

Staff Recommended Performance Incentives Methodology

Savings Component:

	First Iteration			Second Iteration (Incl. Perf. Incent.)		
	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	2.21	2.15		2.09	2.05	
Actual B/C Component:						
Actual Benefits	\$ 6,035,146	\$ 4,034,938		\$ 6,035,146	\$ 4,034,938	
Actual Program Cost (excl. Performance Incentive)	\$ 1,330,710	\$ 1,116,561	\$ 2,447,271	\$ 1,330,710	\$ 1,116,561	\$ 2,447,271
Actual Participant Cost	\$ 586,136	\$ 1,142,672		\$ 586,136	\$ 1,142,672	
Utility and Participant Cost	\$ 1,916,846	\$ 2,259,234		\$ 1,916,846	\$ 2,259,234	
Actual Performance Incentives:						
Savings Component	\$ -	\$ -		\$ 61,903	\$ 44,242	
B/C Component	\$ -	\$ -		\$ 74,883	\$ 41,780	
Total	\$ -	\$ -	\$ -	\$ 136,787	\$ 86,022	
Actual Total Costs	\$ 1,916,846	\$ 2,259,234	\$ 4,176,079	\$ 2,053,632	\$ 2,345,255	\$ 4,398,888
Actual B/C Ratio	3.15	1.79		2.94	1.72	
If Actual B/C Ratio < 1.0, then zero; otherwise act. B/C Ratio	3.15	1.79		2.94	1.72	
Ratio Actual vs. Planned B/C Ratio	142%	83%		140%	84%	
Baseline Percent	4.00%	4.00%		4.00%	4.00%	
Actual B/C Performance Incentive Percent (0 if < 1.0)	5.69%	3.32%		5.61%	3.35%	
B/C Performance Incentive Amount	\$ 74,883	\$ 41,780	\$ 116,664	\$ 73,806	\$ 42,158	\$ 115,964
Total Calculated Performance Incentive Before Cap	\$ 136,787	\$ 86,022	\$ 222,808	\$ 135,709	\$ 86,399	\$ 222,109
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	\$ 86,022	\$ 191,245	\$ 105,223	\$ 86,399	\$ 191,622

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

Programs		Planned	Actual
Residential Programs			
1. Benefit/Cost Ratio (BC_{PRE} , BC_{ACT})		2.1	3.1
2. Threshold B/C Ratio	(1)	1.00	
3. Lifetime kWh Savings (kWh_{PRE} , kWh_{ACT})		35,281,038	41,512,047
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 ($Budget_{TOT}$) excluding SHI	(4)	\$1,315,287	\$1,056,832
8. Benefit/Cost Percentage of Budget		4.0%	
9. Lifetime kWh Percentage of Budget		4.0%	
10. Sector Incentive	(3)	\$105,223	\$105,223
11. Sector Incentive Cap (12%)		\$157,834	
Commercial & Industrial Programs			
12. Benefit/Cost Ratio (BC_{PRE} , BC_{ACT})		2.1	1.7
13. Threshold B/C Ratio	(1)	1.00	
14. Lifetime kWh Savings (kWh_{PRE} , kWh_{ACT})		52,321,469	46,041,202
15. Threshold Lifetime kWh Savings (65%)	(2)	34,008,955	
16. Total Budget / Actual		\$1,357,460	
17. Less Shareholder Incentive ($SHIPRE$)		<u>\$100,533</u>	
18. Total Budget ($Budget_{TOT}$) excluding SHI		\$1,256,907	\$1,128,261
19. Benefit/Cost Percentage of Budget		4.0%	
20. Lifetime kWh Percentage of Budget		4.0%	
21. Sector Incentive	(3)	\$100,553	\$86,399
22. Sector Incentive Cap (12%)		\$150,829	
Total Earned Shareholder Incentive		\$205,776	\$191,622

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

Programs	Planned	Actual
Residential Programs		
1. Program Benefits	\$4,160,260	\$6,035,146
2. Direct Program Costs (excl SHI)	\$1,315,287	\$1,330,710
3. Customer Contribution	\$565,436	\$586,136
4. Shareholder Incentive	<u>\$105,223</u>	<u>\$105,223</u>
5. Total Costs	\$1,985,946	\$1,916,846
6. Residential - Total Resource Cost Test	2.1	3.1
Commercial & Industrial		
7. Program Benefits	\$4,553,904	\$4,034,938
8. Direct Program Costs (excl SHI)	\$1,256,907	\$1,116,561
9. Customer Contribution	\$862,025	\$1,142,672
10. Shareholder Incentive	<u>\$100,553</u>	<u>\$86,399</u>
11. Total Costs	\$2,219,485	\$2,345,633
12. C&I - Total Resource Cost Test	2.1	1.7

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

Programs	Planned Lifetime kWh	Actual Lifetime kWh
Residential Programs		
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
 6. Total Residential	 35,281,038	 41,512,047
 Commercial & Industrial		
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
 10. Total Commercial & Industrial	 52,321,470	 46,041,202

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 Lifetime kWh.