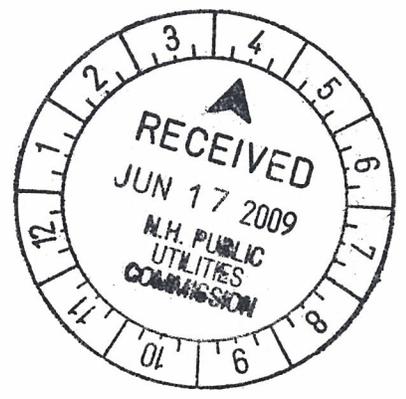


DE09-115



June 17, 2009



BY HAND DELIVERY 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 Systems, Inc.
Annual Stranded Cost Recovery and External Delivery
Charge Reconciliation and Rate Filing

Docket No. DE 09-

Dear Director Howland:

Pursuant to New Hampshire Public Utilities Commission ("Commission") Order No. 24,889 and Commission's subsequent Secretarial Letter dated April 28, 2009, enclosed please find an original and seven (7) copies of Unitil Energy Systems, Inc.'s ("UES") Annual Stranded Cost Recovery and External Delivery Charge Reconciliation and Rate filing. In support and explanation of the tariff changes requested, the filing includes the direct testimonies and schedules of Linda S. McNamara and Francis X. Wells.

As approved by the Commission, the date of this annual filing has been moved from mid-March of each year to mid-June in order to accommodate the fact that the most recent transmission related rates and estimated costs are available in June.

Proposed Tariff Changes

UES is proposing the following tariffs for effect August 1, 2009:

- Seventh Revised Page 4 and 5, Summary of Delivery Service Rates;
- Ninth Revised Page 6, Summary of Low-Income Electric Assistance Program Discounts;
- Third Revised Page 65, Calculation of the Stranded Cost Charge
- Fourth Revised Page 67, Calculation of the External Delivery Charge

The proposed rates listed in the filed tariffs and supported by the enclosed testimony and schedules are summarized in the table below.

Gary Epler
Chief Regulatory Counsel

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<u>Class</u>	<u>Stranded Cost Charge</u>	<u>External Delivery Charge</u>
Residential	\$0.00495/kWh	\$0.01591/kWh
General Service G2 (kWh rates)	\$0.00495/kWh	\$0.01591/kWh
General Service G2	\$0.87/kW and \$0.00167/kWh	\$0.01591/kWh
Large General Service	\$1.24/kVA and \$0.00147/kWh	\$0.01591/kWh
Outdoor Lighting	\$0.00495/kWh	\$0.01591/kWh

For customers taking Default Service, the average class bill impacts as a result of these proposed rates are approximate 2.2 percent decrease for the residential and general service classes. The large general service class average bill will decrease about 4.3 percent, with 2.7 percent of this amount due to changes in the SCC and EDC and the remaining 1.6 percent due to changes in the proposed default service rates filed in DE 09-009 on June 12, 2009. Outdoor lighting average bills will decrease about 1.3 percent.

Demand Response Program Participation

In UES' last Annual and Reconciliation and Rate Filing, DE 08-040, the Commission directed the Company to address its customers' participation in the Independent System Operator - New England ("ISO-NE") demand response ("DR") program and to make recommendations to optimize participation in such programs. At this time, approximately twenty-one of UES' large customers are participating in the ISO-NE DR program through offerings of their competitive third party commodity suppliers. None of UES' customers are participating in the ISO DR program under the Company's tariff, which provides access to the program benefits through UES. We note that approximately 85 of UES' G1 customers, out of a total of 150, have secured energy supply through competitive third party commodity suppliers. These customers comprise about two-thirds of the energy usage for the entire class.

The data demonstrates that competitive suppliers have been successful in marketing the ISO-NE DR program to their customers in New

Hampshire. It also suggests that participation in the DR program through competitive suppliers is more attractive than the program as offered by UES through its tariff.

UES has marketed its tariff to those customers that would most likely meet the program requirements and potentially benefit from the program. Under UES' tariff, however, the customer is required to pay the set-up costs to enroll in the load response program. In addition, the Company makes no representations regarding whether or not a customer will be paid for participation in the program, or when it will be paid, other than stating that payments will be made in accordance with the program rules as set forth by ISO-NE. Competitive suppliers and other market players are able to offer customers interested in the DR program with customized solutions and individualized terms. For example, competitive suppliers can offer to pay a participant's set-up costs in exchange for a portion of payments made to the participant for responding to demands for curtailment. Competitive suppliers can also bundle supply contracts with load response provisions.

Given that a successful market has developed for ISO-NE DR program participation through competitive suppliers, UES would not recommend changes to its tariff-based offering. The tariff provisions provide a back-stop option for ISO-NE DR participation, but one that does not "tilt the playing field". The Company believes making favorable changes to those tariff provisions could potentially interfere with and compete against the competitive market solutions that have developed.

UES continues to offer an advisory role by providing information to customers when it receives inquiries regarding the load response program, including information about participation under the Company's tariff and information about potential competitive options. UES intends to take the additional step of making a list of market participants that offer the ISO-NE DR program available in order to better inform customers regarding their options to participate in the ISO program. The Company will also continue to monitor regional developments and evaluate opportunities for customer participation.

If you should have any questions or comments concerning this filing, please do not hesitate to contact our office. Thank you for your consideration of this matter.

Debra A. Howland, Executive Director and Secretary
UES Annual Stranded Cost Filing
June 17, 2009
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Sincerely,

A handwritten signature in blue ink that reads "Gary Epler" with a stylized "KA" or similar mark at the end.

Gary Epler
Attorney for Unitil Energy Systems, Inc.

Enclosures

cc: Suzanne Amidon, Staff Counsel
Meredith Hatfield, Consumer Advocate