

SECTION 3: BUSINESS INTEGRATION PLAN – UPDATE

A) Cutover Update

1. Cutover Plan

The cutover approach, as reported in the November Transition Plan Report, was designed to close the transaction at a month-end and also cutover the majority of the financial and operational systems at the same time. The development and testing of systems relied upon to produce public and management financial reports, and to provide back office services to many gas company functions, was the focus of the integration effort over the past month prior to closing. The systems successfully cutover at the Close, December 1, included general ledger accounting, construction accounting, plant accounting, payroll, accounts payable and cash. Three significant financial and operational systems will cutover in the months following the closing: 1) the Customer Service function (currently scheduled for the first quarter of 2009) 2) the Gas Dispatch and Gas Control function and the Gas Supply function (currently scheduled for the second quarter of 2009) and 3) the Granite Transportation function (currently scheduled for the first quarter of 2009).

The Go-Live component of the BIP for Unitil's acquisition of Northern and Granite presents the steps necessary for the cutover of business processes, functions, data and systems from NiSource and Bay State to Unitil. For functions that will cutover at a later date, these activities are described in detail in Section 3B that follows. In many cases and as discussed in Section 2A, transition services will be an integral component of the Go-Live plans and overall cutover approach.

When the November Transition Plan Report was prepared, many of the Go-Live plans called for Unitil to assume responsibility for several corporate and financial functions at the Closing and many of these functions are supported by Unitil systems that were enhanced to accommodate Northern and Granite transactions. The development and testing of systems relied upon to produce public and management financial reports, and to

provide back office services to many gas company functions was a focus of the integration effort over the past month. These systems include: general ledger accounting, construction accounting, plant accounting, payroll, accounts payable and cash and these systems were successfully tested and cutover in the days and weeks following the Closing.

2. Test Plans

As noted in previous Transition Plan Reports, functional cutovers for the FITs did not occur until all processes, data, and systems were thoroughly tested by the functional integration teams. In addition, functional cutovers did not occur until agreement was reached between Unitil and NiSource and Bay State indicating specifically when NiSource would stop performing a particular function or process because Unitil was prepared to assume these responsibilities. The execution of Go-Live cutover procedures only occurred after these processes and systems had been successfully tested. Unitil's Internal Audit group attested to the validity, accuracy and completeness of the integration test procedures and Unitil's external auditors will perform selected tests of the procedures as well. The current status of the Go-Live plans is explained for each function in Section 3B.

The test plans prepared by the FIT leaders were designed to test the relevant functionality for the systems that were modified as well as all functionality for newly developed systems. In addition, systems that were the recipient of historical information were tested to: 1) verify that the historical information was imported and, 2) validate or reconcile the historical information imported.

Unitil's approach to the development of new processes and systems (and therefore to the integration effort) was to perform a series of tests until all processes and systems were ready to perform at high ("production-ready") standards. Many processes were tested independently of other processes and the teams tested accordingly. However, there are a number of processes that are closely integrated and were tested at the same time based on

a common data set. These included many processes involved with the CIS system and metering, construction, work orders, payroll and accounting / financial processes.

Unitil's testing approach was applicable to both financial and operational systems; however, the test steps performed were based on the purpose and function of each system. Unitil's financial and financial-related systems, which include: general ledger accounting, construction accounting, plant accounting, payroll, accounts payable, cash and CIS (for sales, revenues, cash remittance, write-offs, accounts receivable and account adjustments) provide information necessary to prepare Unitil's financial reports for various regulatory agencies and other stakeholders, were subject to a testing approach that ensures amounts reported in the financial statements are complete, valid and accurate. Unitil's operational systems, which support the Portsmouth and Portland Distribution Operations Centers, were tested to ensure that the system's functionality was validated and that the system's performance and reporting met Unitil's expectations and requirements.

Certain test plans that are associated with the cutover of functions receiving transition services (e.g., Customer Service, Gas Dispatch and Control and Gas Supply, Granite Transportation, and their related input/output systems) are still under development. Unitil will continue to provide updates on the status of the testing efforts for these functions in the January Transition Plan Report.