



July 2009

**UNITIL / NORTHERN
TRANSITION PLAN REPORT**

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Transition Plan Report
July 15, 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” or the “Company”) acquired all of the stock of Northern Utilities, Inc. (“Northern”) and Granite State Gas Transmission, Inc. (“Granite”). Most of Northern’s and Granite’s business functions were successfully assumed by Unitil’s management during the first two weeks following the Closing and have operated well and our managers have resolved minor issues in workflow and paperwork as we went along. Since the Closing, the Company’s efforts have been focused on the transition of the Customer Service functions and related processes and systems as well as the Gas Purchasing, Management and Dispatch functions. Those functions continued to be supported by NiSource, Inc (“NiSource”) under the Transition Services Agreement (“TSA”) between Unitil and NiSource and its affiliates, including Bay State Gas Company (“Bay State”).

Unitil is pleased to report that the conversion of the Northern customer portfolio data from the NiSource into the Unitil Customer Information System (“CIS”) began on Friday, July 3 and was completed on Saturday, July 4 when Unitil successfully validated the CIS portfolio data transfer. The Customer Service functions, which serve the needs of Northern’s customers, commenced on Sunday, July 5 at approximately 11:00PM. At the time of this filing, Unitil has performed the customer service, billing, remittance, credit and related functions for the Northern customer portfolio for 10 days. Generally, the Customer Service functions that were assumed by Unitil are operating well and our managers and employees have resolved minor issues that have arisen.

In past Transition Plan Reports, we updated you on draft Go-Live plans and estimated timelines for execution, provided details on Unitil’s communication plans to Northern’s customers and employees and provided information regarding the two major

components of Unitil's Transition Plan: a) the Business Integration Plan ("BIP") and b) the TSA between Unitil and NiSource and its affiliates.

The first component of the Transition Plan, the BIP, contained the individual, functional Go-Live plans, most of which are now complete, prepared by Unitil's Functional Integration Team Leaders ("FIT's") in conjunction with their NiSource and Bay State counterparts. Since the conversion of Northern's customer portfolio to Unitil's CIS will have substantially completed the major components of the BIP; we will continue to report only on the remaining BIP components that still have steps to complete. For a detailed discussion of historical events, please refer to the Transaction Plan Reports that were filed for the preceding months. In this July Transition Plan Report, we provide: a) a discussion of the CIS portfolio data conversion, b) a Go-Live plan update, and c) the status of the integration projects and associated costs.

The second component of the Transition Plan, transition services under the TSA, began on December 1, 2008 and has been provided for over seven months. The first notification to extend transition services was due 45 days prior to the expiration of the Initial Term, which ended on March 31, 2009. Unitil provided written notice for the First Extension Period to NiSource on February 13, 2009. Unitil's written notice to extend Transition Services for the Second Extension Period through September 30, 2009, to ensure there is no interruption or diminution to the quality of service to customers, was provided to NiSource on May 15, 2009. In this July Transition Plan Report, we provide: a) a Transition Services overview, and b) a summary of expenditures to date.

Unitil has committed to provide these Transition Plan Report updates monthly, on the 15th of each month throughout the transition period. Unitil will provide the next update on August 14, 2009 and will continue to provide monthly updates until the transition is completed which is anticipated to be September, 2009.

SECTION 2: BUSINESS INTEGRATION PLAN – UPDATE

A) CIS Portfolio Data Conversion

As reported earlier, the conversion of the Northern customer portfolio data from the NiSource to the Unitil CIS began on Friday, July 3 and was completed on Saturday, July 4 when Unitil successfully validated the CIS portfolio data transfer. The Customer Service functions, which serve the needs of Northern's customers, commenced on Sunday, July 5 at approximately 11:00PM. At the time of this filing, Unitil has performed the customer service, billing, remittance, credit and related functions for the Northern customer portfolio for 10 days. A summary of the activities and notable events that have occurred since Unitil assumed responsibility for the Customer Service functions is presented below:

- I. Customer Service: The Customer Service Center answered 1,934 calls, which represented approximately 26% of Unitil's total overall call volume, from Northern customers last week. The calls were divided almost evenly between the Maine and New Hampshire customers and included prior billing inquiries, new service turn on requests and concerns over the customer's ability to pay the current balance due. The call answering statistics improved each day as the customer service representatives became more comfortable with the billing system data and the new call handling processes. The following call statistics, for Northern's customer portfolio for the week ended July 10, represent the time following the customer's selection in the Interactive Voice Response system to speak to a customer service representative:
 - o Monday: 61% of incoming calls were answered in 20 seconds with a 53 second average wait time and a 5 minute and 44 second average talk time.

- Tuesday: 74% of incoming calls were answered in 20 seconds with a 20 second average wait time and a 5 minute and 24 second average talk time.
- Wednesday: 80% of incoming calls were answered in 20 seconds with a 20 second average wait time and a 5 minute and 28 second average talk time.
- Thursday: 83% of incoming calls were answered in 20 seconds with a 16 second average wait time and a 4 minute and 53 second average talk time.
- Friday: 85% of incoming calls were answered in 20 seconds with a 16 second average wait time and a 4 minute and 57 second average talk time.

The pertinent content from the Northern website was converted over to the Unitil website and the interactive functions were completed and made available to customers on Sunday, July 5 at 11:00PM. Through the first week of operation, Northern customers have created 429 “My Unitil” accounts and processed 143 credit card payments and 88 e-check payments via the website.

- II. Customer Billing: Customer billings were held for review throughout the week to verify the accuracy of the billed charges, customer information and overall presentation of the bill. All meter readings were successfully uploaded into the billing system each day and the upload content was reviewed. Minor bill presentation issues, which delayed a mass release of bills during the first week, were identified and corrected.
- Approximately 3,300 customer accounts were billed during the first week out of a total of 15,000 customer accounts that were read in the

cycles. The Company expects to reach its normal level of operating efficiency during the next two weeks as it completes its first month of metering and billing with the Unitil CIS.

- III. Cash Remittance: Cash remittance included the migration of bank lockboxes for check payments, web and IVR e-check and credit card payments, electronic bill presentment and payment services, walk-in Western Union payments and Auto-Bank Draft (Uni-Pay) services. The cash remittance team has spent their time ensuring that all payment files were properly formatted and all payments made to an old NU account number were posted correctly to the new Unitil account number. This additional scrutiny performed throughout the week by Unitil staff and the external vendors resulted in a slight delay in the application of payments to customer accounts; however, these delays were resolved by Friday, July 10.

- IV. Credit and Collections: The setup of payment plans was identified as a special handling item and the credit and collections team set up approximately 1,280 payment plans manually from the information provided by NiSource. The number of set up payment plans represents approximately 70% of all customer payment arrangements. All remaining payment arrangements will be set up manually by Wednesday, July 15. To ensure all the payment plans are set up correctly, customers will be contacted via phone or letter with the pertinent payment plan amounts and expected payment due dates. All delinquency processes have been disabled and will not resume until Monday, July 27.

B) Go-Live Plan – Update

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. The Go-Live plans were tied to two key dates: 1) the Closing and 2) the Customer Services Go-Live date. This section identifies the status of Unitil's Go-Live plans. In addition, this section also identifies certain functions for which transition services are currently being utilized that is consistent with the description provided in Section 3A.

(1) Customer Services

Customer Services are supported by Unitil's CIS, a system that was enhanced and tested to accommodate Northern's customer transactions. The transfer of the CIS portfolio data from NiSource to Unitil began on Friday, July 3 and was completed on Saturday, July 4. On Saturday evening, July 4, Unitil validated the CIS portfolio data transfer and confirmed to NiSource. As noted earlier, the Unitil CIS conversion, including testing and verification, has been completed and the go-live plan was successfully executed effective July 6. Thus, the broad range of Transition Services from NiSource to provide customers with continuous services and to ensure a seamless transition to Unitil's customer services, will significantly decline following the July 6 conversion. Unitil's notice to terminate Transition Services for Customer Services and related functions is expected to be provided to NiSource on August 14, 2009. The table below summarizes the remaining milestones for the Customer Services go-live plan.

July, 2009	1st month post-cutover Unitil production
July, 2009	Verify external customer service quality
July 31, 2009	1st Unitil production month-end close and report
August 1-14, 2009	Verify internal customer service quality
August 14, 2009	Provide notice to terminate Transition Services for Customer Services and related functions

(2) Accounting and Finance

The go-live plans for the Accounting and Finance teams and the associated transition services are effectively complete with the conversion of the CIS.

(3) Corporate Communications

The go-live plan for the corporate communications team and the associated transition services are effectively complete with the conversion of the CIS.

(4) Distribution Field Operations

The go-live plan for the distribution field operations team and the associated transition services are effectively complete with the conversion of the CIS. At the conversion, Unitil integrated its Mobile Data System ("MDS"), a new web-based system that replaced the functionality of Northern's mobile data terminals, with the Unitil CIS.

(5) Gas Supply and Gas Dispatch and Control

The go-live plan for the gas supply team and the associated transition services are effectively complete with the conversion of the CIS. The go-live plan for the gas dispatch team reflected a three-phased transition with Unitil monitoring and Bay State controlling (Phase 1: through May 14, 2009), Unitil controlling and Bay State monitoring (Phase 2: through July 2009), Unitil controlling and monitoring (Phase 3: beginning end of July 2009). The team has completed phases 1 and 2 of the go-live plan. Phase 3 of the go-live plan is

in process and Unitil has decided to continue these transition services through September 30, which is the end of the second extension period. This extension will provide Unitil additional time to train with the Bay State dispatchers in Ludlow, MA and will allow Unitil to access the SCADA web viewer as a back up, if needed.

(6) Engineering and Operations Management

The go-live plan for engineering and operations management as well as minor transition services primarily related to engineering regulatory reports are complete.

(7) Transmission System Management and Operations

The go-live plan for the transmission system management and operations team and the associated transition services were effectively complete at Closing. However, Unitil will require ongoing transition services to manage compliance and preventative maintenance activities for Granite using NiSource's Maximo system until Unitil implements an alternate software solution. This transition service is expected to continue through September 30, which is the end of the second transition period.

(8) Corporate

The go-live plan for the corporate team and the associated transition services are effectively complete with the conversion of the CIS.

(9) Infrastructure

The go-live plan for the infrastructure team and the associated transition services are effectively complete with the conversion of the CIS. Many of the team's tasks were completed in the first four months following the Closing. The team's remaining responsibility is to manage the records transfer for Northern and Granite. Phase I, including hard copy and electronic records not related to the CIS, was completed in April. Phase II, all other records related to the CIS and related systems, is scheduled to be completed on July 29.

C) Capital Projects – Expenditures: Summary

As noted in previous Transition Plan Reports, each team had prepared a preliminary assessment of internal and external resources that will be required to complete the integration according to schedule. The status of the capital project expenditures as of June 30, 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
June 30, 2009**

Authorization	Original Budget	Expenditures to Date
CUSTOMER SERVICE PROJECTS:		
Billing Conversion - Customer Information Systems	930,000	1,679,281
Interfacing - Customer Information Systems / Web-based Customer Systems, Metering, Ledgers & Reporting	544,000	524,428
Measurement - MV90 xi Network Server & Communications Equipment	147,000	139,224
G - Intake (Operations & Business Development)	71,400	100,330
Telecom Upgrade	189,000	339,030
Total Customer Service Projects:	1,881,400	2,782,293
GAS OPERATIONS & ENGINEERING PROJECTS:		
Operation Data Integration	150,675	91,887
Compliance Management System	145,300	160,484
Mobile Terminals	111,750	189,488
Gas Procedures Manuals	81,600	31,448
Gas SCADA System	142,000	190,955
Integrity Management Analysis System	65,000	58,180
Gas Dispatch Phone & Central Radio System	41,000	26,429
Equipment & Tools	31,000	52,630
Facility Enhancements & Signage	99,500	21,056
GIS	150,000	134,296
Total Gas Operations & Engineering Projects	1,017,825	956,853
FINANCE, ACCOUNTING & OTHER PROJECTS:		
Flexi Ledger / Accounts Payable / Projects / Purchasing	143,700	156,237
Energy Contracts / Energy Measurement & Control	94,000	299,798
Other Miscellaneous Projects	87,500	37,971
Total Finance, Accounting & Other Projects	325,200	494,006
Grand Total	3,224,425	4,233,152

SECTION 3: 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. 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.

Transition Services under the TSA began on December 1, 2008 and the initial term of the TSA has been extended through September 30, 2009 with the services provided under the TSA to be charged to Unitil at NiSource’s fully loaded cost plus a profit factor of 15%. As noted above, the TSA provides for the general contractual terms and conditions for the provision of Transition Service by NiSource and its affiliates. The TSA also includes 13 Annexes, which represent specific services to be provided during the transition period, and was originally filed with the MPUC and the NHPUC on December 4, 2008.

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 provided notice of Early Termination of certain transition services, related to the southern NH service territory, which were deemed to no longer be needed. Many of the Annexes and Transition Services pertained directly to, or were indirectly related to, the Customer Service functions. As a result of the conversion of the CIS customer portfolio data, Unitil has assumed the Customer Service functions and the majority of the remaining Transition Services will terminate naturally during July with the exception of:

- a. Specific functions associated with Gas Dispatch and Control Services
- b. Specific functions associated with Granite Transportation Services
- c. Ad hoc inquiries that rise to a level of transition services

Transition Services pertaining to specific functions associated with a and b above are discussed in more detail in Section 2B of this report.

During July and August, Unitil will evaluate the status of the Transition Services provided by NiSource and, as appropriate, will provide formal written notice to NiSource to terminate some or all of the remaining Transition Services. Unitil will not terminate any Transition Services unless Unitil is prepared to perform the functions and is certain that there will be no interruption or diminution to the quality of service provided to the customers of Northern and Granite.

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 July 15, 2009, Unitil has been billed for six months’ TSA Costs incurred through May 31, 2009.

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 June 30, 2009, Transition Costs billed to date include:

<u>TSA Costs – NiSource and Affiliates:</u>	<u>Amount</u>
Customer Service Support	\$1,609,224
Gas Dispatch and Control	213,241
Gas Supply Services	176,022
All Other	<u>209,415</u>
Total	<u>\$2,207,902</u>

<u>Other Transition Costs:</u>	<u>Amount</u>
Consulting and Professional Fees	\$1,522,617
Temporary Help and Labor	1,439,391
Other	<u>154,950</u>
Total	<u>\$3,116,958</u>