

P.S.C.U. Docket No. 19-057-13
OCS Data Request No. 1.1
Requested by Office of Consumer Services
Date of Response: September 10, 2019

OCS 1.1: In his direct testimony on behalf of the Division, Mr. Neale states at Line 114, “[DEU] Thoroughly evaluated these alternative bids and even adjusted certain missing cost assumptions...but...the [DEU] proposed LNG facility appears to remain the most cost-effective alternative.” Mr. Neale also states at Line 663, “[the Company] Demonstrated that the proposed LNG facility appears to remain the most cost-effective option compared to the alternative bids received.” However, Mr. Neale also states at Line 473, “While the Company, for example, considered credit-worthiness of each bidder, which I consider to be outside the scope of my review.”

- a) When Mr. Neale concludes that the DEU self-build LNG facility is “the most cost-effective alternative”, does this mean that he agrees with the Company’s alternative bid cost adders for credit support and imputed debt? Please explain.
- b) Does Mr. Neale believe the Company’s alternative bid cost assumptions for credit support and imputed debt are or are not part of the scope of his review? Please explain.
- c) If costs for credit support and imputed debt are not part of Mr. Neale’s scope of review, how does he conclude that DEU’s self-build LNG facility is the lowest cost option?

Answers to OCS 1.1 (a-c) are provided below:

- a) Mr. Neale agrees with the Company that credit support and imputed debt are a reasonable way for the Company to make sure that the risk of the project remain with the sponsoring party and not subsumed by the Company.
- b) Mr. Neale is not an expert in valuing credit support but is aware of the issue as a general business principle. Therefore, Mr. Neale, found the Company’s alternative bid cost assumptions to be apposite adjustments.
- c) Please see answers above.

Prepared by: Allen R. Neale