


STATE OF NEW HAMPSHIRE**Inter-Department Communication****DATE:** July 8, 2015**AT (OFFICE):** NHPUC**FROM:** Grant W. Siwinski 
Utility Analyst III**SUBJECT:** DE 15-082, Unitil Energy Systems, Inc. (UES) Annual Reporting
pursuant to the Settlement Agreement approved in DE 10-055**TO:** Debra A. Howland, Executive Director

On February 27, 2015, UES filed the Company's Reliability Enhancement Program (REP) and Vegetation Management Program (VMP) Annual Report in accordance with the Settlement Agreement approved in Docket No. DE 10-055. This filing also included information related to earnings sharing and exogenous events. There is no rate change associated with this filing.

REP/VMP Annual Report 2014

As noted by the Settlement Agreement, UES was ordered to continue the REP/VMP activities for a five year period and to continue to file the related annual reports. The annual report must show actual REP and VMP activities and costs for the previous calendar year and its planned activities and costs for the current calendar year. Actual and planned REP and VMP costs shown in the report are to be reconciled with the revenue requirements associated with the actual and planned capital additions and expenses.

As required, UES has reconciled its VMP and REP program costs. From December 31, 2013 through December 31, 2014, the Company collected \$4,558,739 in VMP revenue. Additionally the Company collected \$200,000 in REP revenue related to VMP and \$833,398 in revenue from Fairpoint Communications¹, for a grand total of \$5,592,137. During that same period, the Company spent \$4,936,003 in VMP expense and \$84,082 of REP expenses related to VMP for a total of \$5,020,085, leading to an over collection of \$572,052.

The Company also collected \$100,000 in REP revenue related to reliability inspection and maintenance from December 31, 2013 to December 31, 2014. During that same period, the Company spent \$220,000, for an under-collection of \$120,000.

These two components resulted in an over collection amount of \$452,052. In DE 14-063, the Commission approved UES' proposal to move over/under collections of VMP and

¹ The Settlement Agreement did not consider payments from FairPoint Communications for tree trimming. UES will credit these payments to its External Delivery Charge.

REP revenues to the Company's External Delivery Charge ("EDC") mechanism because May 1, 2014 was the last step adjustment under the Settlement Agreement. Accordingly the \$452,052 will be credited to the EDC mechanism in Docket No. DE 15-244 effective with rates on and after August 1, 2015.

Summary of 2014 REP/VMP Results

UES completed a survey of all its overhead, three-phase circuitry, or a total of 428 pole miles of line. The circuit survey identified 58 pieces of equipment that displayed the immanent failure signature and requires repair or replacement. As was the case in 2013, the types of facilities identified included transformers, insulators, lightning arrestors, bushings, and cutouts.

Utilizing UES's Outage Management System (OMS) which details customer counts and protective devices, the Company is able to develop potential system reliability impacts. The 2014 program identified a repair every 7.9 miles, and an average of 393 customers impacted by each failure event if it occurred. The estimated number of customers impacted by potential failures of all identified locations was 22,841. The estimated customer minutes of interruption would be 2,093,437 calculated using 2014 system CAIDI values. The total opportunity for avoided system SAIDI would be 27.6 minutes, which represents 16.7 percent of UES' most recent 10-year average annual SAIDI of 165.4 minutes.

This data compliments UES' findings in 2013, which estimated 39.4 SAIDI minutes of savings. The Company believes the program has significant benefits to its customers.

Summary of 2014 Performance

The reported reliability performance of the UES systems in 2014 (based on IEEE-1366) was the second best performance in the last five years in terms of SAIDI and the number of interruption events experienced. The combined UES system SAIDI of 145.76 minutes was roughly 10.6 percent lower than the 5 year average of 163.07 minutes. The UES combined system SAIFI for 2013 and 2014 was identical at 1.483 interruptions which is tied for the best performance in the last five years. The system SAIFI over the last two years has been approximately 14.5 percent lower than the 5 year average of 1.736. The total number of interruption events recorded in 2014 excluding the Major Event Days was 1,029. This was approximately 8.4 percent lower than the 5 year average of 1,123 interruption events.

Earnings Sharing

UES calculated its earned return on equity for the calendar year ending December 31, 2014. UES's Form F-1 for the year ending December 31, 2014 showed an earned return on equity of 7.99 percent. Since its return on equity was not greater than 10 percent, UES was not subject to a sharing of earnings for the 2014 calendar year reporting period.

Exogenous Events

The Company certified that no exogenous events occurred during calendar year 2014 which caused changes in excess of the Exogenous Events Rate Adjustment Threshold.

Recommendation

Staff reviewed the filing, issued a data request and held a tech session. Based on this detailed review, Staff determined that UES complied with the Settlement Agreement by filing a REP/VMP Annual Report with the relevant activities, costs and revenues for 2014 and 2015. Because there is no rate change associated with this filing, and the \$452,052 over collection of REP/VMP revenues is being reviewed and returned in UES' Annual Reconciliation in DE 15-244, Staff recommends this filing be closed.

c: Tom Frantz
Les Stachow
Suzanne Amidon

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
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