State of New Hampshire
Public Utilities Commission

Unitil Corporation
Docket No. DG 08-048
Response to Oral Data Requests from Technical Session on 6-18-08

Oral Data Request 2-13: Please describe the differences in the costs for an unsecured financing versus a first mortgage bond.

Response:
There would be no difference in placement fees between a FMB and unsecured financing. However, the costs for legal services are higher for a first mortgage bond financing. Additional legal time is required to research real estate matters, including running registry checks and reviewing recorded documents related to the property owned by the utility to ensure that there are no deed or other recorded documents affecting utility property interests that might violate the terms of the indenture. Following the initial offering, any subsequent property acquisitions, dispositions, liens or conveyances must be reviewed for compliance with the terms of the indenture, and, in the case of many mortgage indentures (including Unitil's existing indenture) annual legal opinions must be filed with the trustee to confirm that the all terms and conditions of the indenture have been complied with and that the indenture continues to confer a first mortgage lien on the utility property. In the case of an existing indenture, a new first mortgage bond offering prompts a supplemental indenture, and the property reviews are built upon the work performed for the previous supplemental indenture. In the case of a debt-free acquisition, the legal work required to review property matters to create a new indenture could be extensive, depending on the property holdings of the utility and when that property was acquired. In addition, the services of a trustee are typically required for a first mortgage bond issue, and there are both legal fees for trustee counsel at the time the bonds are issued as well as ongoing annual fees associated with trustee services. These same types of increased costs are applicable to subsequent issues of first mortgage bonds compared to unsecured financings.

Person Responsible: Mark H. Collin **Date:** June 26, 2008

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Oral Data Request 2-14: Provide a letter from Unitil's investment advisors regarding the market's acceptance and pricing of an unsecured financing.

Response:
Please refer to Oral Data Request 2-14, Attachment 1, for the requested letter from RBC Capital Markets.

Person Responsible: Mark H. Collin **Date:** June 26, 2008

RBC Capital Markets

Three World Trade Center
200 Vesey Street
9th Floor
New York, NY 10281-8098

June 25, 2008

Unitil Corporation
6 Liberty Lane West
Hampton, NH 03842

Attn: Mark Collin
Senior Vice President, Chief Financial Officer and Treasurer

RE: Northern Utilities Long Term Debt Financing

Dear Mark:

As you know, we have provided Unitil Corporation ("Unitil") with indications on pricing and other terms for the issuance of approximately $80 million of long term debt securities (the "Notes") by Northern Utilities ("Northern") which is likely to occur in September. We understand that pro-forma the issuance of the Notes and takedown of an additional $80 million of equity from Unitil, Northern will have a funded debt to capitalization ratio of approximately 50%.

We have indicated that our strategy would be to have Northern issue the Notes on an unsecured basis and without obtaining advance ratings. With respect to these proposed features we would note the following:

- We are strongly of the view that private placement investors will view the Notes as equivalent credit quality to an NAIC 2 or mid to low BBB rating.
- Unitil currently has NAIC 2 ratings for its existing unsecured holding company notes, unsecured notes issued by its subsidiary Fitchburg Gas and Electric and first mortgage bonds issued by Unitil Energy Systems. Our view that Northern would receive NAIC 2 ratings is supported by an analysis of the capital structure of these companies (funded debt to capital of 61.6%, 63.5% and 62.3% respectively for the three entities at the time of issuance).
- The unsecured structure we are proposing would have an extensive negative pledge covenant which would protect bondholders from structural subordination in the event Northern issued first mortgage bonds in the future.
- While investors would generally view the security of a first mortgage bond structure as an enhancement to the credit, given the strong proposed capital position of Northern and the benefit of its association with Unitil, we view the value of providing first mortgage security as being minimal. Our experience in privately placing long term debt for Unitil's Fitchburg (unsecured) and UES (first mortgage) subsidiaries indicated virtually no difference in pricing between the two.

- Issuance of first mortgage bonds would result in higher cost of issuance (primarily legal fees to effect the security filings) and reduced financial flexibility in the future.

We continue to recommend Northern offer its long term debt on an unsecured basis and see little to no cost advantage to utilizing a first mortgage bond format for the issuance.

Very truly yours,

Bard Cook

Bard Cook
Managing Director