

United States Securities and Exchange Commission  
Washington, D.C. 20549

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Pre-Effective Amendment No. 1 to Form U-1  
Application/Declaration  
Under the  
Public Utility Holding Company Act of 1935  
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Concord Electric Company  
One McGuire Street  
Concord, NH 03301

Exeter & Hampton Electric Company  
114 Drinkwater Road  
Kensington, NH 03833

Unitil Corporation  
6 Liberty Lane West  
Hampton, NH 03842-1720

(name and principal executive office of applicants  
and top registered holding company)  
-----

Mark H. Collin  
Treasurer and Secretary  
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Hampton, NH 03842-1720

(name and address of agent for service for all applicants)

The Commission is also requested to send copies  
of any communication in connection with this matter to:

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This Pre-Effective Amendment No. 1 amends and restates the Application-Declaration previously filed on August 30, 2002 as follows:

Item 1. Description of the Proposed Transaction

A. Introduction

This Application-Declaration ("Application") seeks approvals relating to the proposed merger (the "Merger") of Concord Electric Company ("CECo") and Exeter & Hampton Electric Company ("E&H"), the two New Hampshire retail electric utility subsidiaries of Until Corporation ("Unutil", and together with CECo and E&H, the "Applicants"), a registered public utility holding company. Applicants propose that upon receipt of all the necessary regulatory approvals, E&H will merge with and into CECo to form a single retail electric utility subsidiary of Unutil, under the new name of Unutil Energy Systems, Inc. ("UES").

The Merger is one of the elements of the Unutil system restructuring proposal before the New Hampshire Public Utilities Commission ("NHPUC"), which was adopted pursuant to and as required by the New Hampshire Electricity Restructuring Law, codified at RSA 374-F. Unutil's restructuring proposal contains four principal elements: (1) the merger of CECo and E&H into a single distribution company, UES, that will be subject to the jurisdiction of the NHPUC; (2) divestiture of the power supply portfolio of Unutil Power Corp., Unutil's power supply subsidiary, and the solicitation and acquisition by UES of replacement sources of energy necessary for it to meet its obligation to provide transition service and default service to its retail customers; (3) implementation by UES of new unbundled rates to be approved by the NHPUC that reflect the Merger and the implementation of the restructuring requirements of New Hampshire RSA374-F; and (4) introduction of customer choice for UES's New Hampshire customers.

B. General Request

Applicants request authorization under Sections 9(a)(2) and 10 of the Act to effect the Merger. Applicants request authorization to amend and combine CECo's and E&H's debt indentures into a single UES indenture and revise the existing authorization for the Unutil system money pool, in each case to reflect the Merger. Finally, E&H also requests authorization to solicit proxies or consents from the holders of the outstanding shares of its preferred stock (the

"Solicitation") with respect to the approval by such holders with respect to the Merger and related transactions and from their bondholders in connection with consent for the indenture amendments discussed above. The proposed form of solicitation material to be used in the Solicitation is included in Exhibit B-2 hereto and the proposed form of amended indenture for UES is included in Exhibit B-3 hereto.

#### C. Background

In 1984, Unitil was formed through a statutory share exchange under New Hampshire law as a result of which CECO and E&H became subsidiaries of Unitil. At that time, Unitil Power Corp. ("UPC") and Unitil Service Corp. ("USC") were also formed as subsidiaries of Unitil. Fitchburg Gas and Electric Light Company ("FG&E"), a Massachusetts combination gas and electric utility, became a subsidiary of Unitil in 1992 as a result of a merger of a subsidiary of Unitil into FG&E. As a result of this transaction, Unitil became a registered holding company under the Act.

CECO is a public utility company within the meaning of the Act. CECO is engaged in the transmission and distribution of electric energy at regulated rates to approximately 28,000 customers in Concord and the capital region of New Hampshire. CECO is regulated as a public utility in New Hampshire. As of June 30, 2002, CECO reported net utility plant of \$37,417,000 and operating revenues for the 12 months ended June 30, 2002 of \$52,263,000.

E&H is a public utility company within the meaning of the Act. E&H is engaged in the transmission and distribution of electric energy at regulated rates to approximately 41,000 customers in Exeter and the seacoast region of New Hampshire. E&H is regulated as a public utility by the New Hampshire Public Utilities Commission. As of June 30, 2002, E&H reported net utility plant of \$43,221,000 and operating revenues for the 12 months ended June 30, 2002 of \$58,053,000.

While the utility operations of CECO and E&H are administered and coordinated through Unitil's centralized service company, USC, and each company has, since 1986, secured all of its requirements for electric energy from UPC, the companies have different retail tariffs, rates and rate bases. The Merger will result in a new unified rate structure and a single rate base,

and the elimination of any inefficiencies and duplicative costs resulting from the operation of the companies as two separate entities.

#### D. Summary of the Proposed Transaction

To accomplish the Merger, the companies will enter into a Merger Agreement approved by their respective boards of directors. Consummation of the transactions contemplated by the Merger Agreement will be subject to the receipt of all necessary regulatory approvals and to the approval of the shareholders of each company. Under the terms of the Merger Agreement, E&H will be merged with and into CECO with CECO as the surviving corporation. In connection with the Merger, CECO will change its name to Unitil Energy Systems, Inc. ("UES"). As a result of the Merger, all of E&H's assets and liabilities will, by operation of law, become the assets and liabilities of CECO.

##### 1. Description of Outstanding Equity Securities of CECO and E&H.

CECO currently has 250,000 authorized shares of common stock (the "CECO Common Stock"), of which 131,745 shares are issued and outstanding and owned both of record and beneficially by Unitil; 2,250 authorized shares of non-cumulative preferred stock (the "CECO Non-Cumulative Preferred Stock"), all of which are issued and outstanding and none of which is owned, of record or beneficially, by Unitil; and 15,000 authorized shares of cumulative preferred stock (the "CECO Cumulative Preferred Stock"), of which 2,150 shares are issued and outstanding in a single series designated the "8.70% Series," none of which is owned, of record or beneficially, by Unitil. The CECO Non-Cumulative Preferred Stock is entitled to vote on all matters brought before the shareholders of CECO together with the CECO Common Stock, with each outstanding share entitled to one vote. The CECO Non-Cumulative Preferred Stock is not entitled to vote as a separate class. The CECO Cumulative Preferred Stock is not entitled to vote on any matter, except as may otherwise be authorized or required by the Business Corporation Act. Under the Business Corporation Act, the CECO Cumulative Preferred Stock will not be entitled to vote on the Merger and related transactions.

E&H currently has 197,417 authorized shares of common stock (the "E&H Common Stock"), of which 195,000 shares are issued and outstanding and owned both of record and beneficially by Unitil; and 25,000 authorized shares of cumulative preferred stock (the "E&H Cumulative Preferred Stock"), of which a total of 9,704 shares are issued and outstanding

in four series as follows: 840 shares of the "5% Dividend Series", 1,680 shares of the "6% Dividend Series", 3,331 shares of the "8.75% Dividend Series" and 3,853 shares of the "8.25% Dividend Series". None of the E&H Cumulative Preferred Stock is owned, of record or beneficially, by Unitil. The E&H Cumulative Preferred Stock is not entitled to vote as a separate class, unless such a class vote is otherwise authorized or required by the Business Corporation Act. Under the Business Corporation Act, each series of the E&H Cumulative Preferred Stock will be entitled to vote as a separate class on the proposed Merger with CECO, since, as described below, the terms of the Merger Agreement provide for the issuance to the holders of the E&H Cumulative Preferred Stock in exchange for their shares of E&H Cumulative Preferred Stock of an equal number of shares of CECO Cumulative Preferred Stock in four new series which will have the same terms and conditions as the existing series of the E&H Cumulative Preferred Stock for which they will be exchanged.

The authorized and unissued shares of CECO Cumulative Preferred Stock may be issued in series by CECO from time to time upon authorization of its board of directors, with the terms of each new series to be approved by the vote of two-thirds of the outstanding shares of CECO Common Stock and CECO Non-Cumulative Preferred Stock.

As part of the approval of the Merger Agreement, the board of directors of CECO and the holders of the CECO Common Stock and CECO Non-Cumulative Preferred Stock will approve an amendment to the CECO Articles of Incorporation creating the four new series of CECO Cumulative Preferred Stock to be issued in the Merger to the holders of the E&H Cumulative Preferred Stock. As previously noted, these four new series will have the same terms as the four series of E&H Cumulative Preferred Stock for which they will be exchanged.

## 2. Terms of the Merger Agreement.

Pursuant to the Merger Agreement, upon the effectiveness of the Merger, all of the issued and outstanding shares of E&H Common Stock will be converted into a single share of CECO Common Stock, and each share of E&H Cumulative Preferred Stock will be converted into a share of a new series of CECO Cumulative Preferred Stock, each such new series of CECO Cumulative Preferred Stock to have the same terms and conditions as the existing series of the E&H Cumulative Preferred Stock for which they will be exchanged. The shares of CECO Common Stock, CECO Non-Cumulative Preferred Stock and CECO Cumulative Preferred Stock

issued and outstanding immediately prior to the Merger will remain outstanding and will not be affected by the Merger.

### 3. Amendments to Debt Indentures

E&H is party to an Indenture of Mortgage and Deed of Trust dated as of December 1, 1952 (the "E&H Indenture"), and CECO is party to an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (the "CECo Indenture"). There are currently three series of bonds outstanding under each of the E&H Indenture and the CECO Indenture.

While CECO and E&H could accomplish the Merger without combining the two indentures, which requires the consent of bondholders under the CECO Indenture and the E&H Indenture, doing so would result in the surviving company having to administer two separate indentures with somewhat differing provisions. Accordingly, in connection with the Merger, CECO and E&H are proposing to combine, amend and restate the E&H Indenture and the CECO Indenture into a single Indenture under which all of the currently outstanding bonds of E&H and CECO would remain outstanding. Bondholders under the new Indenture would be secured ratably in all of the real property assets of UES on the same terms on which they are currently secured in the real property assets of CECO and E&H.

The consent of each bondholder under the E&H Indenture and the CECO Indenture will be necessary to accomplish the proposed combination, amendment and restatement of the two Indentures. Applicants request authorization to seek such consent to the extent required under Rule 62 of the Act.

While the CECO Indenture and the E&H Indenture are largely identical instruments, there are differences between them. As part of the combination, amendment and restatement process, CECO and E&H propose to conform the provisions of the Indentures. Any special provisions applicable to the separate series of bonds under each Indenture which are contained in the Supplemental Indentures pursuant to which those series were issued will be preserved in the combination, amendment and restatement of the two Indentures. The proposed combination, amendment and restatement will not effect any material economic change in the provisions applicable to the bonds or any series thereof, such as their respective rates of interest, maturities, amounts outstanding or redemption features.

#### 4. Boards of Directors and Shareholder Approvals.

The Merger Agreement and the transactions contemplated thereby are subject to the approval of the boards of directors of each of CECO and E&H. In addition, the Merger Agreement and related amendments to CECO's Articles of Incorporation are subject to the approval of the holders of the CECO Common Stock and the CECO Non-Cumulative Preferred Stock, voting together as a single class, and to the approval of the E&H Common Stock and each series of the E&H Cumulative Preferred Stock, each voting as a separate class. Because Unitil effectively controls the boards of directors of each of E&H and CECO as the result of its ownership of all of the issued and outstanding shares of common stock of each company, the approval of the Merger Agreement and related amendments to CECO's Articles of Incorporation by those boards of directors is assured. The approval of the holders of the CECO Common Stock and the CECO Non-Cumulative Preferred Stock of the Merger Agreement and related amendments to CECO's Articles of Incorporation is also assured, since Unitil controls the vote of more than 99% of all such shares.

The approval of the Merger Agreement by the holders of the E&H Common Stock is assured, since Unitil controls the vote of all of such shares. Unitil does not, however, control the vote of any outstanding series of the E&H Cumulative Preferred Stock. Unitil intends to solicit written consents in favor of the Merger Agreement and related transactions from the holders of each outstanding series of the E&H Cumulative Preferred Stock pursuant to the Solicitation. Because neither E&H nor any series of its capital stock is registered under the Securities Exchange Act of 1934, the Solicitation is subject only to the requirements of New Hampshire law and the terms of E&H's governance documents. Under Section 7.04 of the New Hampshire Business Corporation Act (RSA 293-A:7.04), the E&H Cumulative Preferred Stock can take action by unanimous written consent. Such action would also be consistent with the terms of E&H's governance documents. E&H has the right to call each outstanding series for redemption pursuant to the terms of each such series and Unitil currently intends to cause E&H to redeem the shares of any series which does not consent to the Merger Agreement and related transactions in accordance with the terms of Rule 42 of the Act. Thus, the requisite consent of the E&H Cumulative Preferred is assured.

5. Tax and Accounting Consequences of the Merger.

The Merger has been structured to qualify for tax purposes as a tax-free "reorganization" under Section 368(a) of the Internal Revenue Code. As a result, no gain or loss will be recognized by CECO or E&H or the holders of the CECO Common Stock, the CECO Non-Cumulative Preferred Stock, the CECO Cumulative Preferred Stock, the E&H Common Stock or the E&H Cumulative Preferred Stock. CECO and E&H expect that the Merger will qualify as a common control merger for accounting and financial reporting purposes. The accounting for a common control merger is similar to a pooling of interests. Under this accounting treatment, the combination of the ownership interests of the two companies is recognized and the recorded assets, liabilities, and capital accounts are carried forward at existing historical balances to the consolidated financial statements of UES (as the surviving company) following the Merger.

On a pro forma basis, giving effect to the Merger as of June 30, 2002, UES will have total assets of approximately \$112,047,000, including net utility plant of \$80,638,000, and operating revenues for the 12 months ended June 30, 2002 of approximately \$110,316,000. UES's pro forma consolidation capitalization as of June 30, 2002 (assuming the exchange of all of the E&H Cumulative Preferred Stock for new shares of UES Cumulative Preferred Stock) will be as follows:

Security	Amount Outstanding	Percentage
Common Stock Equity	28,411,000	35%
Preferred Stock	1,195,000	1.5%
Short-Term Debt	1,550,000	1.9%
Long-Term Debt	50,000,000	61.6%
Total:	81,156,000	100%

6. Money Pool Matters.

CECO and E&H participate in the Until system money pool arrangement ("Money Pool") that is funded, as needed, through bank borrowings and surplus funds invested by the



participants in the Money Pool. See Holding Co. Act Release Nos. 35-26737 (June 30, 1997); 35-27182 (June 9, 2000); 35-27307 (Dec. 15, 2000) and 35-27345 (Feb. 14, 2001). Participation in the Money Pool, including short-term debt borrowings, by CECo and E&H are authorized by the New Hampshire Public Utility Commission, and therefore exempt under Rule 52. However, borrowings by and loans to Unutil's other utility subsidiary, Fitchburg Gas and Electric Light Company ("Fitchburg"), are not exempt. Following the Merger, it is proposed that UES be authorized to make loans to Fitchburg on the same terms as CECo's and E&H's current authorization. All other terms, conditions and limitations under the Money Pool orders will continue to apply without change.

E. Intended Benefits from the Merger.

By merging E&H into CECo, the Applicants will simplify the corporate structure of Unutil's holding company system. The Merger will also permit the achievement of cost efficiency and service quality improvements. Based upon Unutil's already centralized service company structure, the two New Hampshire distribution operating companies may only achieve nominal operational gains as a result of having a single New Hampshire operating entity. However, the combined knowledge and experience of the two companies will benefit the remaining stand-alone company. For example, the power contract management activities will become more streamlined by eliminating one of the two New Hampshire retail operating companies. In the Distribution Business Development (DBD) department, a benefit will be a decrease in administrative tasks and reporting requirements. The decrease in tasks will not be enough to decrease the employees assigned to this function, but will allow the current employees additional time to work on other tasks to improve the quality of support provided to the communities that Unutil serves. Similarly, Customer Service operations, which are currently consolidated, will be simplified by the consolidation of two tariffs and sets of rates into one, leading to increased operating efficiency and improved service to customers. The Operations Systems department views the Merger as a first step towards the consideration of a consolidated meter reading system. For the Finance and Treasury and Regulatory Services departments, there will be a decrease in the number of required reports, analyses, and filings, which will also lead to greater cost efficiencies and enhanced services at the New Hampshire utilities.

The Applicants believe that the Merger will generate cost efficiencies which would not be available absent the Merger, with no adverse consequences for either customers or shareholders. The Merger will not have a negative impact on competition or on effective local regulation. In fact, the Merger is being undertaken in the context of, and to ensure compliance with, a state restructuring plan designed to enhance competition. Accordingly, the Applicants believe that the Merger is in accordance with the applicable standards of the Act and the rules and regulations thereunder.

Item 2. Fees, Commissions and Expenses

The total fees, commission and expenses paid or incurred in connection with the Merger and related transactions are estimated to be not more than \$1 million. The portion of such fees, commissions and expenses that are expected to be paid or incurred for the Solicitation and bondholder consent request are estimated to be approximately \$2,000. These costs are expected to consist primarily of attorneys fees plus additional miscellaneous fees.

Item 3. Applicable Statutory Provisions

A. Applicable Provisions

Sections 6, 7, 9, 10 and 12 of the Act, and Rules 43, 44, 45, 54 and 62 thereunder are applicable to the Merger and related transactions, including the amendment and combination of the debt indentures. The proposed transaction involves the merger of two wholly-owned public utility subsidiaries of Unitil Corporation and certain other related transactions. The electric utility operations of the two companies will be unaffected by the Merger. The Merger will allow the companies to achieve a greater level of coordination in operations and will enable the companies to achieve greater cost efficiencies, among other benefits. In addition, the Merger will simplify the Unitil corporate structure. This merger of wholly-owned subsidiaries to simplify corporate structure is consistent with existing Commission precedent (See Alliant Energy Corporation, Holding Company Act Release No. 27456 (Oct. 24, 2001)), and is designed to meet one of the primary goals of the Act, namely to facilitate state regulation.

Section 12(e) of the Act and Rule 62 are applicable to the Solicitation as well as obtaining the consent of bondholders under the two indentures. As indicated, the holders of each outstanding series of E&H Cumulative Preferred Stock will be asked to approve the Merger as a

separate class through a consent solicitation and the bondholders of the CECo Indenture and E&H Indenture will be asked to consent to the amendment and combination of those indentures.

#### B. Rule 54 Analysis

Neither Unitil nor any subsidiary thereof presently has, or as a consequence of the proposed transactions will have, an interest in any exempt wholesale generator ("EWG") or foreign utility company ("FUCO"), as those terms are defined in Sections 32 and 33 of the Act, respectively. None of the proceeds from the proposed transactions will be used to acquire any securities of, or any interest in, an EWG or FUCO. Moreover, neither Unitil nor any of the subsidiaries is, or as a consequence of the proposed transactions will become, a party to, and such entities do not and will not have any rights under, a service, sales or construction contract with any affiliated EWGs or FUCOs except in accordance with the rules and regulations promulgated by the Commission with respect thereto. Consequently, all applicable requirements of Rule 53(a)-(c) under the Act are satisfied as required by Rule 54 under the Act.

#### Item 4. Regulatory Approvals

The federal and state regulatory requirements described below must be complied with before the Applicants can complete the Merger and related transactions. The Applicants currently believe that the necessary approvals can be obtained by the fourth quarter of 2002. Except as set forth below, no additional approvals from federal or state regulatory commissions are required to complete the Merger and related transactions.

##### State Approvals

##### New Hampshire

CECo and E&H are subject to the jurisdiction of the New Hampshire Commission as public utilities, and the approval of the New Hampshire Commission is required to implement the Merger and the related transfer of all existing franchises, rights, works and systems of CECo and E&H to UES, pursuant to RSA 374:33, 374:30 and 369:1. The NHPUC will also approve the issuance of the four new series of preferred stock by UES in connection with the Merger. On January 25, 2001, CECo and E&H filed an application seeking the approval of the New Hampshire Commission consistent with these requirements. The New Hampshire proceeding is being conducted in phases: Phase I addresses the divestiture of Unitil's power supply portfolio

and acquisition of transition service and default service and Phase II relates to the Merger and the realignment of Unitil's rate structure.

The NHPUC issued a written order approving Phase I settlement, with conditions, on September 4th. The parties subsequently filed a first Amendment to the Phase I Settlement Agreement on September 11th, which the Commission approved in oral deliberation on September 13th. A written Order is pending.

The Parties filed the Phase II Settlement on September 3rd. The Commission held hearings on September 10, 11, 12 and 13 and approved the Merger Agreement in oral deliberations on September 18th. A written Order is pending. Copies of the initial petition to the NHPUC and the Phase II settlement agreement are filed herewith as exhibits C-1 and C-1.1, respectively. A copy of the Oral Deliberations of the NHPUC relating to Phase II is filed herewith as exhibit C-3.1. It is anticipated that the NHPUC's written approval order for both phases will be issued on or before October 28, 2002.

#### Federal Approvals

#### Federal Power Act

The FERC must approve the Merger. Under Section 203 of the Federal Power Act, the FERC is directed to approve a merger if it finds such merger consistent with the public interest. In reviewing a merger, the FERC generally evaluates:

- o whether the merger will adversely affect competition;
- o whether the merger will adversely affect rates; and
- o whether the merger will impair the effectiveness of regulation.

On August 30, 2002, the parties filed an application with the FERC requesting approval of the Transaction under Section 203 of the Federal Power Act. A copy of the application filed with the FERC is filed herewith as exhibit C-2. When the FERC issues an order on the application, the parties will also file a copy of the order.

In addition, the Applicants will file a Notice of Succession for UES to succeed to the rate schedules and tariffs of CECO and E&H.

Item 5. Procedure

The Applicants expect to close the proposed Merger on or about December 1, 2002. The Applicants respectfully request that the Commission issue and publish, not later than October 18, 2002, the requisite notice under Rule 23 with respect to the filing of this Application-Declaration, such notice to specify a date not later than November 12, 2002 by which comments may be entered and a date not later than November 14, 2002 as the date after which an order of the Commission granting and permitting this Application to become effective may be entered by the Commission. Applicants request that the notice include an order authorizing commencement of the Solicitation and process of seeking of the bondholder consents.

The Applicants waive a recommended decision by a hearing or other responsible officer of the Commission for approval of the Merger and consent to the Division of Investment Management's assistance in the preparation of the Commission's decision. There should not be a waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits and Financial Statements

A. EXHIBITS

- A-1 Articles of Incorporation of CECO. (Previously filed in paper format on Form SE)
- A-2 Bylaws of CECO, as amended. (Previously filed)
- A-3 Articles of Incorporation of E&H. (Previously filed in paper format on Form SE)
- A-4 Bylaws of E&H, as amended. (Previously filed)
- B-1. Proposed form of Agreement and Plan of Merger between CECO and E&H. (Previously filed)
- B-2 Proposed form of Solicitation material. (Previously filed)
- B-3 Proposed form of Indenture for UES. (to be filed by amendment)
- C-1 Copy of Petition to the New Hampshire Public Utilities Commission. (Previously filed)

- C-1.1 Settlement Agreement dated September 3, 2002 as filed with the NHPUC.
- C-2 Copy of Petition to the FERC.
- C-3 Order of NHPUC (to be filed by amendment)
- C-3.1 Oral Deliberations of the NHPUC.
- C-4 Copy of Order of the FERC. (to be filed by amendment)
- C-5 Order of the NHPUC with respect to CECo short-term debt authority.
- C-6 Order of the NHPUC with respect to E&H short-term debt authority.
- D Map of CECo and E&H Service Areas. (Previously filed in paper format on Form SE)
- E Opinion of Counsel (to be filed by amendment)
- F Form of Federal Register Notice. (Previously filed)

B. FINANCIAL STATEMENTS

- FS-1 Unaudited Statement of Income of CECo for the twelve months ended June 30, 2002. (Previously filed)
- FS-2 Unaudited Balance Sheet of CECo as of June 30, 2002. (Previously filed)
- FS-3 Unaudited Statement of Income of E&H for the twelve months ended June 30, 2002. (Previously filed)
- FS-4 Unaudited Balance Sheet of E&H as of June 30, 2002. (Previously filed)
- FS-5 Unaudited Pro Forma Combined Balance Sheet of UES as of June 30, 2002. (Previously filed)
- FS-6 Unaudited Pro Forma Combined Statement of Income of UES for the twelve months ended June 30, 2002. (Previously filed)

Item 7. Information as to Environmental Effects

The Merger and related transactions do not involve a "major federal action" nor does it "significantly affect the quality of the human environment" as those terms are used in

section 102(2)(C) of the National Environmental Policy Act. The Merger and related transactions will not result in changes in the operation of the Applicants that will have an impact on the environment. The Applicant are not aware of any federal agency that has prepared or is preparing an environmental impact statement with respect to the transactions that are the subject of this Applicant-Declaration.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, Applicants have duly caused this Pre-Effective Amendment No. 1 to the Application-Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

UNITIL CORPORATION  
CONCORD ELECTRIC COMPANY  
EXETER & HAMPTON ELECTRIC COMPANY

By: /s/ Mark H. Collin  
-----  
Name: Mark H. Collin



STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

-----)  
CONCORD ELECTRIC COMPANY AND ) DOCKET NO. DE 01-247  
EXETER & HAMPTON ELECTRIC COMPANY )  
-----)

PHASE II SETTLEMENT AGREEMENT FOR  
RESTRUCTURING  
THE UNITIL COMPANIES

1. PREAMBLE

1.1 Purpose

This Phase II Settlement Agreement and its attachments (together, the "Settlement") for restructuring the Unitil Companies is offered jointly by: Concord Electric Company ("CECo"), Exeter & Hampton Electric Company ("E&H"), Unitil Power Corp. ("UPC") (collectively "Unitil" or "the Companies"); the Staff of the New Hampshire Public Utilities Commission ("Staff"); the Governor's Office of Energy and Community Services ("GOECS"); the Office of the Consumer Advocate ("OCA"); the Business & Industry Association of New Hampshire ("BIA"); Wendy Page; Representative Jeb E. Bradley and any other parties as may be indicated by additional signature pages attached hereto (collectively "the Parties" ). In Phase I of this proceeding, the Parties\1 presented a settlement addressing the divestiture of Unitil's power supply portfolio (the "Divestiture Process") and acquisition of Transition Service and Default Service (the "Solicitation Process"). This Phase II Settlement seeks approval of the New Hampshire Public Utilities

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1/ Wendy Page, who is an intervener in the proceeding and a signatory to this Phase II Settlement, was not an intervenor in Phase I, nor a signatory to the Phase I Settlement.

Commission ("Commission") to realign Unitil's corporate and rate structure to provide: Customer Choice; unbundled rates and services; stable and predictable prices for transition service; reliable and efficient cost based delivery service; and an equitable, appropriate and balanced resolution of stranded costs for Unitil. The Parties intend that this Settlement will result in the resolution of Unitil's claims raised in the United States District Court in Civil Action Nos. 97-97-JD (D.N.H.) and 97-121L (D.R.I.) ("Federal Court Case"). Upon receipt of all requested approvals in this proceeding by the Commission (including the anticipated Phase III portion of the proceedings), and the expiration of all periods of appeal with respect thereto, Unitil Energy Systems, Inc. ("UES") will implement retail choice and Unitil will withdraw its intervention in the Federal Court Case, with prejudice.

1.2 Background

1.2.1 On January 25, 2002, Unitil filed its restructuring proposal, including a petition for expedited review of the divestiture and solicitation processes. In the first phase of this proceeding, the Parties addressed Unitil's proposed divestiture and solicitation processes. Following extensive negotiations among the Parties, the Parties reached a settlement on the Phase I issues. In the Phase I Settlement the Parties agreed to postpone the conduct of the divestiture and solicitation requests for proposals ("RFP's") until after the Commission has issued a final order on all other matters in this (Phase II) case. The Phase I Settlement also provided detailed criteria and procedures for evaluating the bids received in response to the divestiture and supply solicitation RFPs, and for redesigned Transition and Default Services.

1.2.2 The Commission conducted a hearing on the Phase I Settlement on June 6, 2002. The Phase I Settlement was unopposed and unanimously supported by the Parties. The Commission issued an order on the Phase I issues on August 28, 2002.

1.2.3 The Parties commenced technical sessions and continued discovery on the Phase II issues in June, 2002. On July 3, 2002, Staff, the OCA and Wendy Page filed testimony on the Phase II issues and on July 23, 2002, the Parties commenced settlement discussions on the Phase II topics. As a result of extensive negotiations the Parties agreed to a resolution of all of the issues, including: a reduction in total average rates of approximately one percent on Choice Date as shown on Tab G; a combination of CECO and E&H into a single distribution company, UES; the establishment of new distribution rates for this new entity; the unbundling of the rates of UES to provide appropriate rate recovery mechanisms and to implement customer choice; and implementation of an Amended Until System Agreement to provide for the recovery of stranded costs.

### 1.3 Definitions

1.3.1 Choice Date. Choice Date is defined as the date on and after which all CECO and E&H, or UES customers are allowed to choose competing electric energy suppliers. The target for the Choice Date under this Settlement is May 1, 2003.

1.3.2 Customer Choice. Customer Choice is defined as the ability of a customer to choose its electric energy supplier.

1.3.3 Default Service. Default Service is defined as an electric supply service to be offered to customers who leave Transition Service for a competitive supply and then return for supply from UES (except that low income customers shall be allowed to return to UES at any time during the Transition Period).

1.3.4 Divestiture Date. The Divestiture Date is defined as the date when Until's existing power supply and associated contracts are disposed of through sale or otherwise to one or more third parties. The target for the Divestiture Date under this Settlement is May 1, 2003.

1.3.5 Transition Period. The Transition Period is defined as Choice Date through April 30, 2006.

1.3.6 Transition Service. Transition Service is defined as an electric supply service to be offered during the Transition Period to UES' customers (i.e., until April 30, 2005 for the G-1 group and April 30, 2006 for the non-G-1 Group) at market-based, stable, escalating prices, designed to facilitate the transition to a competitive market.

1.3.7 Unutil Energy Systems, Inc. ("UES"). UES is the proposed successor corporation to CECO and E&H which will combine the operations of CECO, E&H and UPC, subject to Commission approval in Phase II.

#### 1.4 Basis for Settlement Proposal

1.4.1 Unutil proposes to undertake a fundamental restructuring of its businesses in order to comply with RSA 374-F, to accommodate the objectives of the Commission in its restructuring orders, and to provide unbundled rates and retail choice to its customers. At the same time, Unutil seeks to continue to provide its customers with the lowest rates in the state. Among the significant steps to be taken by Unutil in reliance on the proposed restructuring plan are: implementing a process which Unutil intends will result in the complete, voluntary and irrevocable divestiture of UPC's generation resource portfolio; combination of the operations of CECO, E&H and UPC into one distribution company; the restructuring, unbundling and resetting of retail rates; the implementation of retail customer

choice; the provision by UES of Transition and Default Service and the resolution of the Federal Court Case.

1.4.2 According to Unitil, there are unique circumstances that distinguish it from each of the other New Hampshire utilities in many respects and provide, therefor, a basis for adoption of the Phase II Settlement presented herein. These circumstances include the following:

- (1) Unitil is a New Hampshire corporation, headquartered in Hampton, New Hampshire; Unitil maintains its distribution operations centers in Concord, New Hampshire and Kensington, New Hampshire; and Unitil will continue to operate a 24-hour customer service center in Concord, New Hampshire.
- (2) Unitil has developed and maintains an integrated service company operation, Unitil Service Corp. ("USC"), which provides efficiencies that benefit Unitil's regulated distribution companies, and which will continue to provide services to UES. CECO and E&H have not filed for base rate increases since 1984 and 1981, respectively, and maintain the lowest cost distribution operations in New England.
- (3) CECO and E&H's bundled rates have generally been the lowest or among the lowest in New Hampshire and in the region. Thus, even before the rate restructuring included in this Phase II Settlement, CECO's and E&H's rates meet the near-term rate relief principle set forth in RSA 374-F:3,XI and the Commission's Final Plan.

- (4) UPC was formed solely for the purpose of supplying power to CECO and E&H. The wholesale power supply portfolio acquired by UPC has contributed to CECO and E&H having consistently among the lowest rates in New England.
- (5) UPC provides all-requirements electric supply service to CECO and E&H under the System Agreement, which has a seven and one-half year notice-of-termination provision. Under this Settlement, UPC has agreed to modify this notice provision and to divest its generation resource portfolio as soon as practicable.

#### 1.5 Restructuring Policy Principles are Met

The Parties agree that the Settlement is designed to meet the objectives of the restructuring policy principles of RSA 374-F.

##### 1.5.1 System Reliability

The Phase II Settlement will promote system reliability by implementing rates sufficient to support the continued maintenance of a safe and efficient distribution system and by offering Transition and Default Services to provide all customers with reliable supplies of electricity.

##### 1.5.2 Customer Choice

The Phase II Settlement furthers the Legislature's goal of allowing customers to choose among electric suppliers to encourage fully competitive and innovative markets through establishment of market-based Transition and Default Services.

### 1.5.3 Unbundling of Services and Rates

Under the Phase II Settlement, Unitil's customers will be provided with unbundled services and rates with clear pricing information that identifies the cost components of generation, transmission and distribution charges.

### 1.5.4 Open Access to Transmission and Distribution Facilities

The Phase II Settlement will provide all of Unitil's customers with non-discriminatory open access to its electric distribution system.

### 1.5.5 Universal Service

The Phase II Settlement provides that Transition and Default Services be made available to all customers and is designed to support stability and affordability for low income customers in those cases where they cannot otherwise obtain competitive electric service directly from a competitive supplier.

### 1.5.6 Benefits for All Customers

The Phase II Settlement will provide reduced rates, and reduced price volatility during the Transition Period, for all of Unitil's customer classes, and will allow for the uniform implementation of Customer Choice.

### 1.5.7 Full and Fair Competition

By providing market-based Transition and Default Services, the Phase II Settlement is designed to encourage new market entrants and a range of viable suppliers.

### 1.5.8 Environmental Improvement, Renewable Energy Resources and Energy Efficiency

The Phase II Settlement, along with the Phase I Settlement and the generic energy efficiency initiative supported by Unitil and other parties, allows for the

consideration of a "Green Transition Service" proposal and supports the goals of energy efficiency and renewable energy resources in the restructured utility market.

#### 1.5.9 Near Term Rate Relief

The Phase II Settlement is designed to allow Unitil to continue to provide the lowest, or among the lowest, prices in the region, and will provide customers with the opportunity to achieve additional savings from the competitive market.

#### 1.5.10 Recovery of Stranded Costs

The Settlement provides for a stranded cost recovery charge that will allow Unitil to recover its non-mitigatable stranded cost.

#### 1.5.11 Regionalism

The Settlement supports continued implementation of fully competitive wholesale markets in concert with the other New England states, and is consistent with the implementation of restructuring by other electric utilities in New Hampshire.

### 1.6 Regulatory Approvals

The Parties have designed this Phase II Settlement to maximize benefits for customers and achieve the objectives of RSA 374-F. The resulting consolidated distribution company, UES, will be subject to the primary jurisdiction of the Commission. In order to meet the milestones set forth in Section 2.2 herein, and to implement customer choice by May 1, 2003, approval of all components of the Phase II Settlement by the Commission is necessary by October 28, 2002. If the Phase II Order is not issued on or about the end of October, the Divestiture and Solicitation Processes in Phase III will be delayed, which in turn will delay the FERC's approval process, with the result that retail choice would not be offered to Unitil's customers until after June, 2003.

## 2. REVISED PROCEDURAL SCHEDULE

### 2.1 Three-Phased Proceeding

As in the Phase I Settlement, the Parties continue to seek in this Phase II Settlement the Commission's approval of a three-phased proceeding. In Phase I, the Parties sought the Commission's review and approval of a revised schedule and procedures for conducting the portfolio divestiture and the solicitation for Transition and Default Services. In Phase II, the Parties seek the Commission's review and final order on most remaining issues in the case. The Parties intent is that the Commission's Phase II Order will, among other things: approve the Tariff attached hereto as Tab D, which implements a revised level of distribution charges and provides for new rate components including an External Transmission Charge, Stranded Cost Charge, Transition Service Charge, Default Service Charge (all as hereinafter defined in Sections 3.3.5 - 3.3.10); and Restructuring Surcharge, approve the merger of CECO and E&H and related changes; and approve the Amended Unitil System Agreement between UES and UPC, attached hereto as Tab A. Due to an extended period of negotiations in Phase II, the Parties have revised the agreed upon procedural schedule for Phase II and Phase III as shown in Section 2.2.

In Phase III, Unitil will conduct the portfolio auction and solicitation for supplies from which to meet its Transition and Default Service obligations. Subsequent to the initial rounds of the divestiture and supply solicitations (and before the final round of solicitations), Unitil will make a filing with the Commission addressing potential alternate levels of the Monthly Payment Stream to the winning bidder(s) in the divestiture process, and associated recommended modifications to the Stranded Cost Charges. On February 26, 2003, Unitil will present for final Commission approval the executed agreements resulting from the divestiture and solicitation processes, including final tariffs for Transition and Default Services.



## 2.2 Revised Schedule

The Parties seek the Commission's approval of the following revised procedural schedule for the remainder of the proceeding:

### PHASE II

September 3, 2002	Parties submit Phase II Settlement
September 10-13, 2002	Hearings on Phase II
September 20, 2002	Post-hearing comments
October 28, 2002	Final Order on Phase II requested
December 1, 2002	Upon Commission approval, implementation of corporate combination and revised rates\2

### PHASE III

November 12, 2002	Commencement of Divestiture and Solicitation RFPs
January 24, 2003	Indicative Bids Due
January 28, 2003	Potential adjustments to Monthly Payment Stream, if any, filed with Commission
January 30, 2003	Commission Order on Stranded Cost Charges requested
February 7, 2003	Final Bids Due
February 26, 2003	Executed Contracts filed with Commission
February 28, 2003	File executed contracts with FERC
March 6, 2003	NHPUC Hearings on executed contracts
March 14, 2003	Final NHPUC Order on executed contracts requested
April 15, 2003	Contract implementation materials submitted to the ISO
May 1, 2003	Implementation of Choice, Divestiture, Revised Rates and the Amended System Agreement\3

2/ Unutil seeks approval of the Amended System Agreement in Phase II. However, the Agreement, and resulting wholesale charges, would not be implemented until Phase III, following completion of the Portfolio Divestiture and Transition Service Solicitation.

3/ The Phase III Schedule is contingent upon a timely Commission order on Phase II (by October 28, 2002) and on the execution of contracts during Phase III (by March 14, 2003), in order to allow sufficient time for FERC approval of the portfolio sale and notifications to the ISO New England.

### 3. REQUESTED APPROVALS

For the reasons specified in Section 1.6, supra, the Parties agree that time is of the essence and that approval of this Phase II Settlement in its entirety by October 28, 2002 is necessary in order to successfully implement the timelines contained herein. Specifically, the Parties seek the Commission's approval of the following agreements as contained in the negotiated settlement of the Phase II issues.

#### 3.1. Combination of Unitil's New Hampshire Utility Operations

3.1.1 Subject to the required regulatory approvals listed in Section 3.1.4, Unitil agrees to combine the utility operations of CECO, E&H and UPC into a single distribution company, UES. According to Unitil, the consolidation is designed to lead to a more efficient and effective corporate structure resulting in improved New Hampshire utility operations, regulatory oversight and financial reporting. UES will provide its customers with unbundled distribution services and will have the obligation to provide Transition Service and Default Service from the competitive market, as more fully described in the Phase I Settlement.

3.1.2 The Parties agree that the proposed consolidation is in the public interest. Accordingly, the Parties agree that the Commission should grant approval of the combination of the ongoing utility operations of CECO, E&H and UPC into UES, and the related authorizations specified in Tab B.

3.1.3 Subsequent to the merger of CECO and E&H into UES, all USC charges for New Hampshire utility operations, including certain charges formerly allocated to UPC, shall be charged to UES. UPC will no longer be charged for services by USC after implementation of the merger. A portion of the USC costs has been included in UES' test

year for establishing base rates. The test year costs have been reduced to reflect the anticipated mitigation of costs related to the energy services function resulting in a decrease of \$220,000 below test year levels. The Parties further agree that UES will be allowed to recover reasonable severance costs in the event any of the six energy services employees of USC are severed as a result of restructuring.

3.1.4 The merger of CECo and E&H into UES is subject to the approval of the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935, as amended. The merger is also subject to approval by the Federal Energy Regulatory Commission ("FERC") under Section 203 of the Federal Power Act. UES will also require approval by FERC of the open access transmission tariff ("OATT") amendments and reclassification under Section 205 of the Federal Power Act. In addition, a Notification of Succession for UES to succeed to the tariffs and rate schedules of CECo and E&H will be filed with the FERC.

### 3.2 Amended Unitil System Agreement

3.2.1 The Parties agree that the Amended Unitil System Agreement, attached hereto at Tab A and incorporating the Parties' agreed upon revisions, will be effective as of the Divestiture Date and will allow for a just and reasonable recovery of Contract Release Payments ("CRP") and Administrative Service Charges ("ASC") by UPC from UES. The Parties further agree that the recovery of the CRP by UES from its customers reflects an equitable, appropriate, and balanced recovery of the stranded costs of its predecessors, CECo and E&H. The Parties also agree that recovery of the costs specified under the ASC is just and reasonable and shall be recovered from retail customers of UES as part of the External Transmission Charge. Accordingly the Parties agree that the

Commission should approve the revised Amended Unitil System Agreement as consistent with the public interest and RSA 374-F.

3.2.2 In order to ensure the full mitigation of stranded costs, in addition to the planned divestiture of the UPC portfolio as proposed in the Phase I Settlement, Unitil agrees to implement the Hydro Quebec Mitigation Plan as set forth in Tab C. The Hydro Quebec Mitigation Plan requires Unitil to continue to undertake efforts to market the HQ-II resource in order to offset the costs of that obligation and to include a report to the Commission on these mitigation efforts as part of UES' annual Stranded Cost Charge reconciliation filing.

3.2.3 The Amended Unitil System Agreement is subject to the approval of the FERC, which approval will be sought subsequent to the approval by the New Hampshire Commission.

3.2.4 The Parties also seek the Commission's approval for excluding from the Portfolio Sale RFP, on the basis of the negotiated contract buyout, the power supply contract with the Massachusetts Municipal Wholesale Electric Company, as more fully described in Unitil's filing and supplemental testimony, submitted on July 15, 2002.

### 3.3 Establishment of Unbundled Rates for UES

#### 3.3.1 Consolidated Rate, UES Tariff No. 1

The Parties intend for this Settlement to provide for the rates of CECO and E&H to be unbundled and consolidated into a single new tariff, Tariff UES No. 1, attached hereto as Tab D, under a new distribution company, UES. The Parties agree that the Terms and Conditions and rate schedules contained in the tariff are just and reasonable and should

be approved. The Report of Proposed Rate Changes reflecting the anticipated net revenue impact by class of the proposed rates as of Choice Date is provided as Tab F hereto.

### 3.3.2 Effective Date of Rate Changes

The UES Tariff No. 1 contained in Tab D will, consistent with the schedule detailed in Section 2 above, be effective for service rendered after December 1, 2002. However, certain rate components contained in the tariff, specifically including the Stranded Cost Charge, Transition Service Charge, Default Service Charge, and the External Transmission Charge, will not become effective until the conclusion of Phase III and the implementation of Customer Choice on May 1, 2003. In the Interim period between December 1, 2002, and May 1, 2003, the UES Tariff provides for the billing of an Interim Fuel and Purchased Power Charge designed to reflect the merger of CECO and E&H into UES, to implement the revised rate designs agreed to by the parties for the fully restructured rates, and to offset the increase in distribution charges through a corresponding decrease in power supply charges. Attached hereto as Tab G are detailed bill comparisons reflecting the net anticipated rate changes from November 1, 2002, to May 1, 2003 (DJD-3), from December 1, 2002 to May 1, 2003 (DJD-4) and from November 1, 2002 to December 1, 2002 (DJD-5).

### 3.3.3 UES' Distribution Cost of Service

The distribution rates of UES reflect a revised cost of service, attached hereto as Tab E. The revised cost of service reflects the Parties negotiated agreement to a total revenue deficiency of \$1,985,324 (of which \$1,871,324 is to be included in distribution service rate design, and \$114,000 is to be attributable to residential late payment fees, as provided in Section 3.3.4). This represents an increase of approximately 1.6 percent over

total test year revenues, or approximately 7.2 percent over test year distribution revenues. The Parties have agreed to settle all of the cost of service issues in this proceeding. By this agreement, no party represents that it agrees in every particular with the cost of service items specified in Tab E. Rather, in consideration of all of the cost of service elements taken as a whole, each party is satisfied with the overall end results.

#### 3.3.3.1 Cost of Capital

The cost of service is calculated with an overall allowed rate of return of 8.59 percent, including a return on equity of 9.67 percent applied to a capital structure consisting of 42 percent equity and 58 percent debt. Unitil agrees that until a Commission decision in Unitil's next base rate case, Unitil shall limit the cash dividends paid by UES on an annual basis to an amount no higher than the cash dividends paid by CECO and E&H in the 2001 test year. Unitil reserves the right to request approval from all Parties to petition the Commission for a waiver of such limitation in the event of materially changed circumstances. The Parties acknowledge that the capital structure reflected in the Cost of Service calculation (Tab E, Sch. MHC 6-1) is different from the Company's test year capital structure. By adopting this hypothetical capital structure in the calculation, and by agreeing to the dividend limitation, the Parties acknowledge that the Company will seek to increase the equity component of the capital structure over time in order to insure that the Company has continued financial flexibility and continued access to capital at reasonable rates.

#### 3.3.3.2 Depreciation

The Parties agree that UES' cost of service shall include a test year depreciation expense of \$5,038,718, which reflects an overall net salvage rate of negative 20 percent and an overall plant average service life of approximately 31 years. As reflected on

Schedule MHC-3-13 (revised) provided in Tab E, the test year depreciation expense of \$5,038,718 consists of two components: depreciation expense on the test year 2001 Utility Plant as of December 31, 2001 of \$4,465,756 and amortization of the depreciation reserve indicated imbalance (deficiency of \$2,864,805) over five (5) years at a rate of \$572,961 per annum. In addition, the Parties agree that the Company will continue with the existing depreciation systems for General Plant. The Parties further agree that the Company will extend the lives of classes which comprise the Transportation Plant account to reflect a composite of approximately 10 years and will use a net salvage rate of positive twelve (12%) percent for the Transportation Plant account.

#### 3.3.4 Residential Late Payment Fee

The Parties have agreed that Unitil should be allowed to bill a late payment fee to residential customers of one percent per month effective December 1, 2002 in accordance with Tariff page 31 contained in Tab D, subject to the Commission's approval of a filing by Unitil demonstrating that the rate charged is not in excess of the costs incurred by the Company. Unitil will make this filing at least forty-five days in advance of the implementation of the proposed effective date. The Company will waive the residential late payment fee if the Customer can provide evidence of their eligibility in any of the following programs:

- o Statewide Low-Income Electric Assistance Program (NHPUC Order No.23,980)
- o Federal Low Income Home Energy Assistance Program (LIHEAP)
- o Temporary Assistance for Needy Families (TANF)
- o Supplemental Security Income (SSI)
- o Aid to the Permanently and Totally Disabled (APTD)
- o Aid to the Needy Blind (ANB)

- o Old Age Assistance (OAA)
- o Subsidized School Lunch Programs
- o Title XX Day Care Program
- o Food Stamps
- o Medicaid
- o Subsidized Housing
- o Women, Infant and Children Program (WIC)

#### 3.3.5 Transition and Default Service Charges

The Parties seek approval for the Transition Service Charge ("TSC") and the Default Service Charge ("DSC") mechanisms, as contained in Tab D. The purpose of the TSC is to provide a mechanism by which UES will recover its costs for providing Transition Service. The DSC is the mechanism by which UES will recover the costs of providing Default Service to its customers. Both mechanisms are fully reconciling. The final rate levels established for effect on May 1, 2003 will be calculated on the basis of the TS and DS solicitation in Phase III of this proceeding, and filed with the Commission as a compliance rate schedule at the end of Phase III.

3.3.5.1 The Parties agree that the target level for the initial wholesale costs upon which the retail Stranded Cost Charge and the retail Non-G-1 Transition Service prices are based should be \$.0625 per kWh.

3.3.5.2 The Parties agree that the ongoing administrative costs of Transition and Default Services will not be recovered as a cost component of these rate mechanisms, but will be recovered partially in base distribution rates (internal company costs) and partially in the External Transmission Charge (cost of outside services).



### 3.3.6 Stranded Cost Charge

The Parties seek approval for the Stranded Cost Charge ("SCC") mechanism as more fully described on Tariff pages 70 and 71, contained in Tab D. The Stranded Cost Charge ("SCC") shall be billed by the Company to all customers taking Delivery Service from the Company. The purpose of the SCC is to recover Contract Release Payments billed to the Company by Unitil Power Corp. under the FERC-approved Amended Unitil System Agreement. The SCC shall also include the Transition Service Charge balance at the end of the Transition Period and the final fuel and purchased power balances including any associated prior period adjustments. The SCC is fully reconciling. The actual rate levels established for effect on May 1, 2003 will be calculated on the basis of the portfolio sale auction in Phase III of this proceeding and filed with the Commission as a compliance rate schedule at the end of Phase III.

### 3.3.7 External Transmission Charge

The parties seek approval of the External Transmission Charge ("ETC") as more fully described in Tariff pages 72 and 73, contained in Tab D. The purpose of the ETC is to recover, on a fully reconciling basis, the costs billed to the Company by Other Transmission Providers as well as third party costs billed to the Company for energy and transmission related services as specified herein. The ETC shall include 1) charges billed to the Company by Other Transmission Providers as well as any charges relating to the stability of the transmission system which the Company is authorized to recover by order of the regulatory agency having jurisdiction over such charges, 2) transmission-based assessments or fees billed by or through regulatory agencies, 3) costs billed by third parties for load estimation and reconciliation and data and information services necessary for allocation and reporting of supplier loads, and for reporting to, and receiving data from, ISO New England, 4) legal and consulting outside services charges

incurred in the future acquisition of Transition Service and Default Service supplies and related to the Company's transmission and energy obligations and responsibilities, including legal and regulatory activities associated with the independent system operator ("ISO"), New England Power Pool ("NEPOOL"), regional transmission organization ("RTO") and the Federal Energy Regulatory Commission (FERC), 5) the costs of Administrative Service Charges billed to the Company by Until Power Corp. under the FERC-approved Amended Unutil System Agreement, and 6) the Restructuring Surcharge balance upon its termination. The Parties agree that the initial rate for the ETC should be \$0.00156 per kWh.

### 3.3.8 System Benefits Charge

The System Benefits Charge ("SBC"), as more fully described in Tariff page 74 contained in Tab D, shall recover the costs to fund energy efficiency, renewables, low-income customer programs and other charges as required by law, as periodically filed and approved by the Commission. The SBC mechanism is fully reconciling. The Company agrees to implement outreach programs for the purpose of maximizing participation in the low-income programs.

### 3.3.9 Restructuring Surcharge

The Parties seek approval for the Restructuring Surcharge ("RS") mechanism, as more fully described in Tariff page 75, contained in Tab D. The RS will go into effect on December 1, 2002. Restructuring costs incurred following the formation of UES will be allocated to UES and recovered through the RS. The Restructuring Surcharge ("RS") of \$0.00100 per kWh shall be billed by the Company to all customers taking Delivery Service from the Company. The RS is a reconciling, temporary rate for the purpose of recovering the costs of legal, consulting, and outside services associated with the

planning, development and implementation of the restructuring of Concord Electric Company, Exeter & Hampton Electric Company, Unital Power Corp. ("UPC") and Unital Energy Systems, Inc. ("UES") (collectively the "Companies") including: 1) the transaction costs of the merger and combination of the Companies into a single distribution utility, 2) the rate case costs, including the development of new unbundled rates and tariffs for UES including distribution charges, stranded costs, transition service, and other rate reconciliation mechanisms, 3) the restructuring costs, including the restructuring of the Companies' power supply to allow for retail choice, the divestiture of the UPC resource portfolio, and the initial solicitation and acquisition of transition service and default service. The initial estimate of the costs to be recovered is \$2,761,000. Final costs included in the RS will be subject to the final review and audit of the Commission, including the demonstration by the Company of net customer benefits with respect to the transaction costs of the merger and combination referenced in item 1) above. The RS of \$0.00100 per kWh is intended to recover the costs over a period of approximately two years.

### 3.3.10 Distribution Charges

The Parties have agreed to the rate design of the distribution charges as described on the Summary of Rates included in Tab D. The rate design reflected in the Schedules in Tab D includes the agreement of the Parties: 1) to reduce by one-third the differential between Block 1 and Block 2 of the residential rate from an average of \$0.01401 per kWh to \$0.00934 per kWh based on rate continuity principles; 2) to adjust the bill impacts for G-1 and G-2 class half way from the proposed rate impact to the overall rate impact for G-1 and G-2 classes, with the resulting revenue reconciled in the OL class; 3) to eliminate the Time of Use ("TOU") rates, with the provision that metering fees will be

waived for current TOU customers who take TOU service from competitive suppliers; 4) to moderate bill impacts for the largest G-2 kilowatt hour meter customers (over 1,000 kWh/mo) by installing demand metering; and 5) to maintain the distribution energy charge at current levels for G-1 and G-2 classes.

#### 3.4 Reclassification of Distribution and Transmission Plant

In Order 888, the FERC set forth a seven-factor test for determining whether facilities used to provide access to retail customers are subject to the ratemaking jurisdiction of FERC under the Federal Power Act or of the Commission under state law. The Parties request as part of the approval of this Phase II Settlement an affirmative finding and recommendation by the Commission to FERC that the Commission's determination of the reclassification of the transmission facilities currently owned by CECo and E&H to distribution be adopted by FERC for ratemaking purposes.

#### 3.5 Obligation to Serve

The Parties agree that the Commission should find that with the exception of the provisions for Transition Service and Default Service, UES shall have no obligations with respect to assurance of adequate and reliable electric energy supply for its customers as of Choice Date. UES shall continue to have the obligation to connect customers and to provide distribution service to customers in its franchise territory, in accordance with the rules and regulations of the Commission and the provisions of the applicable retail tariff.

### 3.6 Future Rate Cases and Depreciation Studies

3.6.1 UES agrees that it will file with the Commission a general base rate case in accordance with the rules of the Commission and RSA 378 et seq., including an updated depreciation study, no later than 5 years from the issuance of the Commission's final order in this proceeding.

3.6.2 In conducting the depreciation study referenced in 3.6.1, UES agrees to use the whole life methodology.

### 3.7 Assurances to Bidders

Consistent with the Parties' agreement in the Phase I Settlement, the Parties request that the Commission's Phase II Order include assurances to potential bidders that the costs incurred under, and defined in, the portfolio sale agreement, the G-1 Transition/Default Service agreement and the Non-G-1 Transition/Default Service agreement, which agreements will be subject to final Commission approval in Phase III, will be fully recoverable in retail rates.

## 4. GENERAL PROVISIONS

4.1 Until, and each of the Parties, expressly reserves the right to withdraw this Phase II Settlement proposal, or its support thereof, in the event all contemplated approvals are not provided in a reasonable time frame, or in the event that approval of the Settlement is unacceptably conditioned by the Commission or any other regulatory agency with jurisdiction over matters contemplated by this Settlement.

4.2 Acceptance of this Phase II Settlement Agreement by the Commission shall not be deemed to restrain the 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 be deemed to restrain the authority of the Legislature to enact any law that would resolve the matters covered by this Phase II Settlement in a different fashion.

4.3 The Commission's approval of this Phase II Settlement Agreement shall endure so long as is necessary to fulfill this Phase II Settlement Agreement's objectives and shall in no way bind the Commission to a preordained outcome in Phase III. In the event the Commission in a subsequent phase of this proceeding renders any part of this Phase II Settlement ineffective, CECo, E&H (or their successor UES) and UPC shall be allowed to recover those reasonable costs for legal, consulting and other outside services incurred in reliance upon the Commission's approval of this Phase II Settlement absent a finding of imprudence on the part of CECo, E&H, UPC or UES, by the appropriate regulatory authority.

4.4 The approvals contemplated by this Phase II Settlement shall not be construed as requiring the Commission to relinquish its authority under any state law to develop new policies and issue orders or to initiate investigations when it deems such actions are in the public good.

4.5 The rights conferred and obligations imposed on CECo, E&H and UPC by this Phase II Settlement shall be binding on or inure to the benefit of their successors in interest or assignees, including UES, as if such successor or assignee was itself a signatory hereto.

4.6 The Commission's acceptance of this Agreement does not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that (as the Parties believe)

the adjustments and provisions set forth herein in their totality are just and reasonable and that the revenues contemplated by the Attachments attached to this Agreement will be just and reasonable under the circumstances. The Commission's approval of the rate recommendations in this Agreement shall not constitute a determination or precedent with regard to the specific adjustments set forth in the attachments hereto, but rather shall constitute only a determination that the revenue requirement and rates resulting from this Agreement are just and reasonable.

4.7 Unitil shall provide to all of the Parties copies of any filings or submissions made pursuant to this Settlement or the Commission's final order in this matter.





ATTACHMENTS TO SETTLEMENT AGREEMENT

Tab A	Revised Amended System Agreement
Tab B	Merger Approvals
Tab C	Hydro Quebec Mitigation Plan
Tab D	Tariff UES No. 1
Tab E	Revised Cost of Service Study for UES Distribution Rates
Tab F	Report of Proposed Rate Changes
Tab G	Bill Impacts

## I. Procedural History

On January 25, 2002, Concord Electric Company, Exeter and Hampton Electric Company, and Unutil Power Corp. filed with the Commission a petition for approval of a proposal for restructuring the three Unutil Companies.

In order to deal with the numerous issues raised by the filing in an effective and efficient way, the proceedings have been divided into three phases. The focus of the Phase I proceedings was on how Unutil will implement electric industry restructuring pursuant to RSA 374-F.

On May 31, 2002, a Phase I Settlement Agreement for Restructuring the Unutil Companies was filed on behalf of Unutil, Commission Staff, the Consumer Advocate, the Governor's Office of Energy and Community Services, the Business & Industry Association and Rep. Jeb Bradley. Among other things, the Settlement Agreement set forth a plan for the divestiture of Unutil's resource portfolio and the solicitation of transition and default service. On August 28, 2002, the Commission issued an order conditionally approving the Phase I Settlement Agreement.

The Phase II issues include the consolidation and reorganization of the operations of the Unutil Companies and the setting of new, unbundled rates for the two retail electric utilities. On September 3, 2002, a Phase II Settlement Agreement was filed. Hearings on the Phase II Settlement Agreement were held on September 11-13, 2002. While these hearings were going on, the parties filed on September 12 an amendment to the Phase I Settlement Agreement addressing the Commission's conditions set forth in its Phase I order. The Commission heard testimony on this amendment following the conclusion of the Phase II hearings, and in a ruling announced from the bench on September 13, we approved the amendment to the Phase I Settlement Agreement.

In Phase III, Unutil will conduct the portfolio auction and the supply solicitation for transition and default service, subject to further proceedings before the Commission to (i) finalize the level of the monthly payment stream to the winning bidder(s) in the divestiture auction and, the associated stranded cost charges and (ii) determine the final round specifications for the request for proposals regarding the portfolio auction and supply solicitation.

## II. Terms of Phase II Settlement Agreement

Today we deliberate the Phase II portion of the proceedings. In the Phase II Settlement Agreement, the parties seek various approvals from the Commission.

First, the Commission is asked to approve the combination of the utility operations of CEC, E&H, and Unutil Power Corp. into a single distribution company to be called Unutil Energy Systems (UES). UES will provide its customers with unbundled

distribution services and will have the obligation to provide transition service and default service from the competitive market.

Second, the Commission is asked to approve an Amended System Agreement which ultimately will be between Unutil Power Corp. and UES as a replacement for the existing System Agreement between CEC, E&H and Unutil Power Corp.

Under the Amended System Agreement, Unutil Power Corp. will agree to waive the minimum 7.5 year notice of termination provision, terminate its power supply service to retail companies, and divest most of its power supply portfolio. In exchange, UES will agree to pay to Unutil Power Corp. so-called Contract Release Payments; and Administrative Service Charges, which include third party and regulatory charges incurred by Unutil Power Corp. relative to its fulfillment of its duties under the System Agreements.

Third, the Commission is asked to approve UES' new tariff, under which UES' rates for electric service will be unbundled into separate components related to distribution service costs, external transmission and other outside services costs, stranded costs, systems benefits costs, transition or default service costs, New Hampshire electricity consumption tax, and, on an interim basis, fuel and purchased power costs and restructuring costs.

The proposed distribution charges, interim fuel and purchased power charges, and restructuring surcharge would take effect on December 1, 2002, with the rest of the charges to take effect on Choice Date, scheduled for May 1, 2003.

Fourth, the Commission is asked to approve new distribution rates for UES reflecting a total revenue deficiency of \$1,985,324, of which \$1,871,324 is to be included in distribution service rate design and \$114,000 would be attributable to residential late payment fees. The total revenue deficiency represents an increase of approximately 1.6% over total 2001 test year revenues

of CEC and E&H or approximately 7.2% over their test year distribution revenues.

The cost of service is calculated with an overall allowed rate of return of 8.59%, including a return on equity of 9.67% applied to a hypothetical capital structure of 42% equity and 58% debt. Until UES' next rate case, the cash dividends paid on an annual basis by UES will be limited to an amount no higher than the cash dividends paid by CEC and E&H during the test year.

Fifth, the Commission is asked to make an affirmative finding and recommendation to FERC that FERC adopt for ratemaking purposes the Commission's determination of the reclassification of the transmission facilities currently owned by CEC and E&H to distribution.

Upon receipt of all requested approvals in this proceeding by the Commission, including the Phase III portion of the proceedings, Unitil will withdraw its intervention in the Federal court case enjoining the implementation of electric industry restructuring in CEC's and E&H's service territories, with prejudice.

### III. Commission Analysis

With respect to the merger, the record shows that (i) the merger in and of itself will not have an adverse effect on rates, (ii) the rates under which UES will acquire electricity will not change solely as a result of the merger and (iii) total retail rates for UES customers following the entire restructuring plan are expected to be substantially the same as the existing total retail rates. Moreover, no acquisition premium is payable, no additional debt is being incurred in connection with the transaction, and no new facilities are being acquired. The combined retail utilities will remain under the control of the existing parent of CEC and E&H.

While the parties did not present quantitative information demonstrating customer savings resulting from the merger, on a qualitative basis the merger should lead to a simpler, more efficient and effective corporate structure resulting in improved New Hampshire utility operations, regulatory oversight and financial reporting. The merger is thus in the public interest.

Although the parties agree that the merger costs will be subject to the final review and audit of the Commission, including the demonstration by the company of net customer benefits with respect to the transaction costs of the merger, the parties should be cautioned that internal, corporate restructuring costs are typically borne by shareholders and the evidence presented to date for treating Unitil's costs any differently is not persuasive.

The Amended System Agreement provides a reasonable mechanism for paying off legitimate portfolio divestiture-related liabilities and certain on-going power supply related costs and charges incurred by Unitil Power Corp. in accordance with the restructuring plan. UES payment of the Contract Release Payments and the Administrative Service Charges to Unitil Power Corp. under the Amended System Agreement will in turn be recovered from ratepayers through the Stranded Cost Charge and a portion of the External Transmission Charge. While this amended arrangement does not eliminate all the friction existing along the boundary between State and Federal jurisdiction, the Amended System Agreement, together with other elements of the restructuring plan, is a positive development for enhancing State decision-making authority over Unitil's New Hampshire utility operations.

The total revenue deficiency of \$1,985,324 negotiated by the parties for purposes of determining UES' distribution rates is reasonable. The parties' concern that UES' capital structure will be too highly leveraged is addressed in an interesting and acceptable way through the use of a hypothetical capital structure to determine the company's revenue requirement and Unitil's agreement to limit the cash dividends paid by UES on an annual basis to an amount no higher than the cash dividends paid by CECO and E&H in the 2001 test year. It does appear appropriate that, as set forth in the Settlement Agreement, the company seek to increase the equity component of its capital structure over time in order to ensure that it has continued financial flexibility and continued access capital at reasonable rates.

Moderation of the distribution rate impact for low usage customers as proposed in the settlement is appropriate. Consequently, the parties' proposal to reduce by 1/3 the differential between Block 1 and Block 2 of the residential rate from an average of 1.401 (cent)/kWh to 0.934 (cent)/kWh based on rate continuity principles is acceptable. Similarly, the proposal with respect to the G-1 and G-2 classes is appropriate. It is true the Commission has not typically looked favorably upon the elimination of Time of Use rates. However, because the Settlement Agreement provides for the waiver of metering fees for current TOU customers who take TOU service from competitive suppliers, elimination of TOU rates is not inappropriate. When the issue of default service is addressed on a statewide basis in the future, this question can be revisited.

UES Tariff No. 1, filed with the Settlement Agreement, introduces several new rate components, including an External Transmission Charge. There are many cost components comprising the so-called "External Transmission Charge," not just the cost of transmission. This rate component should be renamed. In the absence of a formal alternative offered by the parties, the charge might be called an "External Delivery Charge" as suggested by Unitil. Should the parties believe another name is more appropriate, they should file a letter with their recommended alternative.

Based on the testimony presented at the hearing, the parties' proposal to set the target level for the initial wholesale costs upon which to base the retail stranded cost charge and the retail Non-G-1 Transition Service prices at 6.25 (cent)/kWh is reasonable.

The parties' request for an affirmative finding that Unitil's 34.5 kV facilities currently classified as transmission should be reclassified as distribution facilities should be granted.

#### IV. Action

In light of the foregoing considerations, I move that the Commission approve the Phase II Settlement Agreement. A written order will be issued in the near future providing greater detail regarding the background of this case and the Commission's reasoning and rulings. Our written order will discuss, among other things, how consistency between our Phase I orders and the Phase II order will be achieved. As always, in the event there is a departure from the oral deliberations, the written order will control.

Concord Electric Company )  
Exeter & Hampton Electric Company ) Docket No. EC02-\_\_\_\_-000  
Unitil Energy Systems, Inc. )

APPLICATION FOR APPROVAL OF INTRA-CORPORATE REORGANIZATION

Pursuant to Section 203 of the Federal Power Act\1 and Part 33 of the Federal Energy Regulatory Commission's ("Commission") regulations thereunder,\2 Concord Electric Company ("CECo"), Exeter & Hampton Electric Company ("E&H"), and Unitil Energy Systems, Inc. ("UES"), (jointly, "Applicants") hereby file this application for approval of a proposed intra-corporate reorganization (the "Reorganization"). The proposed Reorganization involves the merger of E&H into CECo to form a single distribution utility, which will be renamed UES.

As is demonstrated below, the proposed Reorganization is consistent with the public interest. The Reorganization will be implemented in the context of a broader reorganization of the New Hampshire operations of the Unitil Companies resulting from changes to New Hampshire law.

Because the Reorganization will take place entirely within the same holding company system, it will not involve the acquisition of any new physical facilities, nor will any previously unrelated companies be placed under common control or otherwise become affiliated with each other. In addition, no independent seller will be removed from the wholesale market. Therefore, there will be no increase in market power or concentration by any party. Thus, the Application is

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1/ 16 U.S.C.ss.824b (1994).

2/ 18 C.F.R. Part 33 (2002).

not required to include any horizontal or vertical competitive analysis under Order No. 642.\3 The Applicants request that the Commission provide for a shortened comment period and expedited consideration and approval of the Reorganization to permit the transaction to close by November 29, 2002.

In support hereof, the Applicants state:

I. Introduction

The Reorganization is a part of a comprehensive restructuring of the Applicants' New Hampshire operations that is being carried out pursuant to New Hampshire law, as more fully discussed below. The Reorganization is essentially similar to other internal corporate reorganizations approved by the Commission. As an internal reorganization, the proposed Reorganization should not raise concerns of market power or other issues of interest to the Commission.\4 The proposed Reorganization will accomplish only a change in corporate structure and, except in the technical sense described by the Commission in Central Vermont\5 and similar cases, will not cause a change in ultimate control of any of the assets owned by the Applicants.\6

The Reorganization will not result in any increase in wholesale rates. Nor will any party seek to recover any costs related to the Reorganization in wholesale rates. At least sixty (60) days

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3/ Revised Filing Requirements Under Part 33 of the Commission's Regulations, Order No. 642, III FERC Stats. and Regs. [Regs. Preambles 1996-2000]P. 31,111 at 31,902 (2000) order on reh'g, Order No. 642-A 94 FERCP. 61,289 (2001).

4/ See, e.g., FirstEnergy Corp., 94 FERCP. 61,179 at 61,619 (2001) (finding that Section 203 filings involving internal corporate restructuring do not change the concentration of generation ownership in the marketplace). See also DTE Energy Co., 91 FERCP. 61,317 (2000).

5/ Central Vermont Public Service Corp., 39 FERCP. 61,295 (1987).

6/ See Duke Energy Corp. and Nantahala Power and Light Co., 83 FERCP. 62,181 (1998).

prior to the effective date, the Applicants will file a Section 205 Application to revise the Open Access Transmission Tariffs ("OATTs") of CECO and E&H, and to seek approval for the reclassification of certain facilities from transmission to distribution. The Section 205 Application will not lead to any rate increase for any unrelated party. A Notification of Succession will also be filed for UES to succeed to the tariffs and rate schedules of CECO and E&H.

In addition, the Reorganization will not have any adverse impact on regulation since no new registered holding company will be created and, therefore, the jurisdiction of the Securities and Exchange Commission ("SEC") will not be an issue. The New Hampshire Public Utilities Commission and the SEC have authority to approve or disapprove the Reorganization.

For these reasons, the Reorganization should be approved by the Commission as being in the public interest.

## II. The Unitil Companies

### A. Background

Applicants are wholly-owned subsidiaries of Unitil Corporation ("Unitil"), which is a registered public utility holding company under the Public Utility Holding Company Act of 1935 ("PUHCA"), and was formed by CECO and E&H in 1984. The following companies are also wholly-owned subsidiaries of Unitil: Fitchburg Gas and Electric Light Company ("FG&E"), Unitil Realty Corp. ("URC"), Unitil Power Corp. ("UPC"), Unitil Service Corp. ("USC"), and its non-regulated business unit Unitil Resources, Inc. ("URI").

Unitil's principal business is the retail sale and distribution of electricity in New Hampshire, and the retail sale and distribution of electricity and gas in Massachusetts through its retail distribution subsidiaries, CECO, E&H, and FG&E. Unitil's wholesale electric power

subsidiary, UPC, principally provides all of the electric power supply requirements to CECO and E&H for resale at retail. URI conducts an energy brokering business, as well as related energy consulting and marketing activities through its wholly-owned subsidiary, Usource. Finally, URC and USC provide centralized facilities and operations and management services to support the Unitil system of companies.

CECo and E&H are subject to regulation by the New Hampshire Public Utilities Commission ("NHPUC"), which also regulates certain activities of UPC, including the issuance of securities and debt. FG&E is regulated by the Massachusetts Department of Telecommunications & Energy ("MDTE"). UPC, CECO, E&H, and FG&E are regulated by the Commission.

CECo, E&H, UPC, and FG&E are joint participants in the New England Power Pool ("NEPOOL"). UPC acts as the agent of its New Hampshire affiliates in all transactions, actions, deliberations and other matters involving NEPOOL or the NEPOOL Agreement, unless the Unitil New Hampshire companies are specifically required to act on their own behalf. The Unitil companies are listed in the NEPOOL Roster of Participant Committee members under Unitil Corporation Participant Companies. While the companies are NEPOOL participants, Fitchburg owns very limited Pool Transmission Facilities ("PTF"), consisting of some 115 kV substation facilities, which are connected to transmission facilities owned and operated by New England Power Company, a subsidiary of National Grid USA. CECO and E&H do not own or operate any transmission facilities that are included as PTF by NEPOOL due to the low voltage level.

#### B. CECO

CECo is a New Hampshire corporation and public utility primarily engaged in the retail sale and distribution of electricity to approximately 28,000 customers in the City of Concord and



twelve surrounding towns, all in New Hampshire. CECO's service area consists of approximately 240 square miles in the Merrimack River Valley of south central New Hampshire. The service area includes the City of Concord and major portions of the surrounding towns of Bow, Boscawen, Canterbury, Chichester, Epsom, Salisbury and Webster, and limited areas in the towns of Allenstown, Dunbarton, Hopkinton, Loudon and Pembroke.

CECo's 16 electric distribution substations constitute 114,290 kVA of capacity for the transformation of electric energy from the 34.5 kV transmission voltage to primary distribution voltage levels. CECO has in excess of 34 pole miles of 34.5 kV electric transmission facilities. CECO also has a total of approximately 657 pole miles of overhead electric distribution lines and a total of approximately 44 conduit bank miles (124 cable miles) of underground electric distribution lines. CECO has an OATT on file with the Commission, designated as FERC Electric Tariff, Original Volume No. 2.\7 No transmission customers currently take service under CECO's OATT. CECO is taking service pursuant to its own tariff, as required by the Commission. CECO has five long-term firm transmission service agreements in place, that predate its OATT.\8

C. E&H

E&H is a New Hampshire corporation and public utility primarily engaged in the retail sale and distribution of electricity to approximately 41,000 customers in the towns of Exeter and

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7/ CECO's OATT was filed on October 11, 1996, and accepted for filing on September 11, 1998, in Docket No. OA97-5-000, with an effective date of July 9, 1996.

8/ In a May 27, 1994, order, the Commission designated service agreements with five QF customers as follows: (1) Rate Schedule FERC No. 1 -- Wheeling Agreement with SES Concord Co., L.P.; (2) Rate Schedule FERC No. 2 -- Wheeling Agreement with New Hampshire Hydro Associates; (3) Rate Schedule FERC No. 3 -- Wheeling Agreement with Concord Steam Corporation; (4) Rate Schedule FERC No. 4 -- Wheeling Agreement with Penacook Hydro Association; and (5) Rate Schedule FERC No. 5 -- Wheeling Agreement with Briar Hydro Association. Concord Electric Co., 67 FERCP. 61,260 (1994).

Hampton and in all or part of 16 surrounding towns, all in New Hampshire. E&H's service area consists of approximately 168 square miles in southeastern New Hampshire. The service area includes all of the towns of Atkinson, Danville, East Kingston, Exeter, Hampton, Hampton Falls, Kensington, Kingston, Newton, Plaistow, Seabrook, South Hampton and Stratham, and portions of the towns of Derry, Brentwood, Greenland, Hampstead and North Hampton.

E&H's 14 electric distribution substations, including a 5,000 kVA mobile substation, constitute 91,400 kVA of capacity for the transformation of electric energy from the 34.5 kV transmission voltage to primary distribution voltage levels. E&H has in excess of 69 pole miles of 34.5 kV electric transmission facilities. E&H also has a total of approximately 750 pole miles of overhead electric distribution lines and a total of approximately 133 conduit bank miles of underground electric distribution lines. E&H has an OATT on file with the Commission, which has been designated as FERC Electric Tariff, Original Volume No. 1.\9 E&H is taking service pursuant to their own tariff, as required by the Commission. E&H has no transmission customers taking service under its OATT.

D. UES

UES will be formed after receipt of all necessary regulatory approvals through the merger of E&H into CECO. UES will succeed CECO and E&H in all agreements and schedules on file with the Commission.

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9/ E&H's OATT was filed on October 11, 1996, and was accepted for filing on September 11, 1998, in Docket No. OA97-4-000, with an effective date of July 9, 1996.

### III. The Proposed Reorganization

#### A. New Hampshire Restructuring

On February 28, 1997, the NHPUC issued its Final Plan in response to the New Hampshire Electric Restructuring Law RSA 374-F, passed into law in 1996, for New Hampshire electric utilities to transition to a competitive electric market in the State. Northeast Utilities' affiliate, Public Service Company of New Hampshire ("PSNH"), filed suit in U.S. District Court for protection from the Final Plan and related orders, and was granted an indefinite stay. In June 1997, Unitil, and other utilities in New Hampshire, intervened as plaintiffs in the federal court proceeding. In June 1998, the federal court clarified that the injunctions issued by the court in 1997 had effectively frozen the NHPUC's efforts to implement restructuring. This amended injunction has been challenged by the NHPUC, and affirmed by the First Circuit Court of Appeals. Unitil continues to be a plaintiff-intervenor in federal district court. In October 2000, the NHPUC approved a settlement for the restructuring of PSNH, which was implemented on May 1, 2001.

Unitil has continued to work actively to explore settlement options and to seek a fair and reasonable resolution of key restructuring policies and issues in New Hampshire. Applicants filed a comprehensive restructuring proposal with the NHPUC on January 25, 2002. If approved, Applicants would withdraw their complaint from the federal court proceeding.

The New Hampshire Proceeding is being conducted in three phases: Settlement on Phase I of the proceeding addressing the divestiture of Unitil's power supply portfolio and acquisition of transition service ("TS") and default service ("DS") was presented to the NHPUC on May 31, 2002. The NHPUC issued its order in this phase of the proceeding on August 28, 2002. Phase II addressing the merger of CECO and E&H, and the realignment of Unitil's rate structure, is anticipated to be filed by September 3, 2002. Finally, Phase III of the proceeding addressing the results and NHPUC approval of the RFP processes for divestiture of Unitil's power supply portfolio, and the acquisition of TS and DS will be concluded in March 2003,

followed by the implementation of Customer Choice in Unitil's New Hampshire service territories by May 1, 2003.

Under the restructuring proposal, Applicants' customers will be allowed to choose a competitive energy supplier, while electricity delivery services will continue to be provided by Unitil companies. Unitil will sell UPC's portfolio of electricity supply contracts through a competitive solicitation and recover all residual stranded costs over a period of years. Unitil will offer customers a three-year transition service at specified prices and a permanent default service. These services will be procured from the competitive wholesale market. Also as a part of the restructuring proposal, Applicants requested approval of the reclassification of certain transmission plant owned by CECO and E&H, and of new, consolidated tariffs and rate schedules for distribution service in New Hampshire. Applicants also sought an increase in base rates for distribution service. Rate levels and rate components applicable to all Unitil New Hampshire distribution customers will change as a result and distribution rates will increase, but overall rate levels are expected to be below rate levels in effect at the time of the New Hampshire restructuring filing. Finally, Applicants also proposed to combine CECO and E&H into a single distribution utility, UES.

The restructuring proposal, if approved, will go into effect in two phases, the first phase on or before December 1, 2002, and the second phase on May 1, 2003. The first phase will consist of the implementation of the Reorganization and revised retail rates. The second phase will consist of the implementation of customer choice, the divestiture of UPC's portfolio of electricity supply contracts, and the amendment of the System Agreement among the Applicants.

B. The Reorganization

The proposed transaction, for which Commission authorization is sought herein,<sup>10</sup> is the combination of CECO and E&H into a single distribution utility, UES. The combination is the culmination of a nearly two-decade long process of operational consolidation that has taken place since Unitil was created and CECO and E&H were merged into Unitil in January 1985.

To accomplish the merger of CECO and E&H, the Applicants will enter into an Agreement and Plan of Merger ("Merger Agreement") approved by their respective boards of directors.<sup>11</sup> Consummation of the transactions contemplated by the Merger Agreement will be subject to the receipt of all necessary regulatory approvals and to the approval of the shareholders of each company. Under the terms of the Merger Agreement, E&H will be merged with and into CECO with CECO as the surviving corporation. In connection with the merger, CECO will change its name to UES. As a result of the merger, all of E&H's assets and liabilities will, by operation of law, become the assets and liabilities of CECO.

1. Description of Outstanding Equity Securities of CECO and E&H

CECO currently has 250,000 authorized shares of common stock (the "CECO Common Stock"), of which 131,745 shares are issued and outstanding and owned both of record and beneficially by Unitil; 2,250 authorized shares of non-cumulative preferred stock (the "CECO Non-Cumulative Preferred Stock"), all of which are issued and outstanding and none of which is owned, of record or beneficially, by Unitil; and 14,308 authorized shares of cumulative preferred stock (the "CECO Cumulative Preferred Stock"), of which 2,150 shares are issued and

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10/ Applicants will separately request Commission authorization, to the extent such authorization is required, of the other aspects of the restructuring.

11/ A copy of the proposed Merger Agreement is enclosed at Exhibit I.

outstanding in a single series designated the "8.7% Series," none of which is owned, of record or beneficially, by Unitil. The CECO Non-Cumulative Preferred Stock is entitled to vote on all matters brought before the shareholders of CECO together with the CECO Common Stock, with each outstanding share entitled to one vote. The CECO Non-Cumulative Preferred Stock is not entitled to vote as a separate class. The CECO Cumulative Preferred Stock is not entitled to vote on any matter, except as may otherwise be authorized or required by the Business Corporation Act. Under the Business Corporation Act, the CECO Cumulative Preferred Stock will not be entitled to vote on the Merger and related transactions.

E&H currently has 197,417 authorized shares of common stock (the "E&H Common Stock"), of which 195,000 shares are issued and outstanding and owned both of record and beneficially by Unitil; and 25,000 authorized shares of cumulative preferred stock (the "E&H Cumulative Preferred Stock"), of which a total of 9,704 shares are issued and outstanding in four series as follows: 840 shares of the 5% Series, 1,680 shares of the 6% Series, 3,331 of the 8.75% Series and 3,853 shares of the 8.25% Series. None of the E&H Cumulative Preferred Stock is owned, of record or beneficially, by Unitil. The E&H Cumulative Preferred Stock is not entitled to vote as a separate class, unless such a class vote is otherwise authorized or required by the Business Corporation Act. Under the Business Corporation Act, each series of the E&H Cumulative Preferred Stock will be entitled to vote as a separate class on the proposed merger with CECO, since, as described below, the terms of the Merger Agreement provide for the issuance to the holders of the E&H Cumulative Preferred Stock in exchange for their shares of E&H Cumulative Preferred Stock of an equal number of shares of CECO Cumulative Preferred Stock in four new series which will have the same terms and conditions as the existing series of the E&H Cumulative Preferred Stock for which they will be exchanged.

The authorized and unissued shares of CECO Cumulative Preferred Stock may be issued in series by CECO from time to time upon authorization of its board of directors, with the terms of each new series to be approved by the vote of two-thirds of the outstanding shares of CECO Common Stock and CECO Non-Cumulative Preferred Stock.

As part of the approval of the Merger Agreement, the board of directors of CECO and the holders of the CECO Common Stock and CECO Non-Cumulative Preferred Stock will approve an amendment to the CECO Articles of Association creating the four new series of CECO Cumulative Preferred Stock to be issued in the merger to the holders of the E&H Cumulative Preferred Stock. The four new series will have the same terms as the four series of E&H Cumulative Preferred Stock for which they will be exchanged.

## 2. Terms of the Merger Agreement

Pursuant to the Merger Agreement, upon the effectiveness of the merger, all of the issued and outstanding shares of E&H Common Stock will be converted into a single share of CECO Common Stock. Each share of E&H Cumulative Preferred Stock will be converted into a share of a new series of CECO Cumulative Preferred Stock, each such new series of CECO Cumulative Preferred Stock to have the same terms and conditions as the existing series of the E&H Cumulative Preferred Stock for which they will be exchanged. The shares of CECO Common Stock, CECO Non-Cumulative Preferred Stock and CECO Cumulative Preferred Stock issued and outstanding immediately prior to the merger will remain outstanding and will not be affected by the merger.

### 3. Boards of Directors and Shareholder Approvals

The Merger Agreement and the transactions contemplated thereby are subject to the approval of the boards of directors of each of CECO and E&H.<sup>12</sup> In addition, the Merger Agreement and related amendments to CECO's Articles of Association are subject to the approval of the holders of the CECO Common Stock and the CECO Non-Cumulative Preferred Stock, voting together as a single class, and to the approval of the E&H Common Stock and each series of the E&H Cumulative Preferred Stock, each voting as a separate class. Because Unitil effectively controls the boards of directors of each of E&H and CECO as the result of its ownership of all of the issued and outstanding shares of common stock of each company, the approval of the Merger Agreement and related amendments to CECO's Articles of Association by those boards of directors is assured. The approval of the holders of the CECO Common Stock and the CECO Non-Cumulative Preferred Stock of the Merger Agreement and related amendments to CECO's Articles of Association is also assured, since Unitil controls the vote of more than 99% of all such shares.

The approval of the Merger Agreement by the holders of the E&H Common Stock is also assured, since Unitil controls the vote of all of such shares. Unitil does not, however, control the vote of any outstanding series of the E&H Cumulative Preferred Stock. Unitil intends to solicit written consents in favor of the Merger Agreement and related transactions from the holders of each outstanding series of the E&H Cumulative Preferred Stock pursuant to the solicitation. Because neither E&H nor any series of its capital stock is registered under the Securities Exchange Act of 1934, the solicitation is subject only to the requirements of New Hampshire law and the terms of E&H's governance documents. Under Section 7.04 of the

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<sup>12</sup> See Exhibit I.



New Hampshire Business Corporation Act (RSA 293-A:7.04), the E&H Cumulative Preferred Stock can take action by written consent. Such action would also be consistent with the terms of E&H's governance documents. E&H has the right to call each outstanding series for redemption pursuant to the terms of each such series and until currently intends to cause E&H to redeem the shares of any series which does not consent to the Merger Agreement and related transactions in accordance with the terms of Rule 42 of the Act. Thus, the requisite consent of the E&H Cumulative Preferred is assured.

#### 4. Tax and Accounting Consequences of the Merger

The merger has been structured to qualify for tax purposes as a tax-free "reorganization" under Section 368(a) of the Internal Revenue Code. As a result, no gain or loss will be recognized by CECO or E&H or the holders of the CECO Common Stock, the CECO Non-Cumulative Preferred Stock, the CECO Cumulative Preferred Stock, the E&H Common Stock or the E&H Cumulative Preferred Stock. CECO and E&H expect that the merger will qualify as a common control merger for accounting and financial reporting purposes. The accounting for a common control merger is similar to a pooling of interests. Under this accounting treatment, the combination of the ownership interests of the two companies is recognized and the recorded assets, liabilities, and capital accounts are carried forward at existing historical balances to the consolidated financial statements of UES (as the surviving company) following the merger.

#### IV. The Proposed Reorganization Is Consistent With The Public Interest

The Commission has restated the factors it will examine in considering transactions that are subject to Section 203 of the Federal Power Act. Specifically, the Commission will consider: (a) the effect of the transaction on competition; (b) the effect of the transaction on rates; and

(c) the effect of the transaction on regulation.\13 Consideration of these factors shows that the Reorganization clearly warrants approval as being consistent with the public interest.

A. The Proposed Reorganization Will Have No Adverse Effect On Competition

The proposed Reorganization will not create or enhance market power in any market under the standards employed by the Commission. This is so for one basic reason: the Reorganization is a purely intra-corporate transaction. It will not increase the Unutil Companies' ownership or control of transmission or generation facilities, nor result in any change in the operation of the Applicants' facilities, or other inputs that could be used as barriers to entry, that would have an anti-competitive effect. The Commission has found that such purely intra-corporate reorganizations will not have an anti-competitive effect.\14

B. The Proposed Reorganization Will Have No Adverse Effect On Rates

In the Merger Policy Statement, the Commission made clear that its concern with the effect of a proposed transaction on rates is to protect ratepayers from rate increases because of a merger.\15 The proposed Reorganization in and of itself will not have an adverse effect on rates. The rates under which CECO's wheeling customers obtain transmission services will not change as a result of the Reorganization. The OATTs of CECO and E&H will be combined into one UES OATT, under which the rate will be higher because it will include only distribution plant. However, no customers presently take service under either CECO or E&H's OATT. The rates under which the resulting company, UES, will acquire electricity will also not change solely as a

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13/ 18 C.F.R.ss.2.26 (2002). Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement, Order No. 592, III FERC Stats. & Regs. [Regs. Preambles]P. 31,044 (1996), recon. denied, Order No. 592-A, 79 FERCP. 61,321 (1997) ("Merger Policy Statement").

14/ See Boston Edison Co. and BEC Energy, 80 FERCP. 61,274 at 61,994 (1997). See also Allegheny Energy Supply Co., LLC, 97 FERCP. 62,251 (2001); Cleco Corp., 86 FERCP. 62,077 (1999).

15/ See Merger Policy Statement, at 30,123.

result of the Reorganization. Total retail rates for UES customers following implementation of the entire restructuring plan are expected to be substantially the same as the existing total retail rates, which are among the lowest in the northeast.

C. The Proposed Reorganization Will Not Affect Regulation

As the Commission explained in its Merger Policy Statement, the Commission's primary concern with the effect of a proposed merger on regulation involves shifts of authority between the Commission's jurisdiction and that of the SEC or state commissions.<sup>16</sup> Nothing in the Reorganization will affect the manner or the extent to which the Commission or state commissions can regulate the transactions and facilities of the Applicants. The resulting company, UES, will be regulated at the retail level by the NHPUC and at the wholesale level by the Commission.

The Commission's regulation will not be impaired by the shift of any regulatory authority. No state commission will obtain jurisdiction as a result of the proposed Reorganization. No registered holding company will be created as a result of the Reorganization. Additionally, Applicants agree to refrain from invoking the Ohio Power doctrine<sup>17</sup> with regard to intra-corporate transactions.

In addition, the Reorganization will not interpose any wholesale seller into a transaction that had previously been a retail sale. Therefore, the Reorganization will not deprive any state jurisdiction over retail sales, nor will it result in the transformation of any power sales (wholesale

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16/ Merger Policy Statement, at 30,124-25.

17/ Ohio Power Co. v. FERC, 954 F.2d 779 (D.C. Cir. 1992), cert. denied, FERC v. Ohio Power Co., et al., 506 U.S. 981 (1992).

or retail) into intra-divisional transfers. For that reason as well, the Reorganization will not deprive the Commission or any state of jurisdiction.\18

V. Information Required by Part 33 of the Commission's Regulations

In support of this application, Applicants hereby submit the following information required by Part 33 of the Commission's Regulations.

Section 33.2 (a)

Concord Electric Company  
One McGuire Street  
Concord, NH 03301

Exeter & Hampton Electric Company  
114 Drinkwater Rd.  
Kensington, NH 03833

Unitil Energy Systems, Inc.  
One McGuire Street  
Concord, NH 03301

Section 33.2 (b)

Unitil Service Corp.  
Attn.: George Gantz  
6 Liberty Lane West  
Hampton, NH 03842-1720  
(603) 773-6569  
(603) 773-6769 (fax)  
gantz@unitil.com

Samuel Behrends IV, Esq.  
Sonia Mendonca, Esq.  
LeBoeuf, Lamb, Greene & MacRae LLP  
1875 Connecticut Avenue, NW  
Washington, DC 20009  
(202) 986-8000  
(202) 986-8102 fax  
sbehrend@llgm.com  
sonia.mendonca@llgm.com

Rebecca L. Fowler  
LeBoeuf, Lamb,  
Greene & MacRae LLP  
260 Franklin Street  
Boston, MA 02110  
(617) 439-9500  
(617) 439-0341 fax  
rlfowler@llgm.com

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18/ See Washington Water Power Co. and Sierra Pacific Power Co., 73 FERCP.  
61,218 (1995).

Section 33.2 (c )

A description of the Applicants is provided in Section II of this application, and Exhibits A-F hereto.

Section 33.2 (d)

A description of jurisdictional facilities owned, operated, or controlled by the Applicants or their parent companies, subsidiaries, affiliates, and associate companies is set forth in Exhibit G hereto.

Section 33.2 (e)

A narrative description of the proposed transaction for which Commission authorization is requested is provided in Section III of this application, and Exhibit H hereto.

Section 33.2 (f)

Contracts related to the proposed transaction together with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction are provided as Exhibit I to this application.

Section 33.2 (g)

The facts relied upon to demonstrate that the proposed transaction is consistent with the public interest are set forth in Section IV of this application.

Section 33.2 (h)

Two maps showing the properties of each party to the transaction are provided as Exhibit K to this application.

Section 33.2 (i)

The Reorganization is subject to approval by the NHPUC and the SEC. The NHPUC is currently considering the merger and is expected to issue a final order on or before October 28, 2002. The Applicants expect to file for approval of the merger with the SEC in August 2002. Copies of the orders issued by such agencies will be submitted, when available, as Exhibit L to this application.

Section 33.3 and 33.4

Not applicable, pursuant to Order No. 642.

Section 33.5

Attached as Attachment 1 are the pro-formed financial statements of UES. UES will be formed upon receipt by Unitil of all the requisite approvals to merge E&H with and into CECO, which will then change its name to UES. UES will maintain its books in accordance with the Commission's Uniform System of Accounts. The UES financial statements will represent the combination, without any further adjustments, of all of the accounts of the predecessor entities, E&H and CECO, and there will be no other effects on the Balance Sheet, the Statement of Income, the Statement of Cash Flows, and the Statement of Retained Earnings beyond the combination of all accounts. The pro forma financial statements reflect the anticipated reclassification of transmission plant to distribution, which will be further described in a forthcoming Section 205 filing.

Section 33.6

A draft form of notice suitable for publication in the Federal Register is attached hereto. An electronic version of the draft notice is also submitted on a 3 1/2" diskette.

VI. Request for Expedited Treatment

Because the Reorganization will take place entirely within the same holding company system and, therefore, requires no horizontal or vertical competitive analysis under Order No. 642, the Applicants request that the Commission provide for a shortened comment period and expedited consideration and approval of the Reorganization to permit the transaction to close by November 29, 2002.

VII. Conclusion

In light of the clear absence of any adverse impact on competition in any market, any regulated cost-based rates, or the nature of regulation, the change in ownership and disposition of jurisdictional facilities satisfies the standards of the Merger Policy Statement. Therefore, it should be approved as being "consistent with the public interest." Applicants respectfully request that the Commission approve the Reorganization on an expedited basis to allow this beneficial business transaction to be consummated. Respectfully submitted,

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Samuel Behrends, IV  
Sonia C. Mendonca  
LeBoeuf, Lamb, Greene & MacRae, L.L.P.  
1875 Connecticut Avenue, N.W.  
Washington, D.C. 20009

Rebecca L. Fowler  
LeBoeuf, Lamb, Greene & MacRae, L.L.P.  
260 Franklin Street  
Boston, MA 02110

Attorneys for Concord Electric Company,  
Exeter & Hampton Electric Company, and  
Unitil Energy Systems, Inc.

Dated: August 30, 2002

EXHIBITS REQUIRED UNDER 18 C.F.R. ss. 33.2



Exhibit A

All business activities of the Applicants, including authorizations by charter or regulatory approval.

The business activities of the Applicants are described in Section II of this Application.

Exhibit B

A list of all energy subsidiaries and energy affiliates, percentage ownership interest in such subsidiaries and affiliates, and a description of the primary business in which each energy subsidiary and affiliate is engaged.

See attached.

Exhibit B

Unitil Corporation (Unitil or the Company) was incorporated under the laws of the State of New Hampshire in 1984. Unitil is a registered public utility holding company under the Public Utility Holding Company Act of 1935 (the 1935 Act), and is the parent company of the Unitil Companies. The following companies are wholly owned subsidiaries of Unitil:

Unitil Corporation Subsidiaries	State and Year of Organization	Principal Type of Business
Concord Electric Company (CECO)	NH - 1901	Retail Electric Distribution Utility
Exeter & Hampton Electric Company (E&H)	NH - 1908	Retail Electric Distribution Utility
Fitchburg Gas and Electric Light Company (FG&E)	MA - 1852	Retail Electric and Gas Distribution Utility
Unitil Power Corp. (Unitil Power)	NH - 1984	Wholesale Electric Power Utility
Unitil Realty Corp. (Unitil Realty)	NH - 1986	Real Estate Management
Unitil Service Corp. (Unitil Service)	NH - 1984	System Service Company
Unitil Resources, Inc. (Unitil Resources)	NH - 1993	Energy Brokering and Advisory Services

Unitil's principal business is the retail sale and distribution of electricity and related services in several cities and towns in the seacoast and capital city areas of New Hampshire, and both electricity and gas and related services in north central Massachusetts, through Unitil's three wholly owned retail distribution utility subsidiaries (CECO, E&H and FG&E). FG&E has a subsidiary, Fitchburg Energy Development Company. Unitil's wholesale electric power utility subsidiary, Unitil Power Corp., principally provides all the electric power supply requirements to CECO and E&H for resale at retail.

Unitil has three additional wholly owned subsidiaries: Unitil Realty Corp. (Unitil Realty), Unitil Service Corp. (Unitil Service) and Unitil Resources, Inc. (Unitil Resources). Unitil Realty owns and manages the Company's corporate office building and property located in Hampton, New Hampshire and leases this facility to Unitil Service under a long-term lease arrangement. Unitil Service provides, at cost, centralized management, administrative, accounting, financial, engineering, information systems, regulatory, planning, procurement, and other services to the Unitil System companies. Unitil Resources is the Company's wholly owned non-utility subsidiary and has been authorized by the Securities and Exchange Commission, pursuant to the rules and regulations of the 1935 Act, to engage in business transactions as a competitive marketer of electricity, gas and other energy commodities in wholesale and retail markets, and to provide energy brokering, consulting and management related services within the United States. Usource, Inc. and Usource L.L.C. (Usource) are wholly owned subsidiaries of Unitil Resources. Usource provides energy brokering services, as well as related energy consulting and marketing services.

Exhibit C

Organizational charts depicting the Applicants' current and proposed post-transaction corporate structures (including any pending authorized but not implemented changes) indicating all parent companies, energy subsidiaries and energy affiliates unless the Applicants demonstrate that the proposed transaction does not affect the corporate structure of any party to the transaction.

See attached.

Exhibit D

A description of all joint ventures, strategic alliances, tolling arrangements or other business arrangements, including transfers of operational control of transmission facilities to Commission approved RTOs, both current, and planned to occur within a year from the date of the filing, to which the Applicants or their parent companies, energy subsidiaries, and energy affiliates are parties, unless the Applicants demonstrate that the proposed transaction does not affect any of its business interests.

As required by the Commission, the Applicants have committed to participating in the RTO that is eventually approved for the New England region.

As also described in Exhibit G, FG&E owns a 0.1822% share (approximately 1.13 MW) of the Wyman Unit No. 4 oil-fired generator, which is located in Maine. At year-end 2001, FG&E's net book value for this asset was approximately \$81,000. FG&E has contractually divested its rights in the unit to Select Energy, Inc., as described in Exhibit F.

FG&E owns 0.57 shares in Boundary Gas, Inc. ("Boundary Gas"), with an original value of \$57. Boundary Gas was formed by northeastern natural gas utility companies to jointly purchase gas from Canada. The gas is imported at Niagara, New York. FG&E has the right under the Boundary Gas agreements to purchase 544 dth per day through January 15, 2004.

Exhibit E

The identity of common officers or directors of parties to the proposed transaction. CECO and E&H have the same officers:

President	Michael J. Dalton
Vice President	Richard M. Heath
Treasurer	Mark H. Collin
Asst. Treasurer	Charles J. Kershaw, Jr.
Controller	Laurence M. Brock
Secretary	Sandra L. Whitney

Exhibit F

A description and location of wholesale power sales customers and unbundled transmission services customers served by the Applicants or their parent companies, subsidiaries, affiliates and associate companies.

As described in Section II herein, CECO provides wheeling services to SES Concord Co., L.P., New Hampshire Hydro Associates, Concord Steam Corporation, Penacook Hydro Association, and Briar Hydro Association. CECO has no wholesale power customers. E&H has no wholesale power customers or unbundled transmission service customers.

The wholesale power sales customers and unbundled transmission service customers of UPC, FG&E and URI are described below:

Unitil Power Corp.

UPC is the all-requirements supplier for CECO and E&H. UPC sells wholesale power to CECO and E&H at their delivery points in New Hampshire under its FERC Electric Rate Schedule No. 1, the Unitil System Agreement. Beyond that, UPC very seldom makes wholesale power sales because its entitlements are less than its load serving obligations. UPC made no energy sales during 2001, except for its all-requirements sales to CECO and E&H and interchange sales to NEPOOL.

Listed below are UPC's tariff customers.

Tariff No.	Customer	Date Filed	Docket
FERC Electric Rate Schedule 1	Concord Electric Company, Exeter & Hampton Electric Company	8/24/87	ER86-559-001
FERC Electric Tariff 2	Unitil Resources, Inc.	3/28/96	ER96-1427-000
FERC Electric Tariff 3	Central Vermont Public Service Corp	1/8/98	ER98-1359
FERC Electric Tariff 3	New Energy Ventures, LLC	1/12/98	ER98-1194
FERC Electric Tariff 3	Montaup Electric Co.	2/11/98	ER98-1814
FERC Electric Tariff 3	Northeast Energy Services, Inc.	4/10/98	ER98-2525
FERC Electric Tariff 3	Connecticut Municipal Electric Energy Cooperative	4/10/98	ER98-2525
FERC Electric Tariff 3	PG&E Energy Trading	6/19/98	ER98-3434
FERC Electric Tariff 3	Enserch Energy Services, Inc.	8/26/98	ER98-4362
FERC Electric Tariff 3	Commonwealth Electric Co.	8/26/98	ER98-4362

FERC Electric Tariff 3	Engage Energy US, LP	9/23/98	ER98-4618
FERC Electric Tariff 3	TransCanada Power Marketing, Ltd.	10/13/98	ER99-168
FERC Electric Tariff 3	Strategic Energy Ltd.	11/17/98	ER99-612
FERC Electric Tariff 3	Reliant Energy Service Inc	9/3/99	ER99-4370
FERC Electric Tariff 3	Indeck Pepperell Power Associates, Inc.	11/24/99	ER00-642
FERC Electric Tariff 3	Reading Municipal Lighting Department	8/21/01	ER01-2892
FERC Electric Tariff 3	Engage Energy America, LLC.	10/17/01	ER02-119
FERC Electric Tariff 3	Enron Power Marketing, Inc.	1/8/02	ER02-718

Fitchburg Gas and Electric Light Company

As described in Section II, FG&E is a subsidiary of Unutil Corporation, and is a distribution company in north-central Massachusetts. FG&E has been restructured and no longer manages a power supply. As part of its restructuring, FG&E sold the entire output of its portfolio of power supply contracts for the entire duration of each contract to Select Energy, Inc. FG&E has contracted with other suppliers to provide retail customers of FG&E with generation services. FG&E has several customers signed onto its market-based rate tariff, FERC Electric Tariff No. 3. However, FG&E does not conduct wholesale power sales beyond the continuing transfer of all of its entitlements in power contracts to Select Energy, Inc. In addition, FG&E has two customers signed onto its Open Access Transmission Tariff, FERC Electric Tariff No. 4. FG&E made no power sales during 2001, except for the portfolio sales to Select Energy, Inc. and interchange sales to NEPOOL.

Listed below are FG&E's tariff customers.

Tariff No.	Customers	Date Filed	Docket
FERC Electric Tariff 3	Central Maine Power Co.	1/8/98	ER98-1358
FERC Electric Tariff 3	Central Vermont Public Service Corp.	1/8/98	ER98-1358
FERC Electric Tariff 3	Enron Power Marketing, Inc.	1/12/98	ER98-1193
FERC Electric Tariff 3	New Energy Ventures, LLC.	1/12/98	ER98-1193
FERC Electric Tariff 3	United Illuminating Co.	1/12/98	ER98-1193
FERC Electric Tariff 3	New England Power Company	1/12/98	ER98-1193
FERC Electric Tariff 3	Green Mountain Power	1/12/98	ER98-1193
FERC Electric Tariff 3	Montaup Electric Company	2/11/98	ER98-1813
FERC Electric Tariff 3	Northeast Energy Services Inc.	4/10/98	ER98-2526
FERC Electric Tariff 3	Connecticut Municipal Electric Energy Cooperative	4/10/98	ER98-2526
FERC Electric Tariff 3	PG&E Energy Trading	6/9/98	ER98-3435
FERC Electric Tariff 3	Cambridge Electric Light Co.	8/26/98	ER98-4361
FERC Electric Tariff 3	Commonwealth Electric Co.	8/26/98	ER98-4361
FERC Electric Tariff 3	Enserch Energy Services, Inc.	8/26/98	ER98-4361
FERC Electric Tariff 3	TransCanada Power Marketing, Ltd.	10/13/98	ER99-176
FERC Electric Tariff 3	Strategic Energy Ltd.	11/17/98	ER99-613



FERC Electric Tariff 3	Constellation Power Source, Inc.	3/3/99	ER99-2049
FERC Electric Tariff 3	Select Energy, Inc.*	7/15/99	ER99-3579
FERC Electric Tariff 3	Reliant Energy Services	9/3/99	ER99-4369
FERC Electric Tariff 3	Indeck Pepperell Power Associates, Inc.	11/24/99	ER00-641
FERC Electric Tariff 3	Aquila Energy Marketing, Inc.	12/22/99	ER00-887
FERC Electric Tariff 3	New Hampshire Electric Cooperative	12/19/01	ER02-582
FERC Electric Tariff 3	Great Bay Power Corporation	1/28/02	ER02-857
FERC Electric Tariff 4	Fitchburg Gas & Electric Light Co.	9/12/97	ER97-4622
1st Revised FERC Electric Tariff 4	Pinetree Power Fitchburg, Inc.	9/27/99	ER99-4537
1st Revised FERC Electric Tariff 4	Massachusetts Bay Transportation Authority	4/20/00	ER00-2253

Unitil Resources, Inc.

URI is a subsidiary of Unitil Corporation. URI has not been a NEPOOL Participant since January 2000, and does not enter into wholesale transactions under its market-based rate schedule, FERC Electric Rate Schedule No. 1, in Docket No. ER97-2462-000.

Exhibit G

A description of jurisdictional facilities owned, operated, or controlled by the Applicants or their parent companies, subsidiaries, affiliates, and associate companies.

A description of such facilities of the Applicants is found in Section II of this Application. As described in Section II, FG&E owns limited 115 kV transmission facilities.

As also described in Exhibit D, FG&E owns a 0.1822% share (approximately 1.13 MW) of the Wyman Unit No. 4 oil-fired generator, which is located in Maine. This unit is a conventional oil-fired boiler and steam turbine generating unit originally placed in service in 1978. At year-end 2001, FG&E's net book value for this asset was approximately \$81,000. As a minority joint owner, FG&E neither operates nor controls this unit.

Exhibit H

All jurisdictional facilities and securities associated with or affected by the transaction.

As this transaction is a reorganization of the Company, all jurisdictional facilities of CECO and E&H would be affected.

Exhibit I

All contracts related to the proposed transaction together with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction.

Attached is the proposed Agreement and Plan of Merger, which has not yet been presented to the Companies' Boards for approval. A copy of the executed Agreement and Plan of Merger will be filed with the Commission. The Board Resolutions of Unutil, CECO and E&H authorizing the Reorganization have not yet been adopted. It is anticipated that they will be adopted at the next board meeting in September 2002. As soon as the resolutions are adopted, copies will be filed with the Commission.

Exhibit J

The facts relied upon to demonstrate that the reorganization of CECO and E&H into UES is in the public interest are set forth in Section I of the Application.

Exhibit K

A general or key map showing in different colors the properties of each party to the transaction.

See attached Service Territory Maps of CECO and E&H.

Exhibit L

Copies of the orders of the NHPUC and SEC that relate to the proposed transaction.

Copies of the orders of the NHPUC and SEC relating to the proposed transaction will be provided upon issuance. The NHPUC's August 28, 2002, order in Phase I of the proceeding, as discussed in Section III.A. of this Application, is attached.

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Concord Electric Company )  
Exeter & Hampton Electric Company ) Docket No. EC02-\_\_\_\_-000  
Unitil Energy Systems, Inc. )

NOTICE OF APPLICATION FOR APPROVAL  
OF INTRA-CORPORATE REORGANIZATION

Take notice that on August 30, 2002, Concord Electric Company, Exeter & Hampton Electric Company, and Unitil Energy Systems, Inc., filed with the Federal Energy Regulatory Commission an application pursuant to Section 203 of the Federal Power Act and 18 C.F.R. Part 33 for authorization of an intra-corporate reorganization. The proposed Reorganization involves the merger of Exeter & Hampton Electric Company into Concord Electric Company to form a single distribution company, which will be renamed Unitil Energy Systems, Inc.

Any person desiring to be heard or to protest such filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions or protests should be filed on or before \_\_\_\_\_. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of these filings are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

Magalie R. Salas,  
Secretary



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon:

Debra A. Howland  
Executive Director and Secretary  
State of New Hampshire  
Public Utilities Commission  
8 Old Suncook Road  
Concord, NH 03301-7319

SES Concord Company, L.P.  
c/o Wheelabrator Technologies Inc.  
Liberty Lane  
Hampton, NH 03842

Concord Steam Corporation  
Attn: Mr. Peter Bloomfield, President  
P.O. Box 1377  
Concord, NH 03302-1377

Concord Regional Solid Waste/  
Resource Recovery Cooperative  
6B South Main Street  
Penacook, NH 03303

New Hampshire Hydro Associates  
c/o Essex Hydro Associates, L.L.C.  
55 Union Street, 4th Floor  
Boston, MA 02108

Penacook Hydro Association  
c/o Essex Hydro Associates, L.L.C.  
55 Union Street, 4th Floor  
Boston, MA 02108

Briar Hydro Association  
c/o Essex Hydro Associates, L.L.C.  
55 Union Street, 4th Floor  
Boston, MA 02108

Dated at Washington, D.C., this 30th day of August 2002.

DF 97-165  
Order No. 22,706

New Hampshire Public Utilities Commission  
September 4, 1997

BY THE COMMISSION:

ORDER

On August 8, 1997, Concord Electric Company (CEC) filed with the New Hampshire Public Utilities Commission (Commission) a request that the Commission waive N.H. Admin. Rules, Puc. 307.05, a Commission rule now awaiting repromulgation, which limits an electric utility's short term debt to 10% of net fixed plant. CEC seeks authorization for \$8,000,000, which would exceed the 10% limit. CEC also seeks authority to issue and sell from time to time, or renew, notes, bonds, or other evidences of indebtedness payable less than 12 months from the date thereof.

CEC was authorized by Order No. 19,540 (September 27, 1989) to issue and sell, from time to time, or renew, up to \$5,000,000 of short-term debt at current interest rates. The Commission also required CEC to obtain prior approval before incurring short-term debt in excess of the amount allowed in that order. As of June 30, 1997, CEC had outstanding short-term debt in the amount of \$3,774,678, thus approaching the limit of \$5,000,000 for short-term debt established in Order No.19,540. CEC anticipates that it will need to exceed the \$5,000,000 short-term debt limitation on or before September 15, 1997 in order to meet its increasing interim funding requirements. Therefore, the CEC seeks approval to issue up to an additional \$3,000,000 of such indebtedness.

Because of the growth in customers and sales over the last several years, accompanied by the need for additional capital expenditures for additions, extensions, and betterments to its distribution property, plant, and equipment, CEC interim funding requirements have increased. CEC seeks the requested increase in short-term debt to support current and working capital requirements, provide interim financing for increasing levels of capital expenditures on distribution plant and equipment and provide the financial flexibility to plan and optimize the benefits and timing of future long-term financings.

By vote dated August 8, 1997, CEC's Board of Directors approved the proposed increase in short-term debt and filing of this petition, and requested that an order nisi be issued within 30 days of the filing of this petition.

Subsequent to the issuance of Order No. 19,540, the Commission promulgated N. H. Admin. Rules, Puc. 307.05 establishing the short-term debt limit for electric utilities. The Commission has reviewed the filing and the responses to data requests propounded by Staff. From the

financial statements submitted with the petition, it is evident that CEC would exceed the 10% limitation contained in a prior rule and in the pending rule if the additional amount CEC were to be borrowed immediately and in its entirety. CEC has advised Staff that such is not its intent, but we recognize the need for a company to have flexibility in its financial dealings.

We have reviewed the filing and the responses to data requests propounded by Staff. Given the managerial and financial expertise of CEC, we will authorize the new debt ceiling of \$8,000,000. We find the proposed uses for the requested borrowings reasonable under all of the circumstances, and in the public good.

Based upon the foregoing, it is hereby

ORDERED NISI, that Concord Electric Company be, and hereby is, authorized to issue and sell from time to time, or renew, up to \$8,000,000 of notes, bonds, and other evidences of indebtedness payable less than 12 months from the date thereof at current interest rates and upon terms and conditions and for the purposes as set forth in the Concord Electric Company petition and its attached exhibits; and it is

FURTHER ORDERED, that Concord Electric Company first obtain approval of this Commission before incurring short-term indebtedness in excess of the amount allowed by the terms of this order; and it is

FURTHER ORDERED, that on or before January 1st in each year, Concord Electric Company shall file with this Commission, in accordance with Puc. 609.02, Form F-2 "Disposition of Proceeds from Sale of Securities"; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules, the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation, such publication to be no later than September 11, 1997 and

to be documented by affidavit filed with this office on or before September 18, 1997; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than September 25, 1997; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than October 2, 1997; and it is

FURTHER ORDERED, that this Order Nisi shall be effective October 6, 1997, unless 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 fourth day of September, 1997.

Re Exeter and Hampton Electric  
Company

DF 97-164  
Order No. 22,705

New Hampshire Public Utilities Commission  
September 4, 1997

-----  
BY THE COMMISSION:

ORDER

[1] On August 8, 1997, Exeter & Hampton Electric Company (E&H) filed with the New Hampshire Public Utilities Commission (Commission) a request that the Commission waive N.H. Admin. Rules, Puc 307.05, a provision in Commission rules now awaiting repromulgation, which limits an electric utility's short term debt to 10% of net fixed plant. E&H seeks authorization for a short-term debt limit of \$8,000,000, which would exceed the 10% limit. E&H also seeks authority to issue and sell from time to time, or renew, notes, bonds, or other evidences of indebtedness payable less than 12 months from the date thereof.

E&H was authorized by Order No. 19,541 (September 27, 1989) to issue and sell, from time to time, or renew, up to \$5,000,000 of short-term debt at current interest rates. The Commission also required E&H to obtain prior approval before incurring short-term debt in excess of the amount allowed in that order. As of June 30, 1997 E&H had outstanding short-term debt in the amount of \$4,210,906, thus approaching the limit of \$5,000,000 for short-term debt established in Order No. 19,541. E&H anticipates that it will need to exceed the \$5,000,000 short-term debt limitation on or before September 15, 1997 in order to meet its increasing interim funding requirements. Therefore, E&H seeks approval to issue up to an additional \$3,000,000 of such indebtedness.

Because of the growth in customers and sales over the last several years, accompanied by the need for additional capital expenditures for additions, extensions, and betterments to its distribution property, plant, and equipment, E&H's interim funding requirements have increased. It seeks the requested increase in short-term debt to support current and working capital requirements, provide interim financing for increasing levels of capital expenditures on distribution plant and equipment and provide the financial flexibility to plan and optimize the benefits and timing of future long-term financings.

By vote dated August 8, 1997, E&H's Board of Directors approved the proposed increase in short-term debt and filing of this petition, and requested that an order nisi be issued within 30 days of the filing of this petition.

Subsequent to the issuance of Order No. 19,541, the Commission promulgated N.H. Admin. Rules, Puc 307.05 establishing the short-term debt limit for electric utilities. The Commission has reviewed the filing and the responses to data requests propounded by Staff.

From the financial statements submitted with the petition, it is evident that E&H would exceed the 10% limitation contained in a prior rule and in the pending rule if the additional amount were to be borrowed immediately and in its entirety. E&H has advised Staff that such is not its intent, but we recognize the need for a company to have flexibility in its financial dealings.

We have reviewed the filing and the responses to data requests propounded by Staff. Given the managerial and financial expertise of E&H, we will authorize the new debt ceiling of \$8,000,000. We find the proposed uses for the requested borrowings reasonable under all of the circumstances, and in the public good.

Based upon the foregoing, it is hereby

ORDERED NISI, that Exeter & Hampton Electric Company be, and hereby is, authorized to issue and sell from time to time, or renew, up to \$8,000,000 of notes, bonds, and other evidences of indebtedness payable less than 12 months from the date thereof at current interest rates and upon terms and conditions and for the purposes as set forth in the Exeter & Hampton Electric Company petition and its attached exhibits; and it is

FURTHER ORDERED, that Exeter & Hampton Electric Company first obtain approval of this Commission before incurring short-term indebtedness in excess of the amount allowed by the terms of this order; and it is

FURTHER ORDERED, that on or before January 1st in each year, Exeter & Hampton Electric Company shall file with this Commission, in accordance with Puc 609.02, Form F-2 "Disposition of Proceeds from Sale of Securities"; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules, the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation, such publication to be no later than September 11, 1997 and

to be documented by affidavit filed with this office on or before September 18, 1997; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than September 25, 1997; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than October 2, 1997; and it is

FURTHER ORDERED, that this Order Nisi shall be effective October 6, 1997, unless 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 fourth day of October, 1997.