

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the matter of:)
)
APPLICATION OF COLUMBIA GAS) Case No. 2016-00162
OF KENTUCKY, INC. FOR AN AD-)
JUSTMENT OF RATES)

**PREPARED REBUTTAL TESTIMONY OF
PANPILAS W. FISCHER
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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COLUMBIA GAS OF KENTUCKY, INC.

PREPARED REBUTTAL TESTIMONY OF PANPILAS W. FISCHER

1 **Q: Please state your name and business address.**

2 A: My name is Panpilas W. Fischer and my business address is 290 W. Nation-
3 wide Blvd., Columbus, Ohio 43215.

4

5 **Q: Did you file Direct Prepared Testimony in this proceeding?**

6 A: Yes, I did.

7

8 **Q: What is the purpose of your Rebuttal Testimony in this proceeding?**

9 A: Subsequent to the filing of my prepared Direct Testimony, Lane Kollen filed
10 direct testimony on behalf of the Attorney General's Office ("AG") related to
11 the calculation of NOL ADIT included in rate base. This testimony will re-
12 spond to the adjustment proposed by Mr. Kollen on pages 40-42 of his direct
13 testimony. In addition this testimony will provide an update to the actual
14 NOL ADIT.

15 **Q: Do you agree with Mr. Kollen's claim that the NOL ADIT is excessive be-
16 cause it does not reflect taxable income from the rate increase?**

17 A: No, I do not. As explained in my response to AG 1-20(b), the level of NOL
18 ADIT is not directly correlated to the amount of any rate increase in this
19 case. As consistent with past practice Columbia has calculated the NOL cre-

1 ation based on Columbia’s stand alone tax attributes and the timing of the
2 NOL utilization based on the consolidated group’s ability to utilize NOL.
3 Therefore the amount of any rate increase does not impact the amount of
4 NOL that Columbia has already created nor does it impact the timing of the
5 NOL utilization.

6

7 **Q: Do you agree with Mr. Kollen’s assertion that this methodology is incon-**
8 **sistent with the standalone basis of calculating income tax expense and**
9 **ADIT which is Commission precedent?**

10

11 A: No I do not. The NOL ADIT is Columbia’s NOL on a standalone basis and
12 does not belong to any other company in the consolidated group. Unlike
13 consolidated tax savings, which takes into consideration the tax attributes of
14 other members, the taxable attributes of other members has no impact on
15 the amount of NOL created by Columbia. Whereas the consolidated tax sav-
16 ings actually changes the amount of tax due by a member of the group and
17 is a permanent difference, the only impact the consolidated group has on
18 Columbia’s NOL is when the NOL is monetized (i.e. results in a reduction to
19 cash payment for taxes) which is a timing difference. The timing difference
20 does not change the amount of cash Columbia will receive for its NOL and

1 does not change the amount of Columbia's tax on a standalone basis. The
2 method used to monetize the NOL is consistent with the methodology used
3 in the previous rate case and with Columbia's Tax Sharing Agreement. It
4 matches the actual cash received from utilization of the NOL. If Columbia
5 receives more cash under this methodology than it would filing a return on
6 its own, then it would reflect a lower NOL ADIT. If Columbia receives less
7 cash under this methodology than it would filing a return on its own, this
8 results in a higher NOL ADIT. Columbia has not chosen a method that re-
9 sults in the higher NOL ADIT, rather Columbia is using the methodology
10 that is consistent with past practice.

11

12 **Q: Do you have an update to the actual NOL ADIT since the case was filed?**

13 A: Yes. Columbia's 2015 Federal return which was filed on 9/15/16 reflected a
14 lower actual NOL than the amount that was estimated at 12/31/15 and in-
15 cluded in the original filing. The original NOL ADIT was \$1,266,289
16 (\$1,258,107 + \$8,182) which is made up of the 13-month average plus the pro
17 forma normalization adjustment. The revised NOL ADIT is \$599,394. This
18 results in a decrease to rate base of \$666,895 (\$1,266,289 - \$599,394).

19

20 **Q. What is your recommendation?**

1 A. The Commission should approve an NOL ADIT of \$666,895 in rate base
2 which reflects the adjusted amount for the actual 2015 return which is calcu-
3 lated based a methodology consistent with previous filings and does not vi-
4 olate the calculation of standalone tax precedent established by the Commis-
5 sion.

6

7 **Q: Does this complete your Prepared Rebuttal Testimony?**

8 A: Yes, it does.