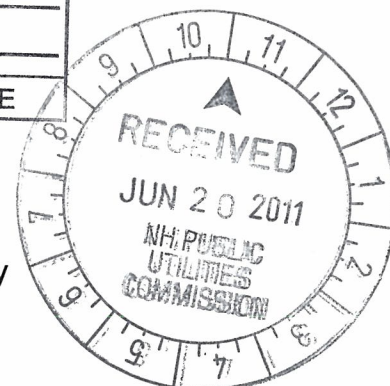




DG 11-196

ORIGINAL	
N.H.P.U.C. Case No.	DG 11-196
Exhibit No.	# 2
Witness	Panel 2
DO NOT REMOVE FROM FILE	
June 17, 2011	



BY OVERNIGHT MAIL AND E-MAIL

Debra A. Howland, Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Commission Staff Memorandum of April 21, 2011 Regarding
Unitil's Non-Compliance with Order No. 24,906 Emergency
Response Standards

Dear Director Howland:

Please accept this letter as the response of Northern Utilities, Inc. ("Unitil" or "the Company") to the New Hampshire Public utilities Commission Staff's ("Staff") April 21, 2011 Memorandum "Unitil's Non-Compliance with Order No. 24,906 Emergency Response Standards.

The Staff Memorandum alleges a failure of the Company to meet certain minimum standards for emergency response times to calls reporting gas leaks and odors. The Emergency Response Standards established in Order No. 24,906 provide specific emergency response timeframes against which the utility's actual performance is measured. A total of nine benchmarks were established, covering 30, 45 and 60 minute response times, each broken out by "normal hours," "after hours," and "weekends and holidays." Results are expressed as binary (pass/fail) outcomes against the established benchmarks. For example, if the benchmark requires response in 30 minutes, responding in 30 minutes or less is considered a success, while responding in 31 minutes or more is considered a failure. Performance relative to the benchmark is expressed as a percentage representing how often the Company met or exceeded the benchmark. A percentage of 90% relative to a specific benchmark means the Company met or exceeded the response time for that benchmark 90% of the time.

The Memorandum contains graphs covering the period from January 2009 to February 2011 which, according to Staff, "depict the degree of Unitil's inability to attain these minimum standards."

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Chief Regulatory Counsel

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The Memorandum concludes that the lack of compliance is “unacceptable and troubling,” and proposes a number of alternative recommendations for the Commission’s consideration:¹

- 1) Impose a civil penalty on Unitil for non compliance of the standards set forth in Order No. 24,906 pursuant to RSA 365 :41 and RSA 374:7-a.
- 2) Schedule an immediate show cause hearing pursuant to RSA 365:5 to determine why civil penalties should not be imposed for non compliance with Commission Order No. 24,906.
- 3) Determine that compliance with emergency response thresholds as well as with all Commission orders must be part of any written executive compensation incentive compensation plans.
- 4) Direct the Company to submit a written explanation each month describing each instance in which emergency response time standards were not met, including a detailed description of the events and the actions taken by the company to address and remedy the area of concern. The written explanation shall be signed by a vice president or higher and filed with the Commission.

The Company does not dispute that it has been unable to meet the performance criteria in each of the nine benchmarks, but disagrees with the Staff’s analysis of the Company’s performance, its conclusions and the proffered recommendations. Most particularly, the Company vehemently disputes that its actions in compliance with this standard has at any time compromised the safety of emergency responders, its customers or the public.

Unitil’s primary objective is the delivery of safe and reliable natural gas service to our customers. Because the Company transports a flammable material on its system, public safety is paramount. Unitil maintains strict compliance with all applicable federal and state pipeline

¹ The Staff notes that it considered but rejected the alternative recommendation of customizing the response requirements for Unitil’s service territory and customer base, noting that similar requirement are in place for National Grid, pursuant to Order No. 24,777, which has been able to successfully achieve compliance over a longer period of time. Unitil has no information with respect to National Grid’s performance, and therefore is unable to comment on this point, except to suggest that even minor variations in how compliance with this standard is measured may result in significant differences in recorded achievement.

safety rules and engages in industry best practices that often exceed code mandated requirements.

The Company has a variety of programs and procedures, in compliance with state and federal regulations, that are highly effective at identifying potential risks to our system and taking appropriate action to ensure the safety and integrity of the pipeline system. These include: Extensive inspections, patrols and leak surveys, including exposed pipe atmospheric corrosion inspections of all service lines; Visual inspection of all pipe exposed or uncovered during construction and maintenance; and a leak detection and mitigation program that exceeds code requirements and is consistent with industry best practice. The Company incorporates guidance from the ANSI-certified Gas Piping Technology Committee along with other leading industry practices in designing its pipeline safety programs, though the Company often exceeds even those recommendations.

To put this issue into proper perspective, it is important to consider that the nine performance standards approved by the Commission in Order No. 24,906 were the result of a negotiated settlement. They are not the result of an investigation of emergency response times, they are not part of Code or industry standards, and they have not been recognized as a “fundamental utility objective.”²

While the Settlement Agreement approved in Order 24,906 contemplated a monthly informational reporting format (“Northern will work with Staff to develop within six months a monthly report format that would provide information regarding emergency response time”), the Emergency Response Standards did not specify a monthly *compliance objective*. Nor were the Emergency Response Standards included under the service quality metrics subject to penalties. Thus, while Staff’s memo states that “the standards establish minimum compliance benchmarks to be met and reported on monthly,” the standards were not defined or characterized as minimum benchmarks to be *met* monthly.

² For example, in Massachusetts local distribution companies are measured against a 60 minute response standard with the response benchmark set at 95%, i.e., utilities are expected to respond in 60 minutes or less at least 95% of the time, for calls at all hours.

Since acquiring Northern Utilities in December of 2008, the Company's emergency response has been excellent and improving, and is better than the emergency response under the predecessor owner of Northern. The Company has focused extensive efforts on meeting the Emergency Response Standards established in Order 24,906, including additions to both staffing and working hours. For example, in January 2009 two new shifts were added Monday through Friday from 1:00 PM to 9:00 PM to extend after hours coverage. In March of 2010 a third shift was added Monday through Friday from 1:00 PM to 9:00 PM. In October 2010 these three shifts were changed to cover the hours of 3:00 PM to 11:00 PM to again extend after hours coverage. In January 2011 two additional shifts were added to cover Tuesday through Saturday in order to cover the hours of 8:00 AM to 3:30 PM on Saturdays. All of these staffing and shift changes were done to achieve compliance with the Emergency Response Standards; all involve costs that will ultimately be recovered from customers. These efforts are reflected in the Company's average response times, as shown in Table 2.

Table 2. Average Time of Response

Time of Call	Response Time in Minutes					
	2009		2010		2011 Q1	
	Incidents	Avg Response (minutes)	Incidents	Avg Response (minutes)	Incidents	Avg Response (minutes)
Regular Hours	602	24	618	20	212	20
After Hours	233	27	200	24	97	24
Weekend/Holiday Hours	175	32	207	33	80	29
All Hours	1010	26	1025	24	389	23

Over the most recent 15 month period, the Company's emergency response time has *averaged* about 23 to 24 minutes. Furthermore, as evidenced in Table 2, the Company's average response time has improved each year since the acquisition, and in 2011 has averaged under 30 minutes for all calls whether "normal hours," "after hours," or "weekends and holidays." It will be exceedingly difficult to further reduce these response times given that they include: a) call handling time; b) call-out/dispatching time; c) and drive time to the location of the emergency.

Despite having excellent response as measured by *average* response time, the Company has been unable to consistently meet the Emergency Response Standards for 30 minute response at the established percentages. As demonstrated in Table 3, the Company is surpassing the benchmarks for 45 and 60 minute response on an annual basis, but is not meeting the benchmarks for 30 minutes response, which require that the Company be on the scene of an emergency within 30 minutes of the initial call up to 94% of the time.

Table 3. Performance under Emergency Response Standards

Response Objective	Time of Call	Goal	Actual Response		
			2009	2010	2011Q1
60 Minutes	Normal Hours	97.00%	96.00%	100.00%	100.00%
	After Hours	90.00%	98.00%	100.00%	100.00%
	Weekends/Holidays	82.00%	98.00%	99.00%	96.00%
45 Minutes	Normal Hours	95.00%	95.00%	97.00%	99.00%
	After Hours	86.00%	94.00%	95.00%	97.00%
	Weekends/Holidays	80.00%	84.00%	78.00%	86.00%
30 Minutes	Normal Hours	94.00%	84.00%	89.00%	89.00%
	After Hours	84.00%	67.00%	75.00%	79.00%
	Weekends/Holidays	76.00%	54.00%	45.00%	49.00%

While the Company has undertaken extensive efforts to meet the Emergency Response Standards, including changes to staffing, working hours and shift coverage, the Staff Memo does not provide any weight to the *average* response time or to the Company's performance surpassing the benchmarks for 45 and 60 minute response.

Another way to objectively view Unitil's performance under the Emergency Response Standards is to examine how often the Company surpasses the percentage benchmarks, and how often it misses them, on a response by response basis (i.e., the number of exceptions). Table 5 provides a breakdown of the emergency calls experienced over a 27 month period from January 1, 2009 through March 31, 2011. Applying the Emergency Response Standards from Table 1 to the number of incidents in Table 4 allows the percentages represented in the Emergency Response Standards to be translated into numerical goals based on the number of incidents, as provided as Table 5. The Company's actual response is then compared to the goal.

Table 4. Number of Incidents

Time of Call	Number of Incidents			Monthly Average
	2009	2010	2011Q1	
Normal Hours	602	618	212	53
After Hours	233	200	97	20
Weekends/Holidays	175	207	80	17
Total (all calls)	1010	1025	389	90

Table 5. Response Objectives

Response Objective	Time of Call	2009			2010			2011 Q1		
		Goal	Actual	Diff	Goal	Actual	Diff	Goal	Actual	Diff
60 Minutes	Normal Hours	584	578	(6)	599	615	16	206	212	6
	After Hours	210	228	18	180	200	20	87	97	10
	Weekends/Holidays	144	171	28	170	204	34	66	77	11
45 Minutes	Normal Hours	572	571	(1)	587	602	15	201	210	9
	After Hours	200	219	19	172	189	17	83	94	11
	Weekends/Holidays	140	147	7	166	162	(4)	64	69	5
30 Minutes	Normal Hours	566	507	(59)	581	552	(29)	199	189	(10)
	After Hours	196	157	(39)	168	149	(19)	81	77	(4)
	Weekends/Holidays	133	94	(39)	157	94	(63)	61	39	(22)
	TOTAL/DIFFERENCE	2,744	2,672	(72)	2,780	2,767	(13)	1,049	1,064	15

On balance, the Company missed the benchmarks more frequently than it attained them in 2009, primarily due to difficulty meeting the 30 minute response standards. In 2010 the Company's attainment relative to goal improved markedly relative to virtually every benchmark, and surpassed the benchmarks almost as often as they were missed. Thus far in 2011, the Company again shows an improving trend, and is now surpassing the benchmarks more often than it is missing them. Given that the ultimate goal of such standards is public safety, it would follow that meeting or surpassing the nine response standards in total should be the overall goal, even where certain individual benchmarks may be missed.

To show the same information from another perspective, attached are tables, broken out by year and then in a cumulative table, which provide the response times that exactly correspond to the percentages defined as the Emergency Response Standards. In other words, if the Emergency Response Standard for "Weekends/Holidays" was to

respond to 76% of calls in 42 minutes or less (instead of 30 minutes), the Company would be meeting the goal.

Again, these tables demonstrate that the Company's performance has improved each year since the acquisition, with the largest improvement occurring between 2009 and 2010. Most of the nine response standards have shown steady improvement each year. This can also be viewed by comparing the 2011 YTD results to the average of the 27 month period. Every one of the benchmarks is significantly better in 2009 versus the average. The month of May was indicative that performance is continuing to improve, even in 2011. These tables show that the Company is significantly surpassing the goals for 45 and 60 minute response, but is missing the 30 minute objectives by 6 to 12 minutes.

Tables 6 - 9

2009 ERT				
Time of Call	Percentage Objective	Response (mins)		Actual vs Goal
		Goal	Actual	
Normal Hours	97.00%	60	79	19
After Hours	90.00%	60	40	-20
Weekends/Holidays	82.00%	60	44	-16
Normal Hours	95.00%	45	47	2
After Hours	86.00%	45	38	-7
Weekends/Holidays	80.00%	45	42	-3
Normal Hours	94.00%	30	42	12
After Hours	84.00%	30	37	7
Weekends/Holidays	76.00%	30	39	9
2010 ERT				
Time of Call	Percentage Objective	Response (mins)		Actual vs Goal
		Goal	Actual	
Normal Hours	97.00%	60	44	-16
After Hours	90.00%	60	41	-19
Weekends/Holidays	82.00%	60	48	-12
Normal Hours	95.00%	45	39	-6
After Hours	86.00%	45	38	-7
Weekends/Holidays	80.00%	45	48	3
Normal Hours	94.00%	30	36	6
After Hours	84.00%	30	37	7
Weekends/Holidays	76.00%	30	45	15

2011 Q1 ERT				
Time of Call	Percentage Objective	Response (mins)		Actual vs Goal
		Goal	Actual	
Normal Hours	97.00%	60	40	-20
After Hours	90.00%	60	38	-22
Weekends/Holidays	82.00%	60	42	-18
Normal Hours	95.00%	45	35	-10
After Hours	86.00%	45	35	-10
Weekends/Holidays	80.00%	45	41	-4
Normal Hours	94.00%	30	34	4
After Hours	84.00%	30	33	3
Weekends/Holidays	76.00%	30	41	11
27 Month Aggregate				
Time of Call	Percentage Objective	Response (mins)		Actual vs Goal
		Goal	Actual	
Normal Hours	97.00%	60	50	-10
After Hours	90.00%	60	40	-20
Weekends/Holidays	82.00%	60	51	-9
Normal Hours	95.00%	45	40	-5
After Hours	86.00%	45	38	-7
Weekends/Holidays	80.00%	45	45	0
Normal Hours	94.00%	30	39	9
After Hours	84.00%	30	36	6
Weekends/Holidays	76.00%	30	42	12

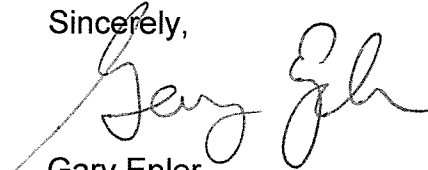
Conclusion and Recommendations

- The Company's compliance with the Emergency Response Standards to date and consideration of the Staff's Recommendations for civil penalties and a show cause hearing should be considered in light of the entirety of the Company's overall safety performance.
- The Company has devoted extensive efforts to meeting the Emergency Response Standards, including changes to staffing, work hours and shift coverage.
- The Company's emergency response has been excellent, as represented by 23 – 24 minute average response times for over 2,400 incidents.

- The Company's performance has improved each year since the acquisition, as measured by average response time and attainment of the Emergency Response Standards.
- The Company is significantly surpassing the Emergency Response Standards for 45 and 60 minute response, but is missing benchmarks for 30 minute response.
- The Company submits that percentage benchmarks for 30 minute response may not be properly designed.
- The Company's performance is being judged solely against 30 minute response standards, for which there is no objective standard, and no basis in Code, regulation, or industry standards.
- On balance, the Company has been very attentive to the Emergency Response Standards, and has made significant progress and improvement in meeting these benchmarks, despite the fact that the Standards are extremely stringent and difficult goals.

At this time the Company does not believe it will be practical to meet the 30 minute benchmarks. Accordingly, as these performance standards were developed through the settlement process in Docket No. DG 08-048, the Company requests that the Commission direct the settling parties to reconvene to determine whether it is possible to arrive at an alternative performance standard for this matrix to present to the Commission for its consideration. If this process is unable to arrive at a mutually agreeable alternative recommendation, the Company will file for a waiver of the current benchmarks and proffer a revised performance standard for consideration by the Commission.

Sincerely,



Gary Epler
Attorney for Northern Utilities, Inc.

cc: Lynn Fabrizio, Staff Counsel