



NHPUIC 28FEB17AM11:04

February 27, 2017

**BY OVERNIGHT DELIVERY 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: DE 17-\_\_\_\_ Unitil Energy Systems, Inc.  
Annual Report pursuant to the DE 16-384 Settlement Agreement

Dear Director Howland:

Enclosed for filing on behalf of Unitil Energy Systems, Inc. ("UES" or "Company") are an original and six (6) copies of the Company's Reliability Enhancement Program ("REP") and Vegetation Management Program ("VMP") Annual Report (Attachment 1) pursuant to the provisions of the Settlement Agreement in DE 10-055 and Order No. 25,656 in DE 14-063, and as agreed to in the Settlement Agreement ("DE 16-384 Settlement") pending approval in Docket No. DE 16-384.<sup>1</sup> Even though the DE 16-384 Settlement is pending approval, the Company is filing this report for the Commission's information as well as for future compliance, subject to Commission approval.<sup>2</sup>

As required by Section 7.2 of the DE 16-384 Settlement, UES will continue to reconcile actual VMP and REP program O&M expenses for future calendar year to an amount of \$4,858,739. For calendar year 2016, the Company spent \$4,731,666 in VMP expense (Table 1), \$90,627 (Section 3.1.1) of REP expenses related to VMP, and \$220,000 (Section 3.1.2) for reliability inspection and maintenance for a grand total of \$5,042,293. In calendar year 2016, the Company collected \$732,584 from Fairpoint Communications, providing for a net total expenditure of \$4,309,709. The net expenditure of \$4,309,709 is subtracted from the \$4,858,739 for a total over-collection of

<sup>1</sup> On February 22, 2017, the Company, the Staff of the New Hampshire Public Utilities Commission, and Office of the Consumer Advocate filed a Settlement Agreement in DE 16-384, which among other things, states that in an annual compliance filing, the Company will continue to reconcile actual calendar year vegetation management and reliability enhancement O&M expenses with test year costs. Any over- or under-collection shall be reflected in the Company's Schedule EDC (External Delivery Charge) on May 1 of the following year or with approval of the Commission, the Company may credit unspent amounts to future vegetation management program expenditures.

<sup>2</sup> This filing has been condensed from prior REP/VMP filings which included capital expenditures. This filing includes only a reconciliation of O&M expenses. In addition, the DE 16-384 Settlement includes reporting requirements for Step Adjustments. However, the first Step Adjustment was included in the filing of the DE 16-384 Settlement so it was not included here.

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\$549,030, which will be credited to the Company's External Delivery Charge mechanism on May 1, 2017.

This filing also includes the information required by the DE 16-384 Settlement related to earnings sharing for calendar year 2016. In accordance with Section 4 of the DE 16-384 Settlement Agreement, UES has calculated its earned return on equity on Form F-1 for the calendar year ending December 31, 2016. UES's Form F-1 for the year ending December 31, 2016 shows an earned return on equity of 8.11% and is attached hereto as Attachment 2. Since its return on equity is not greater than 10.5 percent, UES is not subject to a sharing of earnings for the 2016 calendar year reporting period.

Please do not hesitate to contact me if you have any questions concerning this filing.

Sincerely,

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  
Attorney for Unitil Energy Systems, Inc.

Enclosures

cc: Donald Kreis, Esq., Consumer Advocate (2 copies)