are probable through the regulatory process. The amounts recorded do not assume any amounts are recoverable from insurance companies or other third parties. Fitchburg recovers the environmental response costs incurred at this former MGP site in gas rates pursuant to the terms of a cost recovery agreement approved by the MDPU. Pursuant to this agreement, Fitchburg is authorized to amortize and recover environmental response costs from gas customers over succeeding seven-year periods, without carrying costs.

The Company's ultimate liability for future environmental remediation costs, including MGP site costs, may vary from estimates, which may be adjusted as new information or future developments become available. Based on the Company's current assessment of its environmental responsibilities, existing legal requirements and regulatory policies, the Company does not believe that these environmental costs will have a material adverse effect on the Company's consolidated financial position or results of operations.

The following table sets forth a summary of changes in the Company's liability for Environmental Obligations for the three months ended March 31, 2016 and 2015.

Environmental Obligations

	Fitchburg		Northern Utilities		Total	
	2016	2015	2016	2015	2016	2015
Total Balance at Beginning of Period	\$ 1.2	\$ 1.9	\$ 1.6	\$ 3.6	\$ 2.8	\$ 5.5
Additions			1.0	0.1	1.0	0.1
Less: Payments / Reductions		0.1	1.1	0.1	1.1	0.2
Total Balance at End of Period	1.2	1.8	1.5	3.6	2.7	5.4
Less: Current Portion	0.2	1.8	0.5	1.6	0.7	3.4
Noncurrent Balance at End of Period	\$ 1.0	\$	\$ 1.0	\$ 2.0	\$ 2.0	\$ 2.0

Table of Contents**NOTE 8: INCOME TAXES**

The Company filed its tax returns for the year ended December 31, 2014 with the Internal Revenue Service (IRS) in September 2015. As of December 31, 2015, the Company had recorded cumulative federal NOL carryforward assets and Research and Development (R&D) credit carryforwards of \$11.3 million to offset against taxes payable in future periods. If unused, the Company's federal NOL carryforward assets will begin to expire in 2029, and the federal R&D credits will begin to expire in 2035. In addition, at December 31, 2015, the Company had \$2.1 million of cumulative Alternative Minimum Tax (AMT) credit carryforwards to offset future AMT taxes payable indefinitely.

In 2015, the Company recognized research and development tax credits under the rules of Section 41 of the Internal Revenue Code. The Company will continue to recognize a tax benefit on its incremental qualified research expenses.

The Company evaluated its tax positions at March 31, 2016 in accordance with the FASB Codification, and has concluded that no adjustment for recognition, derecognition, settlement and foreseeable future events to any tax liabilities or assets as defined by the FASB Codification is required. The Company remains subject to examination by Federal, Maine, Massachusetts, and New Hampshire tax authorities for the tax periods ended December 31, 2012; December 31, 2013; and December 31, 2014.

The Company bills its customers for sales tax in Massachusetts and Maine and consumption tax in New Hampshire. These taxes are remitted to the appropriate departments of revenue in each state and are excluded from revenues on the Company's unaudited Consolidated Statements of Earnings.

NOTE 9: RETIREMENT BENEFIT OBLIGATIONS

The Company co-sponsors the Unitil Corporation Retirement Plan (Pension Plan), the Unitil Retiree Health and Welfare Benefits Plan (PBOP Plan), and the Unitil Corporation Supplemental Executive Retirement Plan (SERP) to provide certain pension and postretirement benefits for its retirees and current employees. Please see Note 10 to the Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2015 as filed with the SEC on January 28, 2016 for additional information regarding these plans.

The following table includes the key weighted average assumptions used in determining the Company's benefit plan costs and obligations:

	2016	2015
Used to Determine Plan Costs		
Discount Rate	4.30%	4.00%
Rate of Compensation Increase	3.00%	3.00%
Expected Long-term rate of return on plan assets	8.00%	8.00%
Health Care Cost Trend Rate Assumed for Next Year	7.00%	6.00%
Ultimate Health Care Cost Trend Rate	4.00%	4.00%
Year that Ultimate Health Care Cost Trend Rate is reached	2022	2018

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The following table provides the components of the Company's Retirement plan costs (\$000's):

Three Months Ended March 31,	Pension Plan		PBOP Plan		SERP	
	2016	2015	2016	2015	2016	2015
Service Cost	\$ 851	\$ 916	\$ 652	\$ 656	\$ 41	\$ 28
Interest Cost	1,486	1,343	808	729	96	78
Expected Return on Plan Assets	(1,814)	(1,694)	(301)	(273)		
Prior Service Cost Amortization	66	54	372	420	47	3
Actuarial Loss Amortization	1,099	1,180	262	288	94	84
Sub-total	1,688	1,799	1,793	1,820	278	193
Amounts Capitalized and Deferred	(610)	(708)	(737)	(760)		
Net Periodic Benefit Cost Recognized	\$ 1,078	\$ 1,091	\$ 1,056	\$ 1,060	\$ 278	\$ 193

Employer Contributions

As of March 31, 2016, the Company had made \$1.0 million and \$0.4 million of contributions to its Pension Plan and PBOP Plan, respectively, in 2016. The Company, along with its subsidiaries, expects to continue to make contributions to its Pension and PBOP Plans in 2016 and future years at minimum required and discretionary funding levels consistent with the amounts recovered in the distribution utilities' rates for these Pension and PBOP Plan costs.

As of March 31, 2016, the Company had made \$8,500 of benefit payments under the SERP Plan in 2016. The Company presently anticipates making an additional \$25,600 of benefit payments under the SERP Plan in 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to the Interest Rate Risk and Commodity Price Risk sections of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (above).

Item 4. Controls and Procedures

Management of the Company, under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2016. Based upon this evaluation, the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded as of March 31, 2016 that the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) are effective.

There have been no changes in the Company's internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company plans to implement a new customer information system; the project is in process and the timing of the implementation is subject to the completion of user testing and system acceptance.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

The Company is involved in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. Certain specific matters are discussed in Notes 6 and 7 to the unaudited Consolidated Financial Statements. In the opinion of Management, based upon information furnished by counsel and others, the ultimate resolution of these claims will not have a material impact on the Company's financial position.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Form 10-K for the year-ended December 31, 2015 as filed with the SEC on January 28, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Recent Sales of Unregistered Securities

There were no sales of unregistered equity securities by the Company during the fiscal quarter ended March 31, 2016.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Pursuant to the written trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted by the Company on May 1, 2015, the Company will periodically repurchase shares of its Common Stock on the open market related to Employee Length of Service Awards and the stock portion of the Directors' annual retainer for those Directors who elected to receive common stock. There is no pool or maximum number of shares related to these purchases; however, the trading plan will terminate when \$76,000 in value of shares have been purchased or, if sooner, on May 1, 2016.

The Company may suspend or terminate this trading plan at any time, so long as the suspension or termination is made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, or other applicable securities laws.

The following table shows information regarding repurchases by the Company of shares of its common stock pursuant to the trading plan for each month in the quarter ended March 31, 2016.

		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
1/1/16	1/31/16				\$ 8,909
2/1/16	2/29/16				\$ 8,909
3/1/16	3/31/16	206	\$ 39.21	206	\$ 832
Total		206		206	

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Item 5. Other Information

On April 21, 2016, the Company issued a press release announcing its results of operations for the three-month period ended March 31, 2016. The press release is furnished with this Quarterly Report on Form 10-Q as Exhibit 99.1.

Table of Contents**Item 6. Exhibits**

(a) Exhibits

Exhibit No.	Description of Exhibit	Reference
11	Computation in Support of Earnings Per Average Common Share	Filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.3	Certification of Chief Accounting Officer Pursuant to Rule 13a-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certifications of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
99.1	Unitil Corporation Press Release Dated April 21, 2016 Announcing Earnings For the Quarter Ended March 31, 2016.	Filed herewith
101.INS	XBRL Instance Document.	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 21, 2016

UNITIL CORPORATION
(Registrant)

/s/ Mark H. Collin
Mark H. Collin
Chief Financial Officer

Date: April 21, 2016

/s/ Laurence M. Brock
Laurence M. Brock
Chief Accounting Officer

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