Unitil

Fitchburg Gas and
Electric Light Company

July 12, 2001

Mr. Lawrence R. Alexander
Vice President & Director, Energy Division
EFT
530 Atlantic Avenue
Boston, MA 02210

Dear Mr. Alexander:

## Requests for Proposals

Fitchburg Gas and Electric Light Company ("FG&E") is seeking expert advice in the development of a filing with the Massachusetts Department of Telecommunications and Energy ("MDTE") for performance based regulation ("PBR"). A regulatory PBR filing is planned for September 27, 2001 in conformance with MDTE 99-84 "Guidelines for Service Quality Standards ("SQS")," Order dated on June 29, 2001.

### The Company

FG&E (the Company) is engaged principally in the distribution and sale of both electricity and natural gas in the City of Fitchburg and several surrounding communities. FG&E's service area encompasses approximately 170 square miles in north central Massachusetts.

Electricity is supplied and distributed by FG&E to approximately 26,100 customers in four communities. Natural gas is supplied and distributed by FG&E to approximately 14,200 customers in six communities.

FG&E is a wholly-owned subsidiary of Unitil Corporation, which is a registered public utility holding company under the Public Utility Holding Company Act of 1935. The Company's web site contains additional information (www.Unitil.com).

### Regulatory Environment

FG&E is regulated by the Massachusetts Department of Telecommunications and Energy. In accordance with the MDTE's June 29, 2001 Order in MDTE 99-84, FG&E is required to file a PBR plan by September 27, 2001 encompassing the SQS described in the Order. The Company seeks to engage PBR consultants to assist management in the identification, evaluation and development of a PBR plan. Such a consultant should be prepared to begin the engagement on August 1, 2001, and be prepared to complete the PBR filing portion of the engagement by

Corporate Office
6 Liberty Lane West
Hampton, NH 03842
Phone: 603-772-0775
Fax: 603-773-6605
Email: corp@unitil.com

September 27, 2001. The regulatory process for the PBR filing is likely to extend for six more months from October 2001 to March 2002.

## Schedule

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|---|---|
| 1. Review of Literature/PBR Plans with special focus in Massachusetts | July 2001 and ongoing |
| 2. Identification of Plan Alternatives | August 1 – 10, 2001 |
| 3. Evaluation of Alternatives | August 20 – 31, 2001 |
| 4. Development of Filing and Testimony | September 4 –21, 2001 |
| 5. Regulatory Process | October '01 – March '02 |

## Contents of Proposal

The Company is seeking assistance in all steps above. Project activities in steps 2 and 3 include:

- assessing the Company's risk tolerances
- developing PBR plan features that best meet the Company's objectives
- scenario development, and
- financial evaluation of scenarios.

A fixed fee is encouraged for these steps. Please specify your assumptions.

Consultant involvement is also desired in steps 4 and 5, Development of Filing & Testimony and Regulatory Process. The consultant may be required to assist the Company in the preparation of written evidence and IR responses and will be considered for witness testimony in support of the Company's Filing. In particular the Company seeks an expert to serve as a policy witness. Please submit a per diem rate for these steps.

Some of the significant issues to be addressed by the Company in the design of the PBR plan include:

- appropriate sharing of risk between shareholder and ratepayer
- potential accounting issues, and
- incentive mechanisms for non-revenue producing capital expenditures.

The proposal should include:

- an outline of the firm's approach to PBR design
- proposed team members, qualifications and experience of each
- experience in PBR design

- experience before regulatory commissions including as an expert witness. Please note if experience is before the MDTE.
- names and contact information for three gas or electric utilities or regulatory bodies that you have assisted
- fee structure, disbursements, treatment of travel time, etc.
- a fixed fee for steps 2 and 3, and
- per diem rate for steps 4 and 5.

## Due

Responses will be considered if received on or before July 26, 2001 and will be received by:

| | |
|---|---|
| Stephen J. Curran<br>Director, Financial Regulation<br>Unitil Service Corp.<br>6 Liberty Lane West<br>Hampton, NH 03842 | Fax: 603-773-6683<br><br>Email: curran@unitil.com<br><br>*Use of email is encouraged* |

The consultants will be evaluated and a selection made on or about July 31, 2001.

## Contact

The undersigned will be available to respond to questions/discuss assumptions during business hours on July 17-19, 2001 or at another time at your arrangement, and may be contacted at 603-773-6483.

The Company reserves the right to select all or part of a proposal or not to select any proposal at its sole discretion.

Sincerely,

Stephen J. Curran
Director, Financial Regulation