ADELPHIA GATEWAY

April 2, 2018

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: OEP/DPC/CB-2
Adelphia Gateway, LLC, Docket No. CP18-46-000
Response to Data Request

Dear Ms. Bose:

On January 11, 2018, Adelphia Gateway, LLC ("Adelphia") filed with the Federal Energy Regulatory Commission ("Commission") an abbreviated application for certificates of public convenience and necessity authorizing acquisition, construction, and operation of certain pipeline facilities and for related authorizations in Docket No. CP18-46-000. On March 27, 2018, Commission Staff issued an accounting data request ("March 27 Data Request") in the referenced proceeding. Adelphia hereby submits its response to the March 27 Data Request.

Pursuant to 18 C.F.R. § 385.2010 (2017), Adelphia is contemporaneously serving copies of this response to all persons on the official service list for this proceeding. Should you have any questions concerning this filing, please contact the undersigned at (732) 938-1169.

Sincerely,

/s/ Mark F. Valori
Mark F. Valori
Vice President
Adelphia Gateway, LLC

Attachments

cc: Olubukola Pope (FERC)

Accounting

1. In Exhibit K, Adelphia estimates:

a. The total capitalized contingency costs as $20,414,683. Provide details explaining how the estimate was developed and identify the types of costs that comprise this estimate.

Response: Contingency costs were estimated as a uniform percentage of the proposed capital budget for materials and services to account for unknowns and uncertainties such as but not limited to:

- Timing delays;
- Material costs escalations;
- Labor costs escalations;
- Construction costs escalations;
- Scope changes due to ongoing evaluations;
- Legal and other support costs due to organized opposition; and
- Final Conditions of Regulatory Approvals.

Respondent: Keith Edmonds
Position: Project Manager
Telephone: (732) 919-8292

1. **In Exhibit K, Adelphia estimates:**

    b. **The total capitalized Allowance for Funds Used During Construction (AFUDC) as $6,488,023. Provide the following in Microsoft Excel:**

        i. **The worksheet computations on a monthly basis to support the $6.5 million of AFUDC. Identify the debt/equity AFUDC amounts.**
        ii. **The computation and methodology to support the debt/equity cost rates used to derive the AFUDC rate.**

    The worksheets and/or files should retain all notes, plus any formulas supporting the calculation. If the sub-project components as identified in Sheets 2 through 13 have varying construction start and in-service dates, please provide the calculations in separate worksheets so that the AFUDC start and end dates are clear for each component.

<u>Response:</u>
Please see the attached file "AFUDC Workpaper.xlsx". The annual weighted average debt and equity cost components were developed and are supported on Exhibit P, page 11. The annual rate divided by twelve equals the monthly rate that was multiplied by the average cumulative spend balance for each month.

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2. **In Exhibit S, Adelphia provides its proposed accounting treatment for the acquisition of facilities from Interstate Energy Company LLC at a purchase price of $189 million, while also representing that the net book value of the acquired facilities is $20 million. Gas Plant Instruction No. 5 of the Commission's Uniform System of Accounts requires the original cost of an acquired operating unit or system to be recorded in Account 101, Gas Plant in Service.[1] Gas Plant Instruction No. 5 also requires the acquisition of an operating unit or system to be cleared through Account 102.**

    a. **Submit revised accounting entries in accordance with the Commission's accounting regulations as directed in Gas Plant Instruction No. 5 and Account 102.**
    b. **Clearly identify the amounts recorded to Account 101 (Gas Plant in Service) as original cost, Account 108 (Accumulated Provision for Depreciation of Gas Utility Plant), and Account 114 (Gas Plant Acquisition Adjustments).**
    c. **Include the proposed accounting entry for the amortization of the Acquisition Adjustment, specifying the amortization period.**

Response: Please find attached a revised Exhibit S identifying the information requested above.

Respondent: Keith Edmonds
Position: Project Manager
Telephone: (732) 919-8292

[1] *See* 18 C.F.R. Part 201.

3. **In Exhibit P, Schedule 1, Page 9, Adelphia provides calculations for Accumulated Deferred Income Taxes (ADIT). Explain the computation and methodology to support the ADIT amounts shown on Line No. 13 of the schedule. Provide the calculation in Microsoft Excel, retaining all formulas and notes.**

Response:
As shown on the attached file, "ADIT Workpaper.xlsx", the amounts shown on line 13 represent the difference between book depreciation expense and tax depreciation expense multiplied by the composite income tax rate of 28.55% as shown on Exhibit P, page 12, column (c), line 11. This difference was divided by two to determine the average ADIT balance for the first year.

Tax depreciation (line 4) was calculated based on gross book depreciable plant (Exhibit P, page 6, column (b), lines 1 and 2) less equity AFUDC for the expansion related plant as developed on Exhibit P, page 10, column (c), line 25. There is no equity AFUDC associated with the pre-expansion plant. The resulting gross depreciable plant for tax purposes was then multiplied by the 15-year MACRS rate reflecting a half-year convention equal to 5% (line 2).

Book depreciation shown on line 7, is developed on Exhibit P, page 6, columns (d), (e), and (f), line 7.

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VERIFICATION

THE STATE OF NEW JERSEY)
)
COUNTY OF MONMOUTH)

Mark F. Valori, being first duly sworn, states that he is Vice President for Adelphia Gateway, LLC; that he is authorized to execute this Verification; that he has reviewed the response to the March 27, 2018 Data Request in Docket. No. CP18-46-000; and that after reasonable diligence and review, the information provided in such response constitutes a complete and accurate response to the best of his knowledge, information and belief.

Adelphia Gateway, LLC

Mark F. Valori
Vice President

Subscribed and sworn to before me this 2nd day of April, 2018.

Lori S. Castello
Notary Public
State of New Jersey

My Commission Expires: 12-4-21

LORI S. CASTELLO
ID# 2353137
NOTARY PUBLIC
STATE OF NEW JERSEY
MY COMMISSION EXPIRES 12-4-21