P.S.C.U. Docket No. 19-057-03
DPU Data Request No. 1.05
Requested by Division of Public Utilities
Date of DEU Response 3/6/2019

DPU 1.05: Regarding allocating cost between cost of removal and replacement asset.

a. In Account 376 when a section of main is retired, removed, and a new section of main is installed in the same trench or very near to the same trench, how is the labor and equipment costs allocated between cost of removal and the replacement addition?

b. If a percent allocator is used, please provide the work papers or documents that support the establishment of that percent allocator.

c. When did the company first implement the allocation procedure described in part (a)? If a different allocation procedure was used since 2006, please provide a description of the allocation method used and why the company changed the method.

d. Please provide the same information for the other accounts included in the Exhibit 1.2.

Answer:

a. Prior to January 1, 2018, removal costs were captured based on the actual time, materials and services required to remove the retired pipe from the ground. Separate "activities" were established in the Company's accounting system to differentiate between retirement and installation costs. The Company changed methods on January 1, 2018. As of January 1, 2018 costs for removal of pipe are allocated based on a percentage of the installation project.

b. The percent allocator is determined during the design of the project, on a project by project basis. The specific details of a project are taken into account when retirement costs are allocated. The initial estimate of the percentage allocation is based on the design details of the project, such as the amount of pipe to be removed relative to the amount of pipe to be installed, the expected congestion of other utilities in the area, the condition and type of the pipe being removed, and other factors. If field conditions during work differ from those when the project was designed or estimated, there are mechanisms available such that the Project Manager can update the percent allocation towards retirement costs for the project. We cannot provide a general document that supports allocation, however, if there is interest in a specific project, documentation supporting the allocation of retirement costs can be provided.

c. See response to a. and b. above.

d. See response to a. and b. above

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P.S.C.U. Docket No. 19-057-03
DPU Data Request No. 1.06
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DPU 1.06: Page VIII-4 of Exhibit 1.2 shows the summary of book salvage for Account 376, Mains.

a. Is it a correct statement that the mains in account 376 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

b. In total for the years 2013-2017 were at least 75% the mains in account 376 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

c. In total for the years 2013-2017 what percent of the mains in account 376 that were retired during those years retired in place?

d. If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the mains were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

Answer:

a. Yes, it is generally correct that mains are retired in place.

b. Yes, this statement is correct.

c. For the years 2013-2017, approximately 93% of High Pressure mains were abandoned in place upon retirement. Almost all IHP mains retired in this period were abandoned in place. When considering the data presented, it is important to note that the Company has only been tracking an aggregate of the removed footage since 2014, and tracking aggregate amounts is improving as removal of pipe becomes more common.

Prepared by: Arthur Bezdjian, Engineer III – Cost Management

P.S.C.U. Docket No. 19-057-03
DPU Data Request No. 1.07
Requested by Division of Public Utilities
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DPU 1.07: Page VIII-10 of Exhibit 1.2 shows the net salvage history for Account 380, Services.

a. Is it a correct statement that the services in account 380 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

b. In total for the years 2013-2017 were at least 75% the services in account 380 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.

c. In total for the years 2013-2017 what percent of the services in account 380 that were retired during those years retired in place?

d. If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the services were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

Answer:

a. Correct.

b. Correct.

c. The Company does not track which service lines have been removed in an aggregate fashion, and therefore cannot provide the requested data.

Prepared by: Arthur Bezdjian, Engineer III – Cost Management