

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

|                             |                  |          |
|-----------------------------|------------------|----------|
| UNITIL ENERGY SYSTEMS, INC. | )<br>)<br>)<br>) | DE 09-__ |
|-----------------------------|------------------|----------|

PETITION OF UNITIL ENERGY SYSTEMS, INC.  
FOR AN ACCOUNTING ORDER

Unitil Energy Systems, Inc. ("UES" or the "Company") hereby requests that the New Hampshire Public Utilities Commission (the "Commission") issue an order authorizing the Company to record as a regulatory asset the expenses associated with network damage from the snow and ice storm that struck parts of New Hampshire in December, 2008 (the "2008 Ice Storm"), until a final Commission order is issued in UES' next base rate case. By this request, UES is not seeking to change its rates, nor seeking pre-approval of the recovery in rates of the costs incurred, but the Company is seeking the Commission's approval of an accounting order as specified herein. In support of its request, UES states as follows:

1. UES is a New Hampshire corporation and public utility primarily engaged in the distribution of electricity in the capital and seacoast regions of New Hampshire.
2. On December 11 and 12, 2008, parts of New Hampshire and Massachusetts experienced a devastating ice storm that caused significant damage to UES' electric system, and to the electric systems of the other New England utilities, due to downed trees and power lines throughout the region. Following the ice storm, two consecutive snow storms dropped a total of

24 inches of snow in already hard-hit areas, exacerbating the damage and hampering the Company's restoration efforts.

3. Following the storm, approximately 40,000 of UES' 70,000 retail electric customers lost power. In the initial phases of the storm restoration effort, despite the limited availability of line worker crews to assist in the capital and seacoast regions, Unitil deployed more than 80 crews to restore service to its New Hampshire customers, almost three times the work-force required in any previous storm restoration.

4. The following table details the materials and supplies, as well as numbers of crews deployed in Unitil's New Hampshire service territory in order to restore power to customers:

**Table 1: 2008 Ice Storm**

|   |        |
|---|--------|
| <b>Customers Without Power</b>              |        |
| Total Number of Customers                   | 73,074 |
| Customers without Power at Peak             | 39,996 |
| Percent of Customers without Power          | 55%    |
| <b>Crews</b>                                |        |
| Maximum                                     | 84     |
| Daily Average                               | 36     |
| <b>Materials and Supplies</b>               |        |
| Feet of Primary Wire Replaced               | 62,072 |
| Feet of Secondary and Service Wire Replaced | 30,940 |
| New Poles Set (Unitil Only*)                | 67     |
| Cross-arms                                  | 239    |
| Transformers                                | 71     |
| Fuse Links                                  | 1,700  |
| Splices                                     | 8,000  |

\* excludes Poles Set by telecommunications providers

To put these numbers in perspective, Unitil replaced approximately four months normal usage of primary and secondary wire in the Seacoast region during the two week period from December 11 until December 23.

5. Current estimates (certain contractor invoices are in process) indicate that from December 11, 2008 to date, UES has incurred almost \$2.0 million of incremental emergency storm restoration repair expenses, in addition to expending an additional \$1.2 million in construction related expenditures, associated with its efforts to restore electricity service in response to the substantial damage to its electric distribution system resulting from the 2008 Ice Storm. See Exhibit 1 attached hereto. This total amount of costs, including construction related expenditures, is equal to approximately 23 percent of UES' annual operations and maintenance budget, and is approximately 18 times the three year average costs incurred by the Company as a result of previous storms or severe weather events

6. Based on UES' last rate case and 2005 test year, where no major storm occurred, UES recovers approximately \$170,000 annually from its customers for storm repair expenses. Unitil requests permission to defer approximately \$2.0 million of incremental emergency storm restoration expenses incurred as a result of the 2008 Ice Storm for future recovery on grounds that the costs are utility emergency storm restoration expenses which are extraordinary and non-recurring. The 2008 Ice Storm expenses incurred is an extraordinary and non-recurring expenditure because it is unusual and infrequent relative to UES' history of providing electric service to its customers where a normal amount of storm damage is to be expected.

7. UES does not have in place a storm reserve fund and a means to recover these significant costs, as do other electric distribution utilities in New Hampshire. *See Re Public Service Co. of New Hampshire*, DE 99-099, Order No 23,443 (N.H.P.U.C. 2000) (Major Storm Cost Reserve established as part of PSNH's restructuring settlement); *See also Re Public Service Co. of New Hampshire*, DE 06-028, Order No. 24,750 (N.H.P.U.C. 2007) (funding of MSCR increased to \$1.7 million per year, and PSNH permitted to amortize and recover from customers over 3 years,

negative balance of reserve, including a return at the stipulated cost of capital as well as an additional \$1 million, to reach a \$1 million balance in the MSCR at the end of three-year period); *Re National Grid, plc, et al.*, DG 06-107, Order No. 24,777 (N.H.P.U.C. 2007) (approved rate plan for Granite State Electric Company, including storm contingency fund, to be credited each month in the amount of \$10,000, or \$120,000 annually).

8. In requesting cost deferral treatment at this time, UES is not seeking rate recovery of these costs from its customers, but only seeking regulatory accounting treatment for legitimate, extraordinary, non-recurring storm expenses consistent with other New Hampshire utilities. It is probable that UES will propose recovery of these deferred costs through a storm reserve fund or other recovery mechanism in accordance with Commission precedent in its next rate proceeding.

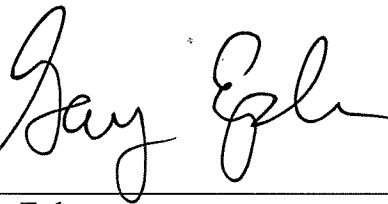
9. The effect of approval by the Commission of the proposed deferral accounting would not constitute approval of UES' 2008 Ice Storm expenses or otherwise determine the appropriate ratemaking treatment, but would only permit later consideration in a base rate proceeding. In light of the exigent circumstances of this case and the unprecedented severity and extent of the damage to the Company's infrastructure, therefore, UES respectfully submits that cost deferral treatment is appropriate and requests that the Commission issue an order on its petition by October 15, 2009.

WHEREFORE, UES respectfully requests that the Commission:

1. Issue an accounting order authorizing the company to defer and record as a regulatory asset the incremental costs associated with the 2008 Ice Storm; and
2. Grant such other relief as the Commission may deem appropriate.

Respectfully submitted,

UNITIL ENERGY SYSTEMS, INC.  
By its attorney,

A handwritten signature in black ink, appearing to read "Gary Epler", written over a horizontal line.

Gary Epler  
Chief Regulatory Attorney  
Unitil Service Corp.  
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[epler@unitil.com](mailto:epler@unitil.com)

Dated: August 26, 2009

Unitil Energy Systems  
2008 Ice Storm Costs  
As of July 21, 2009 - ESTIMATED

| <u>Line No.</u> | <u>Cost Categories</u>                      | <u>Total UES</u>           |
|-----------------|---|----------------------------|
| 1               | Payroll                                     | \$ 402,410                 |
| 2               | Materials & Supplies                        | 256,595                    |
| 3               | Transportation                              | 37,446                     |
| 4               | Outside Contractors' Invoices               | 2,441,659                  |
| 5               | USC Time and Expenses                       | 58,545                     |
| 6               | <b>Total 2008 Ice Storm Expenditures:</b>   | <b>\$ 3,196,655</b>        |
| 7               | Less: Amount Capitalized to Construction    | 1,254,708                  |
| 8               | <b>2008 Ice Storm Costs to be Deferred:</b> | <b><u>\$ 1,941,947</u></b> |

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Unitil Energy Systems, Inc.

*Petition for an Accounting Order*

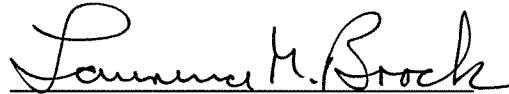
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AFFIDAVIT

Laurence M. Brock, having been duly sworn, states under oath as follows:

1. I am over eighteen years of age; I am competent to provide this affidavit; and I have personal knowledge of the facts set forth below.
2. I am employed by Unitil Corporation as Controller.
3. Unitil Energy Systems, Inc. is a wholly owned subsidiary of Unitil Corporation.
4. Based upon my knowledge, the financial information contained in the Petition of Unitil Energy Systems, Inc., for an Accounting Order and the accompanying Exhibit 1 are true and correct.

DATED this 26th day of August, 2009



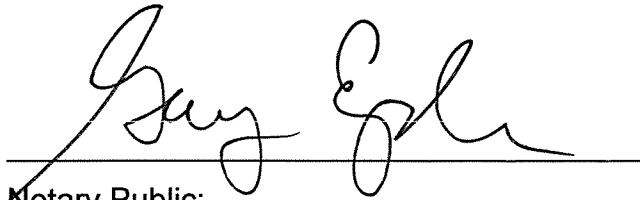
Laurence M. Brock, Controller

STATE OF NEW HAMPSHIRE )

) :ss

COUNTY OF ROCKINGHAM )

On this 26th day of August, 2009, then personally appeared before me, Laurence M. Brock, the signer of the above instrument, who duly acknowledged to me that he executed the same.



Notary Public:

Residing in Rockingham County

My Commission Expires:

GARY M. EPLER  
Notary Public - New Hampshire  
My Commission Expires December 3, 2013