

**Mid-Term Modification Request for Unitil Gas**  
**March 2, 2015**

Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”) is committed to securing energy savings consistent with its portfolio level savings goals for the period 2013 through 2015, as endorsed by the Energy Efficiency Advisory Council (“EEAC” or “Council”) and approved by the Department of Public Utilities (“Department”), in a cost-effective manner. Unitil has experienced continued unprecedented demand for residential energy efficiency services. In addition, the Company has experienced high demand for its Commercial and Industrial Retrofit Program. In order to continue offering its current level of service, Unitil proposes to increase its budgets for these two Programs. These proposed adjustments trigger a need for Council review, as well as, in the case of the residential Whole House proposed adjustment, Department review and approval pursuant to § 3.8 of the revised Energy Efficiency Guidelines issued by the Department in D.P.U. 11-120. Unitil requests Council approval to make the modifications to its gas Energy Efficiency Plan as described below.

**I. Residential Whole House Program:**

Within the Residential Whole House Program the Home Energy Services (“HES”) initiative requires additional funds to ensure continued services. This initiative has been overwhelmingly successful thus far during this three-year plan.

**Table 1: Residential Whole House MTM #1: Received EEAC Approval on October 15, 2014**

<b>Program</b>	<b>Approved Three Year Plan Budget</b>	<b>2013-2015 Initial Projection</b> <i>(2013 Actual + 2014 Draft / Estimate + 2015 Estimate)</i>	<b>Increased Budget</b> <i>Approved by the Council on October 15, 2014</i>	<b>Percent Change from Approved Three Year Plan Budget</b>
<b>Whole House</b>	\$826,905	\$1,066,905	\$240,000	29%

**Table 2: Residential Whole House MTM #2**

<b>Program</b>	<b>Three-Year Budget Inclusive of MTM #1</b>	<b>2013-2015 Revised Projection</b> <i>(2013 Actual + 2014 Draft + 2015 Revised Estimate)</i>	<b>Additional Budget Request for Approval</b>	<b>Percent Change from Currently Approved Budget</b>	<b>Percent Change from Initial Three-Year Budget</b>
<b>Whole House</b>	\$1,066,905	\$1,316,905	\$250,000	23%	59%

When the current requested budget increase is combined with the Company's previous budget increase, the related bill impact as calculated per the Guidelines triggers a "Category Two" MTM, which requires both Council and Department review, as well as Department approval, before the Company may implement the modification. See D.P.U. 11-120 Phase II, Order at 28-29. The Company's "isolated" bill impact analysis (e.g., increasing the Residential Sector budget by \$490,000, while holding constant all other assumptions from Company's Compliance filing) produce bill impacts for the residential sector of approximately 3 percent thereby triggering the MTM filing to the Department.

The proposed budget increase will allow Unitil to continue the HES initiative, thereby achieving additional savings in the Residential Whole House Program. The Company has experienced tremendous interest in HES over the past two years and anticipates that demand for services will continue to exceed our original Plan through the remaining months of the Term. During 2014 alone, the Company provided services to more than 140 customers through its gas HES initiative, compared to the Three Year Plan goal of 126 gas participants. As of December 31, 2014, spending for the HES initiative alone was at 101% of the originally approved Three Year Plan budget for the Whole House Program.

During 2013 and 2014<sup>1</sup> HES annual savings are over 5,000 MMBtu - almost 200% - of the planned annual savings for the HES initiative, and 83% of the approved annual savings goals for the Residential Whole House Program. Unitil proposes to increase the currently approved Whole House Program budget by \$250,000 (see Table 2, above). This proposed increase is reasonable and will allow the Company to continue to serve customers through December 2015. These additional funds, if approved by the Department, will be used to provide HES customer home energy assessments, incentive payments for additional measure installations, and related administrative costs.

As a result of the \$250,000 and \$240,000 budget increases detailed above, annual savings from residential customers in the three-year period are anticipated to be approximately 23% higher than approved total residential sector savings goals, with the cost for all residential sector efforts projected to be 33% above the approved total residential sector budget.

## **II. Commercial & Industrial Retrofit Program:**

During 2014, Unitil experienced tremendous demand for its C&I Gas Retrofit Program; not only far surpassing its 2014 savings goal but also bringing the Company to 82% of its Three Year Plan savings goal for the entire C&I sector. In order to continue offering energy efficiency services to its C&I Retrofit customers through 2015, Unitil requests approval for a budget increase of \$485,000.

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<sup>1</sup> Please note that all 2014 savings values used and presented in all analyses are preliminary

**Table 3: Commercial & Industrial Retrofit Program:**

<b>Program</b>	<b>Approved Three Year Plan Budget</b>	<b>2013-2015 Revised Projection</b> <i>(2013 Actual + 2014 Draft + 2015 Revised Estimate)</i>	<b>Increased Budget</b>	<b>Percent Change from Approved Budget</b>
<b>C&amp;I Retrofit</b>	\$1,119,658	\$1,604,658	\$485,000	43%

The requested budget increase triggers a “Category One” MTM because the requested amount is greater than 20% of the currently approved three year budget for the C&I Retrofit Program. See D.P.U. 11-120 Phase II, Order at 28. A Category One MTM requires Council review before the Company may implement the modification.

The proposed budget increase will allow Unitil to continue to offer the C&I Retrofit Program and achieve greater C&I savings for this sector. The Company often experiences great swings in Program participation and associated savings year over year. As of December 31, 2014, the C&I Retrofit Program spending was at 98% of its approved Three Year Plan Program budget, and 58% of the entire current C&I sector budget.

During this same period, C&I Retrofit Program annual savings were approximately 30,200 MMBtu, or 97% of the Department approved Three Year Plan annual savings goals for the Program, and 70% of the Three Year Plan annual savings goals for the entire C&I Sector. As a result of these successes, Unitil proposes to continue offering its gas C&I Retrofit Program through the remainder of 2015 by adding \$485,000 to the currently approved Program budget (see Table 3, above). This proposed increase is reasonable and will allow the Company to continue to serve customers through 2015. These additional funds, if approved, will be used to provide incentive payments for additional retrofit projects, and measures, as well as related administrative costs.

As a result of the budget increase detailed above, annual savings from C&I customers in the three-year period are anticipated to be approximately 19% higher than Department-approved total C&I sector annual savings goals, with the cost for C&I efforts projected to be 18% above the approved C&I sector budget.

### **III. Performance Incentives:**

The Company does not propose any changes to the Department-approved performance incentive (“PI”) model for the current Three Year Term as a result of these proposed budget increases, and will maintain the threshold, design, and exemplary levels of performance for the Savings and Value Mechanisms as approved in the updated PI model submitted to the Department on March 3, 2014, in Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 14-05 (amended initial filing). The Company intends to

compare actual results for the programs to original Department-approved budgets as part of the Company's plan year and overall Term performance reporting.

**IV. Summary:**

The Company will continue to monitor all initiatives and programs closely, as well as market and environmental factors related to program delivery with a commitment to continuing to serve our customers. Should the need arise, the Company will notify and work with the Council and the Department to ensure that all efforts are made to continue program offerings in a cost-effective manner that serves common interests.

DRAFT

Additional Material for Informational Purposes Only

The additional information summarized below is provided by Unitil for context and informational purposes only. Council action is requested solely on the two modifications described above. The Council, in acting on the above modifications, is not acting on or approving the estimates provided by Unitil below.

Table 4 shows the Company's 2013-2015 anticipated adjustments for annual savings, lifetime savings, and expenses for each sector. These projections incorporate 2013 Plan-Year Report results, preliminary draft Q4 results for 2014, and projected 2015 expenses and savings based on actual cost to achieve during 2013 and 2014.

**Table 4: Unitil Gas 2013-2015 Anticipated Outcomes with Proposed Budget**

	annual savings		lifetime savings		costs	
	Therms	% of Plan	Therms	% of Plan	\$ dollars	% of Plan
<b>Total Residential</b>	<b>12,841</b>	<b>123%</b>	<b>241,493</b>	<b>111%</b>	<b>\$ 1,984,085</b>	<b>133%</b>
Residential Whole House Program	8,369	124%	161,406	106%	\$ 1,316,905	159%
New Construction	854	77%	20,885	76%	\$ 126,761	85%
Multifamily Retrofit	106	4%	1,967	3%	\$ 76,345	46%
HES	7,410	255%	138,554	238%	\$ 1,113,799	218%
All Other Residential	4,472	121%	80,087	122%	\$ 667,180	100%
<b>Total Low Income</b>	<b>9,647</b>	<b>173%</b>	<b>168,974</b>	<b>131%</b>	<b>\$ 1,689,739</b>	<b>100%</b>
<b>Total C&amp;I</b>	<b>51,647</b>	<b>119%</b>	<b>897,173</b>	<b>110%</b>	<b>\$ 2,257,454</b>	<b>118%</b>
Retrofit Program	44,073	141%	730,637	127%	\$ 1,604,658	143%
All Other C&I	7,574	63%	166,536	69%	\$ 61,655	82%
<b>TOTAL PORTFOLIO</b>	<b>74,135</b>	<b>125%</b>	<b>1,307,639</b>	<b>112%</b>	<b>\$ 5,931,278</b>	<b>116%</b>