

UNITIL CORP
Form U-13-60
April 26, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM U-13-60

ANNUAL REPORT

For the Year Ended December 31, 2004

UNITIL SERVICE CORP.

6 Liberty Lane West, Hampton, New Hampshire 03842-1720

Date of Incorporation: October 9, 1984
State of Incorporation: New Hampshire

Name, Title and address of officer to whom correspondence concerning this report should be addressed:

Laurence M. Brock, Vice President & Controller

6 Liberty Lane West

Hampton, New Hampshire 03842-1720

Name of Principal Holding Company:

UNITIL Corporation

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

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SCHEDULE I - COMPARATIVE BALANCE SHEET

Give balance sheet of the Company as of December 31 of the current and prior year.

| ACCOUNT | ASSETS AND OTHER DEBITS | AS OF DECEMBER 31 | |
|-----------------------------------|---|-------------------|---------------|
| | | CURRENT | PRIOR |
| SERVICE COMPANY PROPERTY | | | |
| 101 | Service company property (Schedule II) | \$ 10,829,085 | \$ 10,403,598 |
| 107 | Construction work in progress (Schedule II) | | |
| | Total Property | 10,829,085 | 10,403,598 |
| 108 | Less accumulated provision for depreciation and amortization of service company property (Schedule III) | 7,998,839 | 6,663,986 |
| | Net Service Company Property | 2,830,246 | 3,739,612 |
| INVESTMENTS | | | |
| 123 | Investments in associate companies (Schedule IV) | | |
| 124 | Other investments (Schedule IV) | | |
| | Total investments | | |
| CURRENT AND ACCRUED ASSETS | | | |
| 131 | Cash | 9,026 | 25,015 |
| 134 | Special deposits | | |
| 135 | Working funds | 5,995 | 6,000 |
| 136 | Temporary cash investments (Schedule IV) | | |
| 141 | Notes receivable | | |
| 143 | Accounts receivable | 85,058 | 67,846 |
| 144 | Accumulated provision for uncollectable accounts | | |
| 146 | Accounts receivable from associate companies (Schedule V) | 2,203,698 | 2,040,574 |
| 152 | Fuel stock expense undistributed (Schedule VI) | | |
| 154 | Materials and supplies | | |
| 163 | Stores expense undistributed (Schedule VII) | | |
| 165 | Prepayments | 204,753 | 178,683 |
| 174 | Miscellaneous current and accrued assets (Schedule VIII) | | |
| | Total Current and Accrued Assets | 2,508,530 | 2,318,118 |
| DEFERRED DEBITS | | | |
| 181 | Unamortized debt expense | | |

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| | | | |
|-----|---|--------------------|--------------------|
| 182 | Regulatory Assets | | (608,890) |
| 184 | Clearing accounts | 137,053 | 148,462 |
| 186 | Miscellaneous deferred debits (Schedule IX) | (570,521) | 333,810 |
| 188 | Research, development, or demonstration expenditures (Schedule X) | | |
| 190 | Accumulated deferred income tax | | |
| | Total Deferred Debits | (433,468) | (126,618) |
| | TOTAL ASSETS AND OTHER DEBITS | \$4,905,308 | \$5,931,112 |

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For the Year Ended December 31, 2004

SCHEDULE I - COMPARATIVE BALANCE SHEET

| ACCOUNT | LIABILITIES AND PROPRIETARY CAPITAL | AS OF DECEMBER 31 | |
|--|---|---------------------|---------------------|
| | | CURRENT | PRIOR |
| PROPRIETARY CAPITAL | | | |
| 201 | Common stock issued (Schedule XI) | \$ 1,000 | \$ 1,000 |
| 211 | Miscellaneous paid-in-capital (Schedule XI) | | |
| 215 | Appropriated retained earnings (Schedule XI) | | |
| 216 | Unappropriated retained earnings (Schedule XI) | 1,688 | 1,688 |
| | Total Proprietary Capital | 2,688 | 2,688 |
| LONG-TERM DEBT | | | |
| 223 | Advances from associate companies (Schedule XII) | | |
| 224 | Other long-term debt (Schedule XII) | | |
| 225 | Unamortized premium on long - term debt | | |
| 226 | Unamortized discount on long-term debt-debit | | |
| | Total Long-Term Debt | | |
| 227 | Obligations under capital leases - non-current | 183,038 | 403,455 |
| CURRENT AND ACCRUED LIABILITIES | | | |
| 231 | Notes payable | | |
| 232 | Accounts payable | 293,048 | 65,742 |
| 233 | Notes payable to associate companies (Schedule XIII) | 4,491,075 | 3,807,632 |
| 234 | Accounts payable to associate companies (Schedule XIII) | (2,141,781) | (669,716) |
| 236 | Taxes accrued | 293,470 | (149,318) |
| 237 | Interest accrued | | |
| 238 | Dividends declared | | |
| 241 | Tax collections payable | | |
| 242 | Miscellaneous current and accrued liabilities (Schedule XIII) | 4,385,782 | 4,036,796 |
| 243 | Obligations under capital leases - current | 412,619 | 566,714 |
| | Total Current and Accrued Liabilities | 7,734,213 | 7,657,850 |
| DEFERRED CREDITS | | | |
| 253 | Other deferred credits | (983,290) | (608,890) |
| 255 | Accumulated deferred investment tax credits | | |
| | Total Deferred Credits | (983,290) | (608,890) |
| 282 | ACCUMULATED DEFERRED INCOME TAXES | (2,031,341) | (1,523,991) |
| | TOTAL LIABILITIES AND PROPRIETARY CAPITAL | \$ 4,905,308 | \$ 5,931,112 |



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SCHEDULE II - SERVICE COMPANY PROPERTY

| <u>DESCRIPTION</u> | <u>BALANCE AT BEGINNING OF YEAR</u> | <u>ADDITIONS</u> | <u>RETIREMENTS OR SALES</u> | <u>OTHER CHANGES^{1/}</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|---|---|------------------|---------------------------------|---------------------------------------|---|
| <i>Company Property</i> | | | | | |
| 301 ORGANIZATION | | | | | |
| 303 MISC INTANGIBLE PLANT | \$ 4,578,556 | \$ 306,202 | \$ | \$ | \$ 4,884,758 |
| 304 LAND AND LAND RIGHTS | | | | | |
| 305 STRUCTURES AND IMPROVEMENTS | | | | | |
| 306 LEASEHOLD IMPROVEMENTS | | | | | |
| 307 EQUIPMENT ^{2/} | 4,626,260 | 201,987 | | | 4,828,247 |
| 308 OFFICE FURNITURE AND EQUIPMENT | 1,072,345 | 18,001 | | | 1,090,346 |
| 309 AUTOMOBILES, OTHER VEHICLES AND RELATED GARAGE EQUIPMENT | 22,394 | 25,734 | (22,394) | | 25,734 |
| 310 AIRCRAFT AND AIRPORT EQUIPMENT | | | | | |
| 311 OTHER SERVICE COMPANY PROPERTY ^{3/} | | | | | |
| SUB-TOTAL | 10,299,555 | 551,924 | (22,394) | | 10,829,085 |
| 107 CONSTRUCTION WORK IN PROGRESS | 104,043 | | | (104,043) | |
| TOTAL | \$ 10,403,598 | \$ 551,924 | \$ (22,394) | \$ (104,043) | \$ 10,829,085 |

^{1/} PROVIDE AN EXPLANATION OF THOSE CHANGES CONSIDERED MATERIAL:

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SCHEDULE II - CONTINUED

^{2/} SUBACCOUNTS ARE REQUIRED FOR EACH CLASS OF EQUIPMENT OWNED. THE SERVICE COMPANY SHALL PROVIDE A LISTING BY SUBACCOUNT OF THE EQUIPMENT ADDITION DURING THE YEAR AND THE BALANCE AT THE CLOSE OF THE YEAR:

| <u>SUBACCOUNT DESCRIPTION</u> | <u>ADDITIONS</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|-------------------------------|-------------------|---|
| Computer Systems | \$ 201,987 | \$ 4,044,364 |
| Phone System | | 755,249 |
| Other Equipment | | 28,634 |
| TOTAL | \$ 201,987 | \$ 4,828,247 |

^{3/} DESCRIBE OTHER SERVICE COMPANY PROPERTY:

NONE

^{4/} DESCRIBE CONSTRUCTION WORK IN PROGRESS:

NONE

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SCHEDULE III

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF SERVICE COMPANY PROPERTY

| | DESCRIPTION | BALANCE AT BEGINNING OF YEAR | ADDITIONS CHARGED TO ACCOUNT 403 | RETIREMENTS | OTHER CHANGES ADD (DEDUCT) ^{1/} | BALANCE AT CLOSE OF YEAR |
|-----|---|------------------------------------|---|--------------------|---|--------------------------------|
| 301 | ORGANIZATION | | | | | |
| 303 | MISCELLANEOUS INTANGIBLE PLANT | \$ 1,906,086 | \$ 747,748 | \$ | \$ | \$ 2,653,834 |
| 304 | LAND AND LAND RIGHTS | | | | | |
| 305 | STRUCTURES AND IMPROVEMENTS | | | | | |
| 306 | LEASEHOLD IMPROVEMENTS | | | | | |
| 307 | EQUIPMENT | 3,773,960 | 506,509 | | | \$ 4,280,469 |
| 308 | OFFICE FURNITURE AND EQUIPMENT | 961,985 | 75,235 | | | \$ 1,037,220 |
| 309 | AUTOMOBILES, OTHER VEHICLES AND RELATED GARAGE EQUIPMENT | 21,955 | 27,755 | (22,394) | | \$ 27,316 |
| 310 | AIRCRAFT AND AIRPORT EQUIPMENT | | | | | |
| 311 | OTHER SERVICE COMPANY PROPERTY | | | | | |
| | TOTAL | \$ 6,663,986 | \$ 1,357,247 | \$ (22,394) | \$ | \$ 7,998,839 |

^{1/} PROVIDE AN EXPLANATION OF THOSE CHANGES CONSIDERED MATERIAL:

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SCHEDULE IV - INVESTMENTS

INSTRUCTIONS: Complete the following schedule concerning investments. Under Account 124 Other Investments state each investment separately, with description, including the name of issuing company, number of shares or principal amount.

Under Account 136, Temporay Cash Investments list each investment separately.

| <u>ACCOUNT</u> | <u>DESCRIPTION</u> | <u>BALANCE AT BEGINNING OF YEAR</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|----------------|-----------------------------------|---|---|
| 123 | INVESTMENT IN ASSOCIATE COMPANIES | \$ | \$ |
| 124 | OTHER INVESTMENTS | | |
| 136 | TEMPORARY CASH INVESTMENTS | | |
| | TOTAL | \$ | \$ |

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SCHEDULE V - ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES

INSTRUCTIONS: Complete the following schedule listing accounts receivable from each associate company. Where the service company has provided accomodation or convenience payments for associate companies, a separate listing of total payments for each associate company by subaccount should be provided.

| <u>DESCRIPTION</u> | <u>BALANCE AT BEGINNING OF YEAR</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|--|---|---|
| ACCOUNT 146 - ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES | | |
| Unitil Energy Systems | \$ 992,005 | \$ 1,074,047 |
| Fitchburg Gas and Electric Light Company | 861,912 | 978,901 |
| UNITIL Power Corp. | | |
| UNITIL Realty Corp. | 962 | 12,452 |
| UNITIL Corporation | 62,601 | 617 |
| UNITIL Resources, Inc. | 123,094 | 137,681 |
| | <u> </u> | <u> </u> |
| TOTAL | \$ 2,040,574 | \$ 2,203,698 |
| | <u> </u> | <u> </u> |
| ANALYSIS OF CONVENIENCE OR ACCOMMODATION PAYMENTS: | | |
| Unitil Energy Systems | | \$ 5,858,634 |
| Fitchburg Gas and Electric Light Company | | 4,316,652 |
| UNITIL Power Corp. | | 295,246 |
| UNITIL Realty Corp. | | 50,489 |
| UNITIL Resources, Inc. | | 11,158 |
| Usource Inc. | | 39,939 |
| UNITIL Corp. | | 26,160 |
| For detail of convenience payments by type and company, paid by UNITIL Service Corp. see page 10A. | | |
| | | <u> </u> |
| TOTAL PAYMENTS | | \$ 10,598,278 |
| | | <u> </u> |

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CONVENIENCE PAYMENTS BY TYPE AND COMPANY

| | <u>UES</u> | <u>FGE</u> | <u>UPC</u> | <u>URC</u> | <u>URI</u> | <u>Usource</u> | <u>UC</u> | <u>Total</u> |
|-------------------|---------------------|---------------------|-------------------|------------------|------------------|------------------|------------------|----------------------|
| Insurance | \$ 3,412,883 | \$ 2,854,170 | | \$ 39,630 | \$ 2,402 | | | \$ 6,309,085 |
| Legal | 234,069 | 281,753 | 279,955 | | 6,460 | | 13,565 | 815,802 |
| Telephone Service | 47,286 | 39,876 | | | | 18,955 | | 106,117 |
| Audit Fees | 103,080 | 90,318 | | 5,070 | 2,296 | 2,333 | 9,480 | 212,577 |
| Other | 2,061,316 | 1,050,535 | 15,291 | 5,789 | | 18,651 | 3,115 | 3,154,697 |
| | <u>\$ 5,858,634</u> | <u>\$ 4,316,652</u> | <u>\$ 295,246</u> | <u>\$ 50,489</u> | <u>\$ 11,158</u> | <u>\$ 39,939</u> | <u>\$ 26,160</u> | <u>\$ 10,598,278</u> |

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SCHEDULE VI - FUEL STOCK EXPENSES UNDISTRIBUTED

INSTRUCTIONS: Report the amount of labor and expenses incurred with respect to fuel stock expense during the year and indicate amount attributable to each associate company. Under the section headed Summary listed below give an overall report of the fuel functions performed by the service company.

| <u>ACCOUNT</u> | <u>LABOR</u> | <u>EXPENSE</u> | <u>TOTAL</u> |
|--------------------------------------|--------------|----------------|--------------|
| 152 FUEL STOCK EXPENSE UNDISTRIBUTED | \$ | \$ | \$ |
| TOTAL | \$ | \$ | \$ |

SUMMARY:

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SCHEDULE VII - STORES EXPENSE UNDISTRIBUTED

INSTRUCTIONS: Report the amount of labor and expenses incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

| <u>ACCOUNT</u> | <u>DESCRIPTION</u> | <u>LABOR</u> | <u>EXPENSE</u> | <u>TOTAL</u> |
|----------------|------------------------------|--------------|----------------|--------------|
| 163 | STORES EXPENSE UNDISTRIBUTED | \$ | \$ | \$ |
| | TOTAL | \$ | \$ | \$ |

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SCHEDULE VIII - MISCELLANEOUS CURRENT & ACCRUED ASSETS

INSTRUCTIONS: Provide detail of items in this account. Items less than \$10,000 may be grouped, showing the number of items in each group.

| <u>ACCOUNT</u> | <u>DESCRIPTION</u> | <u>BALANCE AT BEGINNING OF YEAR</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|----------------|--|---|---|
| 174 | MISCELLANEOUS CURRENT & ACCRUED ASSETS | \$ | \$ |
| | TOTAL | \$ | \$ |

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For the Year Ended December 31, 2004

SCHEDULE IX - MISCELLANEOUS DEFERRED DEBITS

INSTRUCTIONS: Provide detail of items in this account. Items less than \$10,000 may be grouped by class showing the number of items in each class.

| <u>ACCOUNT</u> | <u>DESCRIPTION</u> | <u>BALANCE AT BEGINNING OF YEAR</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|----------------|--|---|---|
| 186 | <i>MISCELLANEOUS DEFERRED DEBITS</i> | | |
| | Deferred Asset- APBO | \$ | \$ (983,290) |
| | Under/(over) collected administrative expenses | (1,820) | (101,500) |
| | Software | 93,429 | 229,697 |
| | Postage | 37,201 | 50,540 |
| | Deferred Charges | 205,000 | 234,032 |
| | TOTAL | \$ 333,810 | \$ (570,521) |

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SCHEDULE X - RESEARCH, DEVELOPMENT OR DEMONSTRATION EXPENDITURES

INSTRUCTIONS: Provide a description of each material research, development, or demonstration project which incurred costs by the service corporation during the year.

| | <u>DESCRIPTION</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|-----|---|---|
| 188 | RESEARCH, DEVELOPMENT OR DEMONSTRATION EXPENDITURES | \$ |
| | TOTAL | \$ |

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SCHEDULE XI - PROPRIETARY CAPITAL

INSTRUCTIONS: Classify amounts in each account with brief explanations, disclosing the general nature of transactions which gave rise to the reported amounts.

| ACCOUNT | CLASS OF STOCK | NUMBER OF SHARES AUTHORIZED | PAR OR STATED VALUE PER SHARE | OUTSTANDING CLOSE OF PERIOD | |
|---------|--------------------------------|-----------------------------------|---|--------------------------------|-----------------|
| | | | | NO. OF SHARES | TOTAL AMOUNT |
| 201 | COMMON STOCK ISSUED | 300 | \$ 10.00 | 100 | \$ 1,000.00 |
| ACCOUNT | DESCRIPTION | AMOUNT | | | |
| 211 | MISCELLANEOUS PAID-IN CAPITAL | \$ | | | |
| 215 | APPROPRIATED RETAINED EARNINGS | | | | |
| TOTAL | | | | | \$ |

INSTRUCTIONS: Give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owned or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentage, amount of dividend, rate declared and date paid.

| DESCRIPTION | BALANCE AT BEGINNING OF YEAR | NET INCOME OR (LOSS) | DIVIDENDS PAID | BALANCE AT CLOSE OF YEAR |
|-------------|---------------------------------------|-------------------------------|-------------------|-----------------------------------|
| | 216 UNAPPROPRIATED RETAINED EARNINGS | \$ 1,688 | \$ | \$ |
| TOTAL | \$ 1,688 | \$ | \$ | \$ 1,688 |

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SCHEDULE XII - LONG-TERM DEBT

INSTRUCTIONS: Advances from associate companies should be reported separately for advances on notes, and advances on open account. Names of associate companies from which advances are received shall be shown under the class and series obligation column. For account 224 - Other Long-Term Debt provide the name of creditor company or organization, terms of the obligation, date of maturity, interest rate, and the amount authorized and outstanding.

| ACCOUNT | DESCRIPTION | NAME OF CREDITOR | TERMS OF OBLIG CLASS & SERIES OF OBLIGATION | DATE OF MATURITY | INTEREST RATE | AMOUNT AUTHORIZED | BALANCE AT BEGINNING OF YEAR | | | ^{1/} BALANCE AT CLOSE OF YEAR |
|---------|------------------------------------|------------------|---|------------------|---------------|-------------------|------------------------------|------------|------|--|
| | | | | | | | ADDITIONS | DEDUCTIONS | NEAR | |
| 223 | ADVANCES FROM ASSOCIATE COMPANIES: | | | | | | \$ | \$ | \$ | \$ |
| 224 | OTHER LONG-TERM DEBT: | | | | | | | | | |
| TOTAL | | | | | | | \$ | \$ | \$ | \$ |

^{1/} GIVE AN EXPLANATION OF DEDUCTIONS:

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SCHEDULE XIII - CURRENT AND ACCRUED LIABILITIES

INSTRUCTIONS: Provide balance of notes and accounts payable to each associate company. Give description and amount of miscellaneous current and accrued liabilities. Items less than \$10,000 may be grouped, showing the number of items in each group.

| <u>ACCOUNT</u> | <u>DESCRIPTION</u> | <u>BALANCE AT BEGINNING OF YEAR</u> | <u>BALANCE AT CLOSE OF YEAR</u> |
|----------------|--|---|---|
| 233 | <i>NOTES PAYABLE TO ASSOCIATE COMPANIES</i> | | |
| | Cash Pool | \$ 3,807,632 | \$ 4,491,075 |
| | TOTAL | \$ 3,807,632 | \$ 4,491,075 |
| 234 | <i>ACCOUNTS PAYABLE TO ASSOCIATE COMPANIES</i> | | |
| | Unitil Energy Systems | \$ (872,238) | \$ (1,294,797) |
| | Fitchburg Gas and Electric Company | (273,749) | (723,479) |
| | UNITIL Corporation | 550,870 | 11,518 |
| | UNITIL Power Corporation | (67,455) | (164,742) |
| | UNITIL Realty Corporation | (1,078) | 6,682 |
| | UNITIL Resources Inc. | (458) | |
| | Usource LLC | (5,608) | 23,037 |
| | TOTAL | \$ (669,716) | \$ (2,141,781) |
| 242 | <i>MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES</i> | | |
| | Accrued Pension Costs | \$ 1,358,195 | \$ 1,351,123 |
| | Accrued SERP | 904,151 | 1,025,384 |
| | Accrued PBOP Costs | 481,878 | 1,120,541 |
| | Accrued Vacation | 240,000 | 234,031 |
| | Accrued Compensation | 929,100 | 564,413 |
| | Accrued Other | 123,472 | 90,290 |
| | TOTAL | \$ 4,036,796 | \$ 4,385,782 |

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SCHEDULE XIV - NOTES TO FINANCIAL STATEMENTS

INSTRUCTIONS: The space below is provided for important notes regarding the financial statements or any account thereof. Furnish particulars as to any significant contingent asset or liabilities existing at the end of the year. Notes relating to financial statements shown elsewhere in the report may be indicated here by reference.

Selected Notes to the Financial Statements:

UNITIL Service Corp. (USC), a wholly-owned subsidiary of UNITIL Corporation, a public utility holding company, provides centralized support services to the parent company and its subsidiaries. USC is subject to the jurisdiction of the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935. Accordingly, USC maintains its books of account as prescribed by the Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies as Amended February 2, 1979 to be effective January 1, 1980. USC prepares its financial statements in conformity with generally accepted accounting principles.

Please refer to the 2004 UNITIL Corporation Form 10-K for additional disclosures.

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SCHEDULE XV - STATEMENT OF INCOME

| <u>ACCOUNT</u> | <u>DESCRIPTION</u> | <u>CURRENT YEAR</u> | <u>PRIOR YEAR</u> |
|----------------|---|-------------------------|-----------------------|
| INCOME | | | |
| 457 | Services rendered to associate companies | \$ 21,841,189 | \$ 19,367,031 |
| 458 | Services rendered to nonassociate companies | | 30,000 |
| 419 | Interest Income | | |
| 421 | Miscellaneous income or (loss) | | 8,297 |
| | Total Income | <u>21,841,189</u> | <u>19,405,328</u> |
| EXPENSE | | | |
| 920 | Salaries and wages | 10,736,961 | 9,896,462 |
| 921 | Office supplies and expenses | 903,121 | 868,672 |
| 922 | Other | 505,679 | 42,861 |
| 923 | Outside services employed | 646,238 | 475,512 |
| 924 | Property insurance | 7,821 | 7,955 |
| 925 | Injuries and damages | 105,495 | 82,861 |
| 926 | Employee pensions and benefits | 4,095,582 | 2,607,570 |
| 930.1 | Advertising expense | 14,706 | 3,553 |
| 930.2 | Miscellaneous general expense | 481,050 | 559,669 |
| 931 | Rents | 1,535,159 | 1,467,487 |
| 932 | Maintenance | 581,389 | 592,902 |
| 403 | Depreciation and amortization expense | 1,361,776 | 1,672,692 |
| 408 | Taxes other than income taxes | 849,668 | 825,889 |
| 409 | Income taxes | 229,749 | (31,061) |
| 410 | Provision for deferred income taxes | (338,154) | 124,985 |
| 426.1 | Donations | 28,398 | 50,324 |
| 426.5 | Penalties | | 1,983 |
| 430 | Interest on debt to associate companies | 16,855 | 6,684 |
| 431 | Other interest expense | 79,696 | 148,328 |
| | Total Expense | <u>21,841,189</u> | <u>19,405,328</u> |
| | Net Income or (Loss) | <u>\$</u> | <u>\$</u> |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

ANALYSIS OF BILLING - ASSOCIATE COMPANIES ACCOUNT 457

| NAME OF ASSOCIATE COMPANY | DIRECT COSTS CHARGED 457-1 | INDIRECT COSTS CHARGED 457-2 | COMPENSATION FOR USE | |
|--|-------------------------------------|---------------------------------------|-------------------------|---------------------------|
| | | | OF CAPITAL 457-3 | TOTAL AMOUNT BILLED |
| Unitil Energy Systems, Inc. | \$ 5,540,578 | \$ 5,146,304 | \$ | \$ 10,686,882 |
| Fitchburg Gas and Electric Light Company | 5,004,504 | 4,674,070 | | 9,678,574 |
| UNITIL Realty Corp. | 45,730 | 48,759 | | 94,489 |
| UNITIL Resources, Inc. | 692,527 | 683,207 | | 1,375,734 |
| UNITIL Corp. | 2,655 | 2,855 | | 5,510 |
| TOTAL | \$ 11,285,994 | \$ 10,555,195 | \$ | \$ 21,841,189 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

ANALYSIS OF BILLING - NON-ASSOCIATE COMPANIES ACCOUNT 458

| NAME OF NONASSOCIATE COMPANY | DIRECT COSTS CHARGED 457-1 | INDIRECT COSTS CHARGED 457-2 | COMPENSATION FOR USE | | EXCESS OR DEFICIENCY | |
|------------------------------|-------------------------------|---------------------------------|----------------------|------------|----------------------|---------------------|
| | | | OF CAPITAL 457-3 | TOTAL COST | 458-4 | TOTAL AMOUNT BILLED |
| None | \$ | \$ | \$ | \$ | \$ | \$ |
| TOTAL | \$ | \$ | \$ | \$ | \$ | \$ |

INSTRUCTION: Provide a brief description of the services rendered to each nonassociate company.

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

SCHEDULE XVI - ANALYSIS OF CHARGES FOR SERVICE ASSOCIATE AND NON-ASSOCIATE COMPANIES

INSTRUCTION: Total cost of service will equal for associate and non associate companies the total amount billed under their separate analysis of billing schedules.

| ACCOUNT | DESCRIPTION OF ITEMS | ASSOCIATE COMPANY CHARGES | | | NONASSOCIATE COMPANY CHARGES | | | TOTAL CHARGES FOR SERVICE | | |
|---------|--------------------------------|---------------------------|---------------|---------------|------------------------------|---------------|--------------|---------------------------|---------------|-------|
| | | DIRECT COST | INDIRECT COST | TOTAL | DIRECT COST | INDIRECT COST | TOTAL | DIRECT COST | INDIRECT COST | TOTAL |
| 920 | SALARIES AND WAGES | \$ 9,746,418 | \$ 990,543 | \$ 10,736,961 | \$ | \$ | \$ 9,746,418 | \$ 990,543 | \$ 10,736,961 | |
| 921 | OFFICE SUPPLIES AND EXPENSES | 245 | 902,876 | 903,121 | | | 245 | 902,876 | 903,121 | |
| 922 | ADMIN EXPENSE TRANS-CREDIT | | 505,679 | 505,679 | | | | 505,679 | 505,679 | |
| 923 | OUTSIDE SERVICES EMPLOYED | 90,691 | 555,547 | 646,238 | | | 90,691 | 555,547 | 646,238 | |
| 924 | PROPERTY INSURANCE | | 7,821 | 7,821 | | | | 7,821 | 7,821 | |
| 925 | INJURIES AND DAMAGES | | 105,495 | 105,495 | | | | 105,495 | 105,495 | |
| 926 | EMPLOYEE PENSIONS AND BENEFITS | | 4,095,582 | 4,095,582 | | | | 4,095,582 | 4,095,582 | |
| 928 | REGULATORY COMMISSION EXPENSE | | | | | | | | | |
| 930.1 | GENERAL ADVERTISING EXPENSE | | 14,706 | 14,706 | | | | 14,706 | 14,706 | |
| 930.2 | MISC. GENERAL EXPENSE | | 481,050 | 481,050 | | | | 481,050 | 481,050 | |
| 931 | RENTS | | 1,535,159 | 1,535,159 | | | | 1,535,159 | 1,535,159 | |
| 932 | MAINT. OF STRUCT. & EQUIP. | 1,448,640 | (867,251) | 581,389 | | | 1,448,640 | (867,251) | 581,389 | |
| 403 | DEPR. AND AMORT. EXPENSE | | 1,361,776 | 1,361,776 | | | | 1,361,776 | 1,361,776 | |
| 408 | TAXES OTHER THAN INCOME | | 849,668 | 849,668 | | | | 849,668 | 849,668 | |
| 409 | INCOME TAXES | | 229,749 | 229,749 | | | | 229,749 | 229,749 | |
| 410 | PROV FOR DEF INC TAXES | | (338,154) | (338,154) | | | | (338,154) | (338,154) | |
| 411 | PROV FOR DEF INC TAX CREDIT | | | | | | | | | |

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| | | | | | | | | | |
|-------|---|---------------|---------------|---------------|----|----|---------------|---------------|---------------|
| 411.5 | INVESTMENT TAX CREDIT | | | | | | | | |
| 419 | INTEREST INCOME | | | | | | | | |
| 426.1 | DONATIONS | | 28,398 | 28,398 | | | 28,398 | 28,398 | |
| 426.5 | PENALTIES | | | | | | | | |
| 427 | INTEREST ON LONG-TERM DEBT | | | | | | | | |
| 431 | OTHER INTEREST EXPENSE | | 79,696 | 79,696 | | | 79,696 | 79,696 | |
| | SUBTOTAL EXPENSES | 11,285,994 | 10,538,340 | 21,824,334 | | | 11,285,994 | 10,538,340 | 21,824,334 |
| | COMPENSATION FOR USE OF EQUITY CAPITAL | | | | | | | | |
| 430 | INTEREST ON DEBT TO ASSOCIATE COMPANIES | | 16,855 | 16,855 | | | 16,855 | 16,855 | |
| | TOTAL EXPENSES | 11,285,994 | 10,555,195 | 21,841,189 | | | 11,285,994 | 10,555,195 | 21,841,189 |
| 421 | MISCELLANEOUS INCOME | | | | | | | | |
| | TOTAL COST OF SERVICE | \$ 11,285,994 | \$ 10,555,195 | \$ 21,841,189 | \$ | \$ | \$ 11,285,994 | \$ 10,555,195 | \$ 21,841,189 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

SCHEDULE XVII - SCHEDULE OF EXPENSE DISTRIBUTION BY DEPARTMENT OR SERVICE FUNCTION

INSTRUCTION: Indicate each department or service function. (See instruction 01-3 General Structure of Accounting System Uniform System Account)

| ACCOUNT | DESCRIPTION OF ITEMS | TOTAL AMOUNT | DEPARTMENT OR SERVICE FUNCTION | | | | DEPARTMENT OR SERVICE FUNCTION | | | | |
|---------|--------------------------------|---------------|--------------------------------|--------------|--------------|----------------------------|--------------------------------|-------------------|--------------|--------------|------------|
| | | | REGULATORY & COMMUN. | ADMIN. | ACCOUNTING | ENERGY MARKET DISTRIBUTION | FINANCE | CUSTOMER SERVICES | ENGINEERING | TECHNOLOGY | |
| 920 | SALARIES AND WAGES | \$ 10,736,961 | \$ 1,091,828 | \$ 2,509,340 | \$ 1,065,685 | \$ 1,070,011 | \$ 620,807 | \$ 699,427 | \$ 1,735,080 | \$ 1,085,272 | \$ 859,511 |
| 921 | OFFICE SUPPLIES AND EXPENSES | 903,121 | 96,402 | 414,011 | 17,722 | 14,159 | 15,693 | 41,005 | 96,065 | 64,452 | 143,612 |
| 922 | ADMIN. EXPENSE TRANS-CREDIT | 505,679 | | | 505,679 | | | | | | |
| 923 | OUTSIDE SERVICES EMPLOYED | 646,238 | 10,712 | 385,789 | 72,139 | 5,120 | | 9,112 | 77,015 | 231 | 86,120 |
| 924 | PROPERTY INSURANCE | 7,821 | | | | | | 7,821 | | | |
| 925 | INJURIES AND DAMAGES | 105,495 | | | | | | 105,495 | | | |
| 926 | EMPLOYEE PENSIONS AND BENEFITS | 4,095,582 | 13,619 | 3,973,502 | 3,778 | 15,000 | 7,467 | 189 | 29,103 | 48,436 | 4,488 |
| 928 | REGULATORY COMMISSION EXPENSE | | | | | | | | | | |
| 930.1 | GENERAL ADVERTISING EXPENSE | 14,706 | | 14,706 | | | | | | | |
| 930.2 | MISC. GENERAL EXPENSE | 481,050 | 7,559 | 7,009 | 14,807 | | | 451,675 | | | |
| 931 | RENTS | 1,535,159 | | 84,151 | (659,007) | 12,950 | | 1,583,697 | 52,962 | 14,278 | 446,128 |
| 932 | MAINT. OF STRUCT. & EQUIP. | 581,389 | | 343,780 | 41,042 | | | | 94,862 | | 101,705 |
| 403 | DEPR. AND AMORT. EXPENSE | 1,361,776 | | | 1,361,776 | | | | | | |
| 408 | TAXES OTHER THAN INCOME | 849,668 | | | 849,668 | | | | | | |

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| | | | | | | | | | | | |
|-------|--|---------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|
| 409 | INCOME TAXES | 229,749 | | 229,749 | | | | | | | |
| 410 | PROV. FOR DEF. INC. TAXES | (338,154) | | (338,154) | | | | | | | |
| 411 | PROV. FOR DEF. INC. TAX CREDIT | | | | | | | | | | |
| 411.5 | INVESTMENT TAX CREDIT | | | | | | | | | | |
| 426.1 | DONATIONS | 28,398 | | 28,398 | | | | | | | |
| 426.5 | PENALTIES | | | | | | | | | | |
| 427 | INTEREST ON LONG-TERM DEBT | | | | | | | | | | |
| 430 | INTEREST ON DEBT TO ASSOCIATE COMPANIES | 16,855 | | | | | | 16,855 | | | |
| 431 | OTHER INTEREST EXPENSE | 79,696 | | | | | | 79,696 | | | |
| | TOTAL EXPENSES - | \$ 21,841,189 | \$ 1,220,120 | \$ 7,760,686 | \$ 3,164,884 | \$ 1,117,240 | \$ 643,967 | \$ 2,994,972 | \$ 2,085,087 | \$ 1,212,669 | \$ 1,641,564 |

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For the Year Ended December 31, 2004

DEPARTMENTAL ANALYSIS OF SALARIES - ACCOUNT 920

| NAME OF DEPARTMENT Indicate each department or service function | TOTAL AMOUNT | DEPARTMENTAL SALARY EXPENSE INCLUDED IN AMOUNTS BILLED TO | | | NUMBER PERSONNEL |
|--|----------------------|--|----------------------|-------------------|---------------------|
| | | PARENT COMPANY | OTHER ASSOCIATES | NON ASSOCIATES | END OF YEAR |
| Regulatory and Communications | \$ 1,091,828 | \$ | \$ 1,091,828 | \$ | 16 |
| Technology Services | 859,511 | | 859,511 | | 13 |
| Accounting | 1,065,685 | | 1,065,685 | | 18 |
| Finance | 699,427 | | 699,427 | | 9 |
| Administrative | 2,509,340 | | 2,509,340 | | 20 |
| Energy Markets | 1,070,011 | | 1,070,011 | | 13 |
| Engineering | 1,085,272 | | 1,085,272 | | 18 |
| Distribution | 620,807 | | 620,807 | | 6 |
| Customer Services | 1,735,080 | | 1,735,080 | | 43 |
| TOTAL | \$ 10,736,961 | \$ | \$ 10,736,961 | \$ | 156 |

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For the Year Ended December 31, 2004

OUTSIDE SERVICES EMPLOYED - ACCOUNT 923

INSTRUCTIONS: Provide a breakdown by subaccount of outside services employed. If the aggregate amounts paid to any one payee and included within one subaccount is less than \$25,000 only the aggregate number and amount of all such payments included within the subaccount need to be shown. Provide a subtotal for each type of service.

| FROM WHOM PURCHASED | ADDRESS | RELATIONSHIP A = ASSOCIATE NA =NON | AMOUNT |
|---|----------------|---|---------------|
| Outside Services - Legal | | | |
| Various | | NA | \$ 1,043 |
| Brickly Sears | | NA | 2,252 |
| Leboeuf Lamb & Greene | | NA | 102,319 |
| Skapars & Associates | | NA | 19,870 |
| Suloway & Hollis | | NA | 17,544 |
| Outside Services - Accounting | | | |
| Grant Thornton | | NA | 9,148 |
| Outside Services - Other | | | |
| Various | | NA | 4,068 |
| Account Temps | | NA | 8,644 |
| Allegiant Management | | NA | 18,360 |
| Carousel Industries | | NA | 4,500 |
| Ceridian | | NA | 154,707 |
| Diversified Actuarials | | NA | 20,585 |
| Douglas Andrews | | NA | 19,005 |
| Energy Council | | NA | 4,590 |
| Energy Strategies | | NA | 4,235 |
| Equilar Inc. | | NA | 7,495 |
| Equifax Credit Information | | NA | 8,472 |
| Factors Funding Co. | | NA | 28,537 |
| Galley Hatch | | NA | 2,035 |
| Group Dynamic | | NA | 6,082 |
| IBM | | NA | 1,096 |
| MessagePro | | NA | 1,705 |
| Peter Wilkins | | NA | 7,950 |
| Pomerantz Staffing | | NA | 6,288 |
| Putnam Fiduciary Trust | | NA | 13,516 |
| R R Donnelley | | NA | 4,968 |
| Salomon Smith Barney | | NA | 16,616 |
| San Diego Commercial | | NA | 9,439 |
| The Hay Group | | NA | 39,177 |
| The Tetrion Group | | NA | 32,020 |
| Towers Perrin | | NA | 5,200 |
| Venture Profiles | | NA | 23,130 |
| Woodland Group | | NA | 25,810 |
| Outside Services - Corp Sponsorships | | | |

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| | | |
|---|----|-------------------|
| Various | NA | 5,120 |
| <i>Outside Services - Visibility</i> | | |
| Various | NA | 10,712 |
| TOTAL | | \$ 646,238 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

EMPLOYEE PENSIONS AND BENEFITS - ACCOUNT 926

INSTRUCTIONS: Provide a listing of each pension plan and benefit program provided by the service company. Such listing should be limited to \$25,000.

| DESCRIPTION | AMOUNT |
|-----------------------------|---------------------|
| Health Insurance | \$ 1,379,065 |
| 401 K | 236,644 |
| Pension Cost | 742,274 |
| SERP | 193,644 |
| Life Insurance | 49,571 |
| Education | 141,744 |
| Postretirement Benefit Cost | 1,138,663 |
| Other | 213,977 |
| TOTAL | \$ 4,095,582 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

GENERAL ADVERTISING EXPENSES - ACCOUNT 930.1

INSTRUCTIONS: Provide a listing of the amounts included in Account 930.1 General Advertising Expenses classifying the items according to the nature of the advertising and as defined in the account definition. If a particular class includes an amount in excess of \$3,000 applicable to a single payee, show separately the name of the payee and the aggregate amount applicable thereto.

| DESCRIPTION | NAME OF PAYEE | AMOUNT |
|---------------------|----------------------|------------------|
| <i>Advertising:</i> | | |
| | Advance Notice, Inc. | \$ 10,277 |
| | Other | 2,649 |
| | Monster.Com | 1,780 |
| | TOTAL | \$ 14,706 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

MISCELLANEOUS GENERAL EXPENSES - ACCOUNT 930.2

INSTRUCTIONS: Provide a listing of the amount included in Account 930.2 Miscellaneous General Expense classifying such expenses according to their nature. Payments and expenses permitted by Section 321(b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C 441 (b) (2) shall be separately classified.

| DESCRIPTION | AMOUNT |
|---|----------------|
| Printing and Distribution of Quarterly and Annual Reports | 122,870 |
| Director's Fees and Expenses | 328,735 |
| Systems Development Costs | 19,445 |
| Professional Fees | 10,000 |
| TOTAL | 481,050 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

RENTS - ACCOUNT 931

INSTRUCTIONS: Provide a listing of the amount included in Account 931, Rents classifying such expenses by major groupings of property, as defined in the account definition of the Uniform System of Accounts.

| <u>TYPE OF PROPERTY</u> | <u>AMOUNT</u> |
|--------------------------------|----------------------|
| Office, Equipment & Other | \$ 1,535,159 |
| | |
| TOTAL | \$ 1,535,159 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

TAXES OTHER THAN INCOME TAXES - ACCOUNT 408

INSTRUCTIONS: Provide an analysis of Account 408, Taxes Other Than Income Taxes. Separate the analysis into two groups: (1) other than U.S. Government and (2) U.S. Government taxes. Specify each of the various kinds of taxes and show the amounts there of. Provide a subtotal for each class of tax.

| <u>KIND OF TAX</u> | <u>AMOUNT</u> |
|---|--------------------------|
| <i>Other than U.S. Government Tax:</i> | |
| State Unemployment Tax - NH | \$ 28,771 |
| Business Enterprise Tax | 72,000 |
| | <u>100,771</u> |
| <i>U.S. Government Tax:</i> | |
| Federal Insurance Contribution Act | 739,190 |
| Federal Unemployment Tax | 9,707 |
| | <u>748,897</u> |
| TOTAL | <u>\$ 849,668</u> |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

DONATIONS - ACCOUNT 426.1

INSTRUCTIONS: Provide a listing of the amount included in Account 426.2, Donations classifying such expenses by its purpose. The aggregate number and amount of all items of less than \$3,000 may be shown in lieu of details

| <u>NAME OF RECIPIENT</u> | <u>PURPOSE OF DONATION</u> | <u>AMOUNT</u> |
|--------------------------|------------------------------------|------------------|
| UNH Foundation | | \$ 5,000 |
| United Way | | 4,000 |
| Scleroderma Foundation | | 1,220 |
| American Cancer Society | | 1,219 |
| Various | | 16,959 |
| TOTAL | | \$ 28,398 |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

OTHER DEDUCTIONS - ACCOUNT 426.5

INSTRUCTIONS: Provide a listing of the amount included in Account 426.5, Other Deductions, classifying such expenses according to their nature.

| <u>DESCRIPTION</u> | <u>NAME OF PAYEE</u> | <u>AMOUNT</u> |
|--------------------|------------------------------|---------------|
| | | \$ |
| TOTAL | | \$ |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

SCHEDULE XVIII -NOTES TO STATEMENT OF INCOME

INSTRUCTIONS: The space below is provided for important notes regarding the statement of income or any account thereof. Furnish particulars as to any significant increases in services rendered or expenses incurred during the year. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

See page 19.

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ANNUAL REPORT OF UNITIL SERVICE CORP

For the Year Ended December 31, 2004

ORGANIZATION CHART

Organization Chart as of December 31, 2004

| | |
|-----------------------------|-------------------------|
| President & Treasurer | Mark H. Collin |
| Senior Vice President | George R. Gantz |
| Senior Vice President | Thomas P. Meissner, Jr. |
| Vice President | Todd R. Black |
| Vice President & Controller | Laurence M. Brock |
| Vice President | David K. Foote |
| Vice President | George E. Long |
| Vice President | Raymond J. Morrissey |
| Asst. Treasurer | Charles J. Kershaw, Jr. |
| Secretary | Sandra L. Whitney |

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

ANNUAL REPORT OF UNITIL SERVICE CORPORATION

METHODS OF ALLOCATION

The cost of services rendered by UNITIL Service are allocated and billed based on direct time charges and to a lesser extent, direct cost assigned to individual projects or jobs performed on behalf of associated companies in accordance with the general guidelines set forth below.

A. **Direct Labor Cost - Gross Wages.** Direct Labor Cost - Gross Wages are based on the actual gross wage rates of assigned employees multiplied by the actual number of hours worked and directly charged to specific projects or jobs.

B. **Direct Labor Cost - Other.** Direct Labor Cost - Other includes the costs of paid absences, such as vacations, sick pay and holidays, and are allocated by employee based on the direct time charged to associated companies. In the event there are not direct time charges available for this allocation, the direct time charges for all UNITIL Service employees are used to make this allocation.

C. **General Overhead Costs, including Indirect Labor** - General Overhead Costs represent UNITIL Service Indirect Labor Costs and Administrative and General Expenses, and are allocated based on a monthly overhead rate applied against direct time charges. Indirect Labor Costs include pension costs, insurance, payroll taxes, employee savings plan, and similar payroll and benefit items. Administrative and General Expenses are those administrative and operating expenses incurred by UNITIL Service in providing services to associated companies which cannot be identified with or directly charged to a specific project or job.

D. **Direct Charges** - Direct Charges are costs that are directly assignable based on the individual projects or jobs performed on behalf of associated companies, and are excluded from General Overheads. Direct Charges are billed at actual cost and include: Employee Travel, Meals, Lodging, and Other Related Expenses, Data Management Hardware Leases and Maintenance Costs, Telephone Lease, and other miscellaneous expenses.

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

ANNUAL REPORT OF UNITIL SERVICE CORPORATION

ANNUAL STATEMENT OF COMPENSATION FOR USE OF CAPITAL BILLED

Non applicable

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ANNUAL REPORT OF UNITIL SERVICE CORP.

For the Year Ended December 31, 2004

SIGNATURE CLAUSE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935 and the rules and regulations of the Securities and Exchange Commission issued thereunder, the undersigned company has duly caused this report to be signed on its behalf of the undersigned officer thereunto duly authorized,

UNITIL Service Corp.
(Name of Reporting Company)

By: /s/ LAURENCE M. BROCK

Laurence M. Brock
Vice President & Controller

Date: April 26, 2005