

**Staff Recommended Performance Incentives Methodology**

**Savings Component:**

	First Iteration			Second Iteration (Incl. Perf. Incent.) Second Iteration (adj. for circularity)		
	Residential	C&I	Total	Residential	C&I	Total
Budget Spending (Utility only, excl PI) Per 9-30-09 Filing	\$ 1,315,287	\$ 1,256,907	\$ 2,572,194	\$ 1,315,287	\$ 1,256,907	\$ 2,572,194
Actual Lifetime Savings (kWh)	41,512,047	46,041,202	87,553,249	41,512,047	46,041,202	87,553,249
Planned Lifetime Savings (kWh)	35,281,038	52,321,470	87,602,508	35,281,038	52,321,470	87,602,508
Ratio Actual vs. Planned	1.18	0.88		1.18	0.88	
Baseline Percent	4.00%	4.00%		4.00%	4.00%	
Actual Performance Incentive Percent	4.71%	3.52%		4.71%	3.52%	
Ratio Actual vs. Planned	1.18	0.88		1.18	0.88	
If Ratio < 65% Planned, then zero; otherwise Act. %	4.71%	3.52%		4.71%	3.52%	
Calculated Savings Component	\$ 61,903	\$ 44,242	\$ 106,145	\$ 61,903	\$ 44,242	\$ 106,145

**B/C Component:**

Budget Spending	\$ 1,315,287	\$ 1,256,907	\$ 2,572,194	\$ 1,315,287	\$ 1,256,907	\$ 2,572,194
Planned B/C Component:						
Total Planned Benefits	\$ 4,160,260	\$ 4,553,904	\$ 8,714,164	\$ 4,160,260	\$ 4,553,904	\$ 8,714,164
Planned Program Cost (excl. Performance Incentives)	\$ 1,315,287	\$ 1,256,907		\$ 1,315,287	\$ 1,256,907	
Planned Participant Cost	\$ 565,436	\$ 862,025		\$ 565,436	\$ 862,025	
Utility and Partic. Cost	\$ 1,880,723	\$ 2,118,932	\$ 3,999,655	\$ 1,880,723	\$ 2,118,932	\$ 3,999,655
Planned Performance Incentives:						
Savings Component	\$ -	\$ -		\$ 52,611	\$ 50,276	
B/C Component	\$ -	\$ -		\$ 52,611	\$ 50,276	
Total	\$ -	\$ -	\$ -	\$ 105,223	\$ 100,553	\$ 205,779
Total Planned Costs	\$ 1,880,723	\$ 2,118,932	\$ 3,999,655	\$ 1,985,946	\$ 2,219,485	\$ 4,205,431
Planned B/C Ratio	2.2	2.1		2.1	2.1	
Actual B/C Component:						
Actual Benefits	\$ 6,035,146	\$ 4,034,938		\$ 6,035,146	\$ 4,034,938	
Actual Program Cost (excl. Performance Incentive)	\$ 1,069,255	\$ 1,122,053	\$ 2,191,308	\$ 1,069,255	\$ 1,122,053	\$ 2,191,308
Actual Participant Cost	\$ 586,136	\$ 1,142,672		\$ 586,136	\$ 1,142,672	
Utility and Participant Cost	\$ 1,655,391	\$ 2,264,725		\$ 1,655,391	\$ 2,264,725	
Actual Performance Incentives:						
Savings Component	\$ -	\$ -		\$ 61,903	\$ 44,242	
B/C Component	\$ -	\$ -		\$ 86,711	\$ 41,679	
Total	\$ -	\$ -		\$ 148,614	\$ 85,921	
Actual Total Costs	\$ 1,655,391	\$ 2,264,725	\$ 3,920,116	\$ 1,804,004	\$ 2,350,646	\$ 4,154,650
Actual B/C Ratio	3.6	1.8		3.3	1.7	
If Actual B/C Ratio < 1.0, then zero; otherwise act. B/C Ratio	3.6	1.8		3.3	1.7	
Ratio Actual vs. Planned B/C Ratio	165%	83%		160%	84%	
Baseline Percent	4.00%	4.00%		4.00%	4.00%	
Actual B/C Performance Incentive Percent (0 if < 1.0)	6.59%	3.32%		6.39%	3.35%	
B/C Performance Incentive Amount	\$ 86,711	\$ 41,679	\$ 128,390	\$ 84,019	\$ 42,061	\$ 126,080
Total Calculated Performance Incentive Before Cap	\$ 148,614	\$ 85,921	\$ 234,534	\$ 145,922	\$ 86,303	\$ 232,225
Cap at 8% per Sector (i.e.: Utility Budget Spending x 8%)	\$ 105,223	\$ 100,553	\$ 205,776	\$ 105,223	\$ 100,553	\$ 205,776
Calculated Performance Incentive	\$ 105,223	\$ 85,921	\$ 191,143	\$ 105,223	\$ 86,303	\$ 191,526

**Unitil Energy Systems, Inc.  
2010 Earned Shareholder Incentive Calculation**

<b>Programs</b>	<b>Planned</b>	<b>Actual</b>
<b>Residential Programs</b>		
1. Benefit/Cost Ratio ( $BC_{PRE}$ , $BC_{ACT}$ )	<b>2.1</b>	<b>3.6</b>
2. Threshold B/C Ratio (1)	1.00	
3. Lifetime kWh Savings ( $kWh_{PRE}$ , $kWh_{ACT}$ )	<b>35,281,038</b>	<b>41,512,047</b>
4. Threshold Lifetime kWh Savings (65%) (2)	22,932,675	
5. Total Budget (includes SHI)	\$1,420,510	
6. Less Shareholder Incentive ( $SHI_{PRE}$ )	<u>\$105,223</u>	
7. Total Budget ( $Budget_{TOT}$ ) <b>excluding SHI</b> (4)	\$1,315,287	\$1,069,255
8. Benefit/Cost Percentage of Budget	4.0%	
9. Lifetime kWh Percentage of Budget	4.0%	
10. Sector Incentive (3)	\$105,223	<b>\$105,223</b>
11. Sector Incentive Cap (12%)	\$157,834	
<b>Commercial &amp; Industrial Programs</b>		
12. Benefit/Cost Ratio ( $BC_{PRE}$ , $BC_{ACT}$ )	<b>2.1</b>	<b>1.7</b>
13. Threshold B/C Ratio (1)	1.00	
14. Lifetime kWh Savings ( $kWh_{PRE}$ , $kWh_{ACT}$ )	<b>52,321,469</b>	<b>46,041,202</b>
15. Threshold Lifetime kWh Savings (65%) (2)	34,008,955	
16. Total Budget / Actual	\$1,357,460	
17. Less Shareholder Incentive ( $SHI_{PRE}$ )	<u>\$100,533</u>	
18. Total Budget ( $Budget_{TOT}$ ) excluding SHI	\$1,256,907	\$1,122,053
19. Benefit/Cost Percentage of Budget	4.0%	
20. Lifetime kWh Percentage of Budget	4.0%	
21. Sector Incentive (3)	\$100,553	<b>\$86,303</b>
22. Sector Incentive Cap (12%)	\$150,829	
<b>Total Earned Shareholder Incentive</b>	<b>\$205,776</b>	<b>\$191,526</b>

**Notes:**

1. The Actual Benefit/Cost Ratio for each sector must be greater than or equal to 1.0.
2. Actual Lifetime kWh savings for each sector must be greater than or equal to 65% of projected savings.
3.  $Shareholder\ Incentive_{ACT} = [4\% \times Budget_{TOT}] \times [(BC_{ACT} \div BC_{PRE}) + (kWh_{ACT} \div kWh_{PRE})]$
4. Excludes HPwES Pilot (i.e.: the non-electric portion).

**Unitil Energy Systems, Inc.**  
**Planned vs. Actual Benefit / Cost Ratio by Sector**

<b>Programs</b>	<b>Planned</b>	<b>Actual</b>
<b>Residential Programs</b>		
1. Program Benefits	\$4,160,260	\$6,035,146
2. Direct Program Costs (excl SHI)	\$1,315,287	\$1,069,255
3. Customer Contribution	\$565,436	\$586,136
4. Shareholder Incentive	<u>\$105,223</u>	<u>\$105,223</u>
5. Total Costs	\$1,985,946	\$1,655,391
<b>6. Residential - Total Resource Cost Test</b>	<b>2.1</b>	<b>3.6</b>
<b>Commercial &amp; Industrial</b>		
7. Program Benefits	\$4,553,904	\$4,034,938
8. Direct Program Costs (excl SHI)	\$1,256,907	\$1,122,053
9. Customer Contribution	\$862,025	\$1,142,672
10. Shareholder Incentive	<u>\$100,553</u>	<u>\$86,303</u>
11. Total Costs	\$2,219,485	\$2,351,028
<b>12. C&amp;I - Total Resource Cost Test</b>	<b>2.1</b>	<b>1.7</b>

**Unitil Energy Systems, Inc.**  
**Lifetime Energy Savings by Sector and Program**

<b>Programs</b>	<b>Planned Lifetime kWh</b>	<b>Actual Lifetime kWh</b>
<b>Residential Programs</b>		
1. Home Performance w/ Energy Star	870,035 (1)	206,254 (1)
2. Home Energy Assistance	10,762,879 (2)	21,161,800 (2)
3. ENERGY STAR® Lighting	18,938,241	9,339,344
4. ENERGY STAR® Appliances	4,249,139	3,466,091
5. ENERGY STAR® Homes	460,744	7,338,558
<b>6. Total Residential</b>	<b>35,281,038</b>	<b>41,512,047</b>
<b>Commercial &amp; Industrial</b>		
7. Large Business New Construction	10,214,550	11,498,045
8. Large Business Retrofit	22,473,855	18,671,059
9. Small Business Solutions	19,633,065	15,872,098
<b>10. Total Commercial &amp; Industrial</b>	<b>52,321,470</b>	<b>46,041,202</b>

**Notes:**

1. Pursuant to Order 24,974, Docket No. DE 08-120, only the projected and achieved electric lifetime savings are included in the performance incentive calculation for the Home Performance with Energy Star Pilot.
2. The Home Energy Assistance Program is offered to eligible low-income residential participants on a fuel-blind basis. Lifetime savings include electric kWh savings (1,424,312 lifetime kWh) plus non-electric MMBtu savings converted to kWh ( $67,364 \text{ MMBtu} \div 0.003413 = 21,161,800 \text{ Lifetime kWh}$ ).