

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

UNITIL ENERGY SYSTEMS, INC.) DE 09-155
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REVISED 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

Customers Without Power	
Total Number of Customers	73,074
Customers without Power at Peak	39,996
Percent of Customers without Power	55%
Crews	
Maximum	84
Daily Average	36
Materials and Supplies	
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. UES requests permission to record its expenses associated with the 2008 Ice Storm as a regulatory asset pursuant to Statement of Financial Accounting Standards No. 71 *Accounting for the Effects of Certain Types of Regulation* (“FAS 71”), in FERC Account 182.3 “Other Regulatory Assets.” This accounting treatment will allow UES to avoid charging the \$2.0 million of these costs to current expense that would otherwise be required without the recognition of cost deferral under the accounting rules of FAS 71, and to seek appropriate ratemaking treatment for these types of unusual and infrequent major storm costs in a future rate proceeding. The Company’s request for an accounting order at this time is consistent with the provisions of FAS 71 and regulatory ratemaking principles which often allow a regulated enterprise to recognize costs for accounting and ratemaking purposes in periods other than the periods in which the costs would have otherwise been charged to expense.

7. 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. Until

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.

8. 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).

9. 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.

10. 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,

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