Risk Factors Comparison 2024-02-13 to 2023-02-14 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

When considering an investment in our securities, investors should consider the following risk factors, as well as the information contained under the caption " Cautionary Statement " immediately following thein this Annual Report on Form 10-K. Additional risks not presently known to the Company or that the Company currently believes are immaterial may also impair business operations and financial results. If any of the following risks actually occur, the Company' s business, financial condition or results of operations could be adversely affected. In such case, the trading price of the Company' s common stock could decline and investors could lose all or part of their investment. The risk factors below are categorized by operational, regulatory, financial and general. OPERATIONAL RISKS A substantial disruption or lack of growth in interstate natural gas pipeline transmission and storage capacity and electric transmission capacity may impair the Company' s ability to meet customers' existing and future requirements. To meet existing and future customer demands for electricity and natural gas, the Company must acquire sufficient supplies of electricity and natural gas. In addition, the Company must contract for reliable and adequate upstream transmission and transportation capacity for its distribution systems while considering the dynamics of the natural gas interstate pipelines and storage, the electric transmission markets and its own on- system resources. The Company' s financial condition or results of operations may be adversely affected if the future availability of electric and natural gas supply were insufficient to meet future customer demands for electricity and natural gas. The Company' s electric and natural gas distribution activities (including storing natural gas and supplemental gas supplies) involve numerous hazards and operating risks that may result in accidents and other operating risks and costs. Any such accident or costs could adversely affect the Company' s financial position or results of operations. Inherent in the Company' s electric and natural gas distribution activities are a variety of hazards and operating risks, including leaks, explosions, electrocutions, mechanical problems and aging infrastructure. These hazards and risks could result in loss of human life, significant damage to property, environmental pollution, damage to natural resources and impairment of the Company' s operations, which could adversely affect the Company' s financial position or results of operations. The Company maintains insurance against some, but not all, of these risks and losses in accordance with customary industry practice. The location of pipelines, storage facilities and electric distribution equipment near populated areas (including residential areas, commercial business centers and industrial sites) could increase the level of damages associated with these hazards and operating risks. The occurrence of any of these events could adversely affect the Company' s financial position or results of operations. The Company' s operational and information systems on which it relies to conduct its business and serve customers could fail to function properly due to technological problems, a cyber- attack, acts of terrorism, severe weather, a solar event, an electromagnetic event, a natural disaster, the age and condition of information technology assets, human error, or other reasons, that could disrupt the Company' s operations and cause the Company to incur unanticipated losses and expense. The operation of the Company' s extensive electric and natural gas systems rely on evolving information and operating technology systems and network infrastructure that are likely to become more complex as new technologies and systems are developed. The Company' s business is highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex. The failure of these systems and networks could significantly disrupt operations; result in outages and / or damages to the Company' s assets or operations or those of third parties on which it relies; and subject the Company to claims by customers or third parties, any of which could have a material effect on the Company' s financial condition, results of operations, and cash flows. The Company' s information systems, including its financial information, operational systems, metering, and billing systems, require constant maintenance, modification, and updating, which can be costly and increases the risk of errors and malfunction. Any disruptions or deficiencies in existing information systems, or disruptions, delays or deficiencies in the modification or implementation of new information systems, could result in increased costs, the inability to track or collect revenues, the diversion of management' s and employees' attention and resources, and could negatively affect the effectiveness of the Company' s control environment, and / or the Company' s ability to timely file required regulatory reports. Despite implementation of security and mitigation measures, all of the Company' s technology systems are vulnerable to impairment or failure due to cyber- attacks, computer viruses, human errors, acts of war or terrorism and other reasons. If the Company' s information technology systems were to fail or be materially impaired, the Company might be unable to fulfill critical business functions and serve its customers, which could have a material effect on the Company' s financial condition, results of operations, and cash flows. In the ordinary course of its business, the Company collects and retains sensitive electronic data including personal identification information about customers and employees, customer energy usage, and other confidential information. The theft, damage, or improper disclosure of sensitive electronic data through security breaches or other means could subject the Company to penalties for violation of applicable privacy laws or claims from third parties and could harm the Company' s reputation and adversely affect the Company' s financial condition and results of operations. In addition, the Company' s electric and natural gas distribution and transmission delivery systems are part of an interconnected regional grid and pipeline system. If these neighboring interconnected systems were to be disrupted due to cyber- attacks, computer viruses, human errors, acts of war or terrorism or other reasons, the Company' s operations and its ability to serve its customers would be adversely affected, which could have a material effect on the Company' s financial condition, results of operations, and cash flows. We outsource certain business functions to third- party suppliers and service providers, and substandard performance by those third parties could harm our business, reputation and results of operations. We outsource certain services to third parties in areas including information technology, telecommunications, networks, transaction processing, human resources, payroll and payroll processing and other areas. Outsourcing of services to third parties could expose us to substandard quality of service delivery or substandard deliverables, which may result in missed deadlines or other timeliness issues, non- compliance (including with applicable legal requirements and industry standards) or reputational harm, which could negatively affect our results of operations. We also continue to pursue enhancements to modernize our systems and processes. If any difficulties in the operation of these systems were to occur, they could adversely affect our results of operations, or adversely affect our ability to work with regulators, unions, customers or employees. The inability to attract and retain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, could have an adverse effect on the Company' s operations. The success of our business depends on the leadership of our executive officers and other key employees to implement our business strategies. The inability to maintain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, may negatively affect our ability to service our existing or new customers, or successfully manage our business or achieve our business objectives. There may not be sufficiently skilled employees available internally to replace employees when they retire or otherwise leave active employment. Shortages of certain highly skilled employees may also mean that qualified employees are not available externally to replace these employees when they are needed. In addition, shortages in highly skilled employees coupled with competitive pressures may require the Company to incur additional employee recruiting and compensation expenses. The Company may be adversely affected by work stoppages, labor disputes, and / or pandemic illness to which it may not **be** able to promptly respond. Approximately one- third of the Company' s employees are represented by labor unions and are covered by collective bargaining agreements. Disputes with the unions over terms and conditions of the agreements could result in instability in the Company' s labor relationships and work stoppages that could affect the timely delivery of electricity and natural gas, which could strain relationships with customers and state regulators and cause a loss of revenues. The Company' s collective bargaining agreements also may increase the cost of employing its union workforce, affect its ability to continue offering market- based salaries and employee benefits, limit its flexibility in dealing with its workforce, and limit its ability to change work rules and practices and implement other efficiency-related improvements to successfully compete in today' s challenging marketplace, which may negatively affect the Company' s financial condition and results of operations. Additionally, pandemic illness could result in part, or all, of the Company' s workforce being unable to operate or maintain the Company' s infrastructure or perform other tasks necessary to conduct the Company' s business. A slow or inadequate response to this type of event may adversely affect the Company' s financial condition, results of operations, and cash flows. REGULATORY RISKS The Company is subject to comprehensive regulation, which could adversely affect the rates it is able to charge, its authorized rate of return and its ability to recover costs. In addition, certain regulatory authorities have the statutory authority to impose financial penalties and other sanctions on the Company, which could adversely affect the Company' s financial condition, results of operations, and cash flows. The Company is subject to comprehensive regulation by federal regulatory authorities (including the FERC) and state regulatory authorities (including the NHPUC, MDPU and MPUC). These authorities regulate many aspects of the Company' s operations, including the rates that the Company can charge customers, the Company' s authorized rates of return, the Company' s ability to recover costs from its customers, construction and maintenance of the Company' s facilities, the Company' s safety protocols and procedures, including environmental compliance, the Company' s ability to issue securities, the Company' s accounting matters, and transactions between the Company and its affiliates. The Company is unable to predict the effect on its financial condition and results of operations from the regulatory activities of any of these regulatory authorities. Changes in regulations, the imposition of additional regulations, regulatory proceedings regarding fossil fuel use and system electrification, or regulatory decisions particular to the Company could adversely affect the Company' s financial condition and results of operations. The Company' s ability to obtain rate adjustments to maintain its current authorized rates of return depends upon action by regulatory authorities under applicable statutes, rules and regulations. These regulatory authorities are authorized to leave the Company' s rates unchanged, to grant increases in such rates, or to order decreases in such rates. The Company may be unable to obtain favorable rate adjustments or to maintain its current authorized rates of return, which could adversely affect its financial condition, results of operations, and cash flows. Regulatory authorities also have authority with respect to the Company' s ability to recover its electricity and natural gas supply costs, as incurred by Unitil **Energy, Fitchburg, Unitil** Power ~~, Unitil Energy, Fitchburg~~ , and Northern Utilities. If the Company is unable to recover a significant amount of these costs, or if the Company' s recovery of these costs is significantly delayed, the Company' s financial condition, results of operations, or cash flows could be adversely affected. In addition, certain regulatory authorities have the statutory authority to impose financial penalties and other sanctions on the Company if the Company is found to have violated statutes, rules or regulations governing its utility operations. Any such penalties or sanctions could adversely affect the Company' s financial condition, results of operations, and cash flows. The Company' s business is subject to environmental regulation in all jurisdictions in which it operates and its costs of compliance are significant. New, or changes to existing, environmental regulation, including those related to climate change or greenhouse gas emissions, and the incurrence of environmental liabilities could adversely affect the Company' s financial condition, results of operations, and cash flows. The Company' s utility operations are generally subject to extensive federal, state and local environmental laws and regulations relating to air quality, water quality, waste management, natural resources, and the health and safety of the Company' s employees. The Company' s utility operations also may be subject to new and emerging federal, state and local legislative and regulatory initiatives related to climate change or greenhouse gas emissions including the U. S. Environmental Protection Agency' s mandatory greenhouse gas reporting rule. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties and other sanctions; imposition of remedial requirements; and issuance of injunctions to ensure future compliance. Liability under certain environmental laws and regulations is strict, joint and several in nature. Although the Company believes it is in material compliance with all applicable environmental and safety laws and regulations, there is no assurance that the Company will not incur significant costs and liabilities in the future. Moreover, it is possible that other developments, such as increasingly stringent federal, state or local environmental laws and regulations, including those related to climate change or greenhouse gas emissions, could result in increased environmental compliance costs. The Company has committed to reduce greenhouse gas emissions from 2019 levels by at least 50 % by 2030 and to achieve net- zero greenhouse gas emissions by 2050. Unforeseen or changing circumstances could adversely affect the Company' s ability to achieve these greenhouse gas emissions goals and changes in the regulatory environment could result in the costs associated with efforts to achieve these goals not qualifying for recovery. FINANCIAL RISKS The Company may not be able to obtain financing, or may not be able to obtain financing on acceptable terms, which could adversely affect the Company' s financial condition and results of operations. The Company requires capital to fund utility plant additions, working capital and other utility expenditures. While the Company derives the capital necessary to meet these requirements primarily from internally generated funds, the Company supplements internally generated funds by incurring short- term and long- term debt, as needed. Additionally, from time to time the Company has accessed the public capital markets through public offerings of equity securities. A downgrade of our credit rating or events beyond our control, such as a disruption in global capital and credit markets, could increase our cost of borrowing and cost of capital or restrict our ability to access the capital markets and negatively affect our ability to maintain and to expand our businesses. The Company' s short- term debt revolving credit facility typically has variable interest rates. Therefore, an increase or decrease in interest rates will increase or decrease the Company' s interest expense associated with its revolving credit facility. An increase in the Company' s interest expense could adversely affect the Company' s financial condition and results of operations. As of December 31, ~~2021~~ **2023**, the Company had approximately $ ~~116~~ **162** . 0 million in short- term debt outstanding under its revolving credit facility. If the lending counterparties under the Company' s current credit facility are unwilling or unable to meet their funding obligations, the Company may be unable to, or limited in its ability, to borrow under its credit facility. This situation could hinder or prevent the Company from meeting its current and future capital needs, which could correspondingly adversely affect the Company' s financial condition, results or operations, and cash flows. Also, from time to time the Company repays portions of its short- term debt with the proceeds it receives from long- term debt financings or equity financings. General economic conditions, conditions in the capital and credit markets and the Company' s operating and financial performance could negatively affect the Company' s ability to obtain such financings or the terms of such financings, which could correspondingly adversely affect the Company' s financial condition, results of operations, and cash flows. The Company' s long- term debt typically has fixed interest rates. Therefore, changes in interest rates will not affect the Company' s interest expense associated with its presently outstanding fixed rate long- term debt. However, an increase or decrease in interest rates may increase or decrease the Company' s interest expense associated with any new fixed rate long- term debt issued by the Company, which could adversely affect the Company' s financial condition, results of operations, and cash flows. The Company may need to use a significant portion of its cash flow to repay its short- term debt and long- term debt, which would limit the amount of cash it has available for working capital, capital expenditures and other general corporate purposes and could adversely affect its financial condition, results of operations, and cash flows. Changes in taxation and the ability to quantify such changes could adversely affect the Company' s financial results. The Company is subject to taxation by the various taxing authorities at the federal, state and local levels where it does business. Legislation or regulation which could affect the Company' s tax burden could be enacted by any of these governmental authorities. The Company cannot predict the timing or extent of such tax- related developments which could have a negative effect on the financial results. The Company uses its best judgment in attempting to quantify and reserve for these tax obligations. However, a challenge by a taxing authority, the Company' s ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax- related assumptions may cause actual financial results to deviate from previous estimates. Declines in capital market valuations could require the Company to make substantial cash contributions to cover its pension and other post- retirement benefit obligations. If the Company is unable to recover a significant amount of pension and other post- retirement benefit obligation costs in its rates, or if the Company' s recovery of these costs in its rates is significantly delayed, its financial condition and results of operations could be adversely affected. The amount of cash contributions the Company is required to make in respect of its pension and other post- retirement benefit obligations is dependent upon capital market valuations. Adverse changes in capital market valuations could result in the Company being required to make substantial cash contributions in respect to these obligations. These cash contributions could have an adverse effect on the Company' s financial condition, results of operations, and cash flows if the Company is unable to recover such costs in rates or if such recovery is significantly delayed. See section titled Critical Accounting Policies — Retirement Benefit Obligations in Part II, Item 7 (Management' s Discussion and Analysis of Financial Condition and Results of Operations) and Note 9 (Retirement Benefit Plans) to the accompanying Consolidated Financial Statements for a more detailed discussion of the Company' s pension obligations. The terms of the Company' s and its subsidiaries' indebtedness restrict the Company' s and its subsidiaries' business operations (including their ability to incur material amounts of additional indebtedness), which could adversely affect the Company' s financial condition and results of operations. The terms of the Company' s and its subsidiaries' indebtedness impose various restrictions on the Company' s business operations, including the ability of the Company and its subsidiaries to incur additional indebtedness. These restrictions could adversely affect the Company' s financial condition, results of operations, and cash flows. See sections titled Liquidity, Commitments and Capital Requirements in Part II, Item 7 (Management' s Discussion and Analysis of Financial Condition and Results of Operations) and Note 4 (Debt and Financing Arrangements) to the accompanying Consolidated Financial Statements for a more detailed discussion of these restrictions. Unitil is a public utility holding company and has no operating income of its own. The Company' s ability to pay dividends on its common stock is dependent on dividends and other payments received from its subsidiaries and on factors directly affecting Unitil, the parent corporation. The Company cannot assure that its current annual dividend will be paid in the future. The ability of the Company' s subsidiaries to pay dividends or make distributions to Unitil depends on, among other things: • the actual and projected earnings and cash flow, capital requirements and general financial condition of the Company' s subsidiaries; • the prior rights of holders of existing and future preferred stock, mortgage bonds, long- term notes and other debt issued by the

Company' s subsidiaries; • the restrictions on the payment of dividends contained in the existing loan agreements of the Company' s subsidiaries and that may be contained in future debt agreements of the Company' s subsidiaries, if any; and • limitations that may be imposed by New Hampshire, Massachusetts and Maine state regulatory authorities. In addition, before the Company can pay dividends on its common stock, it must satisfy its debt obligations and comply with any statutory or contractual limitations. As of February ~~14~~ **13** , ~~2023~~ **2024** , the Company' s current effective annualized dividend is $ 1. ~~62~~ **70** per share of common stock, payable quarterly. The Company' s Board of Directors reviews Unitil' s dividend policy periodically in light of a number of business and financial factors, including those referred to in this report, and the Company cannot assure the amount of dividends, if any, that may be paid in the future. GENERAL RISKS The Company' s electric and natural gas sales and revenues are highly correlated with the economy, and national, regional and local economic conditions may adversely affect the Company' s customers and correspondingly the Company' s financial condition, results of operations, and cash flows. The Company' s business is influenced by the economic activity within its service territory. The level of economic activity in the Company' s electric and natural gas distribution service territories directly affects the Company' s business. As a result, adverse changes in the economy may adversely affect the Company' s financial condition, results or operations, and cash flows. Economic downturns or periods of high electric and gas supply costs typically can lead to the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency and self- generation by customers. This focus on conservation, energy efficiency and self- generation may result in a decline in electricity and gas sales in our service territories. If any such declines were to occur without corresponding adjustments in rates, our revenues would be reduced and our future growth prospects would be limited. In addition, a period of prolonged economic weakness could affect our customers' ability to pay bills in a timely manner and increase customer bankruptcies, which may lead to increased bad debt expenses or other adverse effects on our financial position, results of operations, and cash flows. A significant amount of the Company' s sales are temperature sensitive. Because of this, mild winter and summer temperatures could decrease the Company' s sales, which could adversely affect the Company' s financial condition and results of operations. Also, the Company' s sales may vary from year to year depending on weather conditions, and the Company' s results of operations generally reflect seasonality. A significant amount of the Company' s natural gas sales are temperature sensitive. Therefore, mild winter temperatures could decrease the amount of natural gas sold by the Company, which could adversely affect the Company' s financial condition, results of operations, and cash flows. The Company' s electric sales also are temperature sensitive, but less so than its natural gas sales. The highest usage of electricity typically occurs in the summer months (due to air conditioning demand) and the winter months (due to heating- related and lighting requirements). Therefore, mild summer temperatures and mild winter temperatures could decrease the amount of electricity sold by the Company, which could adversely affect the Company' s financial condition, results of operations, and cash flows. Also, because of this temperature sensitivity, sales by the Company' s distribution utilities vary from year to year, depending on weather conditions. The Company' s results of operations are expected to reflect the seasonal nature of the natural gas business. Annual gas revenues are substantially realized during the colder weather seasons of the year as a result of higher sales of natural gas used for heating- related purposes. Accordingly, the results of operations are historically most favorable in the first and fourth quarters. Fluctuations in seasonal weather conditions may have a significant effect on the result of operations. Sales of electricity are generally less sensitive to weather than natural gas sales, but may also be affected by the weather conditions and the temperature in both the winter and summer seasons. Catastrophic events could adversely affect the Company' s financial condition and results of operations. The electric and natural gas utility industries are from time to time affected by catastrophic events, such as unusually severe weather and significant and widespread failures of plant and equipment. Other catastrophic occurrences, such as terrorist attacks on utility facilities, may occur in the future. Such events could inhibit the Company' s ability to deliver electricity or natural gas to its customers for an extended period, which could affect customer satisfaction and adversely affect the Company' s financial condition, results of operations, and cash flows. If customers, legislators, or regulators develop a negative opinion of the Company, this situation could result in increased regulatory oversight and could affect the equity returns that the Company is allowed to earn. Also, if the Company is unable to recover in its rates a significant amount of costs associated with catastrophic events, or if the Company' s recovery of such costs in its rates is significantly delayed, the Company' s financial condition, results or operations, or cash flows may be adversely affected. The Company' s business could be adversely affected if it is unable to retain its existing customers or attract new customers, or if customers' demand for its current products and services significantly decreases. The success of the Company' s business depends, in part, on its ability to maintain and increase its customer base and the demand that those customers have for the Company' s products and services. The Company' s failure to maintain or increase its customer base and / or customer demand for its products and services could adversely affect its financial condition, results of operations, and cash flows. The electricity and natural gas supply requirements of the Company' s customers are fulfilled by the Company or, in some instances and as allowed by state regulatory authorities, by third- party suppliers who contract directly with customers. In either scenario, significant increases in electricity and natural gas commodity prices may negatively affect the Company' s ability to attract new customers and grow its customer base. Developments in distributed generation, energy conservation, power generation and energy storage could affect the Company' s revenues and the timing of the recovery of the Company' s costs. Advancements in power generation technology are improving the cost- effectiveness of customer self- supply of electricity. Improvements in energy storage technology, including batteries and fuel cells, could also better position customers to meet their around- the- clock electricity requirements. Such developments could reduce customer purchases of electricity, but may not necessarily reduce the Company' s investment and operating requirements due to the Company' s obligation to serve customers, including those self- supply customers whose equipment has failed for any reason, to provide the power they need. In addition, because a portion of the Company' s costs are recovered through charges based upon the volume of power delivered, reductions in electricity deliveries will affect the timing of the Company' s recovery of those costs and may require changes to the Company' s rate structures.