

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 08-085

UNITIL ENERGY SYSTEMS, INC.

Petition for Approval of Increase in Short Term Debt Limit

Order *Nisi* Approving Petition

ORDER NO. 24,875

July 23, 2008

On June 12, 2008, Unitil Energy Systems, Inc. (UES) filed a petition for authority to increase its short term debt limit and to establish a short term debt limit formula pursuant to RSA 369:7 and N.H. Code Admin. Rules Puc 307.05. UES seeks to increase its short-term debt limit from \$16 million to \$24 million, and to establish a short-term debt limit formula to be updated annually for effect on June 1 of each year.

According to UES, it uses short-term debt as interim financing for capital additions and extensions to its property, plant and equipment, and for working capital to meet energy-related and distribution operating expenses. The Commission granted a temporary increase to UES' short-term debt limit to \$22 million in *Unitil Energy Systems, Inc.*, 88 NH PUC 228, Order No. 24,168 (May 2, 2003), with the limit reverting to \$16 million after April 30, 2004. *See Unitil Energy Systems, Inc.* 88 NH PUC 426, Order No. 24,212 (September 25, 2003).

UES stated that it relies on short-term debt for capital expenditures, working capital for distribution operating expenses (e.g., payroll, employee benefits, maintenance and taxes) and energy-related costs, pending recovery of those costs from customers through reconciliation mechanisms. UES explained that its annual capital expenditures have steadily increased over the past ten years, from \$7.2 million in 1997 to \$19.8 million in 2007. Further, UES indicated that

its net plant investment, including construction work in progress, had nearly doubled since 1997 from \$64.5 million to \$125.4 million in 2007. According to the Company, between 1997 and 2007, its purchased power and transmission expenses increased by \$35 million, or 43 percent, from \$82 million to \$117 million. In addition, UES estimated that its default service costs would average \$8.1 million per month for the period May through July 2008. Finally, UES noted that its intra-month peak day short-term borrowing requirements have exceeded average monthly borrowing requirements by as much as \$4.8 million and have exceeded month-end balances by as much as \$3 million.

Based on its projections, UES reported that it may require short-term debt of \$19.4 million by March 31, 2008 – or \$22.4 million when taking into account the \$3 million in excess of month-end balances. To allow for unexpected contingencies, UES requested a permanent increase in its short-term debt limit to \$24 million.

UES also seeks to reestablish its short-term debt borrowing authority on an annual basis based on a formula consisting of a net plant component using 10-percent of net plant values reported to the Federal Energy Regulatory Commission; an energy component based on projected costs reflected in UES' default service tariffs, external delivery charges and stranded costs reconciliation filings approved by the Commission; and a contingency factor for unanticipated events. UES proposed to file updates to the formula by May 1 for effect in June.

UES requested an order *Nisi*, with an effective date no later than August 11, 2008. UES suggested that, if the Commission requires additional time to review the proposed formula, that the Commission defer that aspect of the petition and rule later on the merits of the formula.

On July 9, 2008, Staff adopted the suggestion of considering the two issues separately. Staff supported the request to increase its short-term debt limit to \$24 million, but recommended only temporary approval, pending a decision on the proposed formula approach. According to Staff, the proposed \$24 million short-term debt limit is, in part, supported by the proposed formula, so a permanent decision regarding short-term debt levels should be postponed until the details of the proposed method can be fully examined.

Pursuant to Puc 307.05, a utility must obtain Commission approval to issue or renew notes, bonds or other evidences of indebtedness payable in less than 12 months if such short term debt exceeds 10 percent of the utility's net fixed plant. We have reviewed the filing and Staff's recommendation. We find that UES has made a reasonable showing that an increase in its short-term debt limit from \$16 million to \$24 million is warranted. We therefore grant the increase on a temporary basis until we rule on the request for a formula-based approach to setting an annual short-term debt limit. We agree with Staff that the proposed formula needs further consideration before we take any action on that aspect of UES' petition.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that until further order of the Commission, Unitil Energy Systems, Inc. is authorized to increase its short-term debt limit from \$16 million to \$24 million; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than July 28, 2008 and to be documented by affidavit filed with this office on or before August 11, 2008; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than August 4, 2008 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than August 7, 2008; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective August 11, 2008, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of July, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary