DARDEN RESTAURANTS INC
Form 4
February 27, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
MADSEN ANDREW H

(Last) (First) (Middle)

5900 LAKE ELLENOR DRIVE, P.O. BOX 593330

(Street)

ORLANDO, FL 32859-3330

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
DARDEN RESTAURANTS INC [DRI]

3. Date of Earliest Transaction (Month/Day/Year)
02/25/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and COO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/25/2008		M		17,445	A	$ 11.4792	124,523	D	
Common Stock	02/25/2008		F		9,292	D	$ 31.485	115,231	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount o Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Share
Stock Option (Right to Buy)	$ 11.4792	02/25/2008		M			17,445	12/07/2000 (1)	12/07/2008	Common Stock	17,44

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MADSEN ANDREW H 5900 LAKE ELLENOR DRIVE P.O. BOX 593330 ORLANDO, FL 32859-3330	X		President and COO	

Signatures

Douglas E. Wentz, Attorney-in-fact for MADSEN, ANDREW H., 5900 Lake Ellenor Drive, P.O. Box 593330, Orlando, FL 32859-3330, Darden Restaurants, Inc. (DRI)	02/27/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option vested in three equal annual installments beginning 12/7/2000.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ALIGN="top">

Cost of removal

15,315,569 14,348,563

OPEB medicare subsidy

362,932

Regulatory liability FAS 109 taxes

96,801 113,553

Service Quality & other penalties

1,232,750 1,500

Other

122,512 112,920

Total

17,718,495 14,748,501

Current

1,921,973 286,385

Long-Term

$15,796,522 $14,462,116

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

Regulatory assets of approximately $26.0 million are not presently included in the rate base and consequently are not earning a return at December 31, 2007. These regulatory assets are being recovered through cost of service over a remaining life of up to 30 years. Regulatory assets of approximately $0.2 million require specific rate action. All regulatory assets are probable of recovery. Regulatory assets of approximately $34.4 million were not included in the rate base and were not earning a return at December 31, 2006. Regulatory assets of approximately $0.1 million required specific rate action at December 31, 2006.

Intangible Assets

At December 31, 2007, the Company had $72.4 million of intangible assets consisting of franchise rights that were identified as part of the purchase price allocations associated with its acquisition by NiSource. The intangible asset balance at December 31, 2006 was $74.7 million. The gross intangible asset of $92.7 million is being amortized over a forty-year period commencing February 1999, the date of acquisition by NiSource. The reserve balance is $20.3 million and $18.0 million at December 31, 2007 and 2006, respectively.

The Company assesses the carrying amount and potential earnings of this intangible asset whenever events or changes in circumstances indicate that the carrying value could be impaired as per SFAS No. 144. When an asset s carrying value exceeds the undiscounted estimated future cash flows associated with the asset, the asset is considered to be impaired to the extent that the asset s fair value is less than its carrying value.

Amortization expense for the Company in 2007, 2006 and 2005 was approximately $2.3 million. The estimated amortization expense for 2008 through 2012 is approximately $2.3 million annually.

Utility Plant and Other Property and Related Depreciation

Property, plant and equipment (principally utility plant) are stated at original cost. Improvements and replacements of retirement units are capitalized at cost. When units of property are retired, the accumulated provision for depreciation is charged with the cost of the units and the cost of removal, net of salvage. Maintenance, repairs and minor replacements of property are charged to expense.

The Company provides for annual depreciation on a composite, straight-line basis. The annual depreciation rate for the Company was approximately 3.40% for 2007, 3.41% for 2006 and 3.47% for 2005.

An allowance for funds used during construction (AFUDC) is capitalized on all classes of property except organization, land, autos, office equipment, tools and other general property purchases. The allowance is applied to construction costs for that period of time between the date of the expenditure and the date on which such project is completed and placed in service, reducing gross interest expense during the respective construction period. AFUDC rates are based on the NiSource short term borrowing rates. The pre-tax rate for AFUDC was 5.69% in 2007, 5.11% in 2006 and 2.77% in 2005.

The recoverability of utility plant and other property is evaluated by an analysis of operating results and consideration of other significant events or changes in the operating environment.

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

Gas Inventory

Gas inventory is carried at weighted average cost.

Accounting for Exchange Gas

The Company has an exchange gas agreement whereby natural gas purchases during the months of April through October are delivered to a third party. The third party delivers back to the Company during the following months of November through March. The exchange volumes are carried at weighted average cost.

Under recovered Gas and Fuel Costs

The Company defers differences between gas purchase costs and the recovery of such costs included in revenues to Under-recovered Gas and Fuel Costs on the balance sheet, and adjusts future billings for such deferrals on a basis consistent with applicable tariff provisions.

Revenue Recognition

The Company bills customers on a monthly cycle billing basis. Revenues are recorded on the accrual basis including an estimate for gas delivered and customer charges earned but unbilled at the end of each accounting period. Cash received in advance from sales of gas to be delivered in the future is deferred and recognized as income upon delivery of the commodity.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes and Investment Tax Credits

The Company records income taxes to recognize full inter-period tax allocation. Under the liability method of income tax accounting, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates, applicable to future years, to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

Previously recorded investment tax credits were deferred and are being amortized over the life of the related properties to conform to regulatory policy.

Pursuant to the Internal Revenue Code and relevant state taxing authorities, NiSource files consolidated income tax returns for federal and certain state jurisdictions. The Company is a party to an agreement (Tax Allocation Agreement) that provides for the allocation of consolidated tax liabilities. The Tax Allocation Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to the other members.

In 2007, no tax savings were allocated to the Company. Tax savings of less than $0.1 million were allocated to the Company in 2006 and 2005, respectively. These amounts were recorded in equity.

F-38

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

The total effective tax rate on income before tax differs from the Federal statutory rate (35%) as follows (in whole $):

	2007	2006	2005
Book income before tax	$ 3,916,359	$ 2,065,611	$ 5,180,757
Expected tax expense	1,370,726	722,964	1,813,265
Reconciling items:			
State taxes	148,504	10,757	193,675
Deferred investment tax credit	(24,444)	(24,444)	(24,444)
Permanent differences	271,931	549	(238)
Regulatory: excess/deficient taxes	106,680	106,680	106,680
Tax accrual adjustments	(146,313)	(41,784)	81,098
Other		(43)	(130)
Total income tax expense	$ 1,727,084	$ 774,679	$ 2,169,906

Federal and state income taxes, as set forth in the Statement of Income, are comprised of the following (in whole $):

	2007	2006	2005
Current:			
Federal	$ 1,075,081	$ (44,566)	$ 646,510
State	225,657	(90,641)	125,613
	1,300,738	(135,207)	772,123
Deferred:			
Federal	447,981	827,139	1,249,878
State	2,809	107,191	172,349
	450,790	934,330	1,422,227
Investment tax credits	(24,444)	(24,444)	(24,444)
Total income tax expense	$ 1,727,084	$ 774,679	$ 2,169,906

The components of deferred tax assets and deferred tax liabilities at December 31 are as follows (in whole $):

	2007	2006
Deferred tax liabilities:		
Plant acquisition/merger	$ 29,115,931	$ 30,052,636
Other property related	21,137,124	20,089,663

Environmental	3,930,965	3,550,591
Regulatory liability tax	2,605,204	2,136,375
Various other items	2,166,103	2,730,385
Total deferred tax liabilities	58,955,327	58,559,650
Deferred tax asset:	446,713	326,079
Less deferred income taxes related to current assets and liabilities	1,919,905	3,352,456
Non-current deferred tax liability	$ 56,588,709	$ 54,881,115

F-39

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

To the extent certain deferred income taxes of the Company are recoverable or payable through future rates, regulatory assets and liabilities have been established. Regulatory assets for income taxes are primarily attributable to income tax timing differences for which deferred taxes had not been provided in the past, because regulators did not recognize such taxes as costs in the rate-making process. Regulatory liabilities are primarily attributable to unamortized deferred investment tax credits and the federal Medicare subsidy for providers of healthcare benefits for retirees. It is probable that these liabilities will be passed back to customers.

Because NiSource is part of the IRS s Large and Mid-Size Business program, each year s federal income tax return is typically audited by the IRS. The audit of tax years 2005 and 2006 is expected to commence in 2008.

The statute of limitations in each of the state jurisdictions in which NiSource operates remain open until the years are settled for federal income tax purposes, at which time amended state income tax returns reflecting all federal income tax adjustments are filed. There are no state income tax audits currently in progress.

Environmental Expenditures

The Company accrues for costs associated with environmental remediation obligations when such costs are probable and can be reasonably estimated, regardless of when expenditures are made. The undiscounted estimated future expenditures are based on currently enacted laws and regulations, existing technology and, when possible, site-specific costs. The accrued liability is adjusted as further information is developed or circumstances change. The Company establishes a regulatory asset on the balance sheet to the extent that future recovery of environmental remediation cost is probable through the regulatory process.

The Company had current and non-current accrued liabilities totaling $2.1 million and $3.7 million, as of December 31, 2007 and 2006, respectively. These liabilities reflect estimated expenditures for six former Manufactured Gas Plant (MGP) sites, of which three sites are in Maine and three sites are in New Hampshire, as of December 31, 2007 and 2006.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. In addition, the Company has amounts deposited in trust to satisfy requirements for its hedging program, which is classified as restricted cash and disclosed as an investing cash flow on the Statements of Cash Flows.

Derivatives and Hedging (Price Risk Management)

Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities, as subsequently amended by SFAS No. 137, SFAS No. 138 and SFAS No. 149, collectively referred to as SFAS No. 133, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value, unless such contracts designated by the Company as normal under the provisions of the standard.

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

Under SFAS No. 133, as amended, the accounting for the changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation. Unrealized and realized gains and losses are recognized each period as components of other comprehensive income, earnings, or regulatory assets and liabilities depending on the nature of such derivatives.

The Company has a regulatory approved hedging program designed to fix a portion of its gas supply costs for the coming year of service. In order to fix these costs, the Company purchases NYMEX futures that correspond to the associated delivery month. Any gains or losses on the fair value of these derivatives are passed through to the ratepayer directly through a regulatory commission approved recovery mechanism. As a result of the ratemaking process, the Company records gains and losses as regulatory liabilities or assets and recognizes such gains or losses in cost of sales when recovered in revenues.

The accompanying balance sheet includes price risk management liabilities related to net unrealized losses on current futures contracts of $584,030 and $2,735,270 at December 31, 2007 and 2006, respectively. Additionally, the balance sheet includes a price risk management asset of $21,220 related to net unrealized gains on non-current futures contracts at December 31, 2007 and a price risk management liability of $6,650 related to net unrealized losses on non-current futures contracts at December 31, 2006.

Asset Retirement Obligations

The Company has accounted for retirement obligations on its assets using Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143). In the fourth quarter 2005, the Company adopted the provisions of FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations (FIN 47), which broadened the scope of SFAS No. 143 to include contingent asset retirement obligations and also provided additional guidance for the measurement of the asset retirement obligations. The impact of adopting FIN 47 was an increase in Gas Utility Plant in Service of $0.9 million, an increase in Asset Retirement Obligation liabilities of $1.4 million, decrease in Regulatory Liabilities of $0.5 million, increase in Regulatory Assets of $0.1 million and an increase to Accumulated Depreciation of $0.1 million. This accounting standard and the related interpretation require entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost, thereby increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted and the capitalized cost is depreciated over the useful life of the related asset. The Company defers the difference between the amount recognized for depreciation and accretion and the amount collected in rates, as required pursuant to SFAS No. 71, for those amounts it has collected in rates or expects to collect in future rates. The asset retirement obligations liability totaled $1.2 million and $1.3 million at December 31, 2007 and December 31, 2006, respectively. The changes in the asset retirement obligation for the years 2007 and 2006 are presented in the table below (in whole $):

	2007	2006
Beginning Balance	$ 1,328,309	$ 1,358,673
Additions		10,190
Revisions	(42,342)	
Settlements	(94,012)	(94,510)
Accretion	37,287	53,956
Ending Balance	$ 1,229,242	$ 1,328,309

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

Recent Accounting Standards

FIN 48 Accounting for Uncertainty in Income Taxes. In June 2006, the Financial Accounting Standards Board (FASB) issued FIN 48 to reduce the diversity in practice associated with certain aspects of the recognition and measurement requirements related to accounting for income taxes. Specifically, this interpretation requires that a tax position meet a more-likely-than-not recognition threshold for the benefit of an uncertain tax position to be recognized in the financial statements and requires that benefit to be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The determination of whether a tax position meets the more-likely-than-not recognition threshold is based on whether it is probable of being sustained on audit by the appropriate taxing authorities, based solely on the technical merits of the position. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. On January 1, 2007, the Company adopted the provisions of FIN 48. As a result of the implementation of FIN 48, the Company was not required to record any liability for unrecognized tax benefits. The Company has no uncertain tax position as of December 31, 2007.

SFAS No. 157 Fair Value Measurements. In September 2006, the FASB issued SFAS No. 157 to define fair value, establish a framework for measuring fair value and to expand disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and should be applied prospectively, with limited exceptions. SFAS No. 157 became effective for the Company as of January 1, 2008. The adoption of this standard did not have an impact on the Company s January 1, 2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

In February 2008, the FASB issued FSP FAS 157-2, which delays the effective date of SFAS No. 157 until fiscal years beginning after November 15, 2008. The Company has elected to defer the adoption of the nonrecurring fair value measurement disclosures of non-financial assets and liabilities.

SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. In February 2007, the FASB issued SFAS No. 159 which permits entities to choose to measure certain financial instruments at fair value that are not currently required to be measured at fair value. Upon adoption, a cumulative adjustment will be made to beginning retained earnings for the initial fair value option remeasurement. Subsequent unrealized gains and losses for fair value option items will be reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and should not be applied retrospectively, except as permitted for certain conditions for early adoption. The Company has chosen not to elect to measure any applicable financial assets or liabilities at fair value pursuant to this standard when SFAS No. 159 was adopted on January 1, 2008.

Note 3 Financial Instruments

Short-Term Financial Instruments.

As cash and cash equivalents, current receivables, current payables, and certain other short-term financial instruments are all short-term in nature, their carrying amount approximates fair value.

Long-Term Debt.

The Company has a $60 million note payable to NiSource Inc. due in June 2013. The fair value of this note was $53.0 million and $52.1 million at December 31, 2007 and 2006, respectively.

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

The Company has a 6.93% note totaling $2.5 million and $3.3 million as of December 31, 2007 and 2006, respectively, with maturity payments due every September through maturity in 2010. The fair value of this note was $2.6 million and $3.5 million at December 31, 2007 and 2006, respectively.

Note 4 Accounting for Pensions

The Company provides pension benefits to employees with at least 5 years of service. There are three types of pension plans: (1) union employee plan, (2) non-union employee plan and (3) Supplemental Executive Retirement Plan (SERP). The first two plans are noncontributory, qualified pension plans and the third is a nonqualified pension plan that provides benefits to some employees in excess of the qualified plan s Federal tax limits.

The Company s pension plans are part of the parent company pension plan (Bay State Gas Company). The pension balance sheet accounts and ongoing expense amounts reflect the Company s allocation of the total pension plan activity that includes the other operating companies included in the plan, namely Bay State Gas Company and Gas Power Energy (GPE).

Pension expense for the Company in 2007 was approximately $0.3 million. The pension expense was approximately $0.4 million and $0.6 million for 2006 and 2005, respectfully.

The Company made contributions to the Pension trust in 2007 of approximately $1.6 million. No contributions to the Pension trust were made in 2006 and 2005.

In the fourth quarter of 2006, the Company adopted the provisions of Statement of Financial Accounting Standard No. 158 requiring employers to recognize in the statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan, measured as the difference between the fair value of the plan assets and the benefit obligation. Based on the measurement of the defined benefit pension plan assets and benefit obligations at September 30, 2006, the pretax impact of adopting SFAS No. 158 related to pensions increased regulatory assets by $4.1 million and increased other deferred credits by $4.1 million.

On January 1, 2007, the Company adopted the SFAS No. 158 measurement date provisions requiring employers to measure plan assets and benefit obligations as of the fiscal year-end. The pre-tax impact of adopting SFAS No. 158 measurement date provisions for pensions decreased regulatory assets by $0.6 million, decreased retained earnings by $0.2 million, and decreased accrued liabilities for post-employment benefits by $0.4 million. The Company also recorded a reduction in deferred income taxes of approximately $0.1 million. In addition 2007 expense for pension benefits reflects the updated measurement date valuations.

Note 5 Accounting for Other Post Employment Benefits (OPEB)

The Company provides medical and life insurance benefits to retirees. The Company, as a subsidiary of Bay State Gas Company, has contributed to an OPEB trust fund specifically created for post-employment benefits.

OPEB expense for the Company in 2007 was approximately $0.5 million. The OPEB expense was approximately $1.0 million and $0.5 million for 2006 and 2005, respectfully.

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

The Company made contributions to the OPEB trust in 2007 of approximately $1.6 million. No contributions to the OPEB trust were made in 2006 and 2005.

In the fourth quarter of 2006, the Company adopted the provisions of SFAS No. 158 (see Accounting for Pensions). Based on the measurement of plan assets and benefit obligations at September 30, 2006 for defined benefit post-employment plans other than pensions, the pretax impact of adopting SFAS No. 158 decreased prepayments by $0.1 million, increased regulatory assets by $4.1 million, decreased current and accrued liabilities by $0.3 million, and increased other deferred credits by $4.3 million.

On January 1, 2007, the Company adopted the SFAS No. 158 measurement date provisions requiring employers to measure plan assets and benefit obligations as of the fiscal year-end. The pre-tax impact of adopting SFAS No. 158 measurement date provisions for other post retirement benefits decreased regulatory assets by $0.2 million, decreased retained earnings by $0.2 million, and minimally decreased accrued liabilities for post-employment benefits. The Company also recorded a reduction in deferred income taxes of approximately $0.1 million. In addition, 2007 expense for other postretirement benefits reflects the updated measurement date valuations.

Note 6 Leases

The Company s lease activity is primarily related to vehicles and equipment. At December 31, 2007, 2006 and 2005, the Company had lease agreements for 120, 110 and 91 units, respectively. Total rental payments were $515,878, $515,874 and $479,772 for 2007, 2006 and 2005, respectively, and are treated as operating leases.

The amount of future rental payments required under the non-cancellable operating leases is as follows (in whole $):

2008	$ 361,015
2009	359,765
2010	283,331
2011	216,635
2012	164,774
Thereafter	35,531
Total	$ 1,421,051

Note 7 Transactions with Affiliates

Approximately 2% and approximately 6% of the Company s gas purchases for 2007 and 2006, respectively, were from an affiliate, Granite State Gas Transmission, Inc. (*Granite State*), that acquired gas from Canadian sources. The total affiliated gas purchase expense for 2007 and 2006 was $1.4 million and $5.0 million, respectively. Approximately 6% of the 2005 gas purchases, totaling $5.3 million, were from Granite State.

The Company s operating expenses include a management fee for services provided by Bay State Gas Company amounting to $2.8 million in 2007, $2.7 million in 2006 and $2.7 million in 2005.

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

The Company s operating expenses also include a management fee for services provided by NiSource Corporate Services amounting to $5.8 million, $5.4 million and $5.7 million in 2007, 2006 and 2005, respectively.

The Company has payables to associated companies as of December 31, 2007 primarily related to short term debt of approximately $31.1 million, management fees and other general services from Bay State Gas Company of approximately $1.1 million, management fees from NiSource Corporate Services of approximately $0.6 million and other affiliated payables of approximately $0.6 million.

The Company has payables to associated companies as of December 31, 2006 primarily related to short term debt of approximately $39.5 million, gas purchase costs from Granite State of approximately $2.4 million, management fees and other general services from Bay State Gas Company of approximately $1.2 million, management fees from NiSource Corporate Services of approximately $0.5 million and other affiliated payables of approximately $0.9 million.

The Company has receivables from associated companies as of December 31, 2007 primarily related to a reallocation of OPEB liabilities from NiSource of approximately $0.5 million, management fees and other general services to Bay State Gas Company of approximately $0.5 million and other affiliated receivables of approximately $0.1 million.

The Company has receivables from associated companies as of December 31, 2006 primarily related to management fees and other general services to Bay State Gas Company of approximately $1.7 million.

The total affiliated interest expense was approximately $4.1 million, $4.1 million and $3.2 million in 2007, 2006 and 2005, respectively.

Note 8 Short-Term Debt

The Company participates in the NiSource Money Pool arrangement. This arrangement provides the Company with internal financing for seasonal working capital requirements. While the current capital markets have been adversely impacted by a variety of negative economic indicators, the Company believes that it will not impact its continued access to traditional capital markets.

At December 31, 2007 and 2006, the Company had outstanding short-term debt of $31.1 million and $39.5 million, respectively.

Note 9 Long-Term Debt

The Company s outstanding long-term debt matures at various dates through 2013.

Long-term debt is as follows (in whole $):

Interest rate and final installment date	2007
6.93% due September 2010 nonaffiliated	$ 2,500,000
4.80% due June 2013 affiliated	60,000,000
Total outstanding debt	62,500,000
Less: current maturities of long term debt	(833,333)

Total non-current debt	$ 61,666,667

F-45

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

The scheduled maturities of long-term debt at December 31, 2007 are as follows (in whole $):

2008	$ 833,333
2009	833,333
2010	833,334
2011	
2012	
2013	60,000,000
Total	$ 62,500,000

Note 10 Commitments and Contingencies

Capital Expenditures

Capital expenditures for 2008 are currently estimated at $17.9 million. Funds for such expenditures will be provided from funds available at the beginning of the year, cash generated from operations, and other sources as may be required.

Legal Matters

In the normal course of its business, the Company has been named as defendant in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material adverse impact on the Company s financial position or results of operations.

Regulatory Matters

On February 15, 2008, NiSource reached a definitive agreement under which Unitil Corporation (*Unitil*) will acquire NiSource subsidiaries Northern Utilities and Granite State for $160 million plus net working capital at the time of closing. Historically, net working capital has averaged approximately $25 million. Under the terms of the transaction, Unitil will acquire Northern Utilities, a local gas distribution company serving 52 thousand customers in 44 communities in Maine and New Hampshire and Granite State, an 86-mile FERC regulated gas transmission pipeline primarily located in Maine and New Hampshire. The transaction, expected to be complete by the end of 2008, is subject to regulatory approvals. NiSource recorded an after tax loss of approximately $48.8 million related to the pending sale of Northern Utilities in 2008.

The Maine Commission has approved a stipulation for the Company to accelerate the replacement of its cast iron distribution piping located in the towns of Lewiston and Auburn between April 1, 2005 and December 1, 2008. The Maine Commission s order approving the stipulation also provides the Company with the opportunity to propose a mechanism to recover the costs associated with the incremental rate base additions as part of its next base rate case.

In 2005, the Maine Commission and the New Hampshire Commission concluded parallel investigations into the allocation between Northern Utilities Maine and New Hampshire Divisions of pipeline and underground storage capacity and supply demand-related costs by approving a Settlement Agreement. The Settlement Agreement resolves all claims that have been or may be asserted related to past, present and future allocation, recovery and reconciliation of capacity-related costs and revenues between the

F-46

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

Company s Maine and New Hampshire Divisions for any period prior to November 1, 2005. In Maine Commission Docket Nos. 2005-87 and 2005-273, the Settling Parties agreed to address, as part of a future Integrated Resource Plan (IRP) filing, the Maine Commission Staff s concerns regarding the reasonableness of recovering certain contracts designed to replace gas supplies that were going to be provided via the Wells LNG facility but are now being provided by the Maritimes/PNGTS Joint Facilities (Wells Replacement Contracts).

On October 27, 2006, the Company received an Order from the New Hampshire Commission in Docket No. DG 06-129 regarding the Company s Cost of Gas (COG) and Local Distribution Adjustment Clause (LDAC) rates. In that Order, the Commission directed the Company, Office of Consumer Advocate, and Commission Staff to investigate whether carrying costs on the monthly balance of under/over gas cost collections that are recovered through the COG mechanism could result in over-collecting carrying costs on purchased gas costs through the combination of the interest calculation and the recovery of gas supply cost working capital expense.

On October 12, 2007, the MPUC opened an investigation (Investigation into Northern Utilities, Inc. s Safety Operations and Practices, Docket No. 2007-529) in which it ordered an independent management audit pursuant to 35-A M.R.S.A. § 113 to examine the Company s gas safety operations and practices. The audit is underway and is expected to conclude during 2008.

On December 7, 2006, the Company received a Notice of Probable Violation (NOPV) from the Director of Technical Analysis of the MPUC alleging violations of three sections of the federal gas safety regulations.

The Company has also received NOPVs from the Director of the Technical Analysis Division of the MPUC related to various alleged operating and record keeping deficiencies. The Company is opposing the allegations.

The Company is currently negotiating with the MPUC Staff regarding the imposition of a penalty for failure to read a number of meters within a twelve month period. A $0.4 million accrued liability for this penalty has been established in 2007.

During an investigation of unusually high unaccounted for gas in the Company s New Hampshire Division, the Company discovered an apparent metering error by Spectra Energy at the Maritimes & Northeast/Portland Natural Gas Transmission System s Newington Gate Station in Newington, New Hampshire. The Company is actively engaged in discussions with Spectra and the upstream supplying pipelines to determine the magnitude of the billing error and the method for providing an appropriate refund to the Company s customers.

Table of Contents

NORTHERN UTILITIES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2007, 2006 AND 2005

Note 11 Long-Term Gas Purchases

The Company has entered into long-term purchase obligations for gas purchases, transportation and storage agreements. Certain gas purchase obligations meet the definition of a derivative under the provisions of SFAS No. 133, Accounting for Derivatives, as amended. The Company has elected to treat such contracts as normal purchases under the provisions of SFAS 133. As a result, the fair values of such contracts are not reported on the balance sheets at December 31, 2007 and 2006. The obligations to the Company under these contracts as of December 31, 2007 are as follows:

	Annual Demand Quantities (MDth)	Annual Demand Costs ($ millions)	Annual Commodity Quantities (MDth)	Annual Commodity Costs ($ millions)
2008				
Gas transportation	48.3	$ 22.1	0.0	$ 0.0
Storage	4.7	4.2	0.0	0.0
Gas purchases	1.8	3.8	1.2	9.8
Total	54.8	30.1	1.2	9.8
2009				
Gas transportation	47.4	21.7	0.0	0.0
Storage	3.7	3.0	0.0	0.0
Gas purchases	2.0	4.1	0.0	0.0
Total	53.1	28.8	0.0	0.0
2010				
Gas transportation	46.8	21.6	0.0	0.0
Storage	3.7	3.0	0.0	0.0
Gas purchases	2.0	4.3	0.0	0.0
Total	52.5	28.9	0.0	0.0
2011				
Gas transportation	46.6	21.6	0.0	0.0
Storage	3.7	3.0	0.0	0.0
Gas purchases	1.6	3.5	0.0	0.0
Total	51.9	28.1	0.0	0.0
2012				
Gas transportation	45.1	21.4	0.0	0.0

Storage	3.7		2.9	0.0		0.0
Gas purchases	0.0		0.0	0.0		0.0
Total	48.8		24.3	0.0		0.0
Thereafter						
Gas transportation	156.3		95.1	0.0		0.0
Storage	12.8		9.4	0.0		0.0
Gas purchases	0.0		0.0	0.0		0.0
Total	169.1		104.5	0.0		0.0
Total all agreements	430.2	$	244.7	1.2	$	9.8

F-48

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

UNAUDITED CONDENSED FINANCIAL STATEMENTS

AS OF MARCH 31, 2008 AND 2007 AND FOR THE THREE MONTHS ENDED

MARCH 31, 2008 AND 2007

F-49

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

CONDENSED BALANCE SHEETS

AS OF MARCH 31, 2008 AND MARCH 31, 2007

	Unaudited	
	2008	**2007**
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Utility plant	$ 23,939,835	$ 22,961,713
Less: accumulated depreciation and amortization	(7,599,439)	(7,315,272)
Net utility plant	16,340,396	15,646,441
Other property	600,000	600,000
Construction work in progress	159,009	51
Net property, plant and equipment	17,099,405	16,246,492
CURRENT ASSETS:		
Cash and cash equivalents	38,074	54,502
Accounts and notes receivable, net of reserve of $4,200 in 2008 and $10,000 in 2007	63,878	88,736
Receivables from affiliated companies	931,074	544,980
Exchange gas receivable	8,427,997	
Regulatory assets	55,467	57,294
Prepayments	18,382	10,738
Prepayments affiliated	5,414	6,082
Taxes receivable	120,576	42,519
Taxes receivable from affiliated companies	97,443	5,055,357
Total current assets	9,758,305	5,860,208
DEFERRED CHARGES:		
Regulatory assets	470,694	584,232
Intangible assets, net of amortization	8,062,359	8,324,549
Other deferred charges	53,996	
Total deferred charges	8,587,049	8,908,781
TOTAL ASSETS	$ 35,444,759	$ 31,015,481

The accompanying notes to financial statements are an integral part of these statements.

F-50

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

CONDENSED BALANCE SHEETS (Continued)

AS OF MARCH 31, 2008 AND MARCH 31, 2007

	Unaudited 2008	2007
STOCKHOLDERS EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS EQUITY		
Common Stock	$ 29,900	$ 29,900
Other paid in capital	26,494,541	26,494,541
Accumulated deficit	(13,557,593)	(13,377,635)
Total stockholders equity	12,966,848	13,146,806
CURRENT LIABILITIES:		
Payables to affiliated companies	111,436	1,065,178
Exchange gas payable affiliated	8,427,997	
Short term borrowings from affiliated companies	7,714,646	10,030,037
Accounts payable	401,284	302,465
Interest accrued		3,892
Customer deposits	9,894	9,894
Other current liabilities	90,401	59,535
Total current liabilities	16,755,658	11,471,001
OTHER LIABILITIES AND DEFERRED CREDITS:		
Deferred income taxes	5,235,920	5,765,249
Deferred investment tax credits	12,663	13,983
Asset retirement obligations	129,458	122,261
Regulatory liabilities	29,646	
Pensions and other postretirement benefits	314,566	496,181
Total other liabilities and deferred credits	5,722,253	6,397,674
COMMITMENTS AND CONTINGENCIES		
TOTAL STOCKHOLDERS EQUITY AND LIABILITIES	$ 35,444,759	$ 31,015,481

The accompanying notes to financial statements are an integral part of these statements.

F-51

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

CONDENSED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

	Unaudited 2008	2007
NET REVENUES		
Net gas transportation revenues	146,458	167,208
Net affiliated revenues	824,848	807,169
Total net revenues	971,306	974,377
OPERATING EXPENSES:		
Operations and maintenance	226,339	192,181
Operations and maintenance affiliated	121,462	167,905
Depreciation and amortization	227,750	203,552
Accretion Expense	1,362	1,852
Taxes other than income	77,070	70,301
Total operating expenses	653,983	635,791
OPERATING INCOME	317,323	338,586
OTHER INCOME (DEDUCTIONS):		
Interest income and other, net	5,529	73,958
Interest expense affiliated	(84,316)	(144,862)
Total other income (deductions)	(78,787)	(70,904)
INCOME BEFORE TAX	238,536	267,682
INCOME TAX	94,934	114,188
NET INCOME	$ 143,602	$ 153,494

The accompanying notes to financial statements are an integral part of these statements.

F-52

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

	Unaudited 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 143,602	$ 153,494
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	227,750	203,552
Deferred income taxes and investment tax credits	26,115	96,952
Accretion expense	1,362	1,852
Changes in assets and liabilities:		
Accounts receivable	(58,740)	1,872,491
Accounts payable and accrued expenses	(236,835)	(3,632,876)
Regulatory assets/liabilities	8,011	(101,406)
Pension and other postretirement benefits	1,775	121,000
Taxes receivable	62,451	(54,648)
Other net	(2,433)	8,640
Net cash provided by (used in) operating activities	173,058	(1,330,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures utility plant	(47,882)	(200,991)
Net cash used in investing activities	(47,882)	(200,991)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in Affiliated Borrowings (Short-term debt)	(153,061)	1,559,925
Net Cash (used in) provided by financing activities	(153,061)	1,559,925
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,885)	27,985
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	65,959	26,517
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 38,074	$ 54,502
SUPPLEMENTAL DISCLOSURE INFORMATION:		
Cash paid during year for interest	$ 95,483	$ 134,390
Income taxes (refunded) paid	$	$
Capital expenditures included in accounts payable	$ 25,410	$ 192,717

The accompanying notes to financial statements are an integral part of these statements.

F-53

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

Note 1 Nature of Operations and Basis of Accounting

Basis of accounting presentation

The accompanying unaudited condensed financial statements for Granite State Gas Transmission, Inc. (*Granite* or the *Company*) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with generally accepted accounting principles in the United States of America.

The accompanying unaudited condensed financial statements should be read in conjunction with the financial statements and notes included in the Granite s audited financial statements for the fiscal year ended December 31, 2007. Income for the interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although Granite believes that the disclosures made are adequate to make the information not misleading.

Note 2 Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

SFAS No. 157 Fair Value Measurements (SFAS No. 157). In September 2006, the FASB issued SFAS No. 157 to define fair value, establish a framework for measuring fair value and to expand disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and should be applied prospectively, with limited exceptions. The adoption of SFAS No. 157 did not have an impact on Granite s January 1, 2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. In February 2007, the FASB issued SFAS No. 159 which permits entities to choose to measure certain financial instruments at fair value that are not currently required to be measured at fair value. Upon adoption, a cumulative adjustment will be made to beginning retained earnings for the initial fair value option remeasurement. Subsequent unrealized gains and losses for fair value option items will be reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and should not be applied retrospectively, except as permitted for certain conditions for early adoption. Granite has chosen not to elect to measure any applicable financial assets or liabilities at fair value pursuant to this standard when SFAS No. 159 was adopted on January 1, 2008.

SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158). In September 2006, the FASB issued SFAS No. 158 to improve existing reporting for defined benefit postretirement plans by requiring employers to recognize in the statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan, among other changes. In the fourth quarter of 2006, Granite adopted the provisions of SFAS No. 158 requiring employers to recognize in the statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of the plan assets and

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

the benefit obligation. Based on the measurement of the various defined benefit pension and other postretirement plans assets and benefit obligations at September 30, 2006, the pretax impact of adopting SFAS No. 158 increased Prepayments by $2,437, increased Regulatory Assets by $628,963, and decreased Other Current Liabilities by $19,057. Pension and Postretirement Benefits were increased by $650,457. With the adoption of SFAS No. 158 Granite determined that the future recovery of pension and other postretirement plans costs is probable in accordance with the requirements of SFAS No. 71. Granite recorded regulatory assets and liabilities that would otherwise have been recorded to accumulated other comprehensive income.

Granite adopted the SFAS No. 158 measurement date provisions in the first quarter of 2007 requiring employers to measure plan assets and benefit obligations as of the fiscal year-end. The total change to the Balance Sheet for the year 2007, related to the adoption of SFAS No. 158, was a decrease to Regulatory Assets of $127,074, an increase to Other Deferred Charges of $53,996, an increase in Pension and Postretirement Benefits of $35,619, a decrease to Retained Earnings of $18,573, a decrease to Accounts and Notes Receivable of $7,061, an increase to Accounts Receivable from Affiliated Companies of $99,072, and an increase to Accounts Payable to Affiliated Companies of $1,887. In addition, 2007 expense for pension and postretirement benefits reflected the updated measurement date valuations.

FIN 48 Accounting for Uncertainty in Income Taxes (FIN 48). In June 2006, the FASB issued FIN 48 to reduce the diversity in practice associated with certain aspects of the recognition and measurement requirements related to accounting for income taxes. Specifically, this interpretation requires that a tax position meet a more-likely-than-not recognition threshold for the benefit of an uncertain tax position to be recognized in the financial statements and requires that benefit to be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. When determining whether a tax position meets the more-likely-than-not recognition threshold, it is to be based on whether it is probable of being sustained on audit by the appropriate taxing authorities, based solely on the technical merits of the position. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

On January 1, 2007, Granite adopted the provisions of FIN 48. There was no impact to the opening balance of retained earnings as a result of the adoption of FIN 48.

Recently Issued Accounting Pronouncements

SFAS No. 141R Business Combinations. In December 2007, the FASB issued SFAS No. 141R to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports regarding business combinations and its effects, including recognition of assets and liabilities, the measurement of goodwill and required disclosures. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. Granite is currently reviewing the provisions of SFAS No. 141R to determine the impact on future business combinations.

Note 3 Asset Retirement Obligations

Granite accounts for retirement obligations on its assets in accordance with SFAS No. 143, Accounting for Asset Retirements Obligations. This accounting standard and the related interpretation requires entities to record the fair value of a liability for an asset retirement obligation in the period in which

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

it is incurred. When the liability is initially recorded, the entity capitalizes the cost, thereby increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted, and the capitalized cost is depreciated over the useful life of the related asset. Granite defers the difference between the amount recognized for depreciation and accretion and the amount collected in rates as required pursuant to SFAS No. 71 for those amounts it has collected in rates or expects to collect in future rates. Currently, the deferred amount for this difference is zero.

Granite has recognized asset retirement obligations associated with various obligations including, certain costs to retire pipeline, and removal of certain pipelines known to contain polychlorinated biphenyl contamination as well as some other nominal asset retirement obligations. The asset retirement obligation totaled $129,458 at March 31, 2008 and $122,261 at March 31, 2007. For the first quarter 2008 and 2007 Granite recognized accretion expense of $1,362 and $1,852, respectively

Note 4 Income Taxes

Total income taxes were different from the amount that would be computed by applying the statutory Federal income tax rate to book income before income tax. The major reasons for this difference were as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Book income before income taxes	$ 238,536	$ 267,682
Tax expense at statutory Federal income tax rate	$ 83,488	$ 93,689
Increases (reductions) in taxes resulting from:		
State income taxes, net of Federal income tax benefit	11,776	14,159
Deferred investment tax credit	(330)	(330)
Amortization of regulatory asset FAS-109		7,068
Other		(398)
Income Tax Expense	$ 94,934	$ 114,188

There was no impact to the opening balance of retained earning as a result of the adoption of FIN 48 and there are no uncertain tax positions as of March 31, 2008. As of March 31, 2007 and prior to the adoption of FIN 48, Granite had an uncertain tax position of $276,968. Granite settled the uncertain tax position with the IRS in second quarter 2007.

Note 5 Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover its employees. Benefits under the defined benefit retirement plans reflect the employees compensation, years of service and age at retirement. Additionally, NiSource provides health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for Granite. The expected cost of such benefits is accrued during the employees years of service. Granite s current rates include postretirement benefit costs on an accrual basis, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. Cash contributions are remitted to grantor trusts. As of December 31, 2007, Granite uses December 31 as its measurement date for its pension and postretirement benefit plans, in accordance with SFAS No. 158.

F-56

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

Pension expense for Granite, as allocated by NiSource, was $1,463 and $1,703 for first quarter 2008 and 2007, respectively. Postretirement benefits expense for Granite was $8,323 and $17,891 for first quarter 2008 and 2007, respectively. These allocations were based on expenses, net of assets returns, as actuarially determined for employees associated with Granite. Granite made cash contributions to the pension plan totaling zero and zero for first quarter 2008 and 2007, respectively. Cash contributions to the post retirement plan were zero, and zero for first quarter 2008 and 2007, respectively.

Note 6 Short-Term Borrowings

Granite satisfies its liquidity requirements primarily through internally generated funds and through intercompany borrowings from the NiSource Money Pool. As of March 31, 2008, Granite had short-term NiSource Money Pool borrowings of $7,714,646 at an interest rate of 3.55 percent. As of March 31, 2007, Granite had $10,030,037 of NiSource Money Pool borrowings at an interest rate of 5.77 percent.

Note 7 Affiliated Company Transactions

Granite receives executive, financial, and administrative and general services from an affiliate, NiSource Corporate Services. The costs of these services are charged to Granite based on payroll costs and expenses incurred by NiSource Corporate Services employees for the benefit of Granite. These costs which totaled $77,915 and $94,544 for first quarter 2008 and 2007, respectively, consist primarily of employee compensation and benefits and are recorded within, Operation Expenses on the Statements of Income. Granite also incurred expenses from an affiliate, Columbia Gas Transmission Corporation, for various routine administrative activities totaling $34,619 and $64,435 during first quarter 2008 and 2007, respectively. Granite incurred office rental expense of $8,927 from affiliate, Northern Utilities, Inc. (*Northern Utilities*), for both first quarter 2008 and 2007.

Granite recorded gas transportation revenues from affiliates of $824,848 and $807,169 for first quarter 2008 and 2007, respectively.

The March 31, 2008 and 2007 accounts receivable balance includes $931,074 and $544,980 respectively, due from associated companies.

The March 31, 2008 and 2007 accounts payable balance reflects $111,436 and $1,065,178, respectively, due to associated companies, separate from the NiSource Money Pool.

The March 31, 2008 and 2007 exchange gas payable balance reflects $8,427,997 and zero, respectively, due to associated companies.

The March 31, 2008 and 2007 Taxes receivable balance includes $97,443 and $5,055,357, respectively, of federal and state income taxes that are receivable from to NiSource in accordance with its tax-sharing agreement.

Note 8 Intangible Assets

Intangible assets includes $10,487,621 related to the allocation of the purchase price resulting from NiSource s purchase of the individual units of Bay State Gas Company. Granite was part of Bay State Gas Company at the time of this purchase. The amount is being amortized to operating expense over a forty-year period, and is not currently a component of Granite s rates. Granite s Balance Sheet contains intangible

F-57

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

assets discussed above which are not subject to recovery under SFAS No. 71. As a result, Granite assesses the carrying amount and potential earnings of these assets whenever events or changes in circumstances indicate that the carrying value could be impaired as per SFAS No. 144.

Amortization expense for the Company in first quarter 2008 and 2007 was approximately $65,548. The estimated amortization expense for 2008 through 2012 is approximately $262,191 annually. The balance of Granite s intangible assets, net of amortization, as of March 31, 2008 was $8,062,359 and was $8,324,549 as of March 31, 2007.

Note 9 Regulatory Matters

Sale of Granite

On February 15, 2008, NiSource reached a definitive agreement under which Unitil Corporation (*Unitil*) will acquire Northern Utilities and Granite for $160 million plus net working capital at the time of closing. Historically, net working capital has averaged approximately $25 million. Under the terms of the transaction, Unitil will acquire Northern Utilities, a local gas distribution company serving 52 thousand customers in 44 communities in Maine and New Hampshire and Granite, an 86-mile FERC regulated gas transmission pipeline primarily located in Maine and New Hampshire. The transaction, expected to be completed by the end of 2008, is subject to federal and state regulatory approvals.

NiSource recorded an after tax loss of $14,730,425 related to the pending sale of Granite.

New Hampshire Public Utilities Commission Docket Nos. DG 07-102 Northern Utilities, Inc 2007/2008 Winter Cost of Gas

On October 31, 2007, the New Hampshire Commission issued Order DG 07-102 concerning the 2007/2008 winter cost of gas proceeding for Northern Utilities New Hampshire division. In that order, the New Hampshire Commission noted that lost and UAFG in the 2007-2008 winter cost of gas forecast is approximately 1% of firm sales, compared to a reported 7.59% UAFG for the 12-month period ending April 2007. The New Hampshire Commission recognized that Northern Utilities had previously opened an internal investigation to determine the actual UAFG for that period, the cause of any misreporting, and a solution. The New Hampshire Commission ordered Northern Utilities to file a detailed report by December 31, 2007 regarding the results of its investigation into UAFG as reported in its 2006-2007 winter cost of gas reconciliation filing.

In early December 2007, Northern Utilities identified what appears to be the single largest contributing cause of its New Hampshire Division s unusually high reported UAFG levels. The apparent cause appeared to be incorrect metering by Spectra at the M&NE / PNGTS Newington Gate Station caused by an erroneous meter module change on May 25, 2005. Because of the recent discovery of this cause, Northern Utilities sought from the New Hampshire Commission and obtained an extension until February 15, 2008 to file the requested report showing accurate volumetric adjustments to correct Northern Utilities UAFG levels and associated cost impacts.

On February 15, 2008, Northern Utilities filed its report with the New Hampshire Commission. Northern Utilities reported that it was working with Granite State and Spectra to determine the exact volume of gas that was over-recorded as a result of Spectra erroneously updating its Newington Gate Station meter module in May 2005. As a result of these efforts, Northern Utilities received confirmation from Spectra on

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

January 28, 2008, that Granite State was erroneously billed for an additional 758,709 Dth of natural gas between May 2005 and December 2007. As the primary transportation customer of Granite State at the Newington Gate Station, and due to the service arrangements under which Northern Utilities receives service from Granite State, the total amount of the error was passed through to Northern Utilities. Northern Utilities calculates that it was overcharged by approximately $5.7 million for gas purchases directly related to this meter error based on gas prices in effect at the time of the error.

As of June 2008, Granite State has recorded approximately $10.3 million reflecting the anticipated liability of the future refund amount to Northern Utilities based on current market prices.

Northern Utilities has been informed by Spectra that resolution of the issue and any cash-out or refund that needs to be made to Granite State and/or Northern Utilities requires the involvement of PNGTS. PNGTS has agreed to repay the lost gas to Granite State over an 18-month period, but final documents memorializing the payback have not been completed. Northern Utilities has agreed to inform the New Hampshire Commission at 120-day intervals until an acceptable resolution is reached.

F-59

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007 AND 2006 AND FOR

THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

TOGETHER WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM S REPORT

Table of Contents

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM S REPORT

Granite State Gas Transmission

We have audited the accompanying balance sheets of Granite State Gas Transmission (the Company) as of December 31, 2007 and 2006, and the related statements of (loss) income, changes in stockholder s equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Granite State Gas Transmission as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2 to the financial statements, in the fourth quarter of 2006, the Company adopted the provisions of FASB Statement No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, requiring employers to recognize in the statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan, and effective January 1, 2007, the Company adopted the measurement date provisions of FASB Statement No. 158.

/s/ Deloitte & Touche LLP

Columbus, Ohio

May 27, 2008

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Utility plant	$ 23,968,179	$ 23,195,931
Less: accumulated depreciation and amortization	(7,438,548)	(7,177,269)
Net utility plant	16,529,631	16,018,662
Other property	600,000	600,000
Construction work in progress	118,901	
Net property, plant and equipment	17,248,532	16,618,662
CURRENT ASSETS:		
Cash and cash equivalents	65,959	26,517
Accounts and notes receivable, net of reserve of $4,200 in 2007 and $10,000 in 2006	547,360	119,215
Receivables from affiliated companies	388,853	2,391,984
Regulatory assets	55,467	57,294
Prepayments	11,701	13,295
Prepayments affiliated	9,662	12,164
Taxes receivable	36,957	40,310
Taxes receivable from affiliated companies	243,513	5,002,918
Total current assets	1,359,472	7,663,697
DEFERRED CHARGES:		
Regulatory assets	478,705	662,819
Intangible assets, net of amortization	8,127,906	8,390,097
Other deferred charges	53,995	
Total deferred charges	8,660,606	9,052,916
TOTAL ASSETS	$ 27,268,610	$ 33,335,275

The accompanying notes to financial statements are an integral part of these statements.

F-62

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

BALANCE SHEETS (Continued)

AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
CAPITALIZATION AND LIABILITIES		
COMMON STOCKHOLDERS EQUITY		
Common Stock	$ 29,900	$ 29,900
Other paid in capital	26,494,541	26,494,541
Retained earnings	(13,701,195)	(13,519,973)
Total capitalization	12,823,246	13,004,468
CURRENT LIABILITIES:		
Payables to affiliated companies	745,793	5,281,722
Short term borrowings from affiliated companies	7,867,706	8,470,112
Accounts payable	55,971	174,332
Interest accrued		3,677
Customer deposits	9,894	9,894
Other current liabilities	72,999	36,169
Total current liabilities	8,752,363	13,975,906
OTHER LIABILITIES AND DEFERRED CREDITS:		
Deferred income taxes	5,209,475	5,689,165
Deferred investment tax credits	12,993	14,313
Asset retirement obligations	128,096	120,409
Regulatory liabilities	29,646	
Pensions and other postretirement benefits	312,791	531,014
Total other liabilities and deferred credits	5,693,001	6,354,901
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 27,268,610	$ 33,335,275

The accompanying notes to financial statements are an integral part of these statements.

F-63

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

STATEMENTS OF (LOSS) INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
NET REVENUES			
Net gas transportation revenues	512,106	456,363	484,760
Net affiliated revenues	2,851,768	3,706,319	3,982,134
Total net revenues	3,363,874	4,162,682	4,466,894
OPERATING EXPENSES:			
Operations and maintenance	1,198,193	2,152,171	1,763,079
Operations and maintenance affiliated	658,546	685,789	868,232
Depreciation and amortization	841,559	784,431	702,499
Accretion Expense	7,687	7,226	
Taxes other than income	292,398	252,998	215,361
Total operating expenses	2,998,383	3,882,615	3,549,171
OPERATING INCOME	365,491	280,067	917,723
OTHER INCOME (DEDUCTIONS):			
Interest income and other, net		371,586	228,547
Interest expense affiliated	(554,559)	(456,951)	(188,793)
Total other income (deductions)	(554,559)	(85,365)	39,754
(LOSS) INCOME BEFORE TAX	(189,068)	194,702	957,477
INCOME TAX	(19,002)	103,454	438,208
NET (LOSS) INCOME	$ (170,066)	$ 91,248	$ 519,269

The accompanying notes to financial statements are an integral part of these statements.

F-64

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Common Stock Shares Issued and Outstanding ***	Par Value $1	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
BALANCE AT DECEMBER 31, 2004	29,900	$ 1	$ 26,479,920	$ (14,130,490)	$ (120,725)	$ 12,258,605	
Net Income				519,269		519,269	$ 519,269
Unrecognized Pension Benefit costs, net of tax					(29,446)	(29,446)	$ (29,446)
Total comprehensive income							$ 489,823
Tax benefit allocation			4,843			4,843	
BALANCE AT DECEMBER 31, 2005	29,900	$ 1	$ 26,484,763	$ (13,611,221)	$ (150,171)	$ 12,753,271	
Net Income				91,248		91,248	$ 91,248
Unrecognized Pension Benefit costs, net of tax					150,171	150,171	$ 150,171
Total comprehensive income							$ 241,419
Tax benefit allocation			9,778			9,778	
BALANCE AT DECEMBER 31, 2006	29,900	$ 1	$ 26,494,541	$ (13,519,973)	$ 0	$ 13,004,468	
Net Loss				(170,066)		(170,066)	$ (170,066)
Total comprehensive loss							$ (170,066)
Adoption of SFAS 158 measurement date provisions, net of tax				(11,156)		(11,156)	$ (11,156)
BALANCE AT DECEMBER 31, 2007	29,900	$ 1	$ 26,494,541	$ (13,701,195)	$ 0	$ 12,823,246	

*** 50,000 shares authorized

The accompanying notes to financial statements are an integral part of these statements.

F-65

Table of Contents

GRANITE STATE GAS TRANSMISSION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (170,066)	$ 91,248	$ 519,269
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	841,559	784,431	702,499
Amortization of regulatory asset		708,340	850,008
Deferred income taxes and investment tax credits	(410,845)	193,172	(44,139)
Accretion expense	7,687	7,226	
Changes in assets and liabilities:			
Accounts receivable	1,662,129	53,409	(381,152)
Accounts payable and accrued expenses	(4,256,253)	1,773,594	1,586,961
Regulatory assets/liabilities	25,011	16,221	(142,339)
Pension and other postretirement benefits	(253,842)	33,153	42,882
Taxes receivable	4,762,758	(747,838)	232,903
Other net	(1,702)	14,717	(22,117)
Net cash provided by operating activities	2,206,436	2,927,673	3,344,775
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures utility plant	(1,564,588)	(3,673,883)	(4,471,535)
Net cash used in investing activities	(1,564,588)	(3,673,883)	(4,471,535)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Changes in Affiliated Borrowings			
(Short-term debt)	(602,406)	757,177	1,126,737
Net Cash (used in) provided by financing activities	(602,406)	757,177	1,126,737
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,442	10,967	(23)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,517	15,550	15,573
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 65,959	$ 26,517	$ 15,550
SUPPLEMENTAL DISCLOSURE INFORMATION:			
Cash paid during year for interest	$ 562,337	$ 444,732	$ 174,817
Income taxes (refunded) paid	$ (3,500,946)	$ 434,565	$ 102,987

The accompanying notes to financial statements are an integral part of these statements.

Table of Contents

Note 1 Nature of Operations and Basis of Accounting

Company Structure

Granite State Gas Transmission, Inc. (*Granite* or the *Company*) is a wholly owned subsidiary of NiSource Inc. (*NiSource*). Granite is engaged in the transportation of natural gas through an interstate pipeline system consisting of 86 miles of FERC-regulated gas transmission pipeline primarily located in Maine and New Hampshire.

Granite s costs of doing business are reflected in the financial statements for the periods presented. These costs include direct charges and allocations from NiSource subsidiaries for:

- Corporate services, such as human resources, finance and accounting, legal and senior executives;
- Business services, including payroll, accounts payable and information technology; and
- Pension and other post-retirement benefit costs.

Transactions between Granite and other NiSource subsidiaries have been identified in the financial statements as affiliated transactions. Please refer to Note 9.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Granite follows the accounting and reporting requirements of Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation (SFAS No. 71). SFAS No. 71 provides that rate-regulated companies account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Comparative Balance Sheet and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers.

Regulatory assets and liabilities were comprised of the following items:

	2007	2006
Year Ended December 31,		
Assets		
FERC Annual Charge Assessment (ACA)	$ 55,467	$ 57,294
Regulatory effect of SFAS 109		33,856
SFAS 158 Benefit Pension and Other Retirement Plans	478,705	628,963
Total Assets	$ 534,172	$ 720,113

	2007	2006
Liabilities		

OPEB Medical Subsidy	$ 29,646	$	
Total Liabilities	$ 29,646	$	

Table of Contents

Regulatory assets of $534,172 are not included in rate base and consequently are not earning a return on investment. Regulatory assets of $55,467 are covered by specific regulatory orders and are being recovered as components of cost of service over one year. Regulatory assets of $478,705 require specific rate action. Although recovery of these amounts is not guaranteed, Granite believes that these costs meet the requirements for deferral as regulatory assets as defined by the FERC. If Granite determined that the amounts included as regulatory assets were not recoverable, a charge to income would immediately be required to the extent of the unrecoverable amounts.

Utility Plant and Related Depreciation

Utility plant is stated at cost. Such costs include materials, payroll and related costs such as taxes, pensions and other employee benefits, general and administrative costs and include allowance for funds used during construction (AFUDC). Granite s Utility Plant is comprised as follows:

	2007	2006
At December 31,		
Pipelines	$ 18,229,369	$ 17,225,810
Facilities, structures and other	5,406,714	5,652,308
Other	332,096	317,813
Accumulated provision for depreciation and amortization	(7,438,548)	(7,177,269)
Net utility plant	16,529,631	16,018,662
Other property	600,000	600,000
Construction work in progress	118,901	0
Net property, plant and equipment	$ 17,248,532	$ 16,618,662

Granite follows the practice of charging maintenance and repairs, including the cost of removal of minor items of property, to expense as incurred. When property that represents a retired unit is replaced or removed, the cost of such property is credited to utility plant, and such cost, together with the cost of removal net of salvage, is charged to the accumulated provision for depreciation.

Granite recorded depreciation on a composite straight-line basis at an annual rate of 2.7 percent for 2007, 2006, and 2005, respectively.

Intangible Assets

Intangible assets includes $10,487,621 related to the allocation of the purchase price resulting from NiSource s purchase of the individual units of Bay State Gas Company. Granite was part of Bay State Gas Company at the time of this purchase. The amount is being amortized to operating expense over a forty-year period, and is not currently a component of Granite s rates. Granite s Balance Sheet contains intangible assets discussed above which are not subject to recovery under SFAS No. 71. As a result, Granite assesses the carrying amount and potential earnings of these assets whenever events or changes in circumstances indicate that the carrying value could be impaired as per SFAS No. 144.

Amortization expense for the Company in 2007, 2006 and 2005 was approximately $262,191. The estimated amortization expense for 2008 through 2012 is approximately $262,191 annually. The balance of Granite s intangible assets, net of amortization, as of December 31, 2007 and 2006 was $8,127,906 and $8,390,097, respectively.

Table of Contents

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

1. Short-Term Financial Instruments

As cash and cash equivalents, accounts and notes receivable, and accounts payable, are all short-term in nature, their carrying amount approximates fair value.

Financing to meet current operating needs is also obtained from NiSource through an intercompany money pool from which Granite can borrow funds or invest excess funds. While the current capital markets have been adversely impacted by a variety of negative economic indicators, NiSource believes that it will not impact its continued access to traditional capital markets.

Revenue Recognition

Revenues are recognized as services are provided and customers are billed on a monthly basis. Revenues from long-term contracts are recognized in accordance with the accrual basis of accounting and are recognized over the term of the contract as services are provided. Estimates may be used for determining the services provided. Differences between actual and estimated revenues are immaterial.

Estimated Rate Refunds

Granite collects revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management s current judgment of the ultimate outcomes of the proceedings. No provisions are made when, in the opinion of management, the facts and circumstances preclude a reasonable estimate of the outcome. There were no rate refunds in 2007, 2006, and 2005, respectively.

Income Taxes and Investment Tax Credits

For income tax purposes, Granite is included in the consolidated federal and various state returns filed by NiSource. Granite participates in the NiSource Tax Allocation Agreement, which generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax, including the tax benefits of operating losses and credits. Any net benefit attributable to the parent is reallocated to other members.

Please refer to Note 5, Income Taxes, in the Notes to Financial Statements for additional information.

Note 2 Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158). In September 2006, the FASB issued SFAS No. 158 to improve existing reporting for defined benefit postretirement plans by requiring employers to recognize in the statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan, among other changes. In the fourth quarter of 2006, Granite adopted the provisions of SFAS No. 158 requiring employers to recognize in the statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of the plan assets and the benefit obligation. Based on the measurement of the various defined benefit pension and other postretirement plans assets and benefit obligations at September 30, 2006, the pretax impact of adopting

Table of Contents

SFAS No. 158 increased Prepayments by $2,437, increased Regulatory Assets by $628,963, and decreased Other Current Liabilities by $19,057. Pension and Postretirement Benefits were increased by $650,457. With the adoption of SFAS No. 158 Granite determined that the future recovery of pension and other postretirement plans costs is probable in accordance with the requirements of SFAS No. 71. Granite recorded regulatory assets and liabilities that would otherwise have been recorded to accumulated other comprehensive income.

Granite adopted the SFAS No. 158 measurement date provisions in the first quarter of 2007 requiring employers to measure plan assets and benefit obligations as of the fiscal year-end. The total change to the Balance Sheet for the year 2007, related to the adoption of SFAS No. 158, was a decrease to Regulatory Assets of $127,074, an increase to Other Deferred Charges of $53,996, an increase in Pension and Postretirement Benefits of $35,619, a decrease to Retained Earnings of $18,573, a decrease to Accounts and Notes Receivable of $7,061, an increase to Accounts Receivable from Affiliated Companies of $99,072, and an increase to Accounts Payable to Affiliated Companies of $1,887. In addition, 2007 expense for pension and postretirement benefits reflected the updated measurement date valuations.

FIN 48 Accounting for Uncertainty in Income Taxes (FIN 48). In June 2006, the FASB issued FIN 48 to reduce the diversity in practice associated with certain aspects of the recognition and measurement requirements related to accounting for income taxes. Specifically, this interpretation requires that a tax position meet a more-likely-than-not recognition threshold for the benefit of an uncertain tax position to be recognized in the financial statements and requires that benefit to be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. When determining whether a tax position meets the more-likely-than-not recognition threshold, it is to be based on whether it is probable of being sustained on audit by the appropriate taxing authorities, based solely on the technical merits of the position. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

On January 1, 2007, Granite adopted the provisions of FIN 48. There was no impact to the opening balance of retained earnings as a result of the adoption of FIN 48. See note 5, Income Taxes, in the Notes to the Financial Statements for additional information. There are no uncertain tax positions as of December 31, 2007.

Recently Issued Accounting Pronouncements

SFAS No. 157 Fair Value Measurements (SFAS No. 157). In September 2006, the FASB issued SFAS No. 157 to define fair value, establish a framework for measuring fair value and to expand disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and should be applied prospectively, with limited exceptions. The adoption of SFAS No. 157, in first quarter 2008, did not have an impact on Granite s January 1, 2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. In February 2007, the FASB issued SFAS No. 159 which permits entities to choose to measure certain financial instruments at fair value that are not currently required to be measured at fair value. Upon adoption, a cumulative adjustment will be made to beginning retained earnings for the initial fair value option remeasurement. Subsequent unrealized gains and losses for fair value option items will be reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and should not be applied retrospectively, except as permitted for certain conditions for early adoption. Granite has chosen not to elect to measure any applicable financial assets of liabilities at fair value pursuant to this standard when SFAS No. 159 was adopted on January 1, 2008.

Table of Contents

Note 3 Asset Retirement Obligations

Granite accounts for retirement obligations on its assets in accordance with SFAS No. 143, Accounting for Asset Retirements Obligations. In the fourth quarter 2005, Granite adopted the provisions of FIN 47, Accounting for Conditional Asset Retirement Obligations, which broadened the scope of SFAS No. 143 to include contingent asset retirement obligations and it also provided additional guidance for the measurement of the asset retirement liabilities. The initial impact of adopting FIN 47 was $113,183. This accounting standard and the related interpretation requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost, thereby increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted, and the capitalized cost is depreciated over the useful life of the related asset. Granite defers the difference between the amount recognized for depreciation and accretion and the amount collected in rates as required pursuant to SFAS No. 71 for those amounts it has collected in rates or expects to collect in future rates. Currently the deferred amount for this difference is zero.

Granite has recognized asset retirement obligations associated with various obligations including, certain costs to retire pipeline, and removal of certain pipelines known to contain PCB contamination as well as some other nominal asset retirement obligations. The asset retirement obligation totaled $128,096 and $120,409, at December 31, 2007 and 2006, respectively. For the years ended December 31, 2007, 2006, and 2005 Granite recognized accretion expense of $7,687, $7,226, and zero respectively.

Changes in Granite s liability for asset retirement obligations for the years 2007 and 2006 are presented in the table below:

	2007	2006
Beginning Balance	$ 120,409	$ 113,183
Accretion	7,687	7,226
Ending Balance	$ 128,096	$ 120,409

Note 4 Regulatory Matters

Significant FERC Developments

On June 30, 2005, the FERC issued the Order on Accounting for Pipeline Assessment Costs. This guidance was issued by the FERC to address consistent application across the industry for accounting of the United States Department of Transportation s (*DOT*) Integrity Management Rule. The effective date of the guidance was January 1, 2006 after which all assessment costs have been recorded as operating expenses. The rule specifically provides that amounts capitalized in periods prior to January 1, 2006 will be permitted to remain as recorded. Granite incurred Integrity Management Program costs of $191,921, $224,211 and $138,469 in 2007, 2006, and 2005, respectively. Beginning January 1, 2006, according to the FERC order, these costs began being expensed; prior to 2006 these amounts were being capitalized.

Table of Contents

Note 5 Income Taxes

The components of income tax expense (benefit) were as follows:

	2007	2006	2005
Year Ended December 31			
Current Federal	$ 290,238	$ (59,752)	$ 428,551
State	(67,503)	(29,966)	53,796
Total Current	222,735	(89,718)	482,347
Deferred Federal	(339,143)	150,139	(46,031)
State	(70,382)	44,353	3,212
Total Deferred	(409,525)	194,492	(42,819)
Investment Tax Credits	(1,320)	(1,320)	(1,320)
Provision recorded as change in accrued interest	169,108		
Income Tax Expense (Benefit)	$ (19,002)	$ 103,454	$ 438,208

Total income taxes were different from the amount that would be computed by applying the statutory Federal income tax rate to book income before income tax. The major reasons for this difference were as follows:

	2007	2006	2005
Year Ended December 31,			
Book income (loss) before income taxes	$ (189,068)	$ 194,702	$ 957,477
Tax expense (benefit) at statutory Federal income tax rate	(66,174)	68,146	335,117
Prior Year Tax Adjustments			37,834
Increases (reductions) in taxes resulting from:			
State income taxes, net of Federal income tax benefit	(89,625)	9,352	37,055
Deferred investment tax credit	(1,320)	(1,320)	(1,320)
Provision recorded as change in accrued interest	169,108		
Other	(30,991)	27,276	29,522
Income Tax Expense (Benefit)	$ (19,002)	$ 103,454	$ 438,208

Deferred income taxes resulted from temporary differences between the financial statement carrying amount and the tax basis of existing assets and liabilities. The components of non-current deferred tax liabilities at December 31 are as follows:

	2007	2006
Deferred Tax Liabilities		
Historical plant related differences	$ 1,881,338	$ 1,679,206
Plant acquisition adjustment and regulatory assets	3,246,079	3,350,791
Interest on Contingent Taxes	16,526	431,259
Pensions and OPEB	74,599	132,436
Other, net	(9,067)	95,473

Total Deferred Tax Liabilities	$ 5,209,475	$ 5,689,165

As discussed at Note 2, there was no impact to the opening balance of retained earnings as a result of the adoption of FIN 48 and there are no uncertain tax positions as of December 31, 2007. As of December 31, 2006 and prior to the adoption of FIN 48, Granite had an uncertain tax position of $287,880. Granite settled the uncertain tax position with the IRS in 2007.

F-72

Table of Contents

Effective January 1, 2007, Granite recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. In prior years, Granite recognized such accrued interest liability in interest expense and accrued interest receivable in interest income. During the years ended December 31, 2006, and December 31, 2005, Granite recognized $225,415 and $151,410, respectively, of interest income in the Statements of Income. Granite also had $1,083,154 of accrued interest receivable on the Balance Sheet at December 31, 2006, and $3,677 accrued interest payable related to uncertain tax positions. Upon adoption of FIN 48 on January 1, 2007, Granite did not decrease its accrual for interest on unrecognized tax benefits. As of December 31, 2007, there is $41,390 of accrued interest receivable on the balance sheet. During 2007, $869,350 was received by Granite as a result of settlements with the IRS and $169,108 of interest receivable was reversed through income tax expense. No amounts have been recorded for penalties in 2007, 2006, and 2005.

Because NiSource is part of the IRS s Large and Mid-Size Business program, each year s federal income tax return is typically audited by the IRS. The audit of tax years 2005 and 2006 is expected to commence in the first quarter of 2008. Effective January 1, 2007 Granite recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

During the year ended December 31, 2007, Granite received income tax refunds of $3,500,946 which primarily includes the settlement of the 1999 through 2004 federal returns.

The statute of limitations in each of the state jurisdictions in which NiSource operates remains open until the years are settled for federal income tax purposes, at which time amended state income tax returns reflecting all federal income tax adjustments are filed. There are no state income tax audits currently in progress.

Note 6 Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover its employees. Benefits under the defined benefit retirement plans reflect the employees compensation, years of service and age at retirement. Additionally, NiSource provides health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for Granite. The expected cost of such benefits is accrued during the employees years of service. Granite s current rates include postretirement benefit costs on an accrual basis, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. Cash contributions are remitted to grantor trusts. As of December 31, 2007, Granite uses December 31 as its measurement date for its pension and postretirement benefit plans, in accordance with SFAS No. 158.

Granite s employees are included in the plans mentioned above. Costs are allocated to Granite. Related assets, etc. are commingled and are not allocated to individual sponsors. Granite s employees account for 0.08%, 0.08%, and 0.06% of the employees participating in the plans in 2007, 2006, and 2005, respectively.

Pension expense for Granite, as allocated by the Parent Company was $18,533, $19,386, and $33,800 for the years 2007, 2006, and 2005, respectively. Postretirement benefits expense for Granite was $44,762, $30,358, and $32,800 in 2007, 2006, and 2005, respectively. These allocations were based on expenses, net of assets returns, as actuarially determined for employees associated with Granite. Granite made cash contributions to the pension plan totaling $176,627, $73,117, and zero for 2007, 2006, and 2005, respectively. Cash contributions to the post-retirement plan were $117,326, zero, and zero in 2007, 2006, and 2005, respectively.

Table of Contents

Note 7 Short-Term Borrowings

Granite satisfies its liquidity requirements primarily through internally generated funds and through intercompany borrowings from the NiSource Money Pool. As of December 31, 2007 and 2006 Granite had short-term NiSource Money Pool borrowings of $7,867,706 at a weighted average interest rate of 5.35 percent and $8,470,112 at a weighted average interest rate of 5.46 percent, respectively. Interest expense on Money Pool borrowings was $554,559, $456,951, and $188,793 for 2007, 2006, and 2005, respectively.

Note 8 Operating Leases

Granite leases assets in several areas of its operations. Payments made in connection with operating leases were $37,207, $35,878, and $36,105 in 2007, 2006, and, 2005, respectively, and are primarily charged to operation and maintenance expense as incurred. There are no minimum lease payments in 2008 and going forward.

Note 9 Affiliated Company Transactions

Granite receives executive, financial, and administrative and general services from an affiliate, NiSource Corporate Services. The costs of these services are charged to Granite based on payroll costs and expenses incurred by NiSource Corporate Services employees for the benefit of Granite. These costs which totaled $304,332, $312,383, and $543,657 for years 2007, 2006, and 2005, respectively, consist primarily of employee compensation and benefits and are recorded within, Operations and maintenance expenses affiliated on the Statements of Income (Loss). Granite also incurred expenses from an affiliate, Columbia Gas Transmission Corporation (*Columbia Transmission*), for various routine administrative activities totaling $318,505, $337,697, and $290,040 during the years 2007, 2006, and 2005, respectively. Granite incurred office rental expense from an affiliate, Northern Utilities, Inc. (*Northern Utilities*), of $35,709 for 2007 and 2006, and $34,535 for 2005.

Granite recorded affiliated gas sales of zero, $14,629,314, and $24,198,828 during the years ended 2007, 2006 and 2005 respectively, under contracted agreements with Bay State Gas Company (*Bay State*) and Northern Utilities at no markup. These transactions are recorded net on the statements of (loss) income. Under these agreements, Granite purchases gas from a third party supplier and subsequently sells the gas to Bay State and Northern Utilities. Granite also charges a fee to Bay State and Northern Utilities under these agreements, of which zero, $64,976, and $64,976 was recorded in net affiliated revenues during the years 2007, 2006, and 2005 respectively. These agreements expired in December 2006.

Acting on behalf of Bay State and Northern Utilities, Granite has Operational Balancing Agreements (*OBAs*) with third party transportation companies. Under these OBAs, on a monthly basis, Granite will settle in cash the outstanding gas balances of the OBAs with the third parties, and in turn refund the cash or be refunded cash by Bay State and Northern Utilities, dependent on the position of the OBAs. As of December 31, 2007, included in accounts and notes receivable, Granite has recorded a receivable from the third party transportation companies of $502,939 for the cash out of the imbalance, and a corresponding payable to affiliated companies. As of December 31, 2006, included in accounts payable, Granite has recorded a payable to the third party transportation companies of $87,542 for the cash out of the imbalance, and a corresponding receivable from affiliated companies. The OBAs are recorded net within the statements of (loss) income.

Granite recorded gas transportation revenues from affiliates of $2,851,768, $3,641,343 and $3,917,158 for years ended 2007, 2006, and 2005 respectively.

The December 31, 2007 and 2006 accounts receivable balance includes $388,853 and $2,391,984, respectively, due from affiliated companies, under the agreements discussed above.

Table of Contents

The December 31, 2007 and 2006 accounts payable balance reflects $745,793 and $5,281,722, respectively, due to affiliated companies, separate from the NiSource Money Pool.

The December 31, 2007 and 2006 taxes receivable balance includes $243,513, and $5,002,918, respectively, of federal and state income taxes receivable that are due from NiSource in accordance with its tax-sharing agreement.

Note 10 Subsequent Events

Sale of Granite

On February 15, 2008, NiSource reached a definitive agreement under which Unitil Corporation (*Unitil*) will acquire Northern Utilities, an affiliated company, and Granite for $160 million plus net working capital at the time of closing. Historically, net working capital has averaged approximately $25 million. Under the terms of the transaction, Unitil will acquire Northern Utilities, a local gas distribution company serving 52 thousand customers in 44 communities in Maine and New Hampshire and Granite, an 86-mile FERC regulated gas transmission pipeline primarily located in Maine and New Hampshire. The transaction, expected to be completed by the end of 2008, is subject to federal and state regulatory approvals. NiSource recorded an after tax loss of $14,730,425 related to the pending sale of Granite.

Table of Contents

Through and including , 2008 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

Common Stock

PRICE $ PER SHARE

RBC CAPITAL MARKETS

JANNEY MONTGOMERY SCOTT LLC **OPPENHEIMER & CO.**

BREAN MURRAY, CARRET & CO, LLC **EDWARD JONES**

PROSPECTUS

, 2008

Table of Contents

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. ***Other Expenses of Issuance and Distribution***

The following table sets forth the expenses in connection with the sale and distribution of the common stock offered by this prospectus, other than underwriting discounts and commissions (all of which are to be paid by the Registrant). All amounts shown are estimates except for the SEC registration fee.

SEC Registration Fee	$
Legal Fees and Expenses	
Accounting Fees and Expenses	
Transfer Agent and Registrar Fees and Expenses	
Printing, Engraving and Mailing Expenses	
Stock Exchange Listing Fee	
Miscellaneous	
Total	$

ITEM 15. ***Indemnification of Directors and Officers.***

The Registrant is organized under the laws of the State of New Hampshire. The New Hampshire Business Corporation Act (NHBCA) provides that a corporation may indemnify an individual made a party to a proceeding because he is or was a director against liability incurred in the proceeding if: (1) he conducted himself in good faith; and (2) he reasonably believed (i) in the case of conduct in his official capacity with the corporation, that his conduct was in its best interests; and (ii) in all other cases, that his conduct was at least not opposed to its best interests; and (3) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. A corporation may pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of the final disposition of the proceeding if (1) the director furnishes the corporation a written affirmation of his good faith belief that he has met the standard of conduct described in the preceding sentence, (2) the director furnishes the corporation an undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that he did not meet the standard of conduct and (3) a determination is made that the facts then known to those making the determination would not preclude indemnification. Unless a corporation s Articles of Incorporation provide otherwise, the corporation may indemnify and advance expenses to an officer, employee or agent of the corporation who is not a director to the same extent as to a director. A corporation may not indemnify a director (x) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or (y) in connection with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him. Unless limited by its Articles of Incorporation, a corporation shall indemnify a director or officer who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he is or was a director or officer of the corporation against reasonable expenses incurred by him in connection with the proceeding. A corporation may purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him in that capacity or arising from his status as a director, officer, employee, or agent, whether or not the corporation would have power to indemnify him against the same liability under the NHBCA.

Table of Contents

Article X of the Registrant s By-Laws provides that the Registrant shall indemnify any person who was or is a party or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the person s having served as, or by reason of the person s alleged acts or omissions while serving as a director, officer, employee or agent of the Registrant, or while serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys fees, judgments, fines and amounts paid in settlement or otherwise actually and reasonably incurred by such person in connection with the action, suit or proceeding, if the person acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful, said indemnification to be to the full extent permitted by law under the circumstances, including, without limitation, by all applicable provisions of the NHBCA. Any indemnification under Article X shall be made by the Registrant with respect to Directors or other persons after a determination that the person to be indemnified has met the standards of conduct set forth in the NHBCA, such determination to be made by the Board of Directors, by majority vote of a quorum, or by other persons authorized to make such a determination under the NHBCA.

The right of indemnification arising under Article X was adopted for the purpose of inducing persons to serve and to continue to serve the Registrant without concern that their service may expose them to personal financial harm. It is to be broadly construed, applied and implemented in light of that purpose. It is not to be exclusive of any other right to which any such person is entitled under any agreement, vote of the stockholders or the Board of Directors, statute, or as a matter of law, or otherwise, nor is it to be construed to limit or confine in any respect the power of the Board of Directors to grant indemnity pursuant to any applicable statutes or laws of the State of New Hampshire. The provisions of Article X are separable, and, if any provision or portion thereof is for any reason held inapplicable, illegal or ineffective, such holding will not affect any other right of indemnification existing under Article X or otherwise. As used in Article X, the term person includes heirs, executors, administrators or other legal representatives. As used in Article X, the terms Director and officer include persons elected or appointed as officers by the Board of Directors, persons elected as Directors by the stockholders or by the Board of Directors, and persons who serve by vote or at the request of the Registrant as directors, officers or trustees of another organization in which the Registrant has any direct or indirect interest as a shareholder, creditor or otherwise.

Article X of the Registrant s By-Laws also allows the Registrant to purchase and maintain insurance on behalf of any person who was or is a Director, officer or employee of the Registrant or any of its subsidiaries, or who was or is serving at the request of the Registrant as a fiduciary of any employee benefit plan of the Registrant or any subsidiary, against any liability asserted against, and incurred by, such person in any such capacity, or arising out of such person s status as such, whether or not the Registrant would have the power to indemnify such person against such liability under the provisions of the NHBCA. The obligation to indemnify and reimburse such person under the Registrant s By-Laws, if applicable, will be reduced by the amount of any such insurance proceeds paid to such person, or the representatives or successors of such person.

Table of Contents

ITEM 16. ***Exhibits.***

Exhibit No:	Description of Exhibit	Reference
1.1	Underwriting Agreement	To be filed by amendment.
2.1	Stock Purchase Agreement	Incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed February 20, 2008.
3.1	Articles of Incorporation of Unitil Corporation	Incorporated by reference to Exhibit 3.1 to the Registrant s Registration Statement on Form S-14, No. 2-93769.
3.2	Articles of Amendment to the Articles of Incorporation of Unitil Corporation	Incorporated by reference to Exhibit 3.2 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 1991.
3.3	By-Laws of Unitil Corporation	Incorporated by reference to Exhibit 4 to the Registrant s Registration Statement on Form S-8, No. 333-73327.
5.1	Opinion of Dewey & LeBoeuf LLP	To be filed by amendment.
23.1	Consent of Dewey & LeBoeuf LLP	Included in Exhibit 5.1.
23.2	Consent of Vitale, Caturano & Company, Ltd.	Filed herewith.
23.3	Consent of Deloitte & Touche LLP	Filed herewith.
23.4	Consent of Deloitte & Touche LLP	Filed herewith.
24.1	Powers of Attorney	See page II-5.

ITEM 17. ***Undertakings.***

The undersigned Registrant hereby undertakes as follows:

(1) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will,

Table of Contents

unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(3) The undersigned Registrant hereby undertakes that:

(i) For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Table of Contents

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert G. Schoenberger and Mark H. Collin, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, from such person and in each person s name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the registration statement and any registration statement relating to this registration statement under Rule 462 and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Hampton, State of New Hampshire, on this 6th day of August, 2008.

UNITIL CORPORATION

(Registrant)

By: /s/ MARK H. COLLIN
Name: **Mark H. Collin**
Title: **Senior Vice President, Chief Financial Officer and Treasurer**

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ ROBERT G. SCHOENBERGER **Robert G. Schoenberger**	Director, Chairman of the Board, Chief Executive Officer and President	August 5, 2008
/s/ MARK H. COLLIN **Mark H. Collin**	Senior Vice President, Chief Financial Officer and Treasurer	August 5, 2008
/s/ LAURENCE M. BROCK **Laurence M. Brock**	Controller and Chief Accounting Officer	August 5, 2008
/s/ DR. ROBERT V. ANTONUCCI **Dr. Robert V. Antonucci**	Director	August 5, 2008
/s/ DAVID P. BROWNELL **David P. Brownell**	Director	August 5, 2008

Signature	Title	Date
/s/ MICHAEL J. DALTON **Michael J. Dalton**	Director	August 5, 2008
Albert H. Elfner, III	Director	
/s/ EDWARD F. GODFREY **Edward F. Godfrey**	Director	August 5, 2008
/s/ MICHAEL B. GREEN **Michael B. Green**	Director	August 5, 2008
Eben S. Moulton	Director	
/s/ M. BRIAN O SHAUGHNESSY **M. Brian O Shaughnessy**	Director	August 5, 2008
/s/ CHARLES H. TENNEY, III **Charles H. Tenney, III**	Director	August 5, 2008
/s/ DR. SARAH P. VOLL **Dr. Sarah P. Voll**	Director	August 5, 2008

Table of Contents

EXHIBIT INDEX

Exhibit No:	Description of Exhibit	Reference
1.1	Underwriting Agreement	To be filed by amendment.
2.1	Stock Purchase Agreement	Incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed February 20, 2008.
3.1	Articles of Incorporation of Unitil Corporation	Incorporated by reference to Exhibit 3.1 to the Registrant s Registration Statement on Form S-14, No. 2-93769.
3.2	Articles of Amendment to the Articles of Incorporation of Unitil Corporation	Incorporated by reference to Exhibit 3.2 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 1991.
3.3	By-Laws of Unitil Corporation	Incorporated by reference to Exhibit 4 to the Registrant s Registration Statement on Form S-8, No. 333-73327.
5.1	Opinion of Dewey & LeBoeuf LLP	To be filed by amendment.
23.1	Consent of Dewey & LeBoeuf LLP	Included in Exhibit 5.1.
23.2	Consent of Vitale, Caturano & Company, Ltd.	Filed herewith.
23.3	Consent of Deloitte & Touche LLP	Filed herewith.
23.4	Consent of Deloitte & Touche LLP	Filed herewith.
24.1	Powers of Attorney	See page II-5.