DE 11-176

Unitil
Unitil Service Corp.

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NH PUBLIC UTILITIES COMMISSION

August 12, 2011

BY OVERNIGHT MAIL

Debra A. Howland, Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DE 02-221 & 03-238 Unitil Energy Systems, Inc., Pension Plan and Post Retirement Benefits other than Pension ("PBOP") Reporting

Dear Director Howland:

Unitil Energy Systems, Inc. ("UES" or "Company") co-sponsors the Unitil Corporation ("Unitil") Retirement Plan ("Pension Plan") and the Unitil Retiree Health and Welfare Benefits Plan ("PBOP Plan") to provide certain pension and postretirement benefits for its retirees and current employees. The Company currently files reports to the Commission regarding the status of its Pension Plan and PBOP Plan.

In Docket DE 02-221, Commission Order No. 24,107 (dated December 31, 2002), it was ordered that: a) UES is required to file quarterly reports on the status of its Pension Plan no later than 45 days following the end of each calendar quarter; and b) UES is required to perform an annual evaluation of the funding status of its Pension Plan and file an annual report with the Commission detailing the results of that evaluation with the initial report due after the determination of the final December 31, 2002 amounts.

In Docket 03-238, Commission Order No. 24,269 (dated January 30, 2004), UES agreed to file an annual report on the status of the Company's PBOP Plan, including a descriptive summary of all actions taken to mitigate the costs of the plan and any updated assumptions.

In UES' recent Docket DE 10-055, it was discussed in hearing that these two reporting requirements are no longer necessary and may be allowed to end. The reasoning was that since the Orders in DE 02-221 and DE 03-238 were issued, the Commission has thoroughly looked at

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the Company's pension and PBOP costs in its recent rate cases. In Staff testimony, Staff recommended that these reporting requirements could be lifted and that the Company file a letter in reference to the pension and PBOP reporting requirements and request the Commission's approval of the cessation of those reporting requirements. However, Commission Staff recommended that prior to ending the reporting requirements, UES should inform the Commission of the status of any remaining additional minimum liability associated with its Pension Plan and PBOP Plan obligations and should also address the impact of any accounting changes that took place subsequent to the Commission's Orders No. 24,107 and No. 24,269.

Accordingly, the Company is providing the information shown below and in Exhibits 1, 1a, 1b, 1c and 2. Exhibit 1 is a report on the Pension Plan, prepared for Unitil by Diversified Investment Advisors, Unitil's pension plan actuary, for the year ended December 31, 2010. Exhibits 1a, 1b and 1c are trust statements prepared for Unitil by SEI Investments Management Company, Unitil's PBOP Plan investment manager, on the investment performance of the PBOP Plan for the period ending December 31, 2010. There are three separate investment accounts for the PBOP Plan; (1) Unitil Non-Union Voluntary Employee Benefit Trust, (2) Unitil Union Voluntary Employee Benefit Trust and (3) Unitil Employee Health & Welfare Benefits Plan (401H). Exhibit 2 is the 2010 year-end PBOP Plan report prepared by Unitil's actuary, Diversified Investment Advisors, Inc.

The only accounting change that occurred subsequent to the Commission's Orders 24,107 and No. 24,269 is the following:

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", ("SFAS No. 158"), an amendment of SFAS No. 87, "Employers' Accounting for Pensions", SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" and SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 158 requires companies to record on their balance sheets as an asset or liability the overfunded or underfunded status of their retirement benefit obligations ("RBO") based on the Projected Benefit

Obligation ("PBO"). Prior to SFAS No. 158, the overfunded or underfunded status of a company's RBO was based on the Accumulated Benefit Obligation ("ABO"). This accounting change was disclosed in the Company's August 2, 2007 Pension Plan and PBOP Plan Reports to the Commission for the year ended December 31, 2006.

UES hereby requests Commission approval to end the quarterly and annual reporting requirements stated above in Dockets DE 02-221 and DE 03-238.

Status of UES' Pension Plan and PBOP Plan for the Year Ended December 31, 2010.

Funded Status:

The following table represents information on the Company's Pension Plan's and PBOP Plan's PBO, fair value of assets and funded status. The PBO is the projected benefit obligation of each of the plans and includes expectations of future employee service and, for the Pension Plan, compensation increases. An unfunded PBO represents an amount to be recognized as a liability on the Company's balance sheet.

PBO and Funded Status ($000's):		**December 31, 2010**	
	UES	**USC**	**Total**
Pension Plan:			
Projected Benefit Obligation (PBO)	$ (26,527)	(15,600)	**(42,127)**
Fair Value of Pension Plan Assets	16,05	9,160	**25,214**
Unfunded Pension Obligation	$ (10,473)	(6,440)	**(16,913)**
PBOP Plan:			
Projected Benefit Obligation (PBO)	$ (9,189)	(6,794)	**(15,983)**
Fair Value of PBOP Plan Assets	1,944	2,212	**4,156**
Unfunded PBOP Obligation	$ (7,245)	(4,582)	**(11,827)**

The Company has recorded $16.9 million and $11.8 million on its balance sheet as liabilities to reflect the underfunded status of the Pension Plan's and PBOP Plan's retirement benefit obligations, respectively, based on the projected benefit obligation. The Company has recognized corresponding Regulatory Assets to recognize the future collection of these obligations in electric retail rates.

UES made contributions, including amounts allocated from Unitil Service Corp., in the amounts of $1.4 million and $1.0 million to the Pension Plan and PBOP Plan, respectively, during 2010.

Key Assumptions Used:

To Determine Benefit Obligations at December 31, 2010:	
Discount Rate	**5.35%**
Rate of Compensation Increase	**3.50%**
Health Care Cost Trend Rate Assumed for Next Year	**7.00%**

Please don't hesitate to contact me directly at (603) 773-6440 if you need additional information or have any questions regarding the matters discussed above.

Sincerely,

Gary Epler
Attorney for Unitil Energy Systems, Inc.

cc: Lynn Fabrizio, Staff Counsel
Meredith Hatfield, Consumer Advocate