

DE 03-086

UNITIL ENERGY SYSTEMS, INC.

**Order Suspending Tariff Pages  
and Scheduling Hearing**

**O R D E R N O. 24,174**

**May 16, 2003**

On April 1, 2003, Unitil Energy Systems, Inc. (UES) filed with the New Hampshire Public Utilities Commission (Commission) a petition for authority to adjust the UES stranded cost charge and to issue short term debt.

In *Unitil Energy Systems, Inc.*, Order No. 24,168 (May 2, 2003), the Commission approved an increase in UES' short term debt limit on a temporary basis, from \$16 million to \$22 million for a period not to exceed six months, pending a hearing and a decision on UES' request regarding a permanent increase in UES' short term debt limit, and conditioned on UES not making any further dividend payments to Unitil Corporation until further order. On May 7, 2003, UES and its parent company, Unitil Corporation, filed with the Commission a Motion for Stay, Rehearing, and Modification of Order No. 24,168 (Motion), together with the supporting Affidavit of Samuel C. Hadaway. By letter filed with the Commission on May 9, 2003, Unitil advised the Commission that the Office of Consumer Advocate concurred with the Motion. On May 9, 2003, the Commission issued a

secretarial letter stating in part that pursuant to NH RSA 541:5, the Commission was suspending, pending further consideration of the matters raised in the Motion, that portion of Order No. 24,168 which conditioned the Commission's approval of UES' short term debt limit upon UES not making any further dividend payments to Unitil Corporation from and after the date of that order. The letter also stated that an order addressing the manner in which the Commission intended to consider the Motion will be issued in the near future.

The Motion requests three kinds of relief: (i) an immediate stay of the condition in Order No. 24,168 that prohibits UES from making a dividend payment to Unitil Corporation; (ii) the modification of Order No. 24,168 to remove the condition that prohibits UES from making a dividend payment to Unitil Corporation; and (iii) an emergency rehearing on or before May 12, 2003. Although the Commission's secretarial letter dated May 9, 2003 did not remove the condition, the letter granted an immediate stay of the condition pending further consideration of the Motion and provided for the issuance of a further order (e.g., this Order) addressing the manner in which the Commission intends to consider the Motion.

As part of our Order No. 24,072 dated October 25, 2002 in DE 01-247 we approved a Settlement Agreement in Phase II of that proceeding that, among other things, included the use of a

hypothetical capital structure as well as a dividend restriction as ways to increase the equity component of the Company's capital structure. Our analysis of this issue was as follows:

'The concern that UES' capital structure will be too highly leveraged is addressed in an acceptable way through the use of a hypothetical capital structure to determine the company's revenue requirement and Unitil's agreement to limit the cash dividends paid by UES on an annual basis to an amount no higher than the cash dividends paid by CEC and E&H in the 2001 test year. It does appear appropriate that, as set forth in the Settlement Agreement, the company seek to increase the equity component of its capital structure over time in order to ensure that it has continued financial flexibility and continued access to capital at reasonable rates.'

With that in mind, we would expect that the level of any quarterly dividends paid by UES in the period prior to the August 12, 2003 hearing would not exceed a quarter of the annual limitation agreed to in DE 01-247 while at the same time remaining consistent with the overall goal of increasing the equity component of UES' capital structure over time.

Order No. 24,168 scheduled a hearing regarding the requested increase to the short term debt limit for August 12, 2003. Among the issues to be taken up at that hearing are whether to shorten, extend or otherwise modify the six month authorization period for the temporary short term debt limit increase and whether to approve the request for a permanent increase in the short term debt limit. We now include a third issue for decision, namely, whether to remove or retain the

condition in Order No. 24,168 that prohibits UES from making a dividend payment, based on the evidence presented at hearing. We expect that an important focus of the August 12, 2003 hearing will be the sufficiency of UES' plan which specifies how it intends to increase its equity ratio consistent with the settlement in the Unutil restructuring docket, DE 01-247.

In order to accommodate adequate consideration of the above-described issues, we revise and restate the procedural schedule as follows:

Second round data requests to the Company	May 9, 2003
Second round data responses from the Company	May 14, 2003
Testimony from parties regarding UPC-UES fuel and purchased power underrecovery collection request	May 19, 2003
Hearing regarding UPC-UES fuel and purchased power underrecovery collection request and pending Motions for Protective Order	May 21, 2003
Submission by UES of its plan to increase its equity ratio, accompanied by supporting testimony	June 30, 2003
Technical session regarding the UES plan	July 9, 2003
Rolling data requests with responses due in 5 business days	
Testimony from parties and Staff regarding short term debt limit	July 25, 2003
Data requests from Company	July 31, 2003
Data responses to Company	August 8, 2003
Hearing regarding short term debt limit	August 12, 2003

**Based upon the foregoing, it is hereby**

**ORDERED**, that the procedural schedule set forth above is hereby adopted; and it is

**FURTHER ORDERED**, that UES' proposed tariff pages included in its April 1, 2003 filing be and hereby are suspended pursuant to RSA 378:6, I(b) pending the May 21, 2003 hearing and the Commission's decision thereon.

By order of the Public Utilities Commission of New Hampshire this sixteenth day of May, 2003.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary