

Unitil Energy Systems, Inc.
DE 10-055
Permanent Rates
Revenue Requirement

<u>Line #</u>			
1	Rate Base (Sched. 2)	127,408,473	
2	Rate of Return (Sched. 1B)	<u>7.85%</u>	
3	Operating Income Requirement	10,005,857	
4	Operating Income (Sched. 3)	<u>7,306,049</u>	
5	Revenue Deficiency Before Taxes	2,699,808	
6	Gross Revenue Conversion Factor (Sched. 1A)	<u>1.6814</u>	
7	Revenue Deficiency	4,539,400	
8	Less: Add'l Revenue per Temporary Rates Settlement		<u>5,158,845</u>
9	Incremental Adjustment to Revenues Below Temporary Rate Level		<u><u>(619,445)</u></u>
10	Test Year Operating Revenue (Sched. 3)	<u>35,341,154</u>	
11	Revenue Requirement	<u><u>39,880,554</u></u>	
12	Percentage Increase to Distribution Revenues	<u><u>12.84%</u></u>	

Unitil Energy Systems, Inc.
DE 10-055
Effective Tax Factor

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>35.00%</u>
Effective Federal Income Tax Rate	32.025%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>40.525%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>40.525%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>59.475%</u></u>
Gross Revenue Conversion Factor	<u><u>1.681379</u></u>

Unitil Energy Systems, Inc.
DE 10-055
Permanent Rates
Cost of Capital

Component	Balance 12/31/2009	UES Proforma Adjs.	UES Adjusted Balances	Staff Adjustments	Staff Adjusted Balances	Weighted Component Ratio	Cost Rate	Average Cost Rate
Common Equity	58,496,154	5,000,000	63,496,154		63,496,154	42.41%	9.000%	3.82%
Preferred Stock Equity	225,000		225,000		225,000	0.15%	6.000%	0.01%
Long-Term Debt	65,000,000	15,000,000	80,000,000		80,000,000	53.43%	7.350%	3.93%
Short-Term Debt	11,169,953	(11,169,953)	0	6,000,000	6,000,000	4.01%	2.500%	0.10%
Totals	<u>134,891,107</u>	<u>8,830,047</u>	<u>143,721,154</u>	<u>6,000,000</u> (a)	<u>149,721,154</u>	<u>100.00%</u>		<u>7.85%</u> (b)

NOTES:

- (a) Short-term debt adjustment as described in the testimony of Dr. John W. Wilson.
(b) Numbers may not add due to rounding.

Unitil Energy Systems, Inc.
DE 10-055
Permanent Rates
Rate Base
Year Ended December 31, 2009

Collin Schedule RevReq-5							
	(NHPUC Form F-1) 5 Quarter Average	UES Proforma Adjustments	UES Proforma 5 Quarter Average	UES Adjs. for 12/31/09 Year End Rate base	UES Proforma Rate Base	Staff Adjustments	Adjusted Rate Base
Utility Plant in Service	193,218,909		193,218,909	5,626,445	198,845,354	(24,852)	S-1 198,820,502
Less: Accumulated Depreciation	62,648,141		62,648,141	2,571,785	65,219,926	(1,115,178)	1 64,104,748
Test year non-revenue producing plant adds	0		0				0
Net Plant in Service	130,570,768	0	130,570,768	3,054,660	133,625,428	1,090,326	134,715,754
Plus: M&S Inventories	1,174,969		1,174,969	(102,627)	1,072,342		1,072,342
Cash Working Capital	5,054,259	293,830	5,348,089	0	5,348,089	(3,594,028)	2 1,754,061
Prepayments	9,188,754		9,188,754	102,167	9,290,921		9,290,921
SFAS 109 Net Regulatory Asset	2,221,139		2,221,139	(274,110)	1,947,029		1,947,029
ISO Deposit	2,656,159		2,656,159	270,238	2,926,397		2,926,397
Less: Deferred Income Taxes (Net)	19,641,806		19,641,806	1,867,095	21,508,901	451,926	3 21,960,827
Customer Deposits	1,852,738		1,852,738	(115,359)	1,737,379		1,737,379
Customer Advances	655,392		655,392	(55,567)	599,825		599,825
TOTAL RATE BASE	128,716,112	293,830	129,009,942	1,354,159	130,364,101	(2,955,628)	127,408,473

REVISED Attachment SEM-1
Schedule 2

Unitil Energy Systems, Inc.
DE 10-055
Permanent Rates
Proforma Adjustments to Rate Base

PROFORMA ADJUSTMENTS TO RATE BASE:

Adj. #

ACCUMULATED DEPRECIATION

1	Reduce Accumulated Depreciation per the testimony of James J. Cunningham, Jr.	(1,115,178)
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CASH WORKING CAPITAL ALLOWANCE

2	Total Operation & Maintenance Expenses (Sched. 3, "Staff Proforma Distribution" column)	14,227,386	
	Contract Release Payments	9,280,377	
	Other Flow-Through Operating Expenses } Collin Schedule RevReq-2	18,156,559	
	Remove: Contract Release Payments	(9,280,377)	
	Remove: Other Flow-Through Operating Expenses	(18,156,559)	
		14,227,386	
	X 45 days/365 days	12.33%	
	Cash Working Capital allowance	1,754,061	
	Less: Amount per Company filing (as adjusted)	5,348,089	
	Necessary adjustment	(3,594,028)	(3,594,028)

ACCUMULATED DEFERRED INCOME TAXES

3	Increase Accumulated Deferred Income Taxes per testimony of James J. Cunningham	451,926
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UTILITY PLANT IN SERVICE

S-1	Reduce utility plant for property taxes im properly capitalized (Audit Issue #12)	(24,852)
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Unitil Energy Systems, Inc.
DE 10-055
Permanent Rates
Operating Income Statement
Year Ended December 31, 2009

	Collin Schedule RevReq-2							
	Test Year - Distribution	UES Proforma Adjustments	UES Proforma Distribution	Staff Adjustments	Adj#	Staff Proforma Distribution	PROOF Revenue Deficiency	Test Year Proforma
Distribution Revenue	34,250,334		34,250,334			34,250,334	4,539,400	38,789,734
Other Operating Revenue	1,092,471		1,092,471	(1,651)	4	1,090,820		1,090,820
Total Operating Revenues	35,342,805	0	35,342,805	(1,651)		35,341,154	4,539,400	39,880,554
Operating Expenses:								
Purchased Power	181,279		181,279	(181,279)	5	0		0
Transmission	199,457		199,457	(199,457)	6	0		0
Distribution	3,583,841	2,186,653	5,770,494	(452,209)	7,9,10	5,318,285		5,318,285
Customer Accounting	2,840,332	5,579	2,845,911	(97,590)	11	2,748,321		2,748,321
Customer Service	3,118		3,118			3,118		3,118
Administrative & General	6,927,875	190,814	7,118,689	(961,027)	12-20	6,157,662		6,157,662
Operation and Maintenance Expenses	13,735,902	2,383,046	16,118,948	(1,891,562)		14,227,386	0	14,227,386
Depreciation	7,152,867	1,224,229	8,377,096	(1,082,794)	21	7,294,302		7,294,302
Amortization	1,260,653		1,260,653	(32,384)	22	1,228,269		1,228,269
Taxes Other than Income	3,593,825	41,708	3,635,533	(125,668)	23,24	3,509,665		3,509,665
Federal Income Tax	(1,230,219)	(697,206)	(1,927,425)	1,043,268	Sched. 3B	(884,157)	1,453,743	569,586
State Income Tax	469,547	(189,402)	280,145	276,902	Sched. 3B	557,047	385,849	942,896
Deferred Federal and State Income Taxes	2,041,496		2,041,496			2,041,496		2,041,496
Total Operating Expenses	27,024,071	2,762,375	29,786,446	(1,812,438)		27,974,008	1,839,592	29,813,600
Net Operating Income	8,318,734	(2,762,375)	5,556,359	1,810,787		7,367,146	2,699,808	10,066,954
Less: Interest on Customers' Deposits	61,097		61,097			61,097		61,097
Net Operating Income	8,257,637	(2,762,375)	5,495,262	1,810,787		7,306,049	2,699,808	10,005,857

REVISED Attachment SEM-1
Schedule 3

Unitil Energy Systems, Inc.
DE 10-055
Proforma Adjustments to Revenues and Expenses

REVISED Attachment SEM-1
Schedule 3A
Page 1 of 2

PROFORMA ADJUSTMENTS TO REVENUES:

OTHER OPERATING REVENUE

4	Reduce Miscellaneous Rent to remove an extra month of rental income from the test year (Audit Issue #6)	(1,651) #
	Total adjustments to Other Operating Revenue	(1,651)

PROFORMA ADJUSTMENTS TO EXPENSES:

O&M EXPENSES - PURCHASED POWER

5	Remove purchased power expenses	(181,279)
	Total Adjustments to Purchased Power Expenses	(181,279)

O&M EXPENSES - TRANSMISSION

6	Remove transmission expenses	(199,457)
	Total Adjustments to Transmission Expenses	(199,457)

O&M EXPENSES - DISTRIBUTION

7	Correct for December 2008 accrual that did not reverse in 2009 (Audit Issue #8)	(21,504) #
8	Include additional funding for REPA/MP	
9	Adjust UES' proposed annual funding for Major Storm Reserve: Staff's recommended annual funding level 350,000 UES' proposed annual funding level 650,000 Recommended adjustment (300,000)	(300,000)
10	Increase to Revenue Requirements to Recover December 2008 Ice Storm costs (Schedule 3C)	(130,705)
	Total Adjustments to Distribution Expenses	(452,209)

O&M EXPENSES - CUSTOMER ACCOUNTING

11	Normalize bad debt expense as follows:	
	2006 172,779	172,779
	2007 111,813 (111,813)	
	2008 341,572 (341,572)	
	2009 367,959	367,959
	Use higher result of two methods	270,369
	Test year amount	367,959
	Recommended adjustment	(97,590)
	Total Adjustments to Customer Accounting Expenses	(97,590)

O&M EXPENSES - ADMINISTRATIVE & GENERAL

12	Remove UES' inflation adjustment	(159,648)
13	Adjust pension expense per the testimony of James J. Cunningham, Jr.	(312,603)
14	Reduce lease expense per Schedule 3D	(40,916)
15	Remove non-distribution portion of PUC assessment	(283,907)
16	Adjust account #9223 for certain legal expense sub-accounts as follows: (per Audit Report)	
	2007 2008 2009 Total	
	Acct# 10-20-08-00-923-00-01 2,500 500 24,702 27,702	
	Acct# 10-20-50-00-923-00-00 500 7,500 28,508 36,508	
	Total in test year	64,210
	Divide by 3	3
		21,403
	Less: amount in test year	(53,210)
	Recommended adjustment	(31,807)
17	Remove costs of using vehicles for community service (OCA 3-21)	(5,699)
18	Adjust for Calypso Communications invoices (Audit Issue #10)	(6,006)
19	Remove EE RGGI payments from test year (Audit Issue #13)	(1,549) #

= Adjustment agreed to by UES

Unitil Energy Systems, Inc.
DE 10-055
Proforma Adjustments to Revenues and Expenses

REVISED Attachment SEM-1
Schedule 3A
Page 2 of 2

20	Normalize/adjust various expenses per Audit Report recommendations:		
	Account 921 - Bank Fees (recalculate allocations to other Unitil divisions)	(30,615) #	
	Account 925 - Asset Sale - Legal Settlement (use 3-yr average)	(42,885) #	
	Account 930.53 - Customer Communication (remove NEGA allocation)	(4,502) #	
	12/08 Ice Storm Legal/Prof. Fees (Remove from test year/add to Ice Storm deferral)	(40,890) #	
			(961,027)
	Total Adjustments to Administrative & General expenses		
<u>Adj#</u>	<u>DEPRECIATION EXPENSE</u>		
21	Adjustment per the Testimony of James J. Cunningham, Jr.	(1,082,794)	(1,082,794)
	Total Adjustments to Depreciation expense		
	<u>AMORTIZATION EXPENSE</u>		
22	Adjustment per the Testimony of James J. Cunningham, Jr.	(32,384)	(32,384)
	Total Adjustments to Amortization Expense		
	<u>TAXES OTHER THAN INCOME</u>		
23	Remove fiscal year 2008 payments made during 2009 (Audit Issue #11)	(150,720) #	
24	Increase property tax expense/reduce utility plant for property taxes improperly capitalized (Audit Issue #12)	24,852 #	(125,868)
	Total Adjustments to Taxes Other than Income		

= Adjustment agreed to by UES

Unitil Energy Systems, Inc.
DE 10-055
Permanent Rates
Proforma Adjustments to Income Taxes

Adj #

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Increases/(Decreases) to Revenue:

Total proforma adjustments to Other Operating Revenue (1,651) Schedule 3A

Increases/(Decreases) to Expenses:

Total proforma adjustments to Purchased Power expenses (181,279) Schedule 3A

Total proforma adjustments to Transmission expenses (199,457) Schedule 3A

Total proforma adjustments to Distribution expenses (452,209) Schedule 3A

Total proforma adjustments to Customer Accounting expenses (97,590) Schedule 3A

Total proforma adjustments to Administrative & General Expenses (961,027) Schedule 3A

Total proforma adjustments to Depreciation expenses (1,082,794) Schedule 3A

Total proforma adjustments to Taxes Other than Income (32,384) Schedule 3A

Total proforma adjustments to Amortization expenses (125,868) Schedule 3A

25 Interest expense adjustment (see below) (315,200) Schedule 3A

Other Adjustments for Income Tax Purposes:

26 DSM Incentive Revenue 188,489 (Negate impact of UES including taxes related to

Increase in Income Subject to New Hampshire Business Profits Tax 3,257,668

New Hampshire Business Profits Tax @ 8.5% 276,902

Increase to New Hampshire Business Profits Tax 276,902

To Schedule 3

Amount Subject to Federal Income Tax 2,980,766

Federal Income Tax @ 35% 1,043,268

Increase to Federal Income Tax 1,043,268 To Schedule 3

Total Adjustments to Current Income Taxes (to Schedule 3) 1,320,170

Interest Expense Adjustment:

Rate Base (Schedule 2) 127,408,473

Weighted cost of debt 4.03%

Interest Expense 5,131,360

UES Proforma Interest Expense in Filing 5,446,560 Collin Schedule RevReq-3-16, page 2, line 8

Adjustment to Interest Expense (315,200)

o DSM Incentive)

Unitil Energy Systems, Inc.
DE 10-055
December 2008 Ice Storm Costs

Line #			
1	Storm costs to be recovered beginning July 1, 2010	2,043,881	Response to OCA 3-3
2	Staff proposed reduced return for the period Dec. 2008 - Dec. 2009	(33,228)	(a)
3	Adjusted costs to be recovered	2,010,653	
4	Return @ 5.24% over the 10-year recovery period	219,316	(c)
5	Total costs to be recovered beginning July 1, 2010	2,229,969	
6	Cost recovery during the initial year of the 10-year recovery period	422,538	
7	UES' requested annual recovery for Dec. 2008 ice storm	553,243	(Collin Schedule RevReq 3-9)
8	Incremental adjustment to annual revenue requirements	(130,705)	To Schedule 3A

Annual Ice Storm Recovery Using Sum of the Years' Digits:

	Year	Annual Percentage	Annual Amortization	End of Year Balance	Average balance	Def. Taxes (@ 40.525%)	Balance to Calculate Return	Return @5.24%	Total Annual Expense	Annual Difference	Cumulative percentage
8	1	18.18%	365,573	1,645,079	1,827,866	(740,743)	1,087,123	56,965	422,538		18.18%
9	2	16.36%	329,016	1,316,064	1,480,572	(600,002)	880,570	46,142	375,158	47,381	34.55%
10	3	14.55%	292,459	1,023,605	1,169,834	(474,075)	695,759	36,458	328,916	46,241	49.09%
11	4	12.73%	255,901	767,704	895,654	(362,964)	532,690	27,913	283,814	45,102	61.82%
12	5	10.91%	219,344	548,360	658,032	(266,667)	391,364	20,507	239,851	43,963	72.73%
13	6	9.09%	182,787	365,573	456,967	(185,186)	271,781	14,241	197,028	42,824	81.82%
14	7	7.27%	146,229	219,344	292,459	(118,519)	173,940	9,114	155,344	41,684	89.09%
15	8	5.45%	109,672	109,672	164,508	(66,667)	97,841	5,127	114,799	40,545	94.55%
16	9	3.64%	73,115	36,557	73,115	(29,630)	43,485	2,279	75,393	39,406	98.18%
17	10	1.82%	36,557	0	18,279	(7,407)	10,871	570	37,127	38,266	100.00%
18	55		2,010,653					219,316	2,229,969		

(c)

19 Adjustment to UES Calculated Return:

20	December 2008 - December 2009	83,551	Using Stipulated Rate of Return @ 8.61%
21	Staff Calculated Return	50,323	(83,551 X (5.24%/8.70%) = 50,323)
22	Necessary Adjustment (a)	(33,228)	

Unitil Energy Systems, Inc.
DE 10-055
Liberty Lane Lease - Return on Equity

From UES response to Technical Session No. 16
(See Attachment SEM-7, page 2 of 2)

2,927,593 Total Proprietary Capital
95% Hampton portion
Dec-08 2,781,213

		Net Income @12%	Income Tax Gross-up 60% of (a)	Equity Return		Net Income @9%	Income Tax Gross-up 60% of (a)	Equity Return	
Jan-09	2,809,025	27,812	16,687	44,499	1.60%	20,859	12,515	33,375	1.20%
Feb-09	2,837,116	28,090	16,854	44,944	1.60%	21,068	12,641	33,708	1.20%
Mar-09	2,865,487	28,371	17,023	45,394	1.60%	21,278	12,767	34,045	1.20%
Apr-09	2,894,142	28,655	17,193	45,848	1.60%	21,491	12,895	34,386	1.20%
May-09	2,923,083	28,941	17,365	46,306	1.60%	21,706	13,024	34,730	1.20%
Jun-09	2,952,314	29,231	17,538	46,769	1.60%	21,923	13,154	35,077	1.20%
Jul-09	2,981,837	29,523	17,714	47,237	1.60%	22,142	13,285	35,428	1.20%
Aug-09	3,011,656	29,818	17,891	47,709	1.60%	22,364	13,418	35,782	1.20%
Sep-09	3,041,772	30,117	18,070	48,186	1.60%	22,587	13,552	36,140	1.20%
Oct-09	3,072,190	30,418	18,251	48,668	1.60%	22,813	13,688	36,501	1.20%
Nov-09	3,102,912	30,722	18,433	49,155	1.60%	23,041	13,825	36,866	1.20%
Dec-09	3,133,941	31,029	18,617	49,647	1.60%	23,272	13,963	37,235	1.20%
		<u>352,727</u>	<u>211,636</u>	<u>564,364</u>	<u>19.20%</u>	<u>264,546</u>	<u>158,727</u>	<u>423,273</u>	<u>14.40%</u>
	UES Portion		<u>29%</u>	<u>163,666</u>			<u>29%</u>	<u>122,749</u>	
					Difference		<u>(40,916)</u>	To Schedule 3A	