

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

Introduction

On January 28, 2010, the Massachusetts Department of Public Utilities (the "Department") approved the Three-Year Natural Electric 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. 09-117 (2010). That approval established the Company's program expenses and revenues for the 2010 program year. During the initial implementation of its electric energy efficiency programs, the Company has experienced very positive results in certain programs. Based on the results for the year-to-date and current activity levels, the Company projects that spending in the Residential Retrofit (MassSave) Program will reach 120% of budget levels by the end of August. In addition, Unitil projects that the Residential New Construction (ENERGY STAR Homes), ENERGY STAR Appliances and Low Income Retrofit programs will exceed 120% of budgeted levels by year end.

Pursuant to § 3.8 of the D.P.U. 08-50-B Guidelines (the "Guidelines"), Unitil is requesting 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 pursuant to § 5 of the Guidelines.

In addition, the Company has made every effort to address all of the known budget variances that it foresees to date. It is Unitil's firm goal to address all of the variances

Fitchburg Gas and Electric Light Company d/b/a Unitil
 July 6, 2010
 Electric 2010 Budget
 Mid-Course Adjustment

above the 20% level in a single filing in order to maximize administrative efficiencies for the Company, 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.

Electric	As Approved in DPU 09-117				With Proposed Mid-Course Modification				Difference			
	Program	Budget	Projected Savings MWh	Projected Savings MMBtu	Benefit /Cost Ratio	Budget	Projected Savings MWh	Projected Savings MMBtu	Benefit / Cost Ratio	Budget	Projected Savings MWh	Projected Savings MMBtu
Residential New Construction	\$90,000	38	731	2.3	\$140,000	73	1,396	2.5	\$50,000	35	665	0.2
Residential Retrofit (Mass Save)	\$198,405	158	1,857	4.9	\$346,991	103	3,505	4.5	\$148,586	(55)	1,648	(0.4)
ENERGY STAR Appliance	\$50,000	87	-	2.0	\$68,443	150	-	1.9	\$18,443	63	-	(0.1)
Low Income Retrofit	\$222,669	106	1,510	4.9	\$297,669	173	1,744	4.5	\$75,000	67	234	(0.4)
Total	\$561,074	389	4,098		\$853,103	499	6,645		\$292,029	110	2,547	

Unitil proposes to recover the additional budget expenses in its next Electric Efficiency Reconciliation Adjustment Factor (“EERF”) filing in February 2011 for effect as of June 1, 2011. The Company would also propose to file for recovery of any approved performance incentive as appropriate.¹ The Company has not requested Lost Base Revenues in the current program year.

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

Fitchburg Gas and Electric Light Company d/b/a Util
 July 6, 2010
 Electric 2010 Budget
 Mid-Course Adjustment

The effect of the proposed budget increases would result in the EERF increasing by an estimated \$0.00211 per kWh for Residential customers, resulting in an incremental increase of approximately 1.1% on a typical residential customer’s monthly bill.

Detailed Discussion of Changes

Program: Residential New Construction (Energy Star Homes)

Residential home construction in North Central Massachusetts dropped precipitously with the on-set of the recession and the decline in housing sales and prices. This has limited interest in the Energy Star Homes program, and activity year to date has been limited. However, the Company is in active discussions with a 66-unit multifamily facility, and expects the facility will complete the program in 2011, resulting in a significant increase in spending beyond the original budget projections for the year.

	Rebate	Tech Assistance/Admin	Participants	Cost per Participant
2010 Planned	\$54,900	\$1,400	27	\$2,085
Year To Date	\$2,500	\$640	0	NA

The resulting budget recommendation for the Energy Star Homes Program is an increase of \$50,000 or 55%, to the level of \$140,000. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

Residential New Construction	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 11,351	\$ 3,600	\$ 104,900	\$ 16,189	\$ 3,960	\$ 140,000
As Approved - DPU 09-117	\$ 11,351	\$ 3,600	\$ 54,900	\$ 16,189	\$ 3,960	\$ 90,000
Difference	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000

Program: Residential Retrofit (MassSAVE)

The Company has witnessed excellent results this year in this program as shown below. The program is offered to customers as a “turnkey” service by our lead contractor, which provides for a better and more streamlined customer experience. Overall participation is

Fitchburg Gas and Electric Light Company d/b/a Unitil
 July 6, 2010
 Electric 2010 Budget
 Mid-Course Adjustment

higher than planned and the Company’s closure rate of customers installing major measures is well over 50%. The program design includes a blower door test and installation of air sealing at the time of the audit (as conditions allow). Year-to-date results indicate that the program is lagging in terms of kWh savings achieved; however, this is offset by a showing that MMBTU savings remain robust.

	Rebate\$	Audit/ 3rd Party Admin	Participants	Cost per Participant
2010 Planned	\$97,862	\$22,187	72	\$1,667
Year To Date	\$68,097	\$29,989	81	\$1,211

At present activity rates, Unitil anticipates this program to be oversubscribed by the end of August. Therefore, the Company will need more resources allocated to the program in order to satisfy demand through the typically busy fall season – particularly for audit measures. Implementation work and invoicing typically runs on a two-month project cycle, so customers who are audited in November or December will tend to carry over in terms of measure installation into 2011. Under the program design, the audit fee is \$215 which increases by 10% per installed measure. The Company also notes that the statewide marketing initiatives that have begun will continue to drive participation higher for all residential programs.

The resulting budget recommendation for the Residential Retrofit program is an increase of \$92,586 (46%), to the level of \$290,991. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 40,754	\$ 25,766	\$ 208,230	\$ 61,738	\$ 10,503	\$ 346,991
As Approved - DPU 09-117	\$ 17,477	\$ 11,764	\$ 107,549	\$ 51,113	\$ 10,503	\$ 198,406
Difference	\$ 23,277	\$ 14,002	\$ 100,681	\$ 10,625	\$ -	\$ 148,585

Program: Energy Star Appliance

While the Company’s service territory does not benefit from the number and diversity of appliance retailers that exist in other parts of the state, the Energy Star appliance program remains active and there are a number of initiatives currently underway that will add significantly to the program demand. Unitil is working on updating the newly launched statewide website to accurately reflect all our offerings consistent with the other PAs. Further, the Company has all point-of-purchase materials on hand and in participating retailers in surrounding communities. Offers within this program include \$20 on ENERGY STAR room cleaners, discounted pricing on advanced power strips, up to \$30 on qualifying ENERGY STAR computers and monitors, \$200 rebate on qualified energy efficient pool pumps, \$50 on qualified ENERGY STAR refrigerators/freezers and a \$50 rebate for recycling an old second refrigerator.

	Rebate \$	Tech Assistance/ Admin	Participants	Cost per Participant
2010 Planned	\$28,000	\$5,500	563	\$59.5
Year To Date	\$11,960	\$2,509	152	\$95.2

While program activity is strong, the measured savings are not as strong as the Company anticipated seeing, due to the fact that rebate activity is primarily for refrigerators and freezers. In order to hit savings goals within budget, our concentration in Q3 and Q4 will focus on promoting measures which realize more savings. Unitil notes that there are currently plans for a statewide fall lighting catalog release, in which it can cross-promote measures such as smart strips and refrigerator recycling. In Q3, the Company anticipates the launch of a follow-up “Great Appliance Exchange” (GAX 2.0) which will further increase demand under this program.

The resulting budget recommendation for the Energy Star Appliance Program is an increase of \$18,443 (37%) to the level of \$68,443. The detailed breakdown of this budget by category, compared to the original budget, is provided below.

Fitchburg Gas and Electric Light Company d/b/a Unitil
 July 6, 2010
 Electric 2010 Budget
 Mid-Course Adjustment

ENERGY STAR Appliance	PP&A	Mkting	CI	STAT	Eval	Total
W/ Proposed Midterm Modifications	\$ 4,021	\$ 4,750	\$ 42,900	\$ 14,022	\$ 2,750	\$ 68,443
As Approved - DPU 09-117	\$ 4,021	\$ 4,750	\$ 28,000	\$ 10,479	\$ 2,750	\$ 50,000
Difference	\$ -	\$ -	\$ 14,900	\$ 3,543	\$ -	\$ 18,443

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”). On a year-to-date basis, the program has served 21 participants out of a program year anticipated total of 124, at an average cost per participant of \$3,813, which is 300% above plan projections. Many of the undertaken projects provide for oil heating system replacements, with further basic weatherization provided from DOE Weatherization funds.

	Rebate\$	Audit / 3rd Party Admin	Participants	Cost per Participant
2010 Planned	\$115,811	\$43,594	124	\$1,286
Year To Date	\$58,186	\$21,899	21	\$3,814

This program took some time to get underway in 2010, but is now progressing well. For the remainder of the year, the Company would not anticipate completing the enrollment of a total of 124 participants through the normal channels.

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 of these buildings and units will be screened and completed in 2010, or that all would be eligible for funding under the electric 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 is quite difficult. The Company has estimated a budget

Fitchburg Gas and Electric Light Company d/b/a Unitil
 July 6, 2010
 Electric 2010 Budget
 Mid-Course Adjustment

increase that would accommodate an additional 67 units, at an average rebate per unit cost of \$1,000 for participation, will participate 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 adjustment to the budget are warranted.

The resulting budget recommendation for the Low Income Weatherization Program is an increase of \$75,956 (34%), 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	\$ 28,833	\$ 11,581	\$ 195,550	\$ 50,703	\$ 11,002	\$ 297,669
As Approved - DPU 09-117	\$ 23,833	\$ 11,581	\$ 128,550	\$ 47,703	\$ 11,002	\$ 222,669
Difference	\$ 5,000	\$ -	\$ 67,000	\$ 3,000	\$ -	\$ 75,000

Updated D.P.U. 08-50 Tables

The Company’s filing to the Department for 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 budget 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 2009 through October 2010, the period when the increase will be collected.

Fitchburg Gas and Electric Light Company d/b/a Unitil
July 6, 2010
Electric 2010 Budget
Mid-Course Adjustment

Initial projections compiled by the Company estimate an impact of the incremental spending increases the Company's EERF by a total of \$292,029 for the period, resulting in an increase of \$0.00211 per kWh. This resulting increase in the EERF would increase a typical residential customer's monthly bill using 500 kWh by an estimated \$1.06 or 1.1%. There is also a modest increase in Low Income and Commercial and Industrial bills due to the increase in EERF charges by about 0.1%.