



August 6, 2008

**BY OVERNIGHT MAIL**

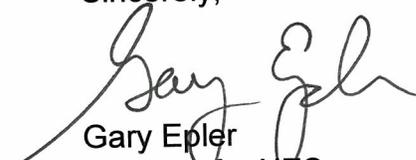
Debra A. Howland, Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2425

Re: DE 08-085 Affidavit of Publication

Dear Director Howland:

Pursuant to the Order of Notice issued by the New Hampshire Public Utilities Commission on July 23, 2008, in the above-referenced docket, enclosed please find an Affidavit of Publication on behalf of Unitil Energy Systems, Inc.

Sincerely,



Gary Epler  
Attorney for UES

Enclosure

cc: Edward Damon, Staff Counsel

Gary Epler  
Chief Regulatory Attorney  
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## Golf / Notices

### Legal Notice

**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 207.05. 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 new plant components 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.

seeks two step increases for significant capital additions placed in service in 2008. The first step increase, which would be based on plant that had become used and useful as of May 1, 2008, would generate an additional \$1,095,263 in annual gross operating revenue and would result in a 5.05 percent increase for general metered customers. The second step increase is based on plant that will have become used and useful as of November 1, 2008. This step increase would generate an additional \$1,196,149 in annual gross operating revenue and would constitute a 5.51 percent increase in rates for general metered customers.

The combined proposed rate request and step increases would result in an overall increase in rates of 25.27 percent for general metered customers. This will result in an average annual residential water bill for a single family home of approximately \$565.30 based on an average usage of 9.53 hundred cubic feet per month. This will represent an increase of \$8.88 per month for residential customers over current rates.

PWW's petition for temporary rates requests an increase in operating revenues of \$2,446,978, or an overall increase of 11.27 percent. The effective increase on general metered customers would be 11.07 percent. PWW requests temporary rates take effect on August 1, 2008, or the date customers are first noticed, whichever comes first. In support of the temporary rate increase PWW states in pre-filed testimony that, as of December 31, 2007, PWW's overall rate of return was 6.64 percent or 125 basis points below the last allowed return of 7.89 percent. PWW further states that its rate of return eroded further to 6.47 percent as of April 30, 2008. The proposed temporary rate increase would add approximately \$3.50 to the average single family residential customer's bill and would be reconciled with any permanent rates approved by the Commission in this proceeding.

The filing raises, inter alia, issues related to: whether the proposed temporary and permanent rates are lawful, just and reasonable as required by RSA 378; whether test year expenses and pro forma adjustments are reasonable; whether the calculation of rate base represents prudent investment in property that is used and useful; the determination of a reasonable rate of return, including an appropriate capital structure; whether the level of revenues used for calculating the revenue requirement is reasonable; and whether the proposed rate design is fair and reasonable.

**Based on the foregoing, it is hereby ORDERED**, that Pennichuck Water Works Inc.'s NHPUC NO. 5 WATER - Tenth Revised Pages 39, 40, 41, and 42 are hereby suspended; and it is

**FURTHER ORDERED**, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the New Hampshire Public Utilities Commission located at 21 South Fruit Street, Concord, New Hampshire on August 27, 2008 at 10:00 at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the Petition; and it is

**FURTHER ORDERED**, that, immediately following the Prehearing Conference, PWW, Commission Staff, and Intervenor hold a technical session to review the issues and recommend a proposed procedural schedule for consideration of temporary and permanent rates; and it is

**FURTHER ORDERED**, that pursuant to N.H. Code Admin. Rules Puc 203.12, PWW notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than August 1, 2008, in the Nashua Telegraph and in the Union Leader, publication to be documented by affidavit filed with the Commission on or before August 27, 2008; and it is

**FURTHER ORDERED**, that in addition

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, 2007

Thomas B. Getz, Chairman  
Graham J. Morrison, Commissioner  
Clifton C. Below, Commissioner  
Attested by: Debra A. Howland  
Executive Director and Secretary  
(UL - July 26)

to the legal notice required above for the Prehearing Conference, PWW shall publish by August 1, 2008 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between PWW and the Executive Director and Secretary; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.12, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a petition to intervene with copies sent to PWW and the Office of the Consumer Advocate on or before August 22, 2008, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32, 1(b); and it is

**FURTHER ORDERED**, that any party objecting to a petition to intervene make said Objection on or before August 27, 2008.

Pursuant to N.H. Code Admin. Rules Puc 203.12 (a) (5), each party has the right to have an attorney represent them at their own expense.

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  
Attested by: Lori A. Normand  
Assistant Secretary

Any individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the American with Disabilities Act Coordinator, NHPUC, 8 Old Suncook Road, Concord, New Hampshire 03301-7319; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Preferably, notification of the need for assistance should be made one week before the scheduled event.  
(UL - July 26)