Mid-Term Modification Request for Unitil Gas
For Consideration at the May 2018 EEAC Executive Committee and EEAC Meeting

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 2016 through 2018, 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 higher than planned demand for Commercial and Industrial ("C&I") gas retrofit energy efficiency services. Unitil proposes to increase its budget for energy efficiency initiatives within the gas C&I Retrofit Program. Conversely, the Company's gas C&I New Construction Program is experiencing less demand than planned and the Company anticipates spending approximately 80 percent of its planned term budget.

As of this request, the Company has spent approximately 51 percent of its three-year C&I New Construction Program budget and anticipates ending the term at 75 percent of budget. As such, and in order to minimize customer bill impacts, Unitil proposes to decrease its C&I New Construction Program budget and reallocate those funds to the C&I Retrofit Program. The Company believes this reallocation of funds will most effectively enable the Company to meet all demand for program services in the C&I New Construction program while maximizing the capture of energy efficiency savings in the C&I Retrofit Program.

The proposed adjustments trigger a "Category One" Mid-Term Modification ("MTM"), which requires Council review and approval, pursuant to § 3.8 of the revised Energy Efficiency Guidelines ("Guidelines") issued by the Department in D.P.U. 11-120. Unitil requests Council approval to make the modifications to its electric Energy Efficiency Plan as described below.

I. Commercial and Industrial Sector:

The C&I Retrofit Program has experienced a consistently higher level of activity than planned as the term has progressed. More specifically, the Company's C&I Existing Buildings Retrofit initiative has generated significant activity resulting in accumulated annual savings to date of 178 percent of the initiative's planned annual savings goal, and 158 percent of its planned term benefits. Multiple projects are anticipated to close in the coming months, while additional retrofit projects will be added to the queue between now and the end of 2018.

Simultaneously, the Company anticipates, based on its projection, that the opportunity to deploy funds and capture savings in the C&I New Construction program will result in the expenditure of no more than 80 percent the funds budgeted for the program over the three-year term.

The Company has exceeded the planned lifetime savings and benefits for the term for the New Buildings and Major Renovation initiative at a significantly lower cost than planned. At the same time, the Initial Purchase & End of Useful Life initiative has experienced much lower demand than originally planned and expended less than anticipated due to that lower-than-anticipated demand.

The Company has attempted to stimulate demand for both New Construction initiatives through various methods. Implementation staff have reviewed all new construction building permits that have been pulled in its service territory over the past two years and marketed energy efficiency design and equipment to builders and owners. Additional effort has been made to promote offerings in the Initial Purchase & End of Useful Life initiative through direct marketing to small- and medium-sized customers in the Company's territory, which has resulted in a modest increase in activity. In spite of these efforts, the Company has deployed just 51 percent of its planned three-year budget for the C&I New Construction Program through the first quarter of 2018.

In order to enable the Company to continue to achieve all available cost-effective savings for its C&I customers in the current term, the Company proposes to reallocate $190,000 from its New Construction Program (15 percent of the filed budget) to its Retrofit Program (41 percent of its filed budget). The proposed reallocation will not negatively impact the Company's ability to continue to advance and finalize projects that are currently in queue in the C&I New Construction program for completion in 2018. Given the Company's experience with new C&I construction projects typically having a long lead time after they are first identified, it is unlikely that additional funding would be required after the proposed transfer in order to meet demand for program services. The table below demonstrates the impact of the proposed re-allocation on the C&I New Construction and C&I Retrofit programs.

Table 1:

Program	Approved Three Year Plan Budget	Additional Budget Requested for Approval	Adjusted Budget	Percent Change from Approved Three Year Plan Budget
C&I New Construction	$1,283,770	-$190,000	$1,093,770	15% decrease
C&I Retrofit	$457,843	+$190,000	$647,843	41% increase

Following the re-allocation, approximately $420,000 in funding for C&I New Construction projects would remain available through the remainder of the term, which the Company is confident is more than sufficient to meet demand within this program. This transfer would not require the Company to adjust rates of C&I customers to fund the requested increase in the Retrofit Program budget, nor would the Company need to seek an MTM Type II approval from the Department in the final months of the 2016-2018 term.

Performance Incentives:

The Company does not propose any changes to the Department-approved performance incentive ("PI") model as a result of this proposed Program budget reallocation, 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 in Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 15-167 (2016). 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.

II. 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 its 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.

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 modification described above. The Council, in acting on the above modifications, is not acting on or approving the estimates provided by Unitil below.

Table 2 shows the Company's 2016-2018 Plan values for annual savings, lifetime savings, benefits, and expenses as currently approved for all Programs with the exception of C&I New Construction and Retrofit Programs. The totals for these Programs reflect the budget change requested, as well as actual savings for 2016, draft savings for 2017, and the anticipated savings for 2018, should the Company's Mid-Term Modification request be approved.

Table 2: Unitil Gas 2016-2018 Anticipated Outcomes with Proposed Budget

	Unitil Gas 2016-2018											
SECTOR	ANNUAL SAVINGS (MMBTU)			LIFETIME SAVINGS (MMBTU)			BENEFITS (LIFETIME $000s)			BUDGET ($000s)		
	2016-18 App'd (a)	**2016-18 Proposed** (b)	**% Of Goal** (b)/(a)	**2016-18 Approved** (d)	**2016-18 Proposed** (e)	**% Of Goal** (e)/(d)	**2016-18 Approved** (g)	**2016-18 Proposed** (h)	**% Of Goal** (h)/(g)	**2016-18 Approved** (j)	**2016-18 Proposed** (k)	**% Of Goal** (k)/(j)
Res	20,505	20,505	-	396,779	396,779	-	$7,759,529	$7,759,529	-	$3,285,308	$3,285,308	-
LI	6,783	6,783	-	128,918	128,918	-	$2,523,992	$2,523,992	-	$1,441,783	$1,441,783	-
C&I	38,809	43,000	111%	755,655	669,000	89%	$7,287,061	$7,000,000	96%	$1,813,913	$1,813,913	-
C&I New Construction	27,878	22,800	82%	609,220	423,000	69%	5,300,181	$3,650,000	69%	$1,283,770	$1,093,770	85%
C&I Retrofit	10,931	20,200	185%	146,435	246,000	168%	1,986,879	$3,350,000	169%	$457,843	$647,843	141%
Total	**66,097**	**70,288**	**106%**	**1,281,352**	**1,194,697**	**93%**	**$17,570,581**	**$17,283,521**	**98%**	**$6,541,004**	**$6,541,004**	**100%**

RESOLUTION OF THE ENERGY EFFICIENCY ADVISORY COUNCIL REGARDING THE PROPOSED MID-TERM MODIFICATION OF FITCHBURG GAS AND ELECTRIC LIGHT COMPANY D/B/A UNITIL (GAS DIVISION)

Adopted May 16, 2018 (DRAFT FOR EEAC REVIEW)

Pursuant to § 3.8.1 of the Revised Energy Efficiency Guidelines set forth in D.P.U. 11-120-A, Phase II (January 31, 2013) ("Guidelines"), an energy efficiency Program Administrator that seeks to make the following significant mid-term modifications ("modifications" or "MTMs") to its Energy Efficiency Plan shall submit its proposed modifications to the Energy Efficiency Advisory Council ("EEAC" or the "Council") for review:

1) the addition of a Hard-to-Measure Energy Efficiency Program;

2) the termination of an existing Energy Efficiency Program or Hard-to-Measure Energy Efficiency Program;

3) a change in the three-year term budget of an Energy Efficiency Program or Hard-to- Measure Energy Efficiency Program of greater than (1) 20 percent, or (2) a dollar value to be specified by the Department; or

4) a modification to the design of an Energy Efficiency Program that is projected to result in a decrease in program benefits over the three-year term that is greater than 20 percent (as described above, a "Category One MTM").

Additionally, pursuant to § 3.8.2 of the Guidelines, a Program Administrator that seeks to make the following significant modifications to its Energy Efficiency Plan shall submit its proposed modifications first for review by the Council, and then for review and approval by the Department of Public Utilities (the "Department"):

1) the addition of a new Energy Efficiency Program;

2) the transition of a Hard-to-Measure Energy Efficiency Program to an Energy Efficiency Program; or

3) a change in the three-year term budget of a customer sector that would require a cents per kilowatt-hour (calculated using the method described in § 3.2.1.6) or cents per therm charge for the sector that, if it were to replace the Department-approved Energy Efficiency Surcharge for the applicable year, would result in a bill increase for an average customer in the sector exceeding two percent (as described above, a "Category Two MTM").

In accordance with the Guidelines in § 3.8.1 described above, Unitil is currently seeking the support of the EEAC to implement a mid-term modifications of its gas energy efficiency programs. Specific details from Unitil describing the requested re-allocation of funds from the Commercial and Industrial ("C&I") New Construction program to the C&I Retrofit program and related information are set forth in the attached document.

Unitil has submitted the following proposed modification for review and support from the EEAC pursuant to § 3.8.1:

1) Reallocation of $190,000 of C&I sector budget dollars from the C&I New Construction program budget (15 percent decrease) to the C&I Retrofit program budget (41 percent increase) in program year 2018.

For C&I, demand in the C&I Retrofit program, driven primarily by significant activity in the Company's C&I Existing Buildings Retrofit initiative, is anticipated to continue at higher-than-planned levels, while participation and spending in the C&I New Construction program is expected to be lower than planned. In order to maximize savings in the C&I Retrofit program while still ensuring that the Company is still able to administer a successful C&I New Construction program, Unitil is proposing a reallocation of C&I sector funding between the two programs. Unitil is projecting to spend $less than planned in the C&I New Construction program, so moving $190,000 to C&I Retrofit program would still leave $420,000 in funding available to address any additional projects during the remainder of the 2018 program year, which, in the Company's experience with projects in this program, should be adequate. This re-allocation would also mean that Unitil would not have to ask for additional collections from C&I customers to fund the higher C&I Retrofit program budget needs for 2018.

EEAC Review and Support

Having reviewed the proposed mid-term modification set forth in the attached document from Unitil, and summarized above, the EEAC resolves to support the mid-term modification, and directs that this resolution be transmitted in full by the Department of Energy Resources ("DOER") to the Department.