

**UNITIL'S PROPOSED MID-TERM MODIFICATIONS
TO 2010 GAS ENERGY EFFICIENCY PROGRAMS**

Introduction

On January 28, 2010, the Massachusetts Department of Public Utilities (the "Department") approved the Three-Year Natural Gas Energy Efficiency Plan filed by Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil" or the "Company") as part of the statewide energy efficiency planning process mandated under the Green Communities Act of 2008. Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 09-127 (2010). That approval established the Company's program expenses and revenues for the 2010 program year. During the initial implementation of its natural gas energy efficiency programs, the Company has experienced very positive results in certain programs. In the Residential Prescriptive Rebate Program, the Company projects that spending will reach 2010 budgeted levels by the end of August. The other programs; Low Income Retrofit, Commercial and Industrial ("C&I") Retrofit, and C&I Direct Install, are expected to exceed their approved budgets by more than 20% before year end.

Pursuant to § 3.8 of the D.P.U. 08-50-B Guidelines (the "Guidelines") issued by the Department on October 26, 2009, Unitil requests Mid-Term Modifications for the 2010 program year budgets for these programs in order to be able to continue offering these successful programs through 2010. The Guidelines anticipate such Modifications would accompany the filing of the 2009 Annual Report which is now scheduled on or before August 2, 2010. However, given the time-sensitive nature of the situation, Unitil believes it needs to proceed immediately with this request, and correspondingly the Company respectfully requests a waiver from this provision of the Guidelines, as provided for pursuant to § 5.

In addition, the Company has made every effort to address all of the known budget variances that it foresees at this point in the year. It is Unitil's firm goal to address all of the variances above the 20% level in a single filing in order to maximize administrative

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efficiencies for the Company, the Energy Efficiency Advisory Council (the “Council”), and the Department.

The table below provides a comparison of the authorized budgets, savings targets, and benefit-cost ratios for these programs as presented in the Company’s approved energy efficiency plan, along with the requested budget changes. As shown in this table, these programs continue to be cost-effective and the increased funding leads to higher savings in each program.

Program	As Approved in DPU 09-127			With Proposed Mid-Course Modification			Difference		
	Budget	Projected Savings (MMBtu)	Benefit / Cost Ratio	Budget	Projected Savings (MMBtu)	Benefit / Cost Ratio	Budget	Projected Savings (MMBtu)	Benefit / Cost Ratio
Residential Prescriptive Rebates	\$86,325	1,235	2.6	\$171,151	2,686	2.4	\$84,826	1,451	(0.2)
Low Income Retrofit	\$126,706	928	2.5	\$172,672	1,332	2.4	\$45,966	404	(0.1)
C&I Retrofit	\$160,717	8,353	4.5	\$221,355	10,363	4.3	\$60,638	2,010	(1.0.2)
C&I Direct Install	\$13,357	509	6.0	\$35,646	1,130	4.6	\$22,289	621	(1.4)
Total	\$387,105	11,025		\$600,824	15,510		\$213,719	4,485	

Unitil proposes to recover the additional budget expenses in its next Local Distribution Adjustment Factor (“LDAF”) filing to be made on August 2010, with rates to be effective November 1, 2010. The Company would also propose to file for recovery of any approved performance incentive and lost base revenue as appropriate.¹ The effect of the proposed budget increases would be to increase the residential LDAF by an estimated \$0.0152 per therm, resulting in an incremental increase of approximately 1.2% on a typical residential heating customer’s monthly bill. A low income residential customer

¹ The Company has not yet completed the revised 08-50 tables or the calculation of changes in Performance Incentives of Lost Base Revenues associated with the budget increases, but will provide that information at the time of filing with the Department.

would experience an increase in the LDAF of \$0.0021 per therm or about 0.2% on a monthly bill.

The Company has also calculated the estimated increase in the C&I LDAF as \$0.0091 per therm, which would result in an incremental increase of approximately 0.8% on a typical small C&I customer's monthly bill and 0.9% on a typical large C&I customer's monthly bill.

Detailed Discussion of Changes

Residential Prescriptive Rebates (GasNetworks™)

During 2009, the demand for this program accelerated, resulting in a significant spending increase over the level anticipated for 2009. In Docket D.P.U. 10-16, the Company requested approval to exceed budget levels for this program, which the Department granted on May 28, 2010. The high level of demand in this program has continued in 2010.

On a year-to-date basis, the program has served 108 participants of a projected 86 total, at an average cost per participant of \$407. This compares to an expected cost per participant of \$712.

	Rebate	Tech Assistance/Admin	Participants	Cost per Participant
2010 Planned	\$50,931.72	\$10,359.00	86	\$712
Year To Date	\$42,824.90	\$1,162.05	108	\$407

At current levels of activity this program will be oversubscribed by the end of August. Participation in this program is driven by the trade allies promoting and “up-selling” using the now higher rebate levels. In addition, the fall heating season drives sales and

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increased program activity. Unitil anticipates a doubling of current activity in Q3 and Q4.

The resulting budget recommendation for the Residential Prescriptive Rebates program is an increase of \$84,826 or 98%, to the level of \$171,151. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

Residential Prescriptive Rebates	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 34,515	\$ 4,446	\$ 108,000	\$ 19,874	\$ 4,316	\$ 171,152
As Approved - DPU 09-127	\$ 12,237	\$ 4,446	\$ 50,932	\$ 14,395	\$ 4,316	\$ 86,326
Difference	\$ 22,278	\$ -	\$ 57,068	\$ 5,479	\$ -	\$ 84,826

Program: Low Income Retrofit

Unitil delivers its Low-Income Weatherization program through its low-income energy affordability network (“LEAN”) affiliate, the Montachusett Opportunity Council (“MOC”). The gas Low-Income program is predominately utilized for heating system replacements. On a year-to-date basis, the program has served nine participants out of a program year anticipated total of 27, at an average cost per participant of \$3,870, which is almost 20% above plan projections.

	Rebate	Tech Assistance/Admin	Participants	Cost Per Participant
2010 Planned	\$68,052.00	\$21,563.16	27	\$3,319
Year To Date	\$28,111.50	\$6,721.80	9	\$3,870

For the remainder of the year, the Company anticipates completing the enrollment of the projected 27 participants through the normal channels, which would result in a total budget for the program of less than 120% of planned.

However, the Company is currently aware of four low-income housing projects that are being screened for Q3 within the new statewide multi-family PHA/CDC program. These consist of a total of 22 buildings and 356 total units. While Unitil does not expect that all

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of these buildings and units will be screened and completed in 2010, or that all would be eligible for funding under the gas Low Income Program, it does anticipate some level of activity in relation to these potential projects. Given the current uncertainty regarding the outcome and timing of program participation for these very large projects, developing a detailed budget estimate at this time is quite difficult. The Company has estimated a budget increase that would accommodate an additional 45 units at an average per rebate unit cost of \$1,000 for participation in this program in 2010. As these proposed projects move forward in the planning and screening process, we will keep the Department and parties informed of developments and determine if additional adjustments to the budget are warranted.

The resulting budget recommendation for the Low Income Weatherization program is an increase of \$45,956 (36%), to the level of \$172,672. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

Low Income Retrofit (Multifamily)	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 25,790	\$ 5,640	\$ 101,500	\$ 33,973	\$ 5,768	\$ 172,672
As Approved - DPU 09-127	\$ 19,989	\$ 5,640	\$ 68,052	\$ 27,256	\$ 5,768	\$ 126,706
Difference	\$ 5,801	\$ -	\$ 33,448	\$ 6,717	\$ -	\$ 45,966

C&I Retrofit

The Gas C&I Retrofit Program is the primary energy efficiency program for the company's Gas C&I customer segment. Activity in this program is highly dependent on customers making the choice to move forward with energy efficiency spending. The level of activity has been uncertain and hard to predict. In addition, one large project can have a significant impact on the program budget. So far this year, program activity has been slightly ahead of target, and in addition, Unitil now has several large projects in the pipeline which it expects will be completed this year. Completion of these projects will result in program spending greater than 20% above budget. Among the active projects are two multi-family facilities totaling 146 units – the Company expects some portion of the energy efficiency funding at these projects to fall into the Gas C&I Retrofit program.

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	Rebate	Audit	Participants	Cost per Participant
2010 Planned	\$114,444.88	\$18,017.19	5	\$26,492.41
Year To Date	\$86,039.00	\$750.00	6	\$14,464.83

The resulting budget recommendation for the C&I Retrofit program is an increase of \$60,638 or 38%, to the level of \$221,355. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

C&I Retrofit	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 25,648	\$ 4,391	\$ 166,750	\$ 20,162	\$ 4,404	\$ 221,355
As Approved - DPU 09-127	\$ 14,040	\$ 2,748	\$ 132,462	\$ 7,064	\$ 4,404	\$ 160,717
Difference	\$ 11,608	\$ 1,643	\$ 34,288	\$ 13,098	\$ -	\$ 60,638

C&I Direct Install

The Gas C&I Direct Install program is a relatively small budget which provides for the installation of various gas efficiency measures which occurs at the time of the electric C&I retrofit audit. The program is well ahead of target for the year to date in terms of spending, however MBTU savings are lagging slightly.

	Rebate	Audit	Participants	Cost per Participant
2010 Planned	\$7,413.20	\$1,068.60	2	\$4,240.90
Year To Date	\$3,428.21	\$-	7	\$489.74

The resulting budget recommendation for the C&I Direct Install program is an increase of \$22,289 or 167%, to the level of \$35,646. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

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C&I Direct Install	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 8,473	\$ 601	\$ 16,964	\$ 8,807	\$ 801	\$ 35,646
As Approved - DPU 09-127	\$ 1,870	\$ 601	\$ 8,482	\$ 1,603	\$ 801	\$ 13,357
Difference	\$ 6,603	\$ -	\$ 8,482	\$ 7,204	\$ -	\$ 22,289

Updated D.P.U. 08-50 Tables

The Company's filing to the Department for approval of its mid-course correction increases will be accompanied by updated D.P.U. 08-50 tables incorporating the budget increases requested herein. The tables include information about funding sources, budgets, cost-effectiveness, performance incentives and cost-recovery, including a calculation of lost base revenues.

Projected Rate Impacts

The Company has conducted its initial analysis regarding the incremental impact of the increases requested in this filing, the results of which will accompany the filing made to the Department. This analysis projects the effect of the incremental budget increases to the residential class for the period of November 2010 through October 2011, the period when the increase will be collected.

Initial projections compiled by the Company estimate that the impact of the incremental spending would be to increase the Company's LDAF by a total of \$213,719 for the period. The effect of the proposed budget increases would be to increase the residential LDAF by an estimated \$0.0152 per therm, resulting in an incremental increase of approximately 1.2% on a typical residential heating customer's monthly bill. A low income residential customer would experience an increase in the LDAF of \$0.0021 per therm or about 0.2% on a monthly bill. Initial estimates regarding the C&I LDAF show an increase of \$0.0091 per therm, which would result in an incremental increase of approximately 0.8% on a typical small C&I customer's monthly bill and 0.9% on a typical large C&I customer's monthly bill.