

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

**Petition for Approval of Increase)
in Short Term Debt Limit)
)
UNITIL ENERGY SYSTEMS,)
INC.)
Petitioner)**

DOCKET NO. DE 08-085

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 18th day of September, 2009, by and among Unitil Energy Systems, Inc. ("UES" or "Company") and the Staff of the New Hampshire Public Utilities Commission ("Staff") with the intent of resolving all issues in the above-captioned proceeding.

**ARTICLE I.
Introduction**

1.1 On June 12, 2008, UES filed a petition ("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. According to UES, 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 sought 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.

1.2 To allow for unexpected contingencies, UES requested a permanent increase in its short-term debt limit to \$24 million and approval to reestablish its short-term debt borrowing authority on an annual basis using a formula approach as described in the prefiled testimony of Mark H. Collin, Senior Vice President, Chief Financial Officer and Treasurer of Unitil Corporation and Treasurer of Unitil Energy Systems, Inc.

1.3 On July 9, 2008, Staff filed a recommendation with the Commission recommending that the Commission temporarily grant UES' request to increase its short-term debt limit to \$24 million until such time as the Commission issued a decision regarding UES' proposed formula for prospectively setting its short-term debt limit.

1.4 On July 23, 2008, the Commission issued Order No. 24,875 (Order *Nisi*), which granted the increase in short-term debt to \$24 million on a temporary basis until such time as the Commission ruled on the request for a formula-based approach to setting an annual short-term debt limit. The Commission determined that the proposed formula needed further consideration before taking any action on that aspect of the Petition.

1.5 During the course of the proceeding, UES responded to two rounds of discovery, including data requests and met with the Staff in an informal technical session.

1.6 Based upon information gathered through the submission of UES' prefiled testimony, discovery and the technical session, UES and Staff have reached agreement on the issues in this proceeding as follows:

ARTICLE II.
Short-Term Debt Limit and Formula

2.1 The temporary increase in UES short-term debt limit to \$24 million shall be made permanent, and subject to an annual update as set forth in 2.2 below.

2.2 On May 1, 2010, and annually thereafter, UES shall file an update to its short-term debt limit for effect June 1 and the ensuing twelve-month period. The calculation of the update to the short-term debt limit shall be according to the following formula: 10 percent of the Net Utility Plant at December 31 for the prior year as reported in the Company's FERC Form 1, plus \$10 million.

ARTICLE III.
General Provisions

3.1 UES and Staff agree and recommend that the Commission find that the terms of this Settlement Agreement are just and reasonable and consistent with the public interest and should be adopted in full.

3.2 This Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or further condition. If the Commission does not accept the Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and UES or Staff is unable to agree with said changes, conditions or findings, the Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

3.3 Under this Agreement, UES and Staff agree to this joint submission to the Commission as a resolution of the issues specified herein only.

3.4 UES and Staff agree that the Commission's acceptance of the Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding, except that the matters set forth in this agreement shall be binding to the extent expressly set forth herein. Acceptance of this Settlement Agreement by the Commission shall not be deemed to restrain this Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion, nor shall this Settlement Agreement be deemed to restrain the authority of the Legislature to enact any law that would resolve the matters covered by this Settlement Agreement in a different fashion.

3.5 This Agreement shall not be deemed an admission by UES or Staff that any allegation or contention in this proceeding by any other Party, other than those specifically agreed to herein, is true and valid. This Agreement shall not be deemed to foreclose Staff or UES from taking any position in any subsequent proceedings, with the exception of those specifically agreed to herein.

3.6 UES and Staff agree that the pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Agreement, and be given whatever weight the Commission deems appropriate.¹ Agreement to admit the pre-filed testimony without challenge does not constitute agreement by Staff that the content of the pre-filed testimony is accurate or that the views of the witness should be assigned any particular weight by the Commission.

¹ The testimony consists of: Mr. Collin's direct testimony filed on June 12, 2008 as well as the supporting schedules attached to the testimony.

3.7 The rights conferred and obligations imposed on UES by this Settlement Agreement shall be binding on or inure to the benefit of their successors in interest or assignees as if such successor or assignee was itself a Party hereto.

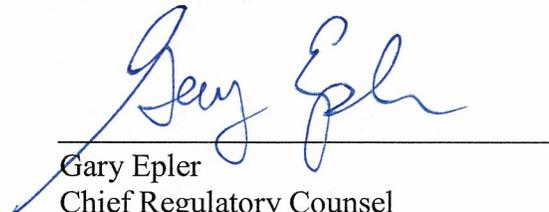
3.8 This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

3.9 This Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

ARTICLE IV.
Conclusion

4.1 UES and Staff affirm that the proposed Settlement Agreement is appropriate, just and reasonable and should be approved.

UNITIL ENERGY SYSTEMS, INC.
By its Attorney:

A handwritten signature in blue ink, appearing to read "Gary Epler", is written over a horizontal line.

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