

Division 15-1

Request:

Referring to Schedule MAL-11-Gas, page 3 of 23, please confirm whether there are any Plant Additions in lines 4, 11, and/or 35 that relate to the decommissioning of the Cumberland LNG tank. If so, please quantify the amounts in each line and provide schedules that identify and itemize the expenses incurred that comprise the Plant Addition(s).

Response:

There are no amounts related to the decommissioning of the Cumberland liquefied natural gas (LNG) tank on Lines 4, 11 or 35 on Page 3 of Schedule MAL-11-Gas. Estimated costs to decommission the tank are on Lines 4, 11 and 36 of Page 6, as demonstrated on Attachment DIV 15-1, Lines 18 through 29.

Background

During a weekly inspection in the spring of 2016, the Company discovered an abnormal cold spot on the LNG tank in Cumberland. At the time, it was impossible to determine that no damage had occurred to the tank that could result in future failure of the tank without visual inspection of the inside of the tank. However, the Company concluded that attempting to inspect and repair the tank was not an acceptable risk based on the age of the tank, uncertainty about the nature and extent of potential tank damage, and the complexity of repair. Therefore, the Company found it necessary to decommission the Cumberland LNG tank. On August 26, 2016, the Company notified the Division of Public Utilities and Carriers (Division) of its decision to decommission the Cumberland LNG tank and the Division indicated support for this decision.

The Company began incurring costs in fiscal year (FY) 2017 related to the decommissioning of the LNG tank and costs to mitigate the loss of gas supply. In the Company's FY 2017 Gas Infrastructure, Safety, and Reliability (ISR) Reconciliation filing, Docket No. 4590, the Company reported a total spend of \$2.32 million related to the decommissioning of the Cumberland LNG tank. On October 30, 2017, the Public Utilities Commission (PUC) approved the Company's FY 2017 Gas ISR Reconciliation filing. Of this \$2.32 million, \$1.12 million was charged for the purging of the remaining liquids and gaseous vapors from the tank, and \$1.20 million was for modifications to the facility to allow for vaporization of LNG from tanker trucks to mitigate the loss of supply.

In its FY 2018 Gas ISR Plan filing, the Company included \$3.59 million of projected costs associated with the decommissioning of the Cumberland LNG. The Company has completed the cost of decommissioning the tank and the modifications to the facility. As of December 2017, total forecasted costs for FY 2018 is \$2.15 million: \$1.69 million relating to the

decommissioning of the tank, and \$0.46 million relating to vaporization. Total spending for FY 2017 and FY 2018 will be approximately \$4.47 million. Attachment DIV 15-1 provides a summary of actual costs incurred plus a remaining forecast of costs related to the Cumberland LNG tank decommissioning on Lines 1 through 5 of the attachment, as well as actual and projected costs included in the Company's Gas ISR filings on Lines 7 through 11.

The Company has not incurred any incremental operation and maintenance (O&M) costs in the test year associated with this project nor did the Company propose any pro forma adjustments to O&M costs related to this project in the FY 2019 Gas ISR Plan filing or in the Rate Year associated with this case.

The Company filed its FY 2019 Gas ISR Plan with the PUC on December 19, 2017 and included \$0.87 million of capital costs related to the Cumberland LNG facility. However, the Company has recently determined that the work in the FY 2019 Gas ISR Plan is no longer needed, and therefore, the Company will not incur any costs related to the decommissioning of the Cumberland LNG tank during FY 2019. Accordingly, the Company will be removing these costs in an upcoming update to its FY 2019 Gas ISR Plan, which will also describe the Company's reduction in the revenue requirement as a result of the reduction of the federal income tax rate from 35 percent to 21 percent pursuant to the Tax Cuts and Jobs Act of 2017.

The Company's rate base in this proceeding for all ISR-eligible plant investment, including investment associated with Cumberland LNG decommissioning and mitigation, is based on actual plant investment incurred through June 30, 2017 (*i.e.*, the end of the test year in this proceeding), plus a projection of rate base through the end of the rate year (*i.e.*, August 31, 2019) based on the FY 2018 level of capital investment approved by the PUC. This projection of ISR-eligible rate base through the end of the Rate Year is only a level of capital investment used to establish base distribution rates.

However, these projected capital investment amounts will ultimately be reconciled to actual investment as part of the Company's FY 2018, FY 2019, and FY 2020 Gas ISR reconciliation filings. As a result, the Company will recover no more, and no less, than the actual revenue requirement on actual ISR-eligible investment, including any and all investment associated with Cumberland LNG decommissioning and mitigation. There is no overlapping recovery of Cumberland LNG costs or any other ISR-eligible costs in base rates and the ISR. The Company explained the reconciliation of capital investment recovered through the ISR and ISR-eligible plant investment included in rate base in this proceeding as part of its response to Division 8-62. For ease of reference, the Company has included a copy of Division 8-62 as Attachment DIV 15-1.

The estimated annual revenue requirement associated with the \$2.32 million of costs incurred in FY 2017 and the \$2.15 million of costs forecasted to be incurred in FY 2018 related to the decommissioning of the Cumberland LNG tank is \$0.31 million.

Line No.	Year	Description	Plant Additions	Removal	Total
1	FY 2017	Actual Spending	\$ 1,200,000	\$ 1,120,000	\$ 2,320,000
2	FY 2018	3 months ending June 2017 - Actual	\$ -	\$ 74,000	\$ 74,000
3	FY 2018	9 months ending March 2018 - Forecast	\$ 457,000	\$ 1,615,500	\$ 2,072,500
4					
5	Total - Cumberland LNG Actual/Forecast		\$ 1,657,000	\$ 2,809,500	\$ 4,466,500
6					
7	FY 2017	Actual Spending	\$ 1,200,000	\$ 1,120,000	\$ 2,320,000
8	FY 2018	Gas ISR Plan		\$ 3,589,000	\$ 3,589,000
9	FY 2019	Gas ISR Plan		\$ -	\$ -
10					
11	Total - Cumberland LNG - Actual/Gas ISR Plan		\$ 1,200,000	\$ 4,709,000	\$ 5,909,000
12					

Note: Original forecast was for a total of \$6.78 million. Cancellation of site restoration work planned for FY 2019 and lower than planned spend for FY 2018 has resulted in forecasted total spend of \$4.47 million. Plant additions relates to vaporization/loss of supply and removal pertains to decommissioning.

DIV 15-1 Tank Decommissioning - Removal Only				
		Schedule MAL-11- GAS, Page 3	Schedule MAL-11- GAS, Page 6	
17	Line 4	Two months ending August 2017	\$ -	\$ 781,111
18	Line 11	Twelve months ending August 2018	\$ -	\$ 2,733,889
19	Line 35/36	Twelve months ending August 2019	\$ -	\$ -
20				
21				

Note: Removal forecast through August 2019 was based on FY 2018 budget levels. These amounts will reconcile to actuals by way of the ISR reconciliation mechanism described below.

DIV 15-2 Vaporization - Loss of Supply - Plant Additions Only				
		Schedule MAL-11- GAS, Page 3	Schedule MAL-11- GAS, Page 6	
26	Line 4	Two months ending August 2017	\$ -	
27	Line 11	Twelve months ending August 2018	\$ -	
28	Line 35/36	Twelve months ending August 2019	\$ -	
29				
30				

Note: All Cumberland related costs were budgeted as removal for FY 2018. As a result there were no forecasted additions included for vaporization loss of supply capital.

Division 15-2

Request:

Referring to Schedule MAL-11-Gas, page 3 of 23, please confirm whether there are any Plant Additions in lines 4, 11, and/or 35 that relate to the implementation of the mitigation plan in place to address the loss of supply resulting from the decommissioning of the Cumberland LNG plant. If so, please quantify the amounts in each line and provide schedules that identify and itemize the expenses incurred that comprise the Plant Addition(s).

Response:

Please see the Company's response to Division 15-1.

Division 15-3

Request:

Please confirm whether there are any non-capitalized operation, labor & maintenance expenses reflected in the historical test year and/or the rate year relating to the decommissioning of the Cumberland LNG tank. If so, please quantify the amounts and provide schedules that identify and itemize the expenses.

Response:

The Company has not incurred any incremental operation and maintenance (O&M) costs in Fiscal Year (FY) 2017 or FY 2018 associated with this project nor did the Company propose any pro forma adjustments to O&M costs related to this project in the FY 2019 Gas ISR Plan filing or in the Rate Year associated with this case. Please see the Company's response to Division 15-1 for additional details.

Division 15-4

Request:

Please identify and quantify any non-capitalized expenses reflected in the historical test year and/or the rate year relating to the implementation of the mitigation plan in place to address the loss of supply resulting from the decommissioning of the Cumberland LNG plant.

Response:

The Company has not incurred any incremental operation and maintenance (O&M) costs in the historical test year nor did the Company propose any pro forma adjustments to O&M costs related to this project in the FY 2019 Gas Infrastructure, Safety, and Reliability Plan or in the Rate Year associated with this case. Please see the Company's response to Division 15-1 for additional details.

Division 15-5

Request:

Please provide a schedule that quantifies, identifies, and itemizes Plant Additions relating to the decommissioning of the Cumberland LNG tank included in the calculation of the revenue requirement in ISR docket 4781. Please also provide a schedule showing the revenue requirement calculation for these Plant Additions in that docket.

Response:

Please see the Company's response to Division 15-1.

Division 15-6

Request:

Please indicate how recovery of the revenue requirement for Plant Additions, if any, relating to the decommissioning of the Cumberland LNG tank is being sought in the ISR and in the pending rate case, and the extent to which proposed recovery of the costs of these Plant Additions, if any, are otherwise overlapping in some manner in both dockets.

Response:

Please see the Company's response to Division 15-1.