

ATTACHMENT 1 TO
UNITIL POWER CORP.
RATE SCHEDULE FERC NO. 1

AMENDED UNITIL SYSTEM AGREEMENT

BETWEEN
UNITIL POWER CORP.
AND
UNITIL ENERGY SYSTEMS, INC.

AMENDED UNITIL SYSTEM AGREEMENT

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AMENDED UNITIL SYSTEM AGREEMENT

STATEMENT OF PURPOSE

WHEREAS, Concord Electric Company (CECo) and Exeter & Hampton Electric Company ("E&H") (now combined into a single distribution utility, Unitil Energy Systems, Inc., by various decisions and actions, and with UNITIL Corporation ("Unitil"), a utility holding company, for the purposes of providing reliable electric service at the lowest possible cost to their retail customers, created UNITIL Power Corp. ("Power Corp.") in 1984 as a separate affiliate to achieve certain specific objectives under The Unitil System Agreement ("The System Agreement");

WHEREAS, CECo and E&H terminated their requirements power supply contracts with Public Service Company of New Hampshire ("PSNH") effective September 30, 1986;

WHEREAS, Power Corp. incurred obligations and established a reliable supply of power sufficient to satisfy the entire requirements of CECo and E&H beginning October 1, 1986 and for future years;

WHEREAS, The System Agreement was approved by the Federal Energy Regulatory Commission ("FERC") on July 22, 1987;

WHEREAS, on December 2, 2002, E&H merged into CECO, and CECO changed its name to Unitil Energy Systems, Inc. ("UES");

WHEREAS, following the completion of the merger to form UES, and after obtaining all necessary regulatory approvals, UES assumed all rights and obligations of CECO and E&H under The System Agreement;

WHEREAS, Power Corp. continues to be a single purpose corporation dedicated to the provision of reliable power supply services to UES;

WHEREAS, pursuant to a change in New Hampshire law, RSA 374-F, which provides for, inter alia, retail customers choosing their electricity supplier, UES wishes to amend The System Agreement;

WHEREAS, UES, in order to comply with the requirements of the New Hampshire electric restructuring legislation, has agreed voluntarily to amend The System Agreement and restructure its operations to allow retail customers to choose a competitive supplier;

WHEREAS, Power Corp., in exchange for payment in full of the Contract Release Payments and Administrative Service Charges specified herein, has voluntarily agreed to amend The System Agreement, waive the minimum notice of termination equal to seven and one half years, terminate the firm all-requirements power supply service under The System Agreement, and to undertake the divestiture of its power supply portfolio; and

WHEREAS, Power Corp. and UES (collectively "the Parties") agree that this amendment of The System Agreement shall be known as the Amended Unitil System Agreement.

It is therefore hereby AGREED:

THAT all of the Terms and Conditions, the Rate Provisions and the Service Arrangements of The System Agreement shall remain in full force and effect until the Divestiture Date, as defined herein;

THAT after the Divestiture Date, the Terms and Conditions and the Rate Provisions of this Amended Unitil System Agreement shall replace those of The System Agreement. However, the billing obligations, the payment obligations and the FERC reporting obligations of The System Agreement shall remain in effect for service rendered prior to the Divestiture Date until discharged

in full by UES, or its successor(s) and assign(s), to the satisfaction of Power Corp.;

THAT pursuant to the terms of this Amended Unitil System Agreement, UES, and its successor(s) or assign(s), agrees to pay in full the Contract Release Payments and Administrative Service Charges as specified in Appendix 1 attached hereto;

THAT UES, and its successor(s) or assign(s), will abide by the terms, conditions, rates and other matters set forth herein;

THAT the agreement of the Parties to adhere to the terms of the Amended Unitil System Agreement is expressly conditioned on the approval of Unitil Powers' executed Portfolio Sale Agreement by the New Hampshire Public Utilities Commission ("NHPUC"), and (b) this Agreement by the FERC and the NHPUC;

THAT without such approvals, Power Corp. shall withdraw this filing from the FERC, in which case The System Agreement will continue in full force and effect; and

THAT this Amended Unitil System Agreement and its Schedules shall constitute the Amended Unitil System Agreement as filed with the FERC and shall be subject to the review of and acceptance by FERC on terms and conditions acceptable to the Parties.

AMENDED UNITIL SYSTEM AGREEMENT

Agreement to Restructure the Unitil System

Terms and Conditions

A. DEFINITIONS

For the purposes of this rate schedule, the following definitions are adopted:

"Amended Unitil System Agreement" -- This Amended Unitil System Agreement and Appendix 1 included herein.

"Concord" or "CECo" -- Concord Electric Company, and its successor(s) or assign(s).

"Divestiture" -- The sale, as contemplated in the Portfolio Sale Request for Proposals ("RFP") provided for in the Restructuring Settlement, of Power Corp.'s Power Supply Portfolio of entitlements in generation and transmission facilities acquired by Power Corp. to supply the requirements of UES, or its successor(s) or assign(s), pursuant to The System Agreement.

"Divestiture Date" -- The date on which the Divestiture is accomplished, May 1, 2003 or such other date within the terms of this Amended Unitil System Agreement that UES, its successor(s) or assign(s), and Power Corp. mutually and in their sole discretion agree.

"Exeter" or "E&H" -- Exeter & Hampton Electric Company, and its successor(s) or assign(s).

"FERC" -- The Federal Energy Regulatory Commission or such other successor regulatory agency.

"HQ Phase II Agreements" -- Various transmission support and use agreements with New England utilities for the construction and support of transmission facilities in order to deliver energy from Hydro Quebec.

"ISO New England" or "ISO" -- The independent transmission and power system operator of the New England region or its agents as

established by the relevant FERC-filed tariffs and as amended from time to time, and its successors and assigns.

"NEPOOL" -- The New England Power Pool or its agents, as established by the New England Power Pool Agreement as such may be amended from time to time.

"NEPOOL PTF" -- The NEPOOL Pool Transmission Facilities as defined in the NEPOOL Agreement as amended or restated from time to time.

"NHPUC" -- The New Hampshire Public Utilities Commission or such other successor regulatory agency.

"Parties" -- UESits successor(s) or assign(s) and Power Corp.

"Portfolio Purchaser" -- The purchasing party or parties to the Portfolio Sales Agreements entered into with Power Corp.

"Portfolio Sale Agreement" -- The Agreement between Power Corp. and the Portfolio Purchaser by which Power Corp. will accomplish the Divestiture.

"Power Supply Portfolio" -- That generation portfolio and those contract obligations and other liabilities incurred by Power Corp. on behalf of CECO and E&H (now, UES), or their successor(s) or assign(s), pursuant to The System Agreement.

"Power Corp." -- Unitil Power Corp.

"RTO" -- Any regional transmission organization which may be approved by the FERC for the operation and coordination of transmission facilities in any region that includes New Hampshire.

"Restructuring Settlement" -- All Agreement(s) entered into by and between various Unitil Corporation subsidiary companies, including CECO, E&H, their successor(s) or assign(s), and Power Corp., and other parties, entered into in the NH Public Utilities Commission Docket DE 01-247, said settlement designed to implement electric industry restructuring as required by New Hampshire law.

"Unitil System Agreement" or "The System Agreement" -- The firm, all-requirements service agreement between CECO, E&H and Power Corp., as approved by the FERC on July 22, 1987, as FERC Electric Rate Schedule Original Volume Number 1, as revised.

"Unitil Cash Pool" -- The joint, pooled cash account and associated accounting procedures as defined in the Cash Pooling

and Loan Agreement dated February 1, 1985, as amended between CECo, E&H, Power Corp., and affiliated companies.

"Unitil Energy Systems, Inc." or "UES" -- The combined New Hampshire distribution entity comprised of CECo and E&H, or successor to each, pursuant to merger approved by the NHPUC under the Restructuring Settlement.

"Unitil System" -- The combined facilities, contracts, entitlements and rights of UES and Power Corp.

B. EFFECTIVE DATE

B.1. This Amended Unitil System Agreement shall take effect on the Divestiture Date. The Effective Date is expressly conditioned upon timely and unconditional acceptance of the executed Portfolio Sale Agreement by the NHPUC and this Agreement by the FERC and the NHPUC. The Parties expect that, given timely and unconditional approval of the Portfolio Sale Agreement, the Divestiture Date will be May 1, 2003. However, the Parties retain sole discretion to determine the Divestiture Date.

B.2. If the Parties in their sole discretion determine that any final order regarding this Amended Unitil System Agreement, the Restructuring Settlement or the Portfolio Sale Agreement does not provide the requested timely and unconditional approval, this Amended Unitil System Agreement will be void for failure of an express condition. Power Corp. shall withdraw this filing from the FERC, in which case The System Agreement will continue in full force and effect.

C. CONTRACT RELEASE PAYMENTS

C.1. In consideration for Power Corp.'s willingness and agreement to waive the minimum notice of termination equal to seven and one half years under The System Agreement, to terminate the firm all-requirements power supply service under The System Agreement, and to divest the Power Supply Portfolio procured on behalf of UES (formerly CECo and E&H), UES, and its successor(s) or assign(s), agrees to pay Contract Release Payments ("CRP") and the Administrative Service Charges ("the ASC") to Power Corp., calculated and paid as described herein and in Appendix 1 hereto:

- a) Prior to the Divestiture Date, The System Agreement remains in full force and effect and neither the CRP nor the ASC are owed.
- b) After the Divestiture Date, the CRP and the ASC shall be recoverable according to the formulae set forth in Appendix 1. Notwithstanding anything to the contrary, all outstanding balances owed to or by Power Corp. as of the Divestiture Date by or to UES (formerly CECo or E&H), or its successor(s) or assign(s), pursuant to The System Agreement shall be included in full as a credit or charge in the CRP under the Amended Unitil System Agreement.
- c) In order to ensure timely payment of the CRP and the ASC in the first month following the Divestiture Date ("first bill"), Power Corp. shall

estimate the CRP and the ASC based on the formula established in Appendix 1. Power Corp. shall render such first bill to UES, or its successor(s) or assign(s) as soon as practicable following the Divestiture Date.

- d) UES shall make payment on each bill rendered within 10 days of receipt.
- e) Each monthly bill thereafter rendered shall be rendered on the 25th of the month. Each monthly bill shall be based on Power Corp.'s estimate, with the prior billing period trued to actual costs, as available, incurred under the formula in Appendix 1 and as set forth in Section H of this Amended Unitil System Agreement.
- f) CRP and the ASC shall be made monthly. Payment of CRP and the ASC shall continue until all obligations of Power Corp., recoverable in the CRP or the ASC, are extinguished.

D. DIVESTITURE

D.1. In consideration for payment of CRP and the ASC, and at the request of UES and its successor(s) or assign(s), in accordance with the Restructuring Settlement, Power Corp. agrees to undertake Divestiture of the Power Supply Portfolio that was

acquired on behalf of CECO and E&H pursuant to The System Agreement.

D.2. Power Corp. agrees to minimize any new commitments made on behalf of UES, or its successor(s) or assign(s), after the date of this Amended Unitil System Agreement, and prior to the Divestiture Date. Notwithstanding, Power Corp. may enter into reasonable commitments as may be necessary to fulfill supply obligations prior to the Divestiture Date and/or to preserve the value of the ongoing rights for UES, or its successor(s) or assign(s).

D.3. On or after the Divestiture Date, Power Corp. will have no further obligation to operate the Unitil System or to act as the agent of the Unitil System in transactions, actions, deliberations and other matters involving ISO New England or NEPOOL.

D.4. In order to facilitate Divestiture, UES and its successor(s) or assign(s), shall be responsible for the management and administration of,

- (1) the buyout of Power Corp.'s Power Supply Portfolio, and
- (2) after the Divestiture Date, all remaining or continuing obligations to NEPOOL, the ISO, and the RTO regarding submittal of meter data and compliance with voltage

reduction and/or load shedding requests whether addressed nominally to Power Corp, UES, or its successor(s) or assign(s).

E. TRANSMISSION RIGHTS

E.1. Power Corp. shall assign to UES, and its successor(s) or assign(s), all rights it holds to transmit electricity across the transmission system of Northeast Utilities, PSNH or any other transmission system, including the NEPOOL PTF system, for the benefit of the retail ratepayers of UES, and its successor(s) or assign(s).

F. HYDRO QUEBEC PHASE II TRANSMISSION

F.1. Power Corp. entered into various transmission support agreements with New England utilities for the construction and support of transmission facilities in order to deliver energy from Hydro Quebec ("HQ Phase II Agreements"). Power Corp.'s sole interest in the HQ Phase II Agreements was to provide economic capacity and energy to its only customers, the former CECO and E&H, and its rights to obtain those HQ Phase II Agreements resulted from the electrical loads of CECO and E&H. The HQ Phase II Agreements extend to 2020.

F.2. Power Corp. shall maintain, manage and market the HQ Phase II Agreements in order to maximize the economic value of the entitlements to the retail customers of UES, or its successor(s) or assign(s), and shall seek to divest or restructure the Agreements in accordance with the Restructuring Settlement. All revenues or benefits obtained by Power Corp. relative to the HQ Phase II entitlements shall be reflected as a credit against the costs incurred under the HQ Phase II Agreements for purposes of determining the CRP.

G. BILLING AND PAYMENT OF CONTRACT RELEASE PAYMENTS AND ADMINISTRATIVE SERVICE CHARGES

G.1. Because Power Corp. will be responsible upon Divestiture for payment to the Power Portfolio Purchaser for the Portfolio Sales Charge and for payment of the Residual Contract Obligation, Power Corp. shall render an estimated bill or invoice to UES, or its successor(s) or assign(s), commencing as soon as practicable following the Divestiture based on the formula in Appendix 1 ("first bill"), with the first bill payable within ten (10) calendar days of receipt.

G.2. On the 25th day of the month in which Divestiture takes place, Power Corp. will render an estimated bill for the second-month post-Divestiture as determined by the formula in Appendix 1 ("second bill"). The second bill shall be payable by UES, or its

successor(s) or assign(s), within ten (10) calendar days of receipt by wire or transfer within the Unitil Cash Pool.

G.3. On the 25th day of the second-month post-Divestiture, Power Corp. will render a bill with estimated data for the third-month post-Divestiture and reconciled actual data from the first month in which Divestiture occurs.

G.4. Thereafter, each month on the 25th day, Power Corp. will render bills with estimated data, and with actual data reconciled, and UES, or its successor(s) or assign(s), shall pay any such invoices within ten (10) days of receipt by wire or transfer within the Unitil Cash Pool, or in such other manner as the parties in their sole discretion shall agree in writing.

G.5. Power Corp. may render bills as necessary on an estimated basis subject to prompt corrective action when actual data is received.

G.6. In the event of a dispute as to the amount of any bill, UES, or its successor(s) or assign(s), will notify Power Corp. of the amount in dispute and will pay to Power Corp. the total bill including the disputed amount. Power Corp. shall refund, with simple interest at the Unitil Cash Pool or other appropriate

short term borrowing rate, any portion of the disputed amount ultimately found to be improper.

G.7. In the event FERC, pursuant to an investigation as contemplated by Schedule 2, paragraph H, of The System Agreement, and Appendix 1, paragraph D, of this Amended Unitil System Agreement, lawfully orders Power Corp., or its successor(s) or assign(s), to refund certain amounts of past billings to UES, then Power Corp. shall adjust said amounts in accordance with the provisions and requirements of FERC regulations and orders.

G.8. UES, or its successor(s) or assign(s), shall not have the right to challenge any bill, invoice or statement, nor bring any court or administrative action of any kind questioning the propriety of the same after a period of twelve (12) months from the date of any final adjustment, correction or reconciliation regarding the amount of such bill.

H. AMENDMENTS

H.1. It is agreed that Power Corp. shall, subject to the terms and conditions of the Restructuring Settlement, have the right at any time to amend the Terms and Conditions set forth herein, and the Rate Provisions set forth in Appendix 1, by serving an appropriate statement of such amendment upon UES, or

its successor(s) or assign(s), and filing the same with FERC in accordance with the provisions of applicable laws and any rules and regulations thereunder, and the amendment shall thereupon become effective on the date specified therein, subject to any suspension order duly issued by FERC.

H.2. Nothing contained herein shall be construed as affecting in any way the right of Power Corp. to unilaterally make application to FERC for a change in rates under Section 205 of the Federal Power Act, or the rights of UES, or its successor(s) or assign(s) to unilaterally make application to the FERC for a reduction in rates pursuant to Section 206 of the Federal Power Act and pursuant to FERC's rules and regulations promulgated thereunder.

H.3. The filing of any amendment to this Amended Unitil System Agreement shall be subject to the prior review and approval of the NHPUC.

I. REGULATION

I.1. This Amended Unitil System Agreement, and all the rights, obligations, and performance of the Parties to this Amended Unitil System Agreement, are subject to the Federal Power Act, and to all duly promulgated rules, regulations and orders of FERC. The effectiveness of the Amended Unitil System Agreement is also contingent on the approval of the NHPUC.

I.2. The willingness of Power Corp., UES, and its successor(s) and assign(s), to commit to and to fulfill any and all of their obligations under this Amended Unitil System Agreement is premised upon the NHPUC and FERC accepting this Amended Unitil System Agreement and the related Schedules completely and without modification, unless the Parties to this Amended Unitil System Agreement agree specifically to such modification in writing.

J. REMEDIES.

J.1. If any bill remains unpaid for more than sixty (60) days, except amounts in dispute, Power Corp. may apply to the regulatory agency having jurisdiction to obtain full payment of

all amounts due, including interest on the outstanding balance at the appropriate interest rate.

K. NOTICES

K.1. Notices by any party shall be in writing, mailed or delivered, to the respective addresses set forth below.

President
Unitil Power Corp.
6 Liberty Lane West
Hampton, NH 03842-1720

President
Unitil Energy Systems, Inc.
One McGuire Street
Concord, NH 03301

K.2. Any party may change its address by written notice to the others.

L. TERM

L.1 This Amended Unitil System Agreement shall continue in force and effect from the Divestiture Date until the last of CRP and the ASC have been delivered to Power Corp., or until all liabilities and contingencies of Power Corp. or UES, and their

successor(s) and assign(s), arising from The System Agreement and the Restructuring Settlement have been extinguished, whichever is later.

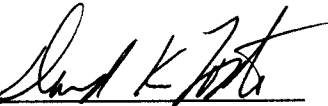
M. SUCCESSORS AND ASSIGNS.

M.1. This executed Amended Unitil System Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the successors and assigns of the Parties. A party subject to any such succession or assignation shall provide reasonable advance written notice of the same to the other parties.

M.2. Power Corp. explicitly consents to the assignment of CECo and E&H's rights and obligations under the System Agreement to the new merged entity, UES.

IN WITNESS WHEREOF, the Parties hereto have caused this Amended Unitil System Agreement to be duly executed by their proper officers thereunto duly authorized, as of the date written below.

Unitil Power Corp.

By  Date January 31, 2003
President

Unitil Energy Systems, Inc.

By  Date JANUARY 31ST 2003
Treasurer

APPENDIX 1

AMENDED UNITIL SYSTEM AGREEMENT

Rate Provisions for Contract Release Payments and Administrative
Service Charges

A. INTRODUCTION

Until the Divestiture Date, UES, and its successor(s) or assign(s), shall continue to be charged and pay rates in accordance with the original FERC Electric Rate Schedule Original Volume Number 1, as amended, known as The System Agreement. As of Divestiture Date, any over- or under-collection will be trued-up and a credit or charge will flow to the CRP. As of the Divestiture Date, UES, and its successor(s) or assign(s) shall be charged and shall pay rates consistent with the formula for Contract Release Payments and the Administrative Service Charges as specified in this Amended Unitil System Agreement.

B. FORMULA FOR CONTRACT RELEASE PAYMENTS

The Contract Release Payments ("CRP") shall be calculated in accordance with the following formula:

CRP = P + R + H + T where:

P = Portfolio Sale Charge
R = Residual Contract Obligations
H = Hydro-Quebec Support Payments

T = True-Ups from Prior Periods

where;

Portfolio Sales Charge - shall include all charges incurred by Power Corp. on a monthly basis pursuant to the Portfolio Sale Agreement.

Residual Contract Obligations - shall include charges incurred by Power Corp. on a monthly basis for continuing contract obligations not included in the portfolio sale, as enumerated in the Restructuring Settlement. In the event of the termination of the Portfolio Sale Agreement for any reason, prior to the assignment of all contracts' thereunder to the Portfolio buyer, the costs of any continuing contracts in the portfolio, offset by any revenues or security considerations received, shall be included as part of the residual contract obligations.

Hydro Quebec Support Payments - shall include all costs incurred by Power Corp. on a monthly basis pursuant to the Hydro Quebec Phase II Agreements, offset by any revenues received by Power Corp. for the sale, assignment or other utilization of the Hydro-Quebec Phase II entitlement.

True-Ups - shall include any undercollections or overcollections resulting from the reconciliation of costs and revenues on a monthly basis under The System Agreement, and any modifications to such reconciliations resulting from corrections or adjustments to prior period data, in addition to the reconciliation on a monthly basis of costs and revenues and any corrections or adjustments to prior period data under the Amended Unitil System Agreement.

Interest income or expense, accrued from the Unitil Cash Pool, expected as a result of inter alia cost recovery timing differences, will be included in such true-up as reflected in Power Corp. Account 419 and Account 431. In all events, such interest shall be promptly passed through as a credit or charge in the next bill to UES or its successor(s) or assign(s).

On an annual basis, beginning on the Divestiture Date and each year thereafter by March 1, Power Corp. shall provide to UES, and its successor(s) or assign(s), its estimate of the

annual expected CRP for the coming year, so that UES, and its successor(s) or assign(s), are able to make timely and appropriate rate filings for retail rate recovery of the estimated CRP.

C. ADMINISTRATIVE SERVICE CHARGES

Administrative Service Charges ("the ASC") shall be billed separately from the CRP under the Amended Unitil System Agreement. As provided for in the Restructuring Settlement, the ASC shall include all third party charges and regulatory charges incurred by Power Corp., and not otherwise assigned to or assumed by UES, or its successor(s) or assign(s), relative to the fulfillment of Power Corp.'s obligations under The System Agreement or the Amended Unitil System Agreement, specifically including NEPOOL, ISO and RTO billings, and legal, consulting and other outside service charges incurred in the management and administration of the Portfolio Sale Agreement, the Residual Contract Obligations, the Hydro Quebec II resource, the Amended System Agreement, and in the efforts to assign the Power Supply Portfolio obligations to the Portfolio Purchaser.

On an annual basis, beginning on the Divestiture Date and each year thereafter by March 1, Power Corp. shall provide to UES, and its successor(s) or assign(s), its estimate of the annual expected ASC for the coming year, so that UES or its successor(s) or assign(s) are able to make timely and appropriate rate filings for retail rate recovery of such estimated ASC.

D. FERC REVIEW OF SALES AND BILLING TRANSACTIONS

On an annual basis beginning on or before May 1, 2004, Power Corp. shall file with FERC:

- (1) a statement of all sales and billing transactions under The System Agreement for the portion of the preceding year The System Agreement was in effect, along with supporting material showing the actual costs incurred by Power Corp., by FERC account, and
- (2) a statement of all billing transactions under the Amended Unitil System Agreement for the preceding calendar year or partial year, along with supporting material showing the actual costs incurred by Power Corp., by FERC account, including the calculation of Contract Release Payments and Administrative Service Charges.

Power Corp. shall maintain accounts that provide a clear and consistent accounting of all costs. These filings will include detailed cost data in a form similar to that provided to the FERC annually under The System Agreement. The FERC may institute an investigation within ninety (90) days of the date of said filing, after which the sales, if applicable, and billing transactions for the preceding year shall be deemed approved, for purposes of this Amended Unitil System Agreement, by FERC.