

**February 2009**



**UNITIL / NORTHERN  
TRANSITION PLAN REPORT**

**UNITIL / NORTHERN**  
**Transition Plan Report**  
**February 13, 2009**

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## **SECTION 1: EXECUTIVE SUMMARY**

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

The planning and preparation for the integration of Northern and Granite had been underway for over six months prior to the Closing. Most of Northern’s and Granite’s business functions were successfully assumed by Unitil’s management during the first two weeks following the Closing. Certain functions principally Customer Service and Gas Purchasing, Management and Dispatch continue to be supported by NiSource under the Transition Services Agreement (“TSA”) between Unitil and NiSource and its affiliates, including Bay State Gas Company (“Bay State”).

The Customer Service functions, including customer billing, cash remittance and call center operations, will remain with Bay State through the second quarter of 2009 when these functions will begin to migrate to Unitil’s Customer Service Center. The business functions necessary to provide Customer Service to all of Northern’s 52,000 customers are planned to begin transitioning to Unitil’s control during the second quarter of 2009. Currently, in February, Unitil, NiSource and Bay State customer service, operations and information systems staff are meeting regularly to plan the detailed procedures necessary to smoothly transfer the Customer Service functions. These meetings will yield an agreed-upon plan to execute the Customer Service transition on an agreed-upon timetable. Comprehensive test plans and milestones are being developed between the companies to

ensure the quality control of customer information before, during and after the conversion cut-over.

In past Transition Plan Reports, we updated you on draft "Go-Live" plans and estimated timelines for execution, provided details on Until's communication plans to Northern's customers and employees and provided information regarding the two major components of Until's Transition Plan: a) the TSA between Until and NiSource and its affiliates, and b) the Business Integration Plan ("BIP"). In addition, we reported on the execution of our plan including the execution and initial operation of the TSA.

Generally, the functions that were assumed by Until at, or just after, the Closing have been operating well and our managers are working out minor issues in workflow and paperwork as we go along. The current emphasis of the Company's efforts is focused on the transition of the Customer Service functions and related processes and systems. In addition, the Gas Dispatch and Control function and the Granite Transportation function continue to progress toward completion. The integration plans for these functions continue to be executed for completion by the end of the second quarter of 2009.

Transition services under the TSA began on December 1, 2008 and have been provided for over two months. The first notification to extend transition services is due 45 days prior to the expiration of the Initial Term, which ends on March 31, 2009. Until expects to provide written notice to extend transition services to NiSource on February 13, 2009. In this February Transition Plan Report, we provide: a) a Transition Services overview, b) a summary of expenditures to date, c) the final executed TSA, and d) the TSA Annexes describing the services to be rendered under the agreement. The executed TSA and accompanying Annexes were filed with the MPUC and NHPUC on Thursday, December 4.

The second component of the Transition Plan, the BIP, contains the individual, functional Go-Live plans prepared by Until's Functional Integration Team Leaders ("FIT's") in conjunction with their NiSource and Bay State counterparts. The February Transition

Plan Report includes a report on the continued progress that was made to finalize and execute those plans to cutover responsibility for Northern's and Granite's business functions to Unitil at the Closing. In this report, we summarize: a) the functional Go-Live plans update, and b) the expenditures for integration projects.

Unitil has committed to provide these Transition Plan Report updates monthly, on the 15<sup>th</sup> of each month throughout the transition period. Unitil will provide the next update on March 16, 2009 and will continue to provide monthly updates until the transition is completed.

## **SECTION 2: TRANSITION SERVICES – UPDATE**

### **A) Transition Services Agreement – Overview**

The TSA is an integral component of the Transition Plan because it provides for the smooth transition of Northern and Granite to Unitil by ensuring that there is no interruption or diminution to the quality of service to customers as Northern and Granite are fully integrated into Unitil. A copy of the TSA is provided as Appendix A to this report. The TSA acts as the Transition Plan “safety net” to remain in place only as long as needed. The TSA only covers those services that Unitil requires and only for a time period that Unitil elects.

The TSA provides for the general contractual terms and conditions and also includes 13 Annexes, which represent specific services to be provided during the transition period. In addition, the TSA also includes Section 1.2(a), which covers temporary services and Section 1.2(b), which covers ancillary services. Sections 1.2(a) and 1.2(b) were added as mechanisms for NiSource to respond to Unitil requests for support that either have not been identified at this time or are relatively minor efforts. The 13 Annexes (included in Appendix A to this report) address services to be provided by NiSource and its affiliates, including Bay State, on an “as needed” basis and at cost, in the following areas:

1. Customer Information System Services: Continue to perform all NiSource CIS functions, reconcile CIS billing and receivables, provide revenue and cash reporting to Unitil Accounting, and transfer daily work orders to Unitil and record customer work order completion activities in CIS;
2. Billing Services: Bill regulated services (at rates determined and maintained by Unitil/Northern) provided to metered and unmetered customers (including special contract and transportation customers), bill unregulated services (at rates determined and maintained by Unitil/Northern) provided to customers, and provide customer refund data to Unitil Accounts Payable;

3. Treasury Services: Receive, process and post cash receipts to customer accounts and transfer cash receipts to Unitil;
4. Customer Communications Services: Perform all call center services for regulated emergency and non-emergency calls. Services include, but are not limited to, internal and external reporting, answering calls within the current guideline, issuing and managing work orders, collecting and reporting activity required for SQI reporting;
5. Credit and Collections Services: Provide credit and collections services associated with regulated and non-regulated services including, but not limited to, deposits, write-offs, payment arrangements, agency programs, customer protections, moratorium-related processes, preparation of regulatory reports and implementation of new requirements;
6. Meter Reading Services: Daily work assignment for meter readers, download routes to meter readers, upload monthly meter readings to NiSource Customer Information System, read Metscan meters and monitor associated processing activities, prepare monthly regulatory reports;
7. Accounting Services: Journal entries for customer transactions, monthly and annual (2008) financial reports, and accounting entries for Granite State;
8. Gas Dispatch and Control Services: Monitor and/or control the Northern and Granite SCADA systems, perform nominations and balancing activities, record all activities, and provide training to Unitil dispatch personnel;
9. Gas Supply Services: Provide support as needed for daily operations, gas cost accounting, interruptible billing, regulatory reporting, resource planning, hedging and retail supplier management;
10. Field Services: Provide coverage for field services in Northern Utilities' southern New Hampshire service territory, which is currently covered by Bay State's

operations in Lawrence, MA, including emergency response, leak response, dig-safe activities and maintenance activities;

11. Granite Transportation Services: Perform certain Granite administrative activities including nominations and balancing and invoice processing, record all daily transactions, produce FERC integrity management reports, and provide financial performance data to Unitil Accounting. Support and maintain the work management system for Granite;
12. Regulatory Services: Continue to perform certain regulatory services, including preparation of filings that rely on 2008 data, until Unitil is prepared to assume these responsibilities; and
13. Engineering - Regulatory Reporting Services: Gather and compile 2008 data through the Closing date for various engineering regulatory reports. Provide 2008 data through Closing date to Unitil. Unitil will compile remaining 2008 data and file the reports.

Transition Services under the TSA began on December 1, 2008 and have been provided for over two months. The TSA contains an Initial Term of 120 days for most services and 180 days for gas purchasing and management and system dispatch. Under the Initial Term of the TSA, NiSource provides, at its fully loaded cost, transitional services to continue the operation and maintenance of Northern and Granite until the successful transition to Unitil of business functions previously performed by NiSource and its affiliates.

The TSA also provides for extended terms, if needed, with notice from Unitil. The first notification to extend transition services is due 45 days prior to the expiration of the Initial Term, which ends on March 31, 2009. Pursuant to the notice requirements of the TSA, on February 13, Unitil will provide a written request to NiSource to continue transition services for the First Extension Period. [See the attached notification letter in Appendix B]. The First Extension Period will be for a duration of 90 days from April through June 2009.



During the First Extension Period of the TSA, NiSource will provide, at its fully loaded cost plus a profit factor of 10%, transitional services necessary to continue the operation and maintenance of Northern and Granite until the successful transition to Unitil of business functions previously performed by NiSource and its affiliates. If transition services are required at the end of the First Extension Period, the TSA provides for a Second Extension Period. During the Second Extension Period, if any, of the TSA, NiSource will provide, at its fully loaded cost plus a profit factor of 15%, the transitional services requested by Unitil.

Unitil's objective is to replace the TSA services in an efficient and timely manner after the Closing but not before Unitil is prepared to provide these services. In February, Unitil did provide notice of Early Termination of certain transition services, related to the southern NH service territory, which were deemed to no longer be needed. [See the attached notification letter in Appendix C]. Unitil will continue to provide notice of Early Termination for any transition services, which it deems to no longer be needed.

## **B) Transition Services – Expenditures Summary**

There are two categories of Transition Costs. Unitil has agreed that it will not seek recovery in rates of either category of these Transition Costs. The first category of costs is the expenditures Unitil will pay to NiSource and its affiliates under the TSA, (the “TSA Costs”). As of February 13, 2009, Unitil has been billed for the first month’s TSA Costs incurred through December 31, 2008.

The second category of costs, for which Unitil has agreed not to seek recovery in rates, is all of the other non-recurring expenditures (“Other Transition Costs”) necessary to complete the transition. These Other Transition Costs include non-recurring consulting fees, temporary help and labor costs and all other miscellaneous costs related to the transition. As of January 31, 2009, Transition Costs billed to date include:

<u>December TSA Costs – NiSource and Affiliates:</u>	<u>Amount</u>
Customer Service Support	\$ 165,705
Gas Dispatch and Control	33,215
Gas Supply Services	10,626
Operations	5,794
Regulatory Services	10,485
Training	<u>26,170</u>
Total December Services:	<u>\$ 251,995</u>

<u>Other Transition Costs:</u>	<u>Amount</u>
Consulting and Professional Fees	\$ 722,638
Temporary Help and Labor	1,128,549
Other Miscellaneous Costs	<u>137,674</u>
Total	<u>\$1,988,861</u>

## **SECTION 3: BUSINESS INTEGRATION PLAN – UPDATE**

### **A) Go-Live Plan**

The Go-Live component of the BIP for the acquisition of Northern and Granite by Unitil presents the steps to be undertaken for the cutover of business processes, functions, data and systems from NiSource and Bay State to Unitil. These cutovers occurred over an extended period of time beginning just prior to, and with, the Closing on December 1 and continue until Unitil is operating Northern and Granite independently. As described in Section 2A, NiSource and Bay State will provide transition services for all functions that were not ready to cutover at the Closing date or needed additional assistance and will continue to provide them for as long as required by Unitil.

Many of the Go-Live plans called for Unitil to assume responsibility for most corporate and financial functions immediately or in the week after the transaction close. Three functions are anticipated to cutover in the months after the Closing including 1) Customer Service, 2) Gas Dispatch and Gas Control and Gas Supply, and 3) Granite Transportation functions. Therefore, there will be a continued reliance on NiSource and Bay State to provide many customer service and other functions for a temporary period of time after Closing. NiSource and Bay State will continue to support Unitil's Customer Services functions until all of the customer service functions are tested and all historical and then-current Northern customer data is available to Unitil call center and field service personnel. The Customer Services Go-Live event is currently planned to take place during the second quarter of 2009 depending on the timing of the achievement of successful CIS conversion testing results.

The final functions to transition to Unitil are anticipated to be the Gas Dispatch and Gas Control and Gas Supply and the Granite Transportation functions. These functions are also expected to transition in the second quarter of 2009.

The Go-Live plans for most corporate and financial functions were successfully executed by specified individuals in the weeks leading up to and following the Closing on December 1. Extensive coordination was required among Northern, Granite and NiSource during the weeks before and for an initial period after the Closing depending on the function / process involved.

The Go-Live plans were tied to two key dates: the Closing and the Customer Services Go-Live date.

This section provides the status of Unitil's Go-Live plans. It will identify functions that successfully cutover on or near the transaction close and have minor transition services remaining and functions that have a cutover that will occur at a future date. This section also identifies certain functions for which transition services are currently being utilized that is consistent with the description provided in Section 2A.

The Go-Live plan is organized by grouping teams that are either closely interrelated (e.g., all of the teams that address the activities of field personnel) or share other common Go-Live attributes. The nine functional groupings used to develop the Go-Live Plans follow:

- (1) Customer Services: billing, collection, and call center functions to be transitioned after Unitil's CIS system is tested and populated with Northern customer data;
- (2) Accounting and Finance: functions transitioned at the Closing in order for Unitil to produce a beginning balance sheet and enter post-Closing transactions into general ledger accounts;
- (3) Corporate Communications: communications to customers leading up to and following the Closing of the transaction occurred on schedule;
- (4) Distribution Field Operations: the dispatching of field crews began on the day of Closing including response to customer inquiries and system operations issues, including responding to gas leaks;
- (5) Gas Supply and Gas Control: contracting for supplies, measuring, dispatching and controlling the flow of natural gas - functions that will transition in scheduled phases as systems are ready;

- (6) Engineering and Operations Management: maintenance and operation of the distribution network, including related planning and reporting functions transitioned at or shortly after the Closing;
- (7) Transmission System Management and Operations: transition of the responsibility to operate Granite from NiSource to Unitil will occur in scheduled phases as systems are ready;
- (8) Corporate: numerous corporate responsibilities including payroll, human resources and benefits, legal, regulatory, and corporate governance were assumed by Unitil at the Closing; and
- (9) Infrastructure: administration of new fleet vehicles, modifications to buildings, installation of telecommunications and network equipment, and equipping new employees were assumed on the day of Closing.

### **(1) Customer Services**

Customer Services are supported by Unitil's CIS, a system that is undergoing enhancements and testing to accommodate Northern's customer transactions. As noted above, the Unitil CIS conversion, including testing and verification, will not be completed until the second quarter of 2009 and thus, Unitil will require a broad range of transition services to provide customers with continuous service and a seamless transition to Unitil. These services include: continuing to provide CIS services, call center operations and complaint handling, refund processing, updates to billing rates, cash posting, credit and collections, and maintenance of information on Northern's customer website and Energy Measurement (Metering).

The Customer Services Go-Live date will occur at the beginning of a month and the exact target cutover day is subject to continual assessment based on the status of data conversion and testing results. The Customer Services target cutover date will be extended for a month at a time, if necessary, until all testing of processes and the CIS is satisfactorily completed. Currently NiSource and Unitil staff are documenting the best possible CIS cutover date based upon the requirements of both companies. The CIS Go-Live Event is actually a series of NiSource and Unitil cutoff events that span a period of approximately

twenty days prior to the specific Go-Live date and for a period of at least a month after the Go-Live date.

The Customer Services functions have many interfaces to other functions including the dispatch of field personnel to execute work orders that are initiated by customer calls. Unitil's team leaders will communicate closely with their NiSource counterparts during the transition services period to ensure that there is no interruption in providing these services. There are also ties between the CIS system and several other systems that process accounting and other financial transactions, requiring the exchange and transfer of data and files between Unitil and NiSource during the transition period.

The Billing and Reconciliation team's Go-Live plan details the cutover from NiSource's CIS to Unitil's CIS, the download and upload of the billing cycles; and notification to vendors, suppliers and state agencies of the CIS Go-Live date. The plan also encompasses the need to run billing reports to check data, verify bill accuracy, and print bills, followed by a full reconciliation of the first billing update.

The Cash Remittance and Collection team's Go-Live plan details the cutover from NiSource's CIS to Unitil's CIS for the remittance and collection functions, the need to notify lockbox providers of the CIS Go-Live date, and the notification to fuel assistance agencies and credit agencies of the CIS Go-Live date. This plan also addresses the need to obtain Northern's final Closing collection information.

The Customer Relations team's Go-Live plan addresses the call center implications of the cutover from NiSource's CIS to Unitil's CIS.

The Business Services team's Go-Live plan includes the need to execute new contracts with third-party implementation contractors whose contracts are with Bay State and cannot be assigned to Northern Utilities. This team will also need to ensure that incoming sales and Demand Side Management inquiries are responded to appropriately

during the period before Unitil's CIS is ready and the Unitil call center receives these customer calls.

The Energy Measurement team's Go-Live plan reflects the fact that meter readers became Unitil employees at the Closing and will continue to read meters following the transaction close. However, the meter readings will continue to feed into NiSource's CIS until Unitil's CIS is fully tested and implemented. In addition, NiSource will continue to read large customer meters (Metscan) until Unitil completes the Metscan conversion process, which is currently anticipated to conclude in the second quarter of 2009. The requested Transition Services related to the Customer Services conversion are located at Annexes A.1, A.2, A.4, A.5, and A.6. in Appendix A.

#### **Selected Customer Services Go-Live Activities**

<b>Team</b>	<b>Go-Live Activity</b>	<b>Date</b>
Energy Measurement, Billing and Reconciliation, Cash Remittance	Final Meter Readings loaded into NiSource CIS, NiSource completes final billing, cash posting, exceptions, closes month end revenue and reconciles. Month end reports are prepared and reconciled	5 DAYS BEFORE THE GO-LIVE DATE
Billing and Reconciliation, Cash Remittance, Customer Relations	Unitil receives and loads NiSource data, verifies data, reconciles, data, IA sign-off, Move to production	5 DAYS BEFORE THE GO-LIVE DATE
Billing and Reconciliation, Cash Remittance, Customer Relations, Energy Measurement	CIS Go-Live, download meter readings, post cash, run billing, test transactions, test work orders, reconcile	At Revenue month opening: for example June 5 or July 7

## **(2) Accounting and Finance**

Minor transition services were requested by the Accounting and Finance teams primarily corresponding to the Customer Services cutover in the first or second quarter of 2009 as well as annual financial reporting requirements. Requested transition services are located at Annexes A.3 and A.7 in Appendix A.

## **(3) Corporate Communications**

The Corporate Communications team is responsible for ensuring that Northern customers, employees and other important stakeholders are informed about Unitil's acquisition of Northern from NiSource.

### **Selected Corporate Communications Current Activities**

<b>Team</b>	<b>Go-Live Activity</b>	<b>Date</b>
Corp. Communications	Install new pipeline marker stickers with emergency phone numbers	Q1-Q2 2009
Corp. Communications	Begin general safety ads	First ad ran in January. Safety ad program on going throughout 2009
Corp. Communications	Begin RP 1162 safety ads	First ad ran in January. Safety ad program on going throughout 2009
Corp. Communications	Meetings with town emergency officials to review emergency procedures and Dig Safe	Q2 2009
Corp. Communications	Web development and testing completed	November 15 – CIS Go-Live Date
Corp. Communications	Web page goes live	CIS Go-Live Date



#### **(4) Distribution Field Operations**

The field operations functions involve the dispatch of crews in response to emergencies and for routine work. Crew dispatch is based on work orders that are initiated and closed out through the CIS system. These functions are made possible by mobile data terminals (customized laptops) in the service trucks and radio and cellular communications to and from the trucks.

Unitil successfully tested and implemented its software solution for mobile communications with the Mobile Data System ("MDS"), a new web-based system that replaces the functionality of Northern's mobile data terminals, which provide for scheduling and dispatch of work orders received through NiSource's customer service center to personnel in the field via cell phone data transfer to field service laptops.

The Go-Live plan for these teams was successfully executed as of the Closing. Transition services were requested by these teams corresponding to the cutover of the CIS. These transition services include after hours (10:30 PM to 6:00 AM), as well as weekend and holidays) dispatching service for emergency activities; and maintenance, dig safe and emergency response activities for the southern New Hampshire service territory until Unitil has hired, trained and equipped a full-time staff to serve this area. Early termination of transition services related to the southern NH service territory was requested effective March 4, 2009. [See attached letter in Appendix C] Requested transition services are located at Annex A.10 in Appendix A. Terminated transition services are identified as processes / tasks (d), (e), (f), (g) and (h).

#### **(5) Gas Supply and Gas Dispatch and Control**

The gas supply function addresses all activities that are necessary to deliver the required volumes of gas each day to customer meters including arranging contracts for

supply, transportation and storage, optimizing the reliance on these contracts on a seasonal, monthly and daily basis, scheduling and balancing for sales and transportation customers, and controlling the flow of gas to maintain safety and acceptable operating pressures throughout the distribution system.

The Gas Supply team's Go-Live plan addresses the completion and testing of several responsibilities including pipeline and supply contract management and scheduling, invoice processing, reporting for regulatory and accounting purposes, capacity assignment and management of the hedging program. The Gas Supply team is actively participating in Bay State's daily gas supply plan meetings, although Bay State continues to execute Northern's daily commitments on behalf of Unitil as a transition service. This arrangement is expected to continue for at least the first four months after the Closing. Unitil is planning on transition services as needed for daily operations, gas cost accounting, interruptible billing, regulatory reporting and retail supplier management. See Annex A.9 in Appendix A.

Unitil's system to provide customer and external supplier billing and management services ("GTRAC") will support many of the gas supply activities; and therefore, the cutover will not occur until certain GTRAC modules are operational. In the interim, Unitil will require transition services for this entire function. Cutover of the responsibilities associated with the hedging program occurred successfully in January.

The Gas Dispatch team's Go-Live plan reflects a three-phased transition with Unitil monitoring and Bay State controlling (Phase 1: through March 2009), Unitil controlling and Bay State monitoring (Phase 2: through June 2009), Unitil controlling and monitoring (Phase 3: beginning end of June 2009). During Phase 1, Unitil dispatchers will shadow Bay State at the Ludlow, MA gas control center and then monitor from a new Unitil dispatch center to be located in the Portsmouth office. The Go-Live plan includes installation of dedicated phone lines to enable remote monitoring in parallel with Ludlow personnel and the addition of a web-viewing terminal in Portsmouth for viewing Ludlow control images.

The SCADA team is responsible for acquisition, installation and commissioning of a SCADA database system. This system will provide system control and data acquisition for all Northern’s points and transmit them to both the Bay State dispatch center in Ludlow and to the new Unitil dispatch center in Portsmouth. Although the Unitil SCADA system will provide this information as soon as it is available, the dispatch center operations will follow the three-phase approach described in the preceding paragraph. Unitil has acquired transition services for NiSource to assist in the testing and commissioning of the new SCADA system. During the initial stages, both companies will rely on the existing NiSource system to provide data to both dispatch centers via a live web-link viewer, essentially providing a redundant information path. Unitil will be able to monitor and train in parallel with Ludlow during all three transition phases utilizing this web viewer or the new SCADA system.

**Selected Gas Supply and Gas Control Go-Live Activities**

<b>Team</b>	<b>Go-Live Activity</b>	<b>Date</b>
Gas Supply	Perform capacity assignments in a test environments	First Quarter
Gas Supply	Execute daily supply decisions	April 1
Gas Supply & Gas Dispatch	Initial testing of GTRAC for Gas Supply	First Quarter
Gas Supply	Terminate NiSource access to Northern's gas supply assets	At end of transition services

Unitil will require transition services in the Gas Dispatch and Control area for up to six months or through the winter heating season. NiSource will provide training to Unitil dispatchers throughout this period. See Annex A.8 in Appendix A.

**(6) Engineering and Operations Management**

Minor transition services were requested by the Engineering and Operations Management teams primarily related to engineering regulatory reports. Requested transition services are located at Annex A.13 in Appendix A.

**(7) Transmission System Management and Operations**

The test plans for the Gas Transmission Operations teams were successfully executed by the respective teams and cutover was completed at or near the transaction close.

The Gas Transmission Management team's Go-Live plan reflects a cutover from NiSource's transmission group of a set of responsibilities that had not previously been provided by either Northern or Unitil; but were provided by NiSource's subsidiary, Columbia Gas Transmission. These include the management of pipeline administration functions, informational electronic bulletin board ("EBB") posting, regulatory reporting & compliance, invoicing, and accounting responsibilities. The Granite EBB will be maintained by the same third-party vendor that NiSource used.

**Selected Transmission System Go-Live Activities**

<b>Team</b>	<b>Go-Live Activity</b>	<b>Date</b>
Gas Transmission Management	Pipeline administration functions including nominations & scheduling, tracking of customer OBAs	Until cutover of gas dispatch and control
Gas Transmission Management	Invoice processing	Until cutover of gas dispatch and control

Unitil will need a broad set of transition services to cover the management functions, including administrative functions and invoicing, at least until such time as the SCADA system is operational and Unitil is controlling and monitoring the gas transmission system. The administrative functions include processing pipeline nominations, confirmations,

scheduling, and reconciliation of nominations and actual receipts. Unitil will also require transition services to manage the execution of maintenance activities on Granite including creation and Closing of work orders. Requested transition services are located at Annex A.11 in Appendix A.

#### **(8) Corporate**

The corporate functions are support functions required to pay employees and satisfy legal and regulatory requirements. The Regulatory team continues to work closely with NiSource to ensure that Northern and Granite continue to meet their numerous scheduled filing and reporting obligations that will occur in the months following the Closing. Requested transition services are located at Annex A.12 in Appendix A.

#### **(9) Infrastructure**

The infrastructure teams were responsible for transferring the facilities that are being acquired (located in Portsmouth and Portland) as well as relocating employees among offices, providing network and telecommunications systems, and assuming ownership of Northern's vehicle fleet. The Portsmouth location is undergoing renovations for a new Dispatch / Gas control center and relocation of certain employees. The project is expected to be completed in the first quarter of 2009.

## **B) Capital Projects – Expenditures - Summary**

As noted in previous Transition Plan Reports, each team has prepared a preliminary assessment of internal and external resources that will be required to complete the integration according to schedule. The estimated integration expenditures of \$3.2 million have been updated based on projected costs to complete. The status of the capital project expenditures as of January 31, 2009, is provided on the following page. As noted previously, these investments are necessary to achieve the potential synergy savings. Therefore, Unitil will seek cost recovery of these expenditures in future rate case filings.

**Capital Projects  
Expenditures Summary  
January 31, 2009**

Authorization	Original Budget	Expenditures to Date
<b>CUSTOMER SERVICE PROJECTS:</b>		
Billing Conversion - Customer Information Systems	930,000	970,143
Interfacing - Customer Information Systems / Web-based Customer Systems, Metering, Ledgers & Reporting	544,000	292,267
Measurement - MV90 xi Network Server & Communications Equipment	147,000	78,838
G - Intake (Operations & Business Development)	71,400	73,727
Telecom Upgrade	189,000	308,619
<b>Total Customer Service Projects:</b>	<b>1,881,400</b>	<b>1,723,594</b>
<b>GAS OPERATIONS &amp; ENGINEERING PROJECTS:</b>		
Operation Data Integration	150,675	91,887
Compliance Management System	145,300	153,754
Mobile Terminals	111,750	190,300
Gas Procedures Manuals	81,600	31,362
Gas SCADA System	142,000	150,187
Integrity Management Analysis System	65,000	19,267
Gas Dispatch Phone & Central Radio System	41,000	163
Equipment & Tools	31,000	4,637
Facility Enhancements & Signage	99,500	43,246
GIS	150,000	112,501
<b>Total Gas Operations &amp; Engineering Projects</b>	<b>1,017,825</b>	<b>797,304</b>
<b>FINANCE, ACCOUNTING &amp; OTHER PROJECTS:</b>		
Flexi Ledger / Accounts Payable / Projects / Purchasing	143,700	156,237
Energy Contracts / Energy Measurement & Control	94,000	167,745
Other Miscellaneous Projects	87,500	35,002
<b>Total Finance, Accounting &amp; Other Projects</b>	<b>325,200</b>	<b>358,984</b>
<b>Grand Total</b>	<b>3,224,425</b>	<b>2,879,882</b>

**EXECUTION COPY****TRANSITION SERVICES AGREEMENT**

This TRANSITION SERVICES AGREEMENT (this "**Agreement**"), dated as of December 1, 2008 (the "**Effective Date**"), is made by and among NiSource Inc., a Delaware corporation ("**NiSource**") and Unitil Corporation, a New Hampshire corporation ("**Unitil**"). Each of NiSource and Unitil are sometimes referred to individually as a "**Party**" and collectively as the "**Parties**". Capitalized terms used in this Agreement and not otherwise defined in this Agreement shall have the respective meanings ascribed to them in that certain Stock Purchase Agreement, dated as of February 15, 2008 (the "**Purchase Agreement**"), by and among NiSource, Bay State Gas Company, a Massachusetts corporation ("**Bay State**") and Unitil.

## RECITALS

WHEREAS, pursuant to the Purchase Agreement, Unitil has agreed to purchase all the outstanding shares of common stock of Northern Utilities, Inc., a New Hampshire corporation and Granite State Gas Transmission, Inc., a New Hampshire corporation (together, the "**Companies**") from Bay State and NiSource, respectively.

WHEREAS, pursuant to the Purchase Agreement, Unitil and NiSource have agreed to enter into this Agreement on or before the Closing Date, under which NiSource and certain of its Affiliates (including, without limitation, NiSource Corporate Services Company, a Delaware corporation) will provide Unitil with certain transition services as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

**ARTICLE I**  
**PROVISION OF SERVICES**

**Section 1.1**     **General Intent.** The Parties agree that the purpose of this Agreement is to establish the terms under which NiSource will provide to Unitil certain services to continue the operation and maintenance of the Companies substantially consistent with past practices until NiSource and Unitil have accomplished the successful transition of all business functions that were performed by NiSource (or its affiliates other than the Companies) prior to the Closing Date. Unitil acknowledges and understands that the services provided hereunder are transitional in nature and are furnished by NiSource and its Affiliates solely for the purpose of facilitating the sale of the Companies and their operation for a limited period of time after the Closing Date, as set forth herein. Unitil will use commercially reasonable efforts to make a transition to its own internal organization or any other third-party suppliers for the services as promptly as practicable following the Closing Date.

**Section 1.2**     **Services to Be Provided.**

(a)           During the term of this Agreement as set forth in **Article III** (the "**Transition Period**") and on the terms and subject to the conditions of this Agreement and upon reasonable advance request of Unitil, NiSource will provide, or cause one or more of its Affiliates to provide, to Unitil (with respect to the Companies) each of the services (the "**Services**") described in **Annex A** hereto from the Effective Date and for the periods of time described therein with respect to each of the Services, unless notice is given by Unitil of early termination or extension of time pursuant to Article 3 herein, provided,



that under no circumstances will NiSource or its Affiliates be obligated to provide any services to the Companies that NiSource or its Affiliates do not currently provide to the Companies as of the date of this Agreement. Services provided by NiSource under this Agreement shall not include any actions or obligations NiSource is otherwise required to perform under the Purchase Agreement.

(b) From time to time during the term of this Agreement, Unitil may request that NiSource or one of its Affiliates provide services to Unitil that are not set forth on Annex A on a temporary, urgent basis (the "Temporary Services"). Upon receipt of such request from Unitil, NiSource will respond in writing to Unitil, within two business days of Unitil's request, notifying Unitil: (i) whether NiSource or one of its Affiliates is willing to provide the Temporary Services on such a temporary basis and (ii) the date upon which NiSource expects it can begin providing such Temporary Services. If NiSource so notifies Unitil that it will provide such Temporary Services, then upon receipt by NiSource of Unitil's written confirmation and acknowledgment of NiSource's notice, NiSource or one of its Affiliates will use commercially reasonable efforts to begin providing such requested Temporary Services by the date specified in NiSource's written notice. Within five (5) days of NiSource's notice, the parties will negotiate in good faith a supplement to Annex A setting forth the terms upon which the Temporary Services will be provided, including the specific definition of the scope of the services and the duration of the services. If the parties have not agreed upon and executed such supplement to Annex A within such five (5) day period, NiSource's written agreement to provide the Temporary Services will cease to be effective and NiSource's obligations to provide the Temporary Services will terminate without liability of any kind.

(c) Annex A provides a general description of services, along with a list of specific services, to be provided hereunder. The Parties recognize that Unitil may request certain follow-up or ancillary services which are within the scope of the specific services set forth in Annex A but not specifically listed therein. NiSource shall use good faith efforts to provide such follow-up or ancillary services, subject to all the terms and conditions of this Agreement. To the extent Unitil requests services beyond the scope of the specific services described in Annex A, it may request Temporary Services in accordance with Section 1.2(b) above.

### **Section 1.3 Quality, Quantity and Manner of Performance.**

(a) NiSource and its Affiliates shall perform the Services using the same degree of care as they utilize in rendering such services for their own and their Affiliates' operations, including performing such Services through the use of subcontractors or third parties (provided that any such use of subcontractors or third parties will not eliminate or limit the obligations of NiSource and its Affiliates hereunder), and will give such Services a level of priority that is substantially consistent with past practice, provided that nothing in this Agreement will require NiSource to favor the business of Unitil or the Companies over its own business operations. The quantity of each Service to be provided will be that which Unitil may reasonably require for the operation of the Companies in the ordinary course of business consistent in all material respects with the operation of the Companies prior to the Closing and consistent with the services currently provided by NiSource and its Affiliates to the Companies as of the date of this Agreement. Except as provided in this Section 1.3(a), NiSource and its Affiliates specifically disclaim all warranties of any kind, express or implied, arising out of or related to this Agreement.

(b) Notwithstanding the foregoing, to the extent the Services involve the provision of shared space, the Party receiving such Services, its Affiliates and their respective employees and agents shall have full access to the shared space during normal business hours. The Party receiving such Services will, and will cause its Affiliates to, cause their respective employees and agents who have access to the shared space to comply with the rules that are applicable to employees of the Party providing such Services who are working in the shared space.

**Section 1.4 Limitation on Services.** In connection with the performance of Services, NiSource and its Affiliates will have no obligation to (a) upgrade, enhance or otherwise modify any computer hardware, software or network environment currently used by the Companies, or (b) convert from one format to another any data of the Companies for use by Unitil or any other person in connection with the Services or otherwise, so long as the data and electronic files are readable to Unitil through commercially reasonable means.

## **ARTICLE II FEES, BILLING AND PAYMENT**

### **Section 2.1 Fees and Expenses.**

(a) During the Transition Period, NiSource will bill Unitil on a monthly basis for its fully loaded cost for the Services provided pursuant to this Agreement (without the addition of any profit factor) in a manner consistent with NiSource's billing practices to its other public utility Affiliates for shared services. In the event that, pursuant to Section 3.2, NiSource and its Affiliates choose to provide any Extended Services to Unitil following the applicable Expiration Date, NiSource will bill Unitil on a monthly basis for its fully loaded cost in providing the Extended Services pursuant to this Agreement, plus an additional profit factor as set forth in Section 3.2. In the event that Unitil has requested, and NiSource or its Affiliates have provided, any of the Services to Unitil in advance of the Closing Date, the Parties agree that fees for such Services shall be payable under this Section 2.1 as if rendered hereunder and shall be included in the first invoice delivered hereunder following the Effective Date.

(b) Unitil shall also reimburse NiSource on a monthly basis for direct, out-of-pocket expenses for amounts paid to third-party vendors to the extent incurred by NiSource or its Affiliates in the course of providing the Services and for any other reasonable third party direct, out-of-pocket expenses incurred by NiSource or its Affiliates in connection with the performance of Services.

### **Section 2.2 Billing and Payment.**

(a) Unitil will promptly pay any bills and invoices that it receives from NiSource or its Affiliates for Services provided under this Agreement. Unless otherwise provided in this Agreement, all invoices will be paid by wire transfer in accordance with the instructions provided by NiSource (in writing to Unitil) not later than 30 days following receipt by Unitil of NiSource's invoice. NiSource shall render invoices for Services or payments due under this Agreement on a monthly basis, and will use its commercially reasonable efforts to deliver such invoices within thirty (30) days of the last day of the month in which the Services were provided. Neither Unitil, nor NiSource or its Affiliates, will offset any amounts owing to it by the other Party against amounts payable hereunder or under the Purchase Agreement (except for any invoiced amounts disputed by Unitil in good faith). Should Unitil dispute any portion of any invoice, Unitil will notify NiSource in writing of the nature and basis of the dispute not later than 30 days following receipt by Unitil of NiSource's invoice.

(b) In connection with the performance of certain Services ("Account Services"), as more specifically set forth in Annex A, NiSource and its Affiliates may be making cash payments and collecting cash receipts and receivables on behalf of and for the benefit of Unitil. In such event, during the Transition Period, NiSource will, within five Business Days after the end of each accounting month of NiSource, commencing with the end of the first full accounting month after the Effective Date, deliver to Unitil a statement setting forth the cash payments and collections made in connection with the Account Services during the preceding month. If the net amount of cash payments and collections resulted in NiSource collecting more cash than it paid during such month (only with respect to Account Services), NiSource will pay to Unitil the amount of such excess within five Business Days after the cash statement

for that month has been delivered to Unitil. In the event that cash receipts are insufficient to make cash payments, NiSource will promptly notify Unitil; provided, that NiSource will have no obligation to pay more than it collects with respect to such Account Services, and all fees, charges, expenses, claims, damages or other liabilities imposed as a result of failure to pay such amounts shall be paid solely by Unitil. Notwithstanding Section 2.3, NiSource and its Affiliates will pay no interest on any of such cash payments.

**Section 2.3 Interest Payable on Amounts Past Due.** All payments required to be made pursuant to this Agreement will bear interest from and including the date 10 days after such payment is due to but excluding the date of payment with interest thereon, at a rate equal to the average daily rate of interest publicly announced by JPMorgan Chase Bank in Chicago, Illinois from time to time as its prime rate calculated on the basis of the actual number of days elapsed over 365 as in effect from time to time during the period, from the date such interest begins to accrue to the date of payment. Such interest will be payable at the same time as the payment to which it relates.

**Section 2.4 Taxes.** All charges and fees to be paid to NiSource under this Agreement are exclusive of any applicable taxes required by law to be collected from Unitil (including VAT, withholding, sales, use, excise or services tax, which may be assessed on the provision of the Services hereunder). If a VAT, withholding, sales, use, excise or services tax is assessed on the provision of any of the Services under this Agreement, Unitil will pay directly, reimburse or indemnify NiSource for such tax. The Parties will cooperate with each other in determining the extent to which any tax is due and owing under the circumstances, and will provide and make available to each other any resale certificate, information regarding out-of-state use of materials, services or sale, and other exemption certificates or information reasonably requested by either party.

### ARTICLE III TERM AND TERMINATION

**Section 3.1 Term of Agreement.** Except as provided in Sections 3.2 and 3.3 below, the term of this Agreement will commence on the Effective Date and will continue (unless sooner terminated pursuant to the terms hereof) for a period not to exceed 120 days (the "Initial Term"), provided that the Initial Term solely with respect to Services in connection with the provision of gas purchasing and management and system dispatch (as more specifically described on Annex A) will commence on the Effective Date and will continue (unless sooner terminated pursuant to the terms hereof) for a period not to exceed 180 days.

**Section 3.2 Early Termination.** Unitil may terminate any of the Services described in Annex A, including a specific function, process or task, before the expiration of the Initial Term by providing 30 days written notice to NiSource specifying the Service, including any function, process or task, to be terminated and the date on which such termination is to be effective. Following the effective date of such early termination of any Service, or specific function, process or task, NiSource shall have no obligation to provide the Service, or portion of the Service, that was subject to early termination.

**Section 3.3 Extensions of Term.** No less than forty-five (45) days before the final day of the Initial Term applicable to a particular Service (such final day, the "Expiration Date"), Unitil may request that NiSource and its Affiliates continue to provide certain Services beyond the Expiration Date by delivering to NiSource a written notice specifying the particular Services requested for an additional period and the extended period of time for which those Services are requested (the "First Extension Period") (which First Extension Period may not exceed three (3) months from the Expiration Date). NiSource and its Affiliates shall use their commercially reasonable efforts to provide such Services beyond the Expiration Date (any Services provided beyond the applicable Expiration Date, the "Extended

Services”), provided that, during the First Extension Period, NiSource will bill Unitil on a monthly basis for its fully loaded cost in providing the Extended Services pursuant to this Agreement, plus an additional profit factor of ten percent (10%) of such fully loaded cost. No less than forty-five (45) days before the final day of the First Extension Period, if any, Unitil may request that NiSource and its Affiliates continue to provide certain Extended Services beyond the First Extension Period by delivering to NiSource a written notice specifying the particular Services requested for an additional period and the extended period of time for which those Services are requested (the “Second Extension Period”) (which Second Extension Period may not exceed three (3) months from the final date of the First Extension Period). NiSource and its Affiliates shall use their commercially reasonable efforts to provide such Extended Services during the Second Extension Period, provided that, during the Second Extension Period NiSource will bill Unitil on a monthly basis for its fully loaded cost in providing the Extended Services pursuant to this Agreement, plus an additional profit factor of fifteen percent (15%) of such fully loaded cost. NiSource and its Affiliates shall have no obligation to provide any Services following the final day of the Second Extension Period, if any. Notwithstanding the foregoing, the Parties agree that should Unitil request the provision of a Service beyond the extended term described above, the Parties will negotiate in good faith the terms (including the financial terms, which will be no less favorable than those in place at the end of the Second Extension Period) upon which NiSource and its Affiliates continue to temporarily provide such Extended Service.

#### **Section 3.4 Termination Upon Breach.**

(a) Unitil may terminate this Agreement at any time, upon written notice to NiSource, in the event of a material breach of this Agreement by NiSource. Such termination will become effective 30 days from the date of receipt of such notice unless the breach is cured, or if not able to be cured within said 30-day period, significant steps to cure have been taken by NiSource within that period.

(b) NiSource may terminate this Agreement at any time, upon written notice to Unitil, in the event of a material breach of this Agreement by Unitil. Such termination will become effective 30 days from the date of receipt of such notice unless the breach is cured or if not able to be cured within said 30-day period, significant steps to cure have been taken by Unitil within that period; provided, however, that if such breach relates to the non-payment by Unitil of any fees or expenses under Article II, then termination under this Section 3.2(b) will be effective 30 days from the date of receipt of such notice unless all unpaid fees or expenses have been paid in full within such 30-day period.

(c) Notwithstanding any other provision in this Agreement stating or implying the contrary, whether this Agreement is terminated by NiSource or Unitil, Unitil will remain liable for the payment of fees and expenses and all applicable interest accruing for the period prior to termination even though such fees may not become due until after termination. Further, in the event of termination of this Agreement pursuant to this Section 3.3, Sections 2.2(a), 2.3, 2.4, 3.3(c), 4.1, 4.3, 4.5 and 5.01 – 5.9, inclusive, will continue in full force and effect.

### **ARTICLE IV ADDITIONAL AGREEMENTS**

#### **Section 4.1 Title to Equipment; Management and Control.**

(a) All procedures, methods, systems, strategies, tools, equipment, facilities and other resources used by NiSource and any of its Affiliates in connection with the provision of Services hereunder (collectively, the “Equipment”) will remain the property of NiSource and its Affiliates and,

except as otherwise provided in this Agreement, will at all times be under the sole direction and control of NiSource and its Affiliates.

(b) Except as otherwise provided in this Agreement, management of, and control over, the provision of the Services (including the determination or designation at any time of the Equipment, employees and other resources of NiSource and its Affiliates to be used in connection with the provision of the Services) will reside solely with NiSource. Without limiting the generality of the foregoing, all labor matters relating to any employees of NiSource and its Affiliates will be within the exclusive control of NiSource and its Affiliates, and Unitil will take no action affecting such matters. NiSource will be solely responsible for the payment of all salary and benefits and all income tax, social security taxes, unemployment compensation, tax, workers' compensation tax, other employment taxes or withholdings and premiums and remittances with respect to employees of NiSource and its Affiliates used to provide Services.

**Section 4.2 Validity of Documents.** The Parties will be entitled to rely upon the genuineness, validity or truthfulness of any document, instrument or other writing presented in connection with this Agreement unless such document, instrument or other writing appears on its face to be fraudulent, false or forged.

**Section 4.3 Confidentiality.** Each party will cause each of its Affiliates and each of its and their officers, directors and employees to hold all information relating to the business of the other party and its Affiliates disclosed to it by reason of this Agreement (the "Confidential Information") confidential for a period of three years from the Effective Date, and will not use or disclose any such Confidential Information to any third party unless legally compelled to disclose such information; provided, that to the extent that a person receiving Confidential Information hereunder may become legally compelled to disclose any Confidential Information, such person (a) may only disclose such information if it will first have used commercially reasonable efforts to obtain, and, if practicable, will have afforded the other party the opportunity to obtain, an appropriate protective order or other satisfactory assurance of confidential treatment for the information required to be so disclosed, and (b) if such protective order or other remedy is not obtained, or the other party waives such person's compliance with the provisions of this Section 4.3, they will only furnish that portion of the Confidential Information which is legally required to be so disclosed. As used in this Agreement, "Confidential Information" does not include any information which (x) is or becomes generally available to the public other than as a result of a disclosure by a party hereto, its Affiliates or any person acting on behalf of any such Person, or (y) becomes available to a party hereto or its Affiliates on a non-confidential basis, provided that such source was not known by such party or its Affiliates to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, such other party to this Agreement or its Affiliates with respect to such information.

**Section 4.4 Third-Party Agreements.** To the extent that any third-party proprietor of information or software to be disclosed or made available to Unitil in connection with performance of the Services hereunder requires a specific form of non-disclosure, license or service agreement as a condition of its consent to use of the same for the benefit of Unitil or to permit Unitil access to such information or software, Unitil agrees to execute (and will cause its employees to execute, if required) any such form.

**Section 4.5 Limitation of Liability; Indemnity.**

(a) Neither of the Parties nor any of their respective Affiliates will be liable to the other party or any third party for any special, punitive, consequential, incidental or exemplary damages (including lost or anticipated revenues or profits relating to the same or losses upon a multiple of earnings and attorneys' fees) arising from any claim relating to this Agreement or any of the Services to be

provided hereunder or the performance of or failure to perform such party's obligations under this Agreement, whether such claim is based on warranty, contract, tort (including negligence or strict liability) or otherwise, and regardless of whether such damages are foreseeable or an authorized representative of such party is advised of the possibility or likelihood of such damages. In addition, neither of the parties hereto nor any of their respective Affiliates will be liable to the other party, any of their Affiliates or any third party, for any direct damages arising from any claim relating to this Agreement or any of the Services to be provided hereunder or NiSource's or its Affiliates' performance of or failure to perform obligations under this Agreement, except to the extent that such direct damages are caused by the gross negligence or willful misconduct of such party or their Affiliates.

(b) Unitil will indemnify NiSource and each of its Affiliates against all Losses attributable to any third-party claims arising from or relating to the provision of Services under this Agreement to the extent that such Losses arise from the gross negligence or willful misconduct of Unitil, any of its Affiliates or any of its or their respective employees, officers or directors.

(c) NiSource will indemnify Unitil and each of its Affiliates against all Losses attributable to any third-party claims arising from or relating to the provision of Services under this Agreement to the extent that such Losses arise from the gross negligence or willful misconduct of NiSource, any of its Affiliates or any of its or their respective employees, officers or directors.

(d) All claims for indemnification pursuant to this Section 4.5 will be made in accordance with the procedures set forth in Section 7.4 of the Purchase Agreement.

#### **ARTICLE V MISCELLANEOUS**

**Section 5.1 Relationship of Parties.** Except as specifically provided in this Agreement (a) neither party hereto will act or represent or hold itself out as having authority to act as an agent or partner of the other party, or (b) in any way bind or commit the other party to any obligations or agreement. Nothing contained in this Agreement will be construed as creating a partnership, joint venture, agency, trust, fiduciary relationship or other association of any kind, each party being individually responsible only for its obligations as set forth in this Agreement. The parties' respective rights and obligations hereunder will be limited to the contractual rights and obligations expressly set forth in this Agreement on the terms and conditions set forth in this Agreement.

**Section 5.2 Notices.** All notices, consents and other communications hereunder will be in writing and will be effective upon receipt or refusal to accept receipt when delivered by (a) hand; or (b) Federal Express or a similar overnight courier; or (c) United States Post Office enclosed in a postage prepaid, registered or certified envelope addressed; or (d) by e-mail (with a confirming copy of such communication to be sent as provided in clauses (a), (b) or (c) above), in each case, to the party for whom intended, at the address for such party set forth below (or at such other address for a party as will be specified by like notice, provided, however, that any notice of change of address will be effective only upon receipt):

(a) If to the Unitil: Unitil Corporation  
6 Liberty Lane West  
Hampton, New Hampshire 03842  
Telephone No.: (603) 773-6422  
Email collin@unitil.com  
Attention: Mark H. Collin  
Senior Vice-President and CFO

with a copy to: Dewey & LeBoeuf LLP  
260 Franklin Street  
Boston, MA 02110  
Telephone No.: (617) 748-6800  
Email smueller@dl.com  
Attention: Scott J. Mueller Esq.

If to NiSource: NiSource Inc.  
801 East 86<sup>th</sup> Avenue  
Merrillville, Indiana 46410  
Telephone No.:  
Email: jstaton@nisource.com  
Attention: Jimmy D. Staton; and

Bay State Gas Company  
300 Friberg Parkway  
Westborough, MA 01581  
Telephone No.: (508) 836-7000  
Email: sbryant@nisource.com  
Attention: Stephen H. Bryant, President

with a copy to: Schiff Hardin LLP  
6600 Sears Tower  
Chicago, Illinois 60606  
Telephone No.: (312) 258-5500  
Email: dbaker@schiffhardin.com  
Attention: Darren C. Baker, Esq.

**Section 5.3 Disputes; Applicable Law; Jurisdiction.**

(a) In the event of any dispute or disagreement between Unitil and NiSource as to the interpretation of any provision of this Agreement (or the performance of obligations hereunder), the matter, upon written request of either party, shall be referred to representatives of the parties for decision. Such representatives shall meet promptly and, in any event, within ten Business Days after delivery of any such written request, in a good faith effort to resolve the dispute. If such representatives do not agree upon a decision within 30 days after delivery of any such written request, each of Unitil and NiSource shall be free to exercise the remedies available to it under applicable law, subject to clause (b) below.

(b) This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware without giving effect to the principles of conflicts of law thereof. Each of the parties hereto hereby expressly and irrevocably submits to the non-exclusive personal jurisdiction of the courts of the State of Delaware (collectively, the "Delaware Courts"), preserving, however, all rights of removal to any federal court located in the District of the State of

Delaware under 28 U.S.C. Section 1441, in connection with all disputes arising out of or in connection with this Agreement or the transactions contemplated hereby and agrees not to commence any litigation relating thereto except in such courts. Each party hereby waives the right to any other jurisdiction or venue for any litigation arising out of or in connection with this Agreement or the transactions contemplated hereby to which any of them may be entitled by reason of its present or future domicile. Notwithstanding the foregoing, each of the parties hereto agrees that each of the other parties will have the right to bring any action or proceeding for enforcement of a judgment entered by the Delaware Courts in any other court or jurisdiction.

**Section 5.4 Entire Agreement; Amendment.** This Agreement (which includes Annex A and Annex B), constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including the Purchase Agreement and Exhibit C to the Purchase Agreement. Subject to applicable law, this Agreement may be amended, modified and supplemented in any and all respects by written agreement of the parties at any time with respect to any of the terms contained herein.

**Section 5.5 Parties in Interest.** This Agreement may not be transferred, assigned, pledged or hypothecated by any party hereto (whether by operation of law or otherwise) without the prior written consent of the other party. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

**Section 5.6 Interpretation.** The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes,” “including” or similar expressions are used in this Agreement, they will be understood to be followed by the words “without limitation”. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

**Section 5.7 Third-Party Beneficiaries.** Each party intends that this Agreement will not benefit or create any right or cause of action in or on behalf of any Person other than the parties hereto; provided, that notwithstanding this Section 5.7, the provisions of Section 4.5(b) and Section 4.5(c) will inure to the benefit of the Persons identified therein, and may be enforced by such Persons and their respective heirs and personal representatives.

**Section 5.8 Annex A.** Annex A is incorporated in, and made a part of, this Agreement.

**Section 5.9 Severability.** If any term, provision, covenant or restriction of this Agreement is held by a Governmental Entity to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions of this Agreement will remain in full force and effect and will in no way be affected, impaired or invalidated.

**Section 5.10 Waiver.** Except as otherwise provided in this Agreement, any failure of either of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.



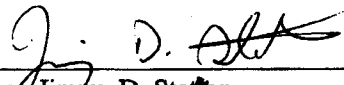
**Section 5.11 Force Majeure.** No liability shall result from any delay or failure in performance by either party resulting from any cause, condition or event beyond the reasonable control of the party affected, including acts of God, fire, flood, war, government action, accident, labor trouble or shortage, or inability to obtain material, utilities, equipment, energy or transportation (each a "**Force Majeure Event**"), provided that the foregoing may not be raised as a defense or excuse for the failure of the Unitil to pay any amount due and payable to NiSource pursuant to this Agreement. Either party claiming the benefit of this **Section 5.11** shall promptly notify the other party in writing upon learning of the occurrence of any Force Majeure Event and upon such notice the affected provisions and/or other requirements of this Agreement shall be suspended or reduced by an amount consistent with reductions made to the other operations of such party that are also affected by such Force Majeure Event during the period of such disability. Upon the cessation of such Force Majeure Event, NiSource will use its commercially reasonable best efforts to resume its performance of the Services hereunder as soon as practicable following the Force Majeure Event, and, in any event, within 30 days of giving notice to Unitil of such Force Majeure Event. If the Force Majeure Event continues to have effect for a period of more than 30 days, the party not claiming relief under this **Section 5.11** shall have the right to terminate the Services affected by such Force Majeure Event immediately upon written notice of such termination to the other party.

**Section 5.12 Counterparts.** This Agreement may be executed in counterparts and multiple originals, each of which will be deemed an original, and all of which taken together will be considered one and the same agreement.

**[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be duly executed, all as of the date first above written.

**NISOURCE INC.**

By:   
Name: Jimmy D. Station  
Title: Executive Vice President and  
Group Chief Executive Officer

**UNITIL CORPORATION**

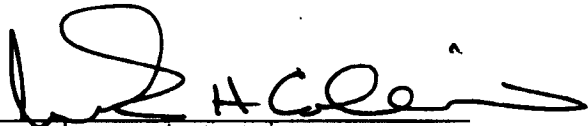
By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be duly executed, all as of the date first above written.

**NISOURCE INC.**

By: \_\_\_\_\_  
Name:  
Title:

**UNITIL CORPORATION**

By:   
Name: Mark H. Collins  
Title: Sr. Vice President, Chief Financial  
Officer & Treasurer

## TRANSITION SERVICES AGREEMENT

### Annex A

<b>Function:</b> Customer Information System	<b>Annex #:</b> A.1
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Dick James	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Raymond Morrissey / Mark Lambert	<b>Start Date:</b> 12.1.08

#### **General Description of Services to be Provided:**

**Customer Information System (CIS) Services:** Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), NiSource will provide operation, maintenance and reconciliation services with respect to CIS.

#### **Specific List of Services to be Provided:**

##### **Specific Processes / Tasks:**

- a. **CIS:** Operate and maintain all aspects of NiSource CIS required for servicing customers in Maine and New Hampshire. Operate and maintain all aspects of NiSource CIS required for servicing suppliers including the interface with the Easy On system, which allows suppliers the ability to process changes and access historical information.
- b. **Reconciliation:** Reconcile NiSource CIS billing and related reporting monthly.

#### **Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain NiSource Customer Information System and related systems as necessary to provide these services.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Billing Services	<b>Annex #:</b> A.2
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Linda Siddons	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Mark Lambert	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Billing Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), NiSource will bill regulated services (at rates determined and maintained by Unitil/Northern) provided to metered and unmetered customers (including special contract and transportation customers), bill unregulated services (at rates determined and maintained by Unitil/Northern) provided to customers, and provide customer refund data to Unitil Accounts Payable.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Customer Refund Processing:</b> Administer customer refund process in NiSource's Customer Information System and provide a weekly customer refund file to Unitil's Accounts Payable group.
b. <b>Regulated and Unregulated Billing:</b> Perform all regulated and unregulated billing services for metered and unmetered customers and all associated tasks required to discharge those responsibilities (i.e., billing exceptions, rate maintenance, low income discount, adjustments, cancel/rebills, meter schedules, mailing services). Provide support to Unitil's Customer Service Center, as necessary.
c. <b>Daily Metered Customer Billing and Pool Management:</b> Bill daily metered transportation customers and process enrollment transactions.
d. <b>Non-Daily Metered Customer and Pool Management:</b> Bill non-daily metered transportation customers and process enrollment transactions.
e. <b>Billing Support:</b> Provide support to Unitil, as necessary.
f. <b>Bill Printing and Inserting:</b> Daily printing and mailing of customer bills.
g. <b>Checkfree:</b> Process customer payments via Checkfree.
h. <b>Sales Tax:</b> Perform annual review and system updates for sales tax exemptions.
i. <b>Rules and Regulations:</b> Maintain compliance with applicable rules and regulations, implement any new requirements pertaining to billing.
j. <b>Special Contract Billing:</b> Administer and perform all billing for special contract customers in ME and NH.

<b>Information Systems Support Services to be Provided:</b>
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<b>Information Systems:</b> Support and maintain NiSource Customer Information System, EASy On, GRIPS and SCADA
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In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

## TRANSITION SERVICES AGREEMENT

### Annex A

<b>Function:</b> Treasury	<b>Annex #:</b> A.3
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> See below	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> See below	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Treasury Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA) including Section 2.2(b), receive, process and post cash receipts to customer accounts and transfer cash receipts to Unitil.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Cash Reporting / Transfer:</b> Provide monthly operations reports of cash receipts to Unitil's Finance Department and coordinate monthly transfer/collection of funds to/from Unitil. (Provided by Manager: Ron Andrews; Provided to Manager: Mike McKinney)
b. <b>Cash Remittance:</b> Process all cash remittance (i.e., lockbox, credit cards, e-checks, Western Union, wires) and post cash receipts in NiSource's Customer Information System. (Provided by Manager: Hal Armbrust; Provided to Manager: Mark Lambert)

<b>Information Systems Support Services to be Provided:</b>
<b>Information Systems:</b> Support and maintain NiSource Customer Information System and related systems as necessary to provide these services.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Customer Communications	<b>Annex #:</b> A.4
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> See below	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Mark Lambert / Cindy Carroll	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Customer Communications Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), provide call center services for customers that are provided with regulated and unregulated services as well as new business calls, response to PUC and CAD complaints, recording of call center performance for SQI reporting, maintenance of the external customer website, and preparation of bill inserts.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Call Center and Customer Services for Regulated Customers:</b> Perform all call center services for regulated emergency and non-emergency calls. Services include, but are not limited to, internal and external reporting, answering calls within the current guideline, issuing and managing work orders, collecting and reporting activity required for SQI reporting. (Provided by Manager: Mike Davidson)
b. <b>Energy Efficiency / DSM Services:</b> Receive customer calls, perform assessment for eligibility, forward information to Unitil. (Provided by Manager: Derek Buchler)
c. <b>Call Center and Customer Services for Unregulated Customers:</b> Perform all call center services for unregulated customers. Services include, but are not limited to: internal reporting, answering calls within the current guidelines, issuing and managing the work orders. (Provided by Manager: Scott McDonald)
d. <b>Call Center and Customer Services for New Business:</b> Screen calls to qualify leads, provide information to Unitil's business development representatives, monitor the process through meter set and turn on, provide required reporting. (Provided by Manager: Patty Dyer)
e. <b>Regulatory Complaints:</b> Continue to respond to, and resolve, all PUC and CAD complaints. (Provided by Manager: Virginia Anthony)
f. <b>Service Quality (SQI) Reporting:</b> Gather, record and report SQI activity to Unitil. (Provided by Manager: Virginia Anthony)
g. <b>External Customer Website:</b> Maintain the Northern Utilities website and all the functions and information associated with the website including, but not limited to, real time account inquiry and payment option services (credit card and e-check). (Provided by Manager: Phil Wells)



h. **Bill Inserts:** Provide customer communication inserts and other collateral and billing messages that have been identified to NiSource personnel through the customer communications plan. (Provided by Manager: Phil Wells and Virginia Anthony)

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain NiSource Customer Information System and related systems as necessary to provide these services.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Credit and Collections	<b>Annex #:</b> A.5
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Linda Siddons	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Mark Lambert	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Credit &amp; Collections Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), provide credit and collections services associated with regulated and non-regulated services including, but not limited to, deposits, write-offs, payment arrangements, agency programs, customer protections, moratorium-related processes, preparation of regulatory reports and implementation of new requirements.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Collections - Regulated:</b> Perform all tasks associated with the credit and collections functions for regulated and non-regulated services used to ensure timely payments from customers within the established regulatory guidelines.
b. <b>Customer Deposits:</b> Collect deposits from new customers in accordance with regulations, as appropriate.
c. <b>Customer Write-Offs:</b> Review customer aging and perform monthly write offs of uncollectible accounts, provide monthly reports.
d. <b>Customer Payment Arrangements:</b> Establish payment plans in accordance with applicable regulations and past practices, and monitor payment activity.
e. <b>Agency Payments, Communications and Reporting:</b> Perform all tasks associated with agency programs, such as fuel assistance, to ensure customers are enrolled in the low income discount rate and coded for fuel assistance benefits. Provide reporting for regulators, as applicable.
f. <b>Customer Protections:</b> Continue to review, process and maintain customer protections in accordance with applicable rules and regulations.
g. <b>Pre-Moratorium Annual Review and Mailing:</b> Perform the annual review of customers that have been disconnected for non-payment earlier in the year in accordance with NHPUC rules and regulations.
h. <b>Monthly Reports:</b> Prepare and submit the monthly accounts receivable and collections report to the MPUC and NHPUC as well as the annual report that needs to be filed with the MPUC on 2/15/09.

- i. **New Rules and Regulations:** Implement new rules and requirements, which may be issued by state regulators, pertaining to credit and collection activities.

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain NiSource Customer Information System and related systems as necessary to provide these services.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Meter Reading	<b>Annex #:</b> A.6
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> See below	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Justin Eisfeller	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Meter Reading Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), download routes to meter readers, upload monthly meter readings to NiSource Customer Information System, read Metscan meters and monitor associated processing activities, prepare monthly regulatory reports.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Daily Reading - Monthly Meters:</b> Maintain and schedule cycle routes and assign to meter readers. Download Daily Meter Reading Cycle Data from NiSource Customer Information System via MVRS. Upload Daily Meter Readings to NiSource Customer Information System via MVRS. Reconcile cycle routes. Prepare meter reading reports for New Hampshire and Maine. (Provided by Manager: Linda Siddons)
b. <b>Daily Reading - Metscan (Daily) Meters:</b> Provide an electronic file of daily meter read information for the daily metered transportation customers via the NiSource EASy On system (from FlowCal and Metscan). Post readings to an ftp website for marketers to use for their daily nominations. (Provided by Manager: Ron Slate)

<b>Information Systems Support Services to be Provided:</b>
<b>Information Systems:</b> Support and maintain NiSource Customer Information System and meter reading and related applications including MVRS, Metscan, EASy On, Flowcal

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

## TRANSITION SERVICES AGREEMENT

### Annex A

<b>Function:</b> Accounting Services	<b>Annex #:</b> A.7
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Start Date:</b> 12.1.08
<b>Provided by Manager:</b> Bob Kriner / William Telzerow	<b>Estimated End Date:</b> 6.1.08
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Initial Term:</b> 4 Months
<b>Provided to Manager:</b> Larry Brock	<b>Extended Term:</b> As Requested per Section 3.3

<b>General Description of Services to be Provided:</b>
<b>Accounting Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), prepare monthly journal entries for customer transactions from NiSource's Customer Information System, and support the preparation of various financial reports.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Customer Accounting:</b> Reconcile data and prepare the monthly summary level journal entry related to customer revenue, cash activity (remittance, adjustments, etc.), accounts receivable, write-offs, etc. Provide monthly journal entry and reports summarizing journal activity.
b. <b>Financial Reporting:</b> Provide support for the preparation of various financial reports including the semi-annual NU F-8G filing (due in January 2009) and the annual EIA, state and FERC reporting to be prepared in the February / March 2009 timeframe including FERC Form 2A and FERC Form 3Q and training for Granite State Gas Transmission, Inc.
c. <b>General Support Services:</b> Provide support services for Northern Utilities and Granite State general accounting and construction accounting, as necessary.
d. <b>Sales and Consumption Tax:</b> Provide information necessary to file sales tax with the State of Maine and consumption tax with the State of New Hampshire.

<b>Information Systems Support Services to be Provided:</b>
<b>Information Systems:</b> Support and maintain NiSource Customer Information System and related systems as necessary to provide these services.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**  
**Annex A**

<b>Function:</b> Gas Dispatch and Control	<b>Annex #:</b> A.8
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 6.1.08
<b>Provided by Manager:</b> Francisco DaFonte	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Justin Eisfeller / Cindy Rivers	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Gas Dispatch and Control Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), provide the following energy measurement and control functions.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>System Monitoring and Control:</b> Actively monitor and control the Northern Utilities and Granite systems via SCADA. Coordinate with Unitil on daily operations.
b. <b>System Monitoring and Continued Training:</b> Actively monitor the Northern Utilities and Granite systems via SCADA. Coordinate with Unitil on daily operations.
c. <b>Daily Load Forecast:</b> Forecast and implement the daily load plan. Prepare a daily load forecast for Unitil which will be used for comparison purposes only. Provide oversight and guidance, as necessary.
d. <b>Unitil SCADA Commissioning:</b> Field test the Unitil SCADA communication equipment. Confirm the data transfer to Unitil is valid and agrees with the data received by NiSource's SCADA.
e. <b>Monitoring and Control Training:</b> Onsite training for Unitil's Gas Controllers.
f. <b>Daily Pipeline Balancing (including pipeline nominations):</b> Manage pipeline balancing; provide list of nominations and confirm actual deliveries and local production.
g. <b>Daily Pipeline / Storage/ Commodity Data:</b> Provide a summary sheet of daily flow data at all supply points, plants, and major customers.
h. <b>Retail supplier Nominations:</b> Process retail supplier nominations for peaking, company managed services (ME and NH).
i. <b>Retail Supplier Pool Balancing:</b> Verify upstream pipeline deliveries by retail suppliers. Balance supplier pools.

j. **SCADA Web:** Provide Unitil personnel with view only access to SCADA Web.

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain NiSource Customer Information System and related applications including, but not limited to, SCADA, GRIPS, and EASy.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Gas Supply	<b>Annex #:</b> A.9
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Francisco DaFonte	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Rob Furino	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Gas Supply Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), provide services that support daily operations, gas accounting, interruptible billing, regulatory reporting, resource planning and retail supplier management activities.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Resource Planning:</b> Determine monthly supply plan for gas purchases, storage injections / withdrawals and peaking requirements
b. <b>Daily Operations:</b> Daily planning and scheduling of supply. Enter individual NH and ME interruptible rates into the NiSource CIS. Prepare NH and ME Interruptible Sales Report. Prepare NH and ME interruptible usage and revenues reports, including average daily usage reports. Calculate interruptible margins and provide workpapers. Bill interruptible customers as needed.
c. <b>Gas Contracting:</b> Maintain and provide records for daily, monthly and seasonal transactions. Update personnel on FERC-related regulatory proceedings affecting Northern Utilities.
d. <b>Regulatory Reporting:</b> Provide all workpapers for gas supply regulatory reports. Provide weekly LNG and LP report for the NHPUC. Identify third party provider of reporting requirements for all imports and exports of gas to US Customs, DOE and the NEB.
e. <b>Gas Cost Accounting:</b> Process pipeline, storage and commodity invoices for payment. Perform month-end closing activities for all transactions and provide associated accounting entries, including LNG and LPG facilities.
f. <b>Retail Supplier Management:</b> Maintain customer choice website and provide retail supplier customer support. Calculate capacity assignment volumes and company managed costs for retail marketers. Bill marketers for capacity mitigation service – if elected. Bill marketers for all company managed pipeline / storage and peaking supplies. Include charges for storage inventory transfers and miscellaneous adjustments – NH only. Communicate data to Northern Utilities' Gas Transportation Services Department.
g. <b>Hedging:</b> Manage and report on Northern's financial hedging program.



h. **Local Production:** Provide month end accounting reports for LNG and LPG facilities.

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain all NiSource software packages that support the Gas Supply function.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Field Services	<b>Annex #:</b> A.10
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Marie Walker	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Chris LeBlanc / Justin Eisfeller	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Field Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), provide coverage for field services in Northern Utilities' southern New Hampshire service territory, which is currently covered by Bay State's operations in Lawrence, MA.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Field Collections:</b> Assign collection orders, updated information in NiSource CIS.
b. <b>Customer Service Dispatching:</b> Call or email work orders to Unitil, report completed work orders to NiSource CIS.
c. <b>Field Dispatching:</b> Initiate work orders, including assignment of collection orders, in NiSource CIS, transfer work orders to Unitil, update completed work orders in NiSource CIS.
d. <b>Service - Southern NH:</b> Provide all labor, materials, equipment and supervision required for performing service department activities. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.
e. <b>Maintenance / Compliance - Southern NH:</b> Provide all labor, materials, equipment and supervision required for performing maintenance / compliance activities. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.
f. <b>Dig Safe - Southern NH:</b> Provide all labor, materials, equipment and supervision required for performing facility mark-out activities. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.
g. <b>Emergency Leak Response - Southern NH:</b> Provide all labor, materials, equipment and supervision required for providing emergency first responders. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.

h. **Scheduled Leak - Southern NH:** Provide all labor, materials, equipment and supervision required for scheduled leak repairs. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain NiSource Customer Information System and related systems.

In connection with any Services provided by or through IBM under this Annex A, Unutil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unutil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Granite Transportation	<b>Annex #:</b> A.11
<b>Provided by:</b> NiSource Corporate Services / Bay State / TCO	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Francisco DaFonte / Ron Slate	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Rob Furino / Chris LeBlanc / Justin Eisfeller	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Granite Transportation Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), Granite State requests that NiSource Corporate Services Company and TCO provide the following energy supply functions.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Process Customer Noms / Interconnecting Pipelines:</b> Daily confirmations into and out of Granite pipeline. Provide listings of daily receipts from upstream pipelines.
b. <b>Customer Service to Shippers:</b> Support transportation customer inquiries and support use of scheduling system.
c. <b>Electronic Bulletin Board (EBB):</b> Monitor informational postings section of EBB, as needed.
d. <b>Billing and Accounting:</b> Prepare invoices, update for customer remittance and maintain customer files. Provide monthly journal entry to Until's Accounting Department.
e. <b>Granite - Integrity Management Reporting:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unutil. Unutil will prepare and submit the report.
f. <b>Granite DOT Transmission Annual Report F7100.2-1:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unutil. Unutil will prepare and submit the report.
g. <b>Work Management System:</b> Support and maintain the Maximo work management system.

<b>Information Systems Support Services to be Provided:</b>
<b>Information Systems:</b> Support and maintain all NiSource software packages that support the Granite Transportation function including Maximo.

In connection with any Services provided by or through IBM under this Annex A, Unutil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and

agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

**TRANSITION SERVICES AGREEMENT**

**Annex A**

<b>Function:</b> Regulatory	<b>Annex #:</b> A.12
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Joe Ferro / Stan Sagun / Mike Walker	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Rob Furino / Karen Asbury	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Regulatory Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), continue to perform certain regulatory services, including preparation of filings that rely on 2008 data.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Tariff Administration:</b> Maintain tariffs and changes. Communicate and post tariff changes. Monitor compliance activities.
b. <b>Special Contracts Administration:</b> Price updates (annual inflation).
c. <b>Rates Administration:</b> Maintain rate summary for IT. Communicate rate changes, as applicable.
d. <b>Compliance Filings / Reporting:</b> Prepare and/or support various filings and reporting requirements including, but not limited to, cost of gas filings.
e. <b>Regulatory Oversight:</b> Provide support on regulatory matters to Northern Utilities and Granite State strictly in accordance with, and consistent with, past practice.
<b>Information Systems Support Services to be Provided:</b>
<b>Information Systems:</b> Support and maintain all NiSource software packages required to monitor and manage regulatory matters.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

## TRANSITION SERVICES AGREEMENT

### Annex A

<b>Function:</b> Engineering - Regulatory Reporting	<b>Annex #:</b> A.13
<b>Provided by:</b> NiSource Corporate Services / Bay State	<b>Estimated End Date:</b> 4.1.08
<b>Provided by Manager:</b> Keith Dalton	<b>Initial Term:</b> 4 Months
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	<b>Extended Term:</b> As Requested per Section 3.3
<b>Provided to Manager:</b> Kevin Sprague	<b>Start Date:</b> 12.1.08

<b>General Description of Services to be Provided:</b>
<b>Engineering Regulatory Reporting Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), gather and compile 2008 data through the closing date for various engineering regulatory reports. Provide 2008 data through closing date to Unitil. Unitil will compile remaining 2008 data and file the reports.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>NH Bare Steel Annual Report:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.
b. <b>NU Integrity Management Reporting:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.
c. <b>NU DOT Transmission Annual Report F7100.2-1:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.
d. <b>NU DOT Distribution Annual Report F7100.1-1:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.
e. <b>NU - ME PUC Cast Iron Risk Assessment:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.
f. <b>NU - ME PUC Bare Steel Mains Risk Assessment:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.
g. <b>NU - ME PUC Bare Steel Services Risk Assessment:</b> Compile and provide 11 months of 2008 data and supporting documentation to Unitil. Unitil will prepare and submit the report.

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain all NiSource software packages required to produce data for these reports.

In connection with any Services provided by or through IBM under this Annex A, Unutil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unutil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.

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*Laurence M. Brock*

Controller  
& Chief Accounting Officer

February 13, 2009

NiSource Inc.  
Attention: Jimmy D. Staton  
801 East 86<sup>th</sup> Avenue  
Merrillville, Indiana 46410

**Re: Notice of Extension of Term of Transition Services**

Dear Mr. Staton:

Pursuant to the terms of Article III of the Transition Services Agreement dated December 1, 2008, between NiSource Inc. and Unitil Corporation, this correspondence is provided in accordance with the notice requirement of Section 3.3, Extensions of Term. Effective February 13, 2009, Unitil hereby requests that NiSource continue to provide transition services for the First Extension Period for the specific processes / tasks identified in the attached Annexes #A.1 through #A.13. As of this date, the only transition services that have been terminated are the specific processes / tasks identified as (d), (e), (f), (g) and (h) in Annex #A.10.

If you have any questions regarding this notice, please contact me at 603-773-6510.

Sincerely,

A handwritten signature in black ink that reads "Laurence M. Brock".

Laurence M. Brock  
Controller & Chief Accounting Officer

Attachment

cc: Stephen H. Bryant, Bay State Gas Company  
Darren C. Baker Esq., Schiff Hardin LLP

Corporate Office

6 Liberty Lane West  
Hampton, NH 03842-1720

Phone: 603-773-6510  
Fax: 603-773-6710

Email: [brock@unitil.com](mailto:brock@unitil.com)



We deliver.  
It's that simple.

Chad R. Dixon  
Director, Internal  
Audit and Controls

February 2, 2009

NISource Inc.  
Attention: Jimmy D. Staton  
801 East 86<sup>th</sup> Avenue  
Merrillville, Indiana 46410

Re: **Notice of Termination of Transition Services**

Dear Mr. Staton:

Pursuant to the terms of Article III of the Transition Services Agreement dated December 1, 2008, between NISource Inc. and Unitil Corporation, this correspondence is provided in accordance with the notice requirement of Section 3.2; Early Termination. As described on the attached Annex #A.10, effective March 4, 2009, Unitil hereby provides notice of termination of transition services for the specific processes / tasks identified as (d), (e), (f), (g) and (h). Until further notice, please continue to provide the transition services for the specific processes / tasks identified as (a), (b) and (c).

If you have any questions regarding this notice, please contact me at 603-773-8507.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad R. Dixon".

Chad R. Dixon  
Director, Internal Audit and Controls

Attachment

cc: Stephen H. Bryant, Bay State Gas Company  
Darren C. Baker Esq., Schiff Hardin LLP

**Corporate Office**

6 Liberty Lane West  
Hampton, NH 03842-1720

Phone: 603-773-8507  
Fax: 603-773-8707

Email: [dixon@unitil.com](mailto:dixon@unitil.com)

## TRANSITION SERVICES AGREEMENT

### Annex A

<b>Function:</b> Field Services	Annex #: <b>A.10</b>
<b>Provided by:</b> NiSource Corporate Services / Bay State	Estimated End Date: <b>4.1.08</b>
<b>Provided by Manager:</b> Marie Walker	Initial Term: <b>4 Months</b>
<b>Provided to:</b> Northern Utilities, Inc. / Granite State	Extended Term: <b>As Requested per Section 3.3</b>
<b>Provided to Manager:</b> Chris LeBlanc / Justin Eisfeller	Start Date: <b>12.1.08</b>

<b>General Description of Services to be Provided:</b>
<b>Field Services:</b> Subject in each and every case to the general provisions of the Transition Services Agreement (TSA), provide coverage for field services in Northern Utilities' southern New Hampshire service territory, which is currently covered by Bay State's operations in Lawrence, MA.
<b>Specific List of Services to be Provided:</b>
<b>Specific Processes / Tasks:</b>
a. <b>Field Collections:</b> Assign collection orders, updated information in NiSource CIS.
b. <b>Customer Service Dispatching:</b> Call or email work orders to Unitil, report completed work orders to NiSource CIS.
c. <b>Field Dispatching:</b> Initiate work orders, including assignment of collection orders, in NiSource CIS, transfer work orders to Unitil, update completed work orders in NiSource CIS.
d. <b>Service - Southern NH:</b> Provide all labor, materials, equipment and supervision required for performing service department activities. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.
e. <b>Maintenance / Compliance - Southern NH:</b> Provide all labor, materials, equipment and supervision required for performing maintenance / compliance activities. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.
f. <b>Dig Safe - Southern NH:</b> Provide all labor, materials, equipment and supervision required for performing facility mark-out activities. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.
g. <b>Emergency Leak Response - Southern NH:</b> Provide all labor, materials, equipment and supervision required for providing emergency first responders. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.

h. **Scheduled Leak - Southern NH:** Provide all labor, materials, equipment and supervision required for scheduled leak repairs. Prepare and provide all reports and paperwork required to maintain regulatory compliance and to support regulatory reports.

**Information Systems Support Services to be Provided:**

**Information Systems:** Support and maintain NiSource Customer Information System and related systems.

In connection with any Services provided by or through IBM under this Annex A, Unitil, on behalf of itself and its other Affiliates (including Northern Utilities and Granite State) acknowledges and agrees that (i) the scope of such Services will be the same as those provided by IBM to Northern Utilities or Granite State prior to this Agreement, (ii) that IBM shall not under any circumstances be required to modify its systems or processes used to perform or provide the services and (iii) that Unitil will comply with NiSource's or IBM's requests and directions with respect to the protection of IBM's intellectual property rights.