



October 24, 2018

SENT VIA E-MAIL AND OVERNIGHT DELIVERY

Thomas Frantz, Director, Electric Division
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

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**RE: Final Audit Report of Unitil Energy Systems Inc.'s
2017 Annual Major Storm Cost Reserve Fund Report
Docket No. DE 18-038**

Dear Mr. Frantz:

On July 10, 2018 the New Hampshire Public Utilities Commission (the "Commission") Audit Staff ("Audit") issued its Final Report (the "Audit Report") concerning Unitil Energy Systems, Inc.'s ("UES" or the "Company") 2017 Annual Major Storm Cost Reserve Fund Report (the "MSCR Report") with regard to the above-referenced docketed matter. The Audit Report contained two Audit Issues: Audit Issue #1 concerns two invoices that total \$14,625 from Calypso Communications for which the Company seeks inclusion in the October Winter Storm charges; Audit Issue #2 concerns the untimely filing of an updated tariff page which specifies the carrying charge interest rate. The Company accepted the Audit Report's recommendation with respect to Audit Issue #2 that tariff pages must be filed in a timely manner. The Company, however, disputes the conclusion in Audit Issue #1 that the charges for Calypso Communications were imprudent and the recommendation that they should be removed from the October Storm charges in the MSCR.

The Audit Report appears to rest its conclusion that the Calypso costs were imprudent on a determination that "[t]he Company did not submit supplemental documentation that is required by the Commission." Audit Report at 14. The "supplemental documentation" that the Audit Report claims is "required" is a

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“formal plan” for its “photos, videos, email, social media, Public Service Announcements and media liaison activities” which “should be submitted to the Commission Staff for approval” which “should detail the uniform application of the policy and methods to keep costs of the efforts to a minimum.” Id.

As an initial matter, the Company is unaware of any “Commission requirement” that it submit a formal plan to Staff concerning its use of media and its media liaison activities during a storm event prior to seeking recovery of those costs through the MSCR. The Audit Staff appears to have reached its determination that such a Commission requirement exists on the basis that similar costs¹ incurred by the Company were an audit issue in the April 19, 2016 Audit Final Report on the Company’s 2015 MSCR report, in docket DE 16-274. The Staff Review by the Electric Division of the Company’s 2015 MSCR report that was filed in DE 16-274, however, makes no mention of the audit issue, and instead, finds that the Company’s MSCR report was in full compliance with the applicable Commission orders. No order was issued by the Commission in that docket and no action was taken on the audit issue. Accordingly, there has been no previous Commission finding or determination with respect to this issue, and simply no Commission requirement arising from any order. These costs, therefore, cannot be found to be imprudent for failure to follow a requirement, when none exists.

Moreover, the amount of \$14,625 from Calypso Communications which the Audit Report seeks to disallow consists of two invoices for two distinct functions performed by Calypso: a charge of \$8,400 for direct assistance and support provided by Calypso employees to the Unitil Emergency Response communications team; and a charge of \$6,225.77 for video footage and still photographs and related expenses. The April 2016 Audit Report did not address charges for the function of direct assistance by Calypso employees, and as a result, there cannot be any Commission requirement for a formal plan with respect to these costs, as this is a different and distinct type of service addressed here for

¹ In the April 2016 Audit Report, the Audit Staff had recommended exclusion of the costs of both raw video and still photos documenting the storm restoration as well as production costs for a “Thank You” video. The Company agreed to remove the costs of the Thank You video, but argued that capturing photos and videos is an essential part of documenting storm restoration. As discussed above, there was no determination in DE 16-274 that recovery of the costs for storm related photos and media activities would require the submission of a formal plan to the Commission prior to the event.

the first time. The Audit Report, however, simply treats the entire amount as imprudent.

More importantly, the charges from Calypso Communications represent activities which are most definitely part of a formal plan which has been submitted to the Commission on an annual basis in accordance with Rule Puc 306.09: the Company's Emergency Response Plan ("ERP").² To address the concerns of customers, government agencies, local authorities, employees, and others, the ERP, which (as required by Rule Puc 306.09(b)) utilizes the National Incident Management System (NIMS), has established the role of Chief Information Officer (CIO), reporting directly to the Incident Commander (IC). Information relative to storm/emergency preparation, customer interruptions, resource acquisitions, damage assessment, and restoration progress are to be managed by the communication protocols established under ICS and fashioned by the CIO team headed by the CIO.

Corporate Communications protocols, detailed in Section VI of the ERP, outline the procedure for preparing and distributing appropriate public service announcements (PSAs), as well as outage information, for customers, media outlets, municipal and elected officials, and Company employees. The CIO coordinates all messaging with the IC. The CIO's direct staff has overall responsibility for crafting restoration information to be disseminated to external and internal stakeholders upon approval by the IC including:

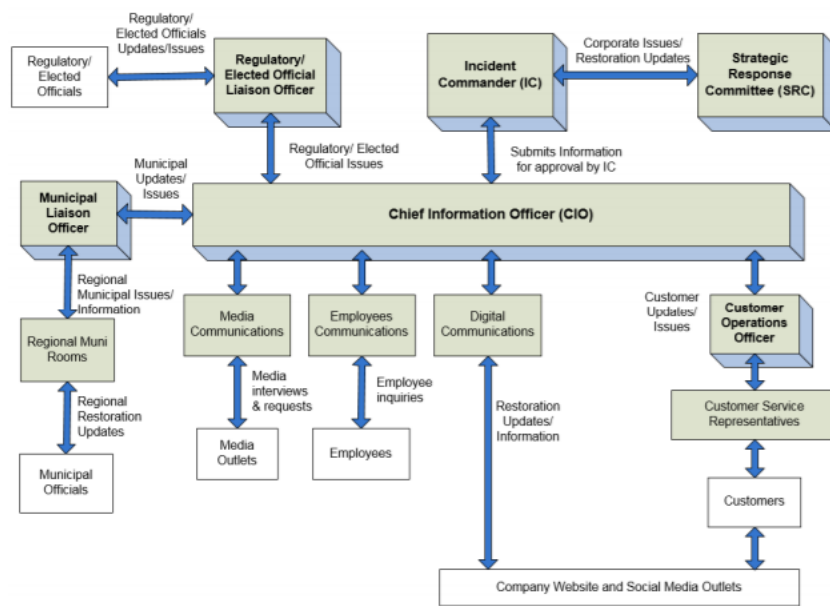
- Media Outlets;
- Employees;
- Customers;
- Municipal Officials;
- Regulatory (New Hampshire Public Utilities Commission);
- Elected officials (Governors' Offices, mayors, boards of selectmen); and
- State emergency management agencies (New Hampshire Office of Emergency Management)

The Company's Communications team is responsible for keeping customers, media, local elected officials, local municipal officials and employees

² A copy of the Communications section of the ERP is attached hereto.

informed on safety issues, storm preparation and the status of restoration efforts during emergency conditions, such as storm events. (See “Figure II-A-3” below, excerpted from page 15 of the Company’s 2018 ERP, filed with the Commission on May 15, 2018.) It is critically important that timely and accurate information about restoration efforts be communicated as widely as possible. It is equally important that the Company communicate regularly prior to and throughout an emergency event and share information to ensure a consistent message is provided both internally and externally. It is also imperative that the Company fully document storm events as evidence for cost recovery purposes.

Figure II-A-3 describes further the specific communication channels during the restoration effort. Additional details regarding the typical workflow and activities of the CIO Team can be found in [Section VI – Corporate Communications](#).



Unitil Service’s³ non-emergency Communications staff consists of eight full-time employees who are all part of the CIO team during emergency events. However, during emergency events the Media, Employee and Digital Communications section of the CIO expands to include contracted Communications support, specifically from Calypso Communications. It is critical

³ As has been described elsewhere, Unitil Service provides, at cost, a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology and energy supply management services on a centralized basis to its affiliated companies, such as UES.

that the CIO team Communications support have experience and skill in specific communications functions such as media and digital communications. Calypso Communications staff are given assignments as members of the CIO team which allow for all CIO Communications storm roles to be staffed for the duration of an event in two shifts. Without the Calypso team staffing support, the CIO team would not be able to perform all of the required Communications functions.

Unitil Service and Calypso have agreed to an emergency support protocol that is outside of any non-storm business retainers or project fees. This support is based on hours worked for storm preparation and response. Calypso Communications employees are trained throughout the year for specific storm roles and participate in all Unitil System-wide Annual Electric Drills to ensure they are prepared to respond to any and all emergency events at the same level as a Unitil Communications team member.

Specific to the October 2017 wind event, Calypso staff members assisted with pre-storm preparation and communication by participating in all pre-storm conference calls as part of our CIO team protocols and three Calypso team members staffed shifts during the storm response covering media relations support, social media support and web/photo/video support (see attached CIO Communications Team storm staffing spreadsheet and Calypso storm support invoice). It would be impossible for the internal Unitil Communications team to cover all roles and shifts during an emergency event without the additional support provided by trained Calypso staff.

With regard to photo and video documentation, Unitil Service contracts with Calypso to hire photographers and videographers who must go through an extensive Unitil Service-conducted safety training prior to being sent into the field for a storm event. Photographers/videographers are paired with line crews to document damage to the electric infrastructure as well as to document storm damage in general (i.e., trees blocking roads, flood damage, etc.). The goal is to: a) document the damage to the infrastructure and the region in general; and b) provide visual context for customers and all stakeholders.

Social media and online news reporting have necessitated an increase in visual content, and is now expected by all customers and stakeholders. Unitil Service-contracted photographers and videographers are tasked with

documenting the damage in as close to real-time as possible from all impacted regions in UES's service territory. That visual context gives customers and other stakeholders a deeper understanding of the damage and the restoration estimates.

The above information was relayed to the Audit Staff in the Company's response to the draft audit, and is acknowledged in Audit Issue #1 under the "Company Comment" section at page 13. Nonetheless, while the Audit Staff indicated that it appreciated the Company's response, it maintained its position that a formal plan was required, as discussed above.

In conclusion, the Company submits that there is no support for the Audit Issue #1:

- There is no "requirement" that the Company submit a formal plan to Staff concerning its use of media and its media liaison activities during a storm event prior to seeking recovery of those costs through the MSCR.
- The Staff Review by the Electric Division of the Company's 2015 MSCR report that was filed in DE 16-274 found that the Company's MSCR report was in full compliance with the applicable Commission orders.
- No order was issued by the Commission in DE 16-274 and no action was taken on the audit issue.
- The April 2016 Audit Report did not address charges for the function of direct assistance by Calypso employees, and as a result, there cannot be any Commission requirement for a formal plan with respect to these costs, as this is a different and distinct type of service addressed by the Audit Staff in the Audit Report for the first time.
- The charges from Calypso Communications represent activities which are part of a formal plan which has been submitted to the Commission on an annual basis in accordance with Rule Puc 306.09.
- The costs at issue are prudent expenditures: They have been incurred in order to help the Company communicate timely and accurate information about restoration efforts regularly, consistently, and as widely as possible, and the product they produce provides evidence for cost recovery purposes.
- The Calypso staff members are specifically trained for the functions they fulfill during a storm event, and take part of the Company's annual storm preparedness drills and exercises.

- It would be impossible for the internal Unutil Communications team to cover all roles and shifts during an emergency event without the additional support provided by trained Calypso staff.

If you have any questions or concerns with regard to this issue, please do not hesitate to contact me directly. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gary Epler". The signature is fluid and cursive, with the first name "Gary" and the last name "Epler" clearly distinguishable.

Gary Epler

Enclosure

cc: Leszek Stackow, Assistant Director, Electric Division
Richard Chagnon, Utility Analyst IV
Sean Courtois, Examiner