

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: February 1, 2019

AT (OFFICE): NHPUC

FROM: Sean Courtois, Examiner

SUBJECT: Unitil Energy Systems, Inc.
2017 Annual Major Storm Cost Reserve Fund Report DE 18-038
Addendum
Final Report

TO: Tom Frantz, Director Electric Division
Leszek Stachow, Assistant Director
Richard Chagnon, Utility Analyst

INTRODUCTION

The New Hampshire Public Utilities Commission (Commission) Audit Staff (Audit) on October 24, 2018 received a letter from Gary Epler, Chief Regulatory Counsel for Unitil Corporation, stating the Company disagreed with Audit Issue #1 in the 2017 Annual Major Storm Cost Reserve Fund Final Audit Report issued July 10, 2018. The Company disagreed that the Calypso Communications (Calypso) October Wind Storm costs were imprudent. The Company also objected that they were required to submit a formal plan to the Commission regarding the Calypso expenses related to the Storm Fund. Audit Issue #2 in the storm report was resolved.

On October 29, 2018 Commission Legal Staff issued a letter to Unitil Energy Systems, Inc. (UES) stating the Commission reviewed the letter from the Company and indicated that the audit will be reopened for the limited purposes of examining statements UES made in support of its position that Calypso's work is related to storm recovery efforts. For informational purposes, among others, UES and Unitil Service Corp, (USC) are subsidiaries of Unitil Corporation (Unitil). USC employees provide services to Unitil subsidiaries such as Accounting, Finance, Tax, Administration, Business Development, Cash Management, Communication, Corporate Administration, Customer Support, and Emergency Management and Compliance, among others.

On November 14, 2018 the Chief Auditor sent an email to the USC Internal Audit Group requesting backup documentation and questions regarding the function and role Calypso plays in regard to the Company and storm activities. On Tuesday, November 20, 2018, Audit Staff met with Dan Main, Assistant Controller, Carol Valianti, Vice President, Communications and Public Affairs, and Jacklyn Ulban, Manager Business Resilience and Compliance.

Role of Calypso Communications

Audit met with Carol Valianti, Vice President of Communications and Public Affairs for USC. She explained Calypso works with Unitil and that no other Company plays a similar role within the organization. They perform communications services for the Company. These services include but are not limited to web design, social media, public relations, annual reports, employee communication, graphic design, print layout, email, customer service media liaison activities, and municipal liaison activities.

Audit reviewed the 2017 Calypso Media Relations Retainer and Crises Support Outline. The overview of the retainer indicated Calypso provides monthly public and media relations that are ongoing and as needed crises communications and staging site staffing. The retainer listed monthly agency fee for consulting, writing, planning, and placement media services for New Hampshire and Maine. The monthly agency fee for Maine and Massachusetts is \$5,000 each. Massachusetts is billed separately as applicable with no monthly amount specified. Calypso is also paid an annual fee to participate in the annual electric and gas training drills.

The agreement does not specify the amount each attendee is paid as it is from a prior agreement that authorizes two Calypso Representatives. There is a \$700 flat fee for additional attendees to attend training drills up to 8 hours. Calypso participates in UES crisis communications which provide support at staging sites to manage media walk-in traffic and various municipal stakeholders. Calypso participates as needed in the Emergency Operations Center in Hampton.

The retainer agreement indicates there are three levels of storm preparedness provided by Calypso to ensure all needed communications are met should the Emergency Operations Center be opened. The level one services state Calypso will participate in up to two pre-event calls per event and keep all Calypso team members informed as needed as part of the existing 2017 monthly public and media relations retainer.

The level two communications state Calypso staff members are requested take action in preparation for an emergency event such as crafting messaging, booking photographers and videographers, scheduling staging staff time, or when there are more than two pre-event calls per event, Calypso staff time is billed at a blended hourly rate of \$150 per hour.

The third level of storm preparation is when the Emergency Operations Center is opened. The following rates apply: There is a flat fee of \$1,400 to open each staging site. The hourly rate includes eight hours of Calypso staff time as well as travel time to and from the staging site. The hours staffing the site over the allotted 8 hours will be billed at a blended rate of \$150 per hour. The Hampton Emergency Operations site is considered a staging site. If the Calypso staff members are asked to travel to other locations during the emergency event, a lower \$75 hourly rate for travel will apply.

The retainer agreement indicates an itemized hourly invoice is required that outlines the personnel names, hours spent on specific activities, mileage, other travel related expenses, and the date the service was completed. The agreement was renewed in 2017 and is effective for a year. If UES would like to terminate the agreement, then there is a 30-days written notice required.

USC maintains an Incidental Command Support System that consist of different roles within the Company when there is a storm or emergency event. The scope of this report deals with the Unitil Chief Information Officer Group (CIO). The CIO is focused into five groups. The groups consist of Municipal Team, Media Relations Team, Messaging Team, Liaison Team, and Customer and Social Media team. The Municipal Team communicates with municipal officials with regards to status updates on power outages and when customers can anticipate power to be restored. The Liaison Team meets with state officials and regulators keeping them informed as to what is happening and progress on restoration efforts.

The Messaging Team is responsible for keeping USC employees informed as to what is happening in storm restoration activities. The Media Relations Team works with local news media to provide updates on storm restoration efforts. This group crafts all Public Service Announcements (PSAs) and manages staging site communications personnel. The group serves as spokesperson for all media TV, print, and radio before and after the event.

The Customer and Social Media Team reach out to customers to keep them aware of what is going on and when they can expect to have the power restored. The primary means of communication are Facebook, Twitter, and PSAs. The Company utilizes a map on its website to show where outages are happening. Customers can sign up to receive email notification when they have a power outage. The customers can also call on the phone. The CIO group also must capture storm images and video to show the extent of storm damage and to assess how the restoration process is going.

The Company must also warn customers to avoid areas with down wires for safety reasons. After the storm is over the Company uses the available video and images to continually improve its response to storms and emergency events. These are to satisfy requirements with the Massachusetts Department of Public Utilities.¹ The Company must comply by having the power restored within a specific period of time.

The Chief Information Officer Division consists of eight full time employees within Unitil. The CIO team consists of the CIO, CIO Administration Support, media, social media, web/visual assets, customer service liaison, employee communications, staging site coordinators, and photographers/videographers. The CIO communicates directly with the Incident Commander to receive storm event updates, craft messages, and disseminate information to all CIO team members for use in all channels for all audiences. The CIO Administration Support

¹ This is not a requirement of the New Hampshire Public Utilities Commission.

compiles documentation before, during, and after an event. This includes Public Service Announcements (PSAs), municipal communication, employee communication, and regulator communication. The documentation is critical in the event of regulatory inquires.

The media employee serves as the main spokesman for all media communication. The social media employee posts messages primarily on Facebook and Twitter about storm safety, preparation, and restoration updates. The web/visual assets employee posts PSAs on the Company website, provide updates on town-by-town outages and create photos, graphics, and videos of the storm. The Customer Service Liaison employee creates talking points for PSAs to answer storm questions.

The Calypso staff receives training in each of the eight positions within the CIO organization described above. The reason they are part of this group is because they fill a gap in staffing that is needed by the Company when it comes to storm coverage as the UES Communications team is required to mobilize anytime there is a storm or emergency event. The UES CIO team does not have enough internal employees to manage the storms all the time by themselves. Every employee of UES is required to participate in storm coverage in addition to their regular jobs. Calypso participates in storm coverage just like any UES employee. The CIO organization is mobilized during storm events. The storm coverage duty consists of being available for a specified period of time and participating in CIO email updates and conference calls.

The Calypso team receives training on how to have effective communications guidelines. The communications must include being proactive, accurate, speaking with one voice, show and tell with images, speak in real time, be transparent, and provide context. The training mentions that communication must be always improved and be clear in nature. The training Calypso receives in communication is important as they are responsible for onsite media at staging events. They are tasked with being the eyes and ears of the storms that includes photos and public relations. They also coordinate with crews and provide any photos or other documentation they might need. Calypso employees also provide updates on the Company website. The training is to help communicate timely and accurate information about restoration efforts regularly, and consistently during an actual storm.

The Calypso employees receive training on how to maintain the Cloud Asset Library that stores pictures for damage assessments and documentation purposes. The Cloud Asset Library consists of the Google Drive that stores the photos, the internal damage assessment app, and IRestore - Muni app.

The IRestore- Muni app is for damage assessment from municipal partners. The photos can then be scanned to the Google Drive. Calypso receives training that communication must be positive and proactive. Calypso is required to view up to date guidelines before making a social media post. The training they receive deems a good social media post to include visual posts, informative posts, safety/preparation, and expected time of resolution, if available. The Calypso

team participates in workshops in how to craft talking points, and PSAs with stakeholders discussed further below.

The CIO team and Calypso are tasked with three main job descriptions that consist of storm image capture, staging site communications, and employee communications. The CIO team consists of two shifts during a storm event. The CIO team receives training on how to craft PSA and talking points that sometimes go on for four or five drafts. The goal of the PSA is to convey a message that is consistent, modular, and fast in response to questions regarding a storm or emergency event. The PSA components are intended to convey an opening paragraph, status of restoration, quote, safety message, and general information reminders. The talking points, municipal, and social media posts convey the same core components as the PSA. The training documents indicate workshop exercise assuming a round of heavy wet snow fell the day before Thanksgiving and 18,000 customer lost power. The workshop tested UES CIO and Calypso employees' abilities to use the resources they use in communication during the storm. The workshop tested their use of writing a PSA the day before, talking points, outage map, Google Drive existing social media graphics, and updating the website. The workshop exercise assumed two challenges. The first challenge was crafting a proactive post on Twitter and Facebook to prepare customers for the restoration timeline during the holiday. The second part of the challenge was to draft inbound social inquires on the handout provided.

Calypso staff participated in the annual electric drill that took place on June 27, 2018 that was part of a mock thunderstorm event. The exercise simulated a severe thunderstorm that knocked out power to 70 percent of customers across New Hampshire and Massachusetts with heavy wind gusts of up to 65MPH. The electric drill simulated damage to poles, transmission lines, and associated damage to substations. The goal of the annual electric drill was to assess core response capability in Public Safety, Assessment and Restoration Planning, Municipal Coordination, Support, Communications, and Business Continuity.

Calypso participated in the communications portion as a test as part of the backup documentation the CIO team to practice responding effectively to the storm response effort. Audit reviewed a spreadsheet that indicated the functional objectives and desired outcomes to be accomplished in the exercise. The objectives for Calypso included ensuring ability to communicate with all stakeholders consistently, ability to track and receive outage reports during business disruption, and ensure ability to actively and adequately manage social media channels during the storm event. The training exercise assumed activity simulations for June 25 through June 28. The first two days of the storm were for pre-event activities. These two days consisted of going over the 3-day preparation checklist to make sure they were ready to respond to the actual thunderstorm event. On June 27, the actual thunderstorm happened and the Company responded that morning and practiced restoration activities in the exercise. On June 28 the exercise was over and the Company conducted post-exercise and evaluation activities. The goal was to provide a debriefing for further improvement in the future.

Review of October 2017 Calypso Communications Invoices

Audit reviewed the two invoices from the October 2017 Wind Storm and backup documentation provided by the Company with regard to support for inclusion within the Annual Major Storm Cost Reserve Fund that were in question. The backup documentation indicated on the first invoice # 7013 dated November 7, 2017 that three Calypso employees worked on shifts for storm coverage during the actual event. Two employees worked on Monday October 30, 2017 providing social media updates on Twitter, and web/video/photo updates. On Tuesday October 31, 2017 there were two employees working. One of the employees provided media support, and the other doing web, photo, and video of the storm. The spreadsheet provided by UES indicates Calypso provided services for storm coverage for the five days from October 27 through October 31. The activities are summarized below:

<u>Employee</u>	<u>Task</u>	<u>Note</u>	<u>Date</u>	<u>Hourly Rate</u>	<u>Hours</u>	<u>Total</u>
#1	AM	storm calls	All	\$150	2	\$300.00
#2	AM	storm calls	All	\$150	2	\$300.00
#3	meeting	storm call	10/27	\$150	1	no charge
#3	meeting	storm call	10/28	\$150	0.5	no charge
#3	meeting	scheduling	10/30	\$150	0.5	\$75.00
#3	AM	email/news	10/30	\$150	0.75	\$112.50
#3	meeting	storm call	10/30	\$150	0.75	\$112.50
#3	storm shift	storm shift	10/31	\$150	6	\$900.00
#3	storm shift	storm shift	10/31	\$225	3	<u>\$675.00</u>
Total # 3						\$1,875.00
#4	meeting	storm call	10/27	\$150	1	no charge
#4	AM	Scheduling	10/27	\$150	0.75	\$112.50
#4	meeting	storm call	10/28	\$150	0.5	no charge
#4	AM	coord. Team cov.	10/28	\$225	1	\$225.00
#4	meeting	storm call	10/30	\$150	0.75	\$112.50
#4	storm shift	shift	10/30	flat	10	\$2,100.00
#4	AM	Sched/staff rep.	10/31	\$150	0.5	<u>\$75.00</u>
Total # 4						\$2,625.00
#5	meeting	storm call	10/27	\$150	1	no charge
#5	meeting	storm call	10/28	\$150	0.5	no charge
#5	storm shift	shift	10/30	\$150	3	\$450.00
#5	storm shift	shift	10/30	\$225	6	\$1,350.00
#5	storm shift	shift	10/31	\$225	4	\$900.00
#5	storm shift	shift	10/31	\$150	3	<u>\$450.00</u>
Total # 5						\$3,150.00
Grand Total						<u>\$8,400.00</u>

Calypso employees attended pre-storm conference calls on two days to prepare for the storm, and worked on shifts for over three days during the restoration effort. They worked a total of five days during the storm including shifts and storm calls. This is longer than most other storms that had a shorter duration. Audit reviewed the photos of the October Wind Storm and there was significant damage to poles and electrical infrastructure. Audit did not review any video evidence of the storm as there was no video documentation made.

Audit agrees that the \$8,400 in storm costs listed on the invoices were not imprudent as indicated in the prior DE 18-038 2017 Major Annual Storm Audit Report. Audit reviewed other invoices where similar media services were provided by Calypso. They are discussed later in this audit report. The \$8,400 storm costs represent public relations and communications expenses as a general expense to the Company as a whole. These charges while not imprudent, should still be removed from the storm fund as they do not relate to the physical restoration of power but general communications expenses.

The second invoice #7014 from November 7, 2017 that is also in question from the October Wind Storm was for \$6,225.77. The invoice indicated it was for capturing video footage and photos along the Capitol and Seacoast divisions of the Company. This helps the Company with any safety issues that might happen to alert the public not to go near downed power lines. The pictures provide a record as to physical evidence for regulators and customers as to where there is storm damage and the extent of what the damage is. The Calypso photographer/videographer go through UES safety training prior to being sent with line crews to document the damage to the infrastructure. Audit reviewed pictures that were taken from the October 2017 wind storm that indicated there was extensive damage to poles and electrical infrastructure. Audit did not review any videos as Audit was told there were no videos to review during the November 20, 2018 on-site visit. The Company further indicated the line item description for photos/videos is a standard description Calypso used on invoices billed to UES to describe photographer/videographer services.

The Company started doing photo and video documentation at the urging of the Massachusetts Department of Public Utilities as a result of their response to the 2008 winter ice storm. The Massachusetts Department of Public Utilities conducted an investigation to improve electric utilities response to restore power in quick, safe, and reliable manner. Since the 2008 ice storm the Company has utilized Calypso for photo and video documentation of storm evidence to restore power in a quick, safe, and reliable manner.

Audit understands the Company considers this important to restoring power as there was more damage sustained than usual, however, because these charges should be booked to media services as they were not directly related to restoring the power. Other, instances are discussed later in this audit report because they are similar to the October 2017 wind storm. The \$6,225 in charges should not be authorized for recovery in the storm fund just due to the long duration of the October 2017 wind storm, and for that reason, Calypso employees worked for five days,

including pre-storm conference calls. Because the invoice indicates media activity the costs should be booked to that expense account.

The chart below summarizes the invoice

<u>Employee</u>	<u>Task</u>	<u>Total</u>
#1	Video footage and photo Collec. In Capitol region 10/30	\$1,650.00
	Video footage and photo Collec. in Seacoast region 10/30 and 10/31	\$3,150.00
	Reimbursable Travel in Capitol region	\$132.68
	Reimbursable Travel in Seacoast region	\$93.09
#2	Staff Coord. And assignments, upload, Prepare file preparation	<u>\$1,200.00</u>
		<u>\$6,225.77</u>

Review of Calypso Communications in Other Storms similar to October Storm

Audit reviewed invoice #6795 dated March 27, 2017 that totaled \$9,620.90. The costs were related to a March 14, 2017 Nor'easter that resulted in 12-18 inches of wet snow. The Calypso job functions performed during the storm are similar to invoice #7013 that totaled \$8,400 from the October 2017 wind storm. The work performed on the invoices was storm calls, news monitoring, storm coverage that was worked remotely and at the emergency operations site. The charges were originally booked to USC Storm Expense Event account 12-30-00-00-186-99-10. The costs were then allocated to UES but reflected as UES payroll. The invoice was booked to the UES storm reserve account 10-20-00-00-182-10-00. Audit reviewed journal entry #174817 that showed the \$9,620.90 in charges were booked in April 2017 to UES payroll. The Company is reminded that contractors should not be booked to internal payroll as they are not direct employees. These services should not be charged to the storm fund but the media services account.

The chart below summarizes the invoice.

<u>Employee</u>	<u>Task</u>	<u>Hours</u>	<u>Total</u>
#1	Hampton EOC	flat fee	\$1,400.00
#1	storm calls, Staff coord, email	5.5	\$825.00
#2	storm cov.remote	7.5	
	Storm cov. Hampton	8.5	
	Storm calls,email,scheduling	<u>1.5</u>	\$2,850.00
		17.5	
#3	Storm Coverage, Hampton	8.5	
	Storm calls, email/news,sched.	<u>1.5</u>	
		10	\$1,650.00
#4	storm coverage remote	7.5	\$1,200.00
#5	storm coverage Hampton	<u>8.5</u>	\$1,425.00
		16	
	Reimbursable Travel		\$270.90
#6	storm coverage (training)	8	no charge
#7	storm coverage (training)	4	<u>no charge</u>
Grand total			<u>\$9,620.90</u>

Audit reviewed invoice #6796 dated March 3, 27, 2017 that totaled \$2,694.66. The costs were related to a March 14, 2017 Nor'easter that resulted in 12-18 inches of wet snow. The Calypso job functions performed during the storm are similar to invoice #7014 that totaled \$6,225.77 from the October 2017 wind storm. The work performed was video footage and still photo collection for the Seacoast.

Audit reviewed journal entry #174817 that showed the \$2,694.66 in charges were booked in April 2017 to UES payroll. The invoice was booked to the storm reserve account 10-20-00-00-182-10-00. The Company is reminded that contractors should not be booked to internal payroll as they are not direct employees. These charges should be charged to the media services account, not the storm fund. The chart below summarizes the costs listed on the invoice.

<u>Employee</u>	<u>Task</u>	<u>Total</u>
#1	Video footage and still photo Collection Seacoast region	\$2,100.00
	Reimbursable travel	\$144.66
#2	Staff Coordination assignments	<u>\$450.00</u>
		<u>\$2,694.66</u>

Audit reviewed invoice #6804 dated 4/4/2017 that totaled \$5,567.10. The costs were related to the April Fool's Day snow storm where there was widespread 6-9 inches of heavy wet snow that fell in the Seacoast and Capitol Regions. The Calypso job functions performed during the storm are similar to invoice #7013 that totaled \$8,400 from the October 2017 wind storm. The work performed on the invoices was storm calls, news monitoring, storm coverage that was worked remotely and at the emergency operations site. The charges were originally booked to USC Storm Expense Event account 12-30-00-00-186-99-10. The costs were then allocated to UES but reflected as UES payroll. The invoice was booked to the UES storm reserve account 10-20-00-00-182-10-00. Audit reviewed journal entry #180308 that showed the \$5,567 in charges were booked in May 2017 to UES payroll. The Company is reminded that contractors should not be booked to internal payroll as they are not direct employees. These charges also should be booked to media services not the storm fund. The chart below summarizes the invoice.

<u>Employee</u>	<u>Task</u>	<u>Hours</u>	<u>Total</u>
#1	Concord EOC	flat fee	2,100.00
#2	storm calls, email/news Monitoring, scheduling	2	\$300.00
#3	storm calls, email/news Monitoring, scheduling	1.5	\$225.00
#4	storm coverage, Hampton Storm calls, emails, sched.	7 <u>1.5</u> 8.5	\$1,800.00
#5	storm calls, email/news, Monitoring, sched.	1.5	\$225.00
#6	storm calls, email/news Monitoring, scheduling Reimbursable travel	1.5 4.5	\$225.00 <u>\$692.00</u> <u>\$5,567.00</u>

Review of Other Calypso Communications Media Services

Audit reviewed invoice #6708 dated December 31, 2016 that was for \$2,511. The invoice indicates Calypso designed and developed Utility Arborist Association (UAA) custom double-sided struck brass coin. The services provided by Calypso included design concepts, three rounds of revisions to select concepts, layout, vendor research, file preparation, and stock photography and selection. This was requested by the UES System Arborist who requested design assistance for the UAA commemorative coin. She was the President at the time of the Arborist Association. The invoice was booked incorrectly to account 10-20-28-00-593-04-18 VMP Storm Hardening (UES). The charges do not relate to VMP Storm Hardening. ***The \$2,511 should be removed from the fund, and expensed below the line.***

Audit reviewed invoice #6765 dated March 1, 2017 that was for \$4,200. The invoice states the services were provided for social media tactics and strategy for the month of March. This is for March's social media retainer outside of storm coverage that includes 22 hours of retainer time plus on-call stipend for one week of social media after hours' coverage. The invoice is charged to USC account 12-30-24-00-930-58-00 Web and Social Media. The costs are then allocated using the "3-factor" allocators that based on the 2017 CAM Master Allocations Guidelines is allocated on an R/C/A factor of 32%. There was also a \$500 add-on fee for on call coverage when Calypso is used to provide public relations and brand reputation spots for UES.

Audit reviewed invoice #6766 dated March 1, 2017 that was for \$3,800. The invoice indicates this was a monthly web programming and maintenance for the UES website for March 2017. This is not associated with storm coverage but general business expenses. The retainer includes 20 hours of retainer time plus 2 hours of project management. The account was booked to USC account 12-30-24-00-930-58-00 Web and Social Media. The costs are then allocated using the "3-factor" allocators noted in the 2017 CAM Master Allocations Guidelines UES was allocated on an R/C/A factor of 32%.

Audit reviewed invoice #6917 dated July 25, 2017 that was for \$5,152.25. The invoice indicates the charges were for the IRestore App video project. This specifically was the IRestore promotional video deposit and mileage reimbursement for the site visit; charged to Business Continuity Budget. The project was split and the full balance was paid when the project was complete. The intent of the video was to introduce the IRestore app to promote its adoption and participation. The IRestore app allows municipal officials to take photos and videos of storm damage assessment during a storm to communicate with both the utility and customers. The benefits are so municipal officials can provide updates on storm restoration updates, outages, communications, and general safety information related to downed power lines. The costs of the video were split between UES and FGE to operations account 10-20-17-00-923-15-00 Emergency Management and Compliance UES and 20-20-17-00-923-15-00.

General Ledger

The Company indicated the March 14, 2017 and April 1, 2017 storm costs were first booked to the USC Storm Expense account 12-30-00-00-186-99-10. The storm event of the work performed by Calypso was then moved to UES payroll "DOC Salary, USC Time and Expenses" accounts even though they are not direct employees but contractors. The accounts listed below are the tested Calypso invoices that were booked to the UES Regulatory Asset: Major Storm Reserve Account.

<u>Account</u>	<u>Storm Date</u>	<u>Amount</u>
10-20-00-00-182-10-00 Reg Asset: MSR	3/14/17	\$9,620.00
10-20-00-00-182-10-00 Reg Asset: MSR	3/14/17	\$2,694.00
10-20-00-00-182-10-00 Reg Asset: MSR	4/1/17	\$5,567.00
10-20-00-00-182-10-00 Reg Asset: MSR	10/30/17	\$8,400.00
10-20-00-00-182-10-00 Reg Asset: MSR	10/30/17	<u>\$6,225.00</u>
Total		\$32,506.00

See Pages 7-10 of this Audit Report for discussion of the March 14, 2017, April 1, 2017, and October 30, 2017 storms.

The accounts listed below are Other Media Services Calypso performed for UES that Audit sampled. This is discussed on Pages 10-11 of this Audit Report.

<u>Account</u>	<u>Invoice Date</u>	<u>Amount</u>
10-20-28-00-593-04-18 VMP Storm Hardening (UES)	12/31/16	\$2,511.00
12-30-24-00-930-58-00 Web and Social Media	3/1/17	\$4,200.00
12-30-24-00-930-58-00 Web and Social Media	3/1/17	\$3,800.00
10-20-17-00-923-15-00 Emerg. Mgt and Comp.UES	7/25/17	<u>5,152.00</u>
20-20-17-00-923-15-00 Emerg. Mgt. and Comp. FGE		
Total		\$15,663.00

Note: The VMP Storm Hardening (UES) \$2,511 should be credited and expensed to a below the line account;

The Emergency Management and Compliance invoice charges are split between UES and FGE.

Regarding PUC Approval for “Formal Plan and Follow-up”

On April 19, 2016 the 2015 MSCR Final Audit Report was issued in DE 16-274. There was one audit issue. The Audit Recommendation was to remove the entire \$12,906 Calypso costs from the storm fund and recorded as an expense to UES. The Company Response was to propose \$7,030 related to capturing raw videos and still photos stay in the fund and \$5,876 related to a Thanksgiving Storm for production of a “Thank You Video” be removed from the fund. The Final Audit comment was for the Company to submit documentation to Commission Staff “...[i]f Unitil believes it cannot issue complete storm restoration effort reports to the Commission without the use of photos and videos, then a formal plan, completed by Unitil, detailing the uniform application of the policy and methods to keep costs of the efforts to a minimum should be presented to Commission Staff for approval in the Fund”. Audit concurs with footnote 1 on the Company’s October 24, 2018 letter to the New Hampshire Public Utilities Commission Director of the Electric Division that such a requirement does not exist within the Puc 300 rules.

Audit reviewed the 2017 UES Emergency Response Plan is in accordance with PUC 306.09 that is filed with the Commission each year and agrees that emergency communication

and stakeholder communication with media outlets, customers, employees, municipal officials, regulatory officials, and emergency personnel is thoroughly documented that covers the role Calypso plays during storm responses. There is no Commission requirement for a formal plan.

Regarding Calypso Communications Costs Improperly Booked

The Calypso October 2017 Wind Storm charges appear to be prudently incurred but improperly booked to the Storm Fund. Based on a review of the October Wind Storm costs the Calypso charges should be booked to UES Media and Communications accounts.

Summary

Audit agrees with UES that the two Calypso invoices totaling \$14,625 were a prudent use of funds. However, Audit restates the original audit issue and believes the invoices should not be included in the Major Storm Fund. These costs should be moved to UES media services accounts. Audit reviewed Calypso invoices from the March 14, 2017 and April 1, 2017 storms that were similar to the Wind Storm. The invoices were booked to the storm reserve account as payroll. Contractors should not be booked to payroll as they are not direct employees. In addition to the \$14,625, the following invoices Audit sampled should be moved from the Major Storm Reserve Account 10-20-00-00-182-10-00 to media and communications general expense accounts:

<u>Account</u>	<u>Storm Date</u>	<u>Amount</u>
10-20-00-00-182-10-00 Reg Asset: MSR	3/14/17	\$9,620.00
10-20-00-00-182-10-00 Reg Asset: MSR	3/14/17	\$2,694.00
10-20-00-00-182-10-00 Reg Asset: MSR	4/1/17	\$5,567.00
10-20-00-00-182-10-00 Reg Asset: MSR	10/30/17	\$8,400.00
10-20-00-00-182-10-00 Reg Asset: MSR	10/30/17	<u>\$6,225.00</u>
Total		\$32,506.00

Regarding the Formal Plan

Audit agrees that there is not a formal Commission requirement in Puc 306.09 regarding the functions performed by Calypso, and included in the Emergency Response Plan. Going forward, all Calypso should not be included in the storm reserve account, and should be booked to media and communications and media general expense accounts. Based on a review of the media and communications accounts, the Calypso invoices should be booked to some of the following accounts listed below where other Calypso invoices were included during 2017:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
10-20-17-00-923-15-00	OS-Emergency Management and Compliance	\$2,576.00
10-20-24-00-930-53-00	Customer Communications	\$113.00
10-20-24-00-930-54-00	Media Services	\$29,581.00
10-20-24-00-930-60-00	Emergency Communications	<u>\$8,704.00</u>
Total		\$40,974.00

Regarding the VMP

The Company should remove \$2,511 in charges from invoice #6708 dated December 31, 2016 that were booked to account 10-20-28-00-593-04-18 VMP Storm Hardening (UES) incorrectly. The charges were for the design and development of a double sided brass commemorative coin that was requested by the UES System Arborist, who was President of the Utility Arborist Association at the time. The charges do not represent VMP Storm Hardening activities but should be expensed below the line.

Company Response

The Company disagrees with Audit’s conclusion that the Calypso Communication expenses at issue should be moved to UES media service accounts and not recovered through the storm fund. These are costs that are not and would not be incurred but for the occurrence of a storm or related emergency event, and they are critical and integral to the Company’s Emergency Response Plan and its storm restoration efforts. As such, they are infrequent, unplanned (and unplannable) and not a part of the normal budgeting process, such as would be expected of a media services account. They are as much a cost of storm restoration as the costs of a tree removal service, a replacement pole or crossarm, or the hourly rate of a third party lineman. As the Company stated in its letter of October 24, 2018, regarding the necessity and storm relatedness of the Calypso Communication expenses in question:

[T]he 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”). 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 informed on safety issues, storm preparation and the status of restoration efforts during emergency conditions, such as storm events. . . . 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.

Unitil Service's 3 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 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.** (Emphasis added.)

Audit Response

Audit appreciates the Company response. Audit reiterates the Calypso Communication storm response costs are best reflected as general media and communication expenses for the Company as a whole rather than be booked to the storm fund. Going forward, none of the Calypso Communications costs should be booked to the storm reserve fund.