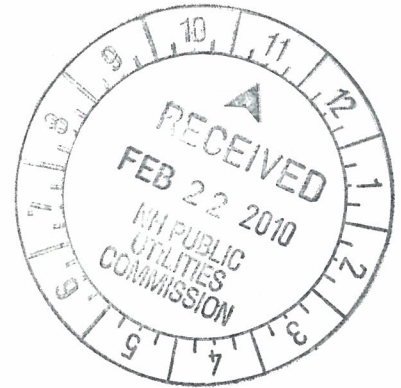




February 19, 2010

**BY OVERNIGHT MAIL and ELECTRONIC FILING**

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



**RE:** Unitil Energy Services, Inc.  
Docket No. DE 09-137

Dear Director Howland:

The purpose of this letter is to update the New Hampshire Public Utilities Commission ("Commission"), Commission Staff and the parties to this docket concerning Unitil Energy Systems, Inc.'s ("UES") proposed rate designs for the Time-Of-Use Pilot, in anticipation of the required Tariff filing for the program. Although the Commission has not yet issued its order in this matter, in order to implement the TOU Pilot this summer, the Company has moved ahead with a number of steps towards implementation. The key design elements are in place, equipment selection is complete, and the RFP for installation contractors has been issued.

In preparing the rate design and draft Tariff pages UES has followed the provisions of the Settlement Agreement in Docket DE 09-137. The Company is hopeful that its proposal will be satisfactory and look forward to any feedback from Staff or the parties. UES intends to file the final Tariff and rates as soon after March 1, 2010, as practical, but in no event later than April 1, 2010.

Attached to this letter is a two-page narrative, along with schedules detailing the rate calculations. In addition, UES is providing a draft of the Tariff page it plans to file, to be based on the actual summer period default service rate.

The resulting TOU rate design is summarized as follows, based upon a nominal value for average Default Service of \$0.10 per kWh. The actual TOU rate design will be adjusted pro-rata for the actual average Default Service rate to be placed into effect for the summer period.

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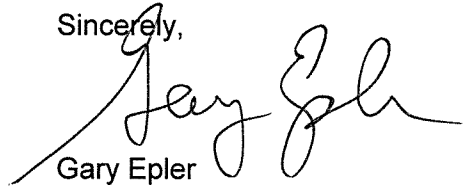
Off-Peak rate	\$0.07338 per kWh
On-Peak rate	\$0.13003 per kWh
Critical Peak rate	\$0.66572 per kWh

One minor technical matter arose in the design of the Time-of-Use rates. As the Company incorporated the generation capacity demand costs into the CPP factor, it resulted in an excess of revenue. In order to achieve revenue neutrality in the rate design, the off-peak kWh charge was reduced by a corresponding amount. This slightly increased the on-peak versus off-peak differential.

In addition to the TOU rate design, the Company is proposing a "Peak Reward" rate for the Thermostat Control component of the pilot program. The goal was to base this rate on the economics of the demand reduction for the CPP pricing, net of a factor representing the cost of the thermostat. However, using the generation capacity charge estimate for the three summer months (\$15.97 with loss adjustment) and a 1.0 kilowatt estimated demand reduction, did not result in a positive value. UES concluded it was appropriate to include a generation capacity value for both the capacity reduction and for ISO FCM revenue since the resource would be dispatchable. In addition, since the program would also avoid transmission and distribution costs the Company concluded it was appropriate not to factor in the cost of the thermostat. Based on this reasoning, the Peak Reward value for a customer participating on the Thermostat control program component would be \$32.

Please do not hesitate to contact me if you have any questions concerning this filing. Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler", with a long horizontal line extending from the start of the signature.

Gary Epler  
Attorney for Unitil Energy Systems, Inc.

Enclosure

cc: Service List