



April 23, 2010

**BY OVERNIGHT MAIL and ELECTRONIC FILING**

Mark D. Marini, Secretary  
Massachusetts Department of Public Utilities  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

RE: Fitchburg Gas and Electric Light Company, d/b/a Unitil  
Docket: DPU 09-31

Dear Secretary Marini:

Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") hereby submits two copies of Tariff Sheet No. 188 to implement changes as outlined in the Department's Order in this proceeding dated April 12, 2010. In compliance with the Order, the Company has revised its tariff language to clarify the definition of incremental smart grid pilot program costs consistent with the Attorney General's proposal and has clarified how the reconciliation of smart grid pilot program costs will occur. The Company's current carrying charge for the Default Service Costs Adder ("DSCA") is the tax effected prime rate. Since the reconciliation of costs and revenues for the Company's Smart Grid Programs is being done within the DSCA mechanism, the Company is not proposing any changes to the carrying charge rate. In its comments, the Attorney General proposed that the carrying charge for over or under recoveries of smart grid pilot program costs use the customer deposit rate.

If you have any questions, please do not hesitate to contact me directly. Thank you for your consideration of this matter.

Sincerely,

**s/ Karen M. Asbury**

Karen M. Asbury  
Director, Regulatory Services

cc: Laura Bickel, Hearing Officer (five copies)  
David A. Cetola, Assistant Attorney General  
Rachel Graham Evans, Deputy General Counsel DOER  
Jerrold Oppenheim, Esq.

Karen M. Asbury  
Director, Regulatory Services

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FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
DEFAULT SERVICE  
SCHEDULE DS

1. General

This Tariff may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in MDPU regulations and Massachusetts law. In case of conflict between this Tariff and any orders or regulations of the MDPU, said orders or regulations shall govern.

2. Definitions

- A. "Company" shall mean Fitchburg Gas and Electric Light Company.
- B. "Competitive Supplier" shall mean any entity licensed by the MDPU to sell electricity to retail Customers in Massachusetts, with the following exceptions: (1) a Distribution Company providing Default Service to its distribution Customers, and (2) a municipal light department that is acting as a Distribution Company.
- C. "Customer" shall mean any person, partnership, corporation, or any other entity, whether public or private, who obtains Distribution Service at a Customer Delivery Point and who is a Customer of record of the Company.
- D. "Customer Delivery Point" shall mean the Company's meter or a point designated by the Company located on the Customer's premises.
- E. "Default Service" shall mean the service provided by the Distribution Company to a Customer who is not receiving Generation Service from a Competitive Supplier in accordance with the provisions set forth in this tariff.
- F. "Distribution Company" shall mean an electric company organized under the laws of Massachusetts that provides Distribution Service in Massachusetts.
- G. "Distribution Service" shall mean the delivery of electricity to Customers by the Distribution Company.
- H. "Generation Service" shall mean the sale of electricity, including ancillary services such as the provision of reserves, to a Customer by a Competitive Supplier.
- I. "MDPU" shall mean the Massachusetts Department of Public Utilities.

3. Availability

Default Service shall be available to any Customer who is not receiving Generation Service from a Competitive Supplier.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
DEFAULT SERVICE  
**SCHEDULE DS (continued)**

4. Rates

Fixed Pricing Option:

This pricing option is available to all customers, but is not available to GD-3 customers when their monthly rate is determined by Market Based Pricing.

Effective January 1, 2001, all residential customers on Schedules RD-1 and RD-2 and small general service customers on Schedule GD-1 receiving Default Service will automatically be placed on this fixed rate, unless the Customer elects the Variable Monthly Pricing Option.

The fixed rate will remain the same for three or six months at a time and will be based on the average monthly wholesale price over the three or six-month period that the Company pays to its Default Service provider. The rate is fixed for a period of three months for customers on Schedule GD-3, when applicable. The rate is fixed for six months for customers on Schedules RD-1, RD-2, GD-1, GD-2, GD-4, GD-5 and SD.

Customers assigned to this Fixed Pricing Option may choose the Variable Monthly Pricing Option. Customers electing the Variable Monthly Pricing Option will not have the opportunity to switch back to the Fixed Pricing Option for as long as the Customer continues to receive uninterrupted Default Service.

Monthly bills will be recalculated for Customers who are on the Fixed Pricing Option for Default Service and decide to switch to a competitive supplier before the three or six-month period is over. The electric bill for the period of the fixed three or six month rate will be recalculated using the monthly variable rate for that period. This ensures that all consumers pay the actual cost of electricity they have used. This adjustment may be a credit or a debit, and will be reflected on the first bill after the switch is effective.

Residential customers on Schedules RD-1 and RD-2 and small general service customers on Schedule GD-1 who switch to a competitive supplier and later return to Default Service will be initially placed on the Fixed Pricing Option unless the Customer elects the Variable Monthly Pricing Option.

The rates for Fixed Pricing Option Default Service shall be as provided in Schedule SR as in effect from time to time.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
DEFAULT SERVICE  
**SCHEDULE DS (continued)**

Variable Monthly Pricing Option:

This option is available to all customers, but is not available to GD-3 customers when their monthly rate is determined by Market Based Pricing.

Effective January 1, 2001, general service customers on Schedules GD-2, GD-3 (when applicable), GD-4, and GD-5 and outdoor lighting customers on Schedule SD receiving Default Service will automatically be placed on this variable monthly rate option, unless the Customer elects the Fixed Pricing Option.

The variable rate will change from month to month reflecting the monthly wholesale price that the Company pays to its Default Service provider.

Customers assigned to the Variable Monthly Pricing Option may choose the Fixed Pricing Option. Customers electing the Fixed Pricing Option will not have the opportunity to switch back to the Variable Monthly Pricing Option for as long as the Customer continues to receive uninterrupted Default Service.

General service customers on Schedules GD-2, GD-3 (when applicable), GD-4, and GD-5 and outdoor lighting customers on Schedule SD who decide to switch to a competitive supplier and later return to Default Service will be initially placed on the Variable Monthly Pricing Option, unless the Customer elects the Fixed Pricing Option.

The rates for Variable Monthly Pricing Option Default Service shall be as provided in Schedule SR as in effect from time to time.

The rate(s) for Default Service are established through a competitive bidding process, but in no case shall exceed the average monthly market price for electricity, as determined by the MDPU.

Large General Service GD-3 - Market Based Pricing:

Default Service prices for Customers on Schedule GD-3 may be determined monthly on an after the fact basis. If this is the case, "MARKET" shall be shown in the Variable Monthly Pricing Option shown in Schedule SR and the Fixed Pricing Option will not be applicable to GD-3 customers during that month, indicated by "N/A" in the Fixed Monthly Pricing Option shown in Schedule SR. The monthly price will be determined using the ISO-New England real time hourly locational marginal prices for the West Central Massachusetts load zone weighted by the wholesale hourly kWh volumes of the Company's Schedule GD-3 Default Service Customers and adjusted for the distribution losses shown in the Terms and Conditions for Competitive Suppliers, Appendix A. The monthly price will also include a retail Supplier Costs Adder for capacity, ancillary services, and other supplier costs

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

DEFAULT SERVICE

**SCHEDULE DS (continued)**

established through a quarterly competitive bidding process, plus the estimated retail cost of Renewable Energy Certificates and the Default Service Costs Adder.

Customers will be notified of changes in Default Service rates in advance of their effective dates in accordance with guidelines set forth by the MDPU, as may be amended from time to time. Such notifications will be made in a variety of manners including a toll free number, the Company's website, bill inserts, and bill messages. Notification of rates will be made via the Company's website at [www.unitil.com](http://www.unitil.com) and a toll free number 30 days in advance of the effective date, but this information will not be available to GD-3 customers when their monthly rate is determined by Market Based Pricing. Default Customers will receive 60 day notification of upcoming rate changes via a bill message and 30 day notification of the new rates via a bill message. All Customers will receive a bill insert explaining Default Service in the billing cycle prior to the rate change.

5. Billing

Each Customer receiving Default Service shall receive one bill from the Company, reflecting unbundled charges for their electric service.

6. Initiation of Default Service

Default service may be initiated in any of the following manners:

- A. A Customer who is receiving Generation Service from a Competitive Supplier notifies the Company that he wishes to terminate such service and receive Default Service. In this instance, Default Service shall be initiated within two (2) business days of such notification for residential Customers. For other Customers, Default Service shall be initiated concurrent with the Customer's next scheduled meter read date, provided that the Customer has provided such notification to the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the Customer provided such notification fewer than two (2) days before the Customer's next scheduled meter read date, Default Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;
- B. A Competitive Supplier notifies the Company that it shall terminate Generation Service to a Customer. In this instance, Default Service shall be initiated for the Customer concurrent with the Customer's next scheduled meter read date, provided that the notice of termination of Generation Service is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the notice of termination is received fewer than two (2) days before the Customer's next scheduled meter read date, Default Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
DEFAULT SERVICE  
**SCHEDULE DS (continued)**

C. A Competitive Supplier ceases to provide Generation Service to a Customer, without notification to the Company. In this instance, Default Service to the Customer shall be initiated immediately upon the cessation of Generation Service.

7. Termination of Default Service

Default Service may be terminated by a Customer concurrent with the Customer's next scheduled meter read date provided that notice of initiation of Generation Service by a Competitive Supplier is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers.

If the notice of initiation of Generation Service by the Competitive Supplier is received by the Company fewer than two days before the Customer's next scheduled meter read date, Default Service shall be terminated concurrent with the Customer's subsequent scheduled meter read date.

There shall be no fee for terminating Default Service.

8. Reconciliation of Default Service Costs

At the end of each calendar year, the Company shall reconcile recoveries with the cost of Default Service pursuant to the Company's Default Service Adjustment - Schedule DSA, MDTE No. 101. These costs include the costs billed to FG&E by its Default Service providers, the cost of Renewable Energy Certificates purchased for Default Service in compliance with 225 CMR 14.00 – Renewable Energy Portfolio Standard, and the FERC approved costs billed to the Company by ISO-New England for the operation of the New England Power Pool (“NEPOOL”) Generation Information System (“GIS”). GIS costs are billed to the Company pursuant to the Attribute Laws, as defined in the NEPOOL cost allocation document. Renewable Energy Certificates are the title or claim for the generation attributes associated with a Renewable Generator that is compliant with the definition of a New Renewable Generation Source as found in 225 CMR 14.00 – Renewable Energy Portfolio Standard. The February 29, 2008 Base Rate Reduction balance, including any associated prior period adjustments and revenue, shall also be included.

Recoveries and costs associated with the Default Service Costs Adder shall be excluded from this reconciliation since the Default Service Costs Adder is separately reconciled as discussed below.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
DEFAULT SERVICE  
**SCHEDULE DS (continued)**

9. Default Service Costs Adder

Effective June 1, 2005, the Default Service rates will include the Default Service Costs Adder. The Company shall perform an annual reconciliation of recoveries with the costs of the Default Service Costs Adder and credit or charge any imbalances, with interest, in the computation of the Default Service Costs Adder for the following twelve month period. Interest shall be calculated using the prime rate after tax (i.e. prime rate \* (1 – tax rate)). The tax rate shall be the combined federal and state income tax rate. The prime rate is to be fixed on a quarterly basis and established as reported in The WALL STREET JOURNAL on the first business day of the month preceding the calendar quarter; if more than one rate is reported, the average of the reported rates shall be used. This reconciliation shall be filed at least 90 days prior to the effective date of the proposed rate change. The filing shall include documentation supporting the proposed rate, explaining the reconciliation calculations of billed revenues and costs incurred, and addressing the costs and efforts to obtain other funding for the Company's Smart Grid Pilot Programs. The Company may file to change the factor at any time should significant over- or under-recoveries occur or be expected to occur.

The Default Service Costs Adder shall include the following costs associated with Default Service:

A. Cost of Working Capital, calculated as follows,

Cost of Working Capital = Working Capital Requirement \* Tax Adjusted Cost of Capital,

where:

Working Capital Requirement = Supplier Costs \* Number of Days Lag/365

Number of Days Lag is the number of days lag to calculate the purchased power working capital requirement as defined in the Company's most recent Lead Lag Study approved by the Department,

Tax Adjusted Cost of Capital = Cost of Debt + (Cost of Equity/(1-Effective Tax Rate))

where:

The Cost of Debt is the debt component of the rate of return as approved by the Department in the Company's most recent base rate case,

The Cost of Equity is the equity component of the rate of return as approved by the Department in the Company's most recent base rate case, and

The Effective Tax Rate is the combined effective state and federal income tax rate;

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
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**SCHEDULE DS (continued)**

- B. Bad Debt Costs which shall equal the uncollected costs associated with electric supply.
- C. Administrative cost of compliance with Massachusetts Renewable Energy Portfolio Standard, 225 CMR 14. Annually, these costs shall be \$3,100.70.
- D. Cost of the design and implementation of competitive bidding process, including evaluation of supplier bids and contract negotiations, and ongoing administration and execution of contracts with suppliers, including accounting activities necessary to track payments made to suppliers. Annually, these costs shall be \$69,817.68.
- E. Cost of compliance with MDPU's regulatory requirements including required communication with Default Service customers pursuant to 220 CMR 11.06. Annually, these costs shall be \$57,923.17.
- F. Effective May 1, 2010 the Default Service Costs Adder will include prudently-incurred incremental costs approved by the Department that are associated with the Company's Smart Grid Pilot Programs and are determined to be consistent with Section 85 of the Green Communities Act.

Incremental costs may include such items as consultant costs, contractor costs, external programmer costs and equipment costs that are directly related to these pilot programs. Costs associated with existing internal resources for which base rate recovery or other cost recovery has applied shall not be considered incremental. These costs listed above shall be reduced by any external funding received by the Company that is appropriately earmarked for implementing such pilot programs.

Annually, the costs in C., D. and E. above sum to \$130,841.55 and shall be fixed until the next general distribution rate case unless otherwise proposed to be adjusted by the Company, subject to approval by the MDPU. However, at such time that the migration of the Company's customers from Default Service to competitive supply increases to a significant level as compared to the level at the time these costs were developed, the costs detailed above may be adjusted to reflect the decline in Default Service customers.



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- E. "Default Service" shall mean the service provided by the Distribution Company to a Customer who is not receiving Generation Service from a Competitive Supplier in accordance with the provisions set forth in this tariff.
- F. "Distribution Company" shall mean an electric company organized under the laws of Massachusetts that provides Distribution Service in Massachusetts.
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**SCHEDULE DS (continued)**

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6. Initiation of Default Service

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- A. A Customer who is receiving Generation Service from a Competitive Supplier notifies the Company that he wishes to terminate such service and receive Default Service. In this instance, Default Service shall be initiated within two (2) business days of such notification for residential Customers. For other Customers, Default Service shall be initiated concurrent with the Customer's next scheduled meter read date, provided that the Customer has provided such notification to the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the Customer provided such notification fewer than two (2) days before the Customer's next scheduled meter read date, Default Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;
- B. A Competitive Supplier notifies the Company that it shall terminate Generation Service to a Customer. In this instance, Default Service shall be initiated for the Customer concurrent with the Customer's next scheduled meter read date, provided that the notice of termination of Generation Service is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the notice of termination is received fewer than two (2) days before the Customer's next scheduled meter read date, Default Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;

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DEFAULT SERVICE  
**SCHEDULE DS (continued)**

C. A Competitive Supplier ceases to provide Generation Service to a Customer, without notification to the Company. In this instance, Default Service to the Customer shall be initiated immediately upon the cessation of Generation Service.

7. Termination of Default Service

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There shall be no fee for terminating Default Service.

8. Reconciliation of Default Service Costs

At the end of each calendar year, the Company shall reconcile recoveries with the cost of Default Service pursuant to the Company's Default Service Adjustment - Schedule DSA, MDTE No. 101. These costs include the costs billed to FG&E by its Default Service providers, the cost of Renewable Energy Certificates purchased for Default Service in compliance with 225 CMR 14.00 – Renewable Energy Portfolio Standard, and the FERC approved costs billed to the Company by ISO-New England for the operation of the New England Power Pool (“NEPOOL”) Generation Information System (“GIS”). GIS costs are billed to the Company pursuant to the Attribute Laws, as defined in the NEPOOL cost allocation document. Renewable Energy Certificates are the title or claim for the generation attributes associated with a Renewable Generator that is compliant with the definition of a New Renewable Generation Source as found in 225 CMR 14.00 – Renewable Energy Portfolio Standard. The February 29, 2008 Base Rate Reduction balance, including any associated prior period adjustments and revenue, shall also be included.

Recoveries and costs associated with the Default Service Costs Adder shall be excluded from this reconciliation since the Default Service Costs Adder is separately reconciled as discussed below.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
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**SCHEDULE DS (continued)**

9. Default Service Costs Adder

Effective June 1, 2005, the Default Service rates will include the Default Service Costs Adder. The Company shall perform an annual reconciliation of recoveries with the costs of the Default Service Costs Adder and credit or charge any imbalances, with interest, in the computation of the Default Service Costs Adder for the following twelve month period. Interest shall be calculated using the prime rate after tax (i.e. prime rate \* (1 – tax rate)). The tax rate shall be the combined federal and state income tax rate. The prime rate is to be fixed on a quarterly basis and established as reported in The WALL STREET JOURNAL on the first business day of the month preceding the calendar quarter; if more than one rate is reported, the average of the reported rates shall be used. This reconciliation shall be filed at least 90 days prior to the effective date of the proposed rate change. The filing shall include documentation supporting the proposed rate, explaining the reconciliation calculations of billed revenues and costs incurred, and addressing the costs and efforts to obtain other funding for the Company's Smart Grid Pilot Programs. The Company may file to change the factor at any time should significant over- or under-recoveries occur or be expected to occur.

The Default Service Costs Adder shall include the following costs associated with Default Service:

A. Cost of Working Capital, calculated as follows,

Cost of Working Capital = Working Capital Requirement \* Tax Adjusted Cost of Capital,

where:

Working Capital Requirement = Supplier Costs \* Number of Days Lag/365

Number of Days Lag is the number of days lag to calculate the purchased power working capital requirement as defined in the Company's most recent Lead Lag Study approved by the Department,

Tax Adjusted Cost of Capital = Cost of Debt + (Cost of Equity/(1-Effective Tax Rate))

where:

The Cost of Debt is the debt component of the rate of return as approved by the Department in the Company's most recent base rate case,

The Cost of Equity is the equity component of the rate of return as approved by the Department in the Company's most recent base rate case, and

The Effective Tax Rate is the combined effective state and federal income tax rate;

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- B.- Bad Debt Costs which shall equal the uncollected costs associated with electric supply.
- C. Administrative cost of compliance with Massachusetts Renewable Energy Portfolio Standard, 225 CMR 14. Annually, these costs shall be \$3,100.70.
- D. Cost of the design and implementation of competitive bidding process, including evaluation of supplier bids and contract negotiations, and ongoing administration and execution of contracts with suppliers, including accounting activities necessary to track payments made to suppliers. Annually, these costs shall be \$69,817.68.
- E. Cost of compliance with MDPU's regulatory requirements including required communication with Default Service customers pursuant to 220 CMR 11.06. Annually, these costs shall be \$57,923.17.

F. Effective May 1, 2010 the Default Service Costs Adder will include prudently-incurred incremental costs approved by the Department that are associated with the Company's Smart Grid Pilot Programs and are determined to be consistent with Section 85 of the Green Communities Act.

Incremental costs may include such items as consultant costs, contractor costs, external programmer costs and equipment costs that are directly related to these pilot programs. Costs associated with existing internal resources for which base rate recovery or other cost recovery has applied shall not be considered incremental. These costs listed above shall be reduced by any external funding received by the Company that is appropriately earmarked for implementing such pilot programs.

Annually, the costs in C., D. and E. above sum to \$130,841.55 and shall be fixed until the next general distribution rate case unless otherwise proposed to be adjusted by the Company, subject to approval by the MDPU. However, at such time that the migration of the Company's customers from Default Service to competitive supply increases to a significant level as compared to the level at the time these costs were developed, the costs detailed above may be adjusted to reflect the decline in Default Service customers.