

**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
JANA T. CROOM
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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PREPARED REBUTTAL TESTIMONY OF JANA T. CROOM

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

2 A: My name is Jana T. Croom and my business address is 290 W. Nationwide
3 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: The purpose of my testimony is to refute or clarify statements and assertions
10 made by Attorney General witness Kollen related to cost of service items
11 proposed and quantified in the rate case testimony and during the discovery
12 process.

13

14 **Q: What specific items will you be addressing in your Rebuttal Testimony?**

15 A: I will be addressing increase in employee headcount and corresponding
16 labor expense increase, uncollectible account expense included in the test
17 year, property tax calculation, safety initiative spending and training facil-
18 ity spend.

1 **Q:** According to Attorney General witness Kollen there has been an ex-
2 traordinary increase in labor positions over the past five years. Please
3 explain the associated costs increase related to employee headcount in-
4 crease from 2012-2016 and why this increase was fiscally prudent?

5 **A:** In support of the testimony provided by Columbia Witness Cole, I offer
6 the corresponding increase in labor dollars associated with the increase of
7 headcount. As Witness Cole discusses in her testimony, the bulk of these
8 employees are in Field Operations, hired to support ongoing safety and
9 customer needs and address field employee attrition. Fifteen individuals
10 were hired into Field Operations as Plant B workers. This is the lowest ne-
11 gotiated wage provided by our union contract. The wage for 2012-2015 is
12 as follows: \$19.01, \$19.39, \$19.99, \$20.39. This represents a modest 2.4%
13 cumulative average growth wage increase over the four-year period. Also,
14 it is important to note that while total labor costs have increased in the
15 previous three years, the percentage of overtime has decreased. As
16 demonstrated in the testimony of Columbia Witness Cole, the ratio of
17 over-time to straight dollar time has decline by over 16% from its peak in
18 2013 to the base period. This decline is due to the intentional "over-hiring"
19 of employees described in her testimony. The reduction in overtime as a
20 percentage of total labor cost is projected to remain constant over the fore-

1 casted period. As Columbia has been able to hire more Field Operations
2 employees the need for overtime labor has declined, thus reducing poten-
3 tial costs. This strategy results in lower over-time payout as a percentage
4 of total labor demonstrating strategic prudence on the part of Columbia.

5

6 **Q: Please explain the adjustments made to uncollectible accounts expense**
7 **made in the filing verses the assertion made by Attorney General Wit-**
8 **ness Kollen.**

9 **A:** On page 14 of his testimony AG witness Kollen suggests that Columbia
10 improperly calculated uncollectible expense of \$1.262M by relying on
11 \$1.655M per books as shown in schedule C2.2B. Mr. Kollen proposes to
12 base the calculation solely on uncollectible accounts of \$1.219M. However,
13 Mr. Kollen fails to take into consideration that the \$1.655M included in the
14 forecasted 904 account takes into consideration all components of uncol-
15 lectible expense, including uncollectible accounts \$1.219M, high pressure
16 accounts \$0.025M, and tracker expense \$0.411M that are included in the
17 complete make-up of the 904 account. Columbia properly considered all
18 of these components, including corresponding adjustments included in
19 WPD 2.4-D, 2.4-E and 2.4-G when calculating the proper uncollectibles

1 expense request for the rate case. Columbia stands by its calculation as it
2 represents a holistic view of uncollectible expense exposure.

3

4 **Q: Does Columbia propose any adjustment to its property tax expense cal-**
5 **ulation?**

6 **A:** With respect to the question of the use of gross plant additions which po-
7 tentially leads to an overstatement of valuation, Columbia is estimating
8 the increase in assessed value by using gross additions net of retirements.
9 As \$5.3 million in retirements have already been included in the figures
10 provided, the additional \$9 million of accumulated depreciation referred
11 to in the response should be reduced to \$3.7 million, which is the \$9 mil-
12 lion less the \$5.3 million in retirements already included in the calculation.
13 This would reduce the estimated assessed value at December 31, 2016 to
14 \$297,159,421, from \$300,859,421 which translates to a property tax de-
15 crease of approximately \$48,507 compared to what Columbia sought re-
16 covery of in the rate case. With respect to the question of an unsupported
17 escalating property tax rate of 1.5% per year, Columbia utilizes historical
18 data to estimate the change in the annual tax rate. Based on a prior 3 year
19 average, Columbia's annual effective tax rate will increase by 2.2%. An es-
20 timated increase of 1.5% is therefore a very conservative assumption that

1 is consistent with prior rate case treatment. Using the prior 3-year average,
2 the increase in property tax would be \$54,594 higher than what was pro-
3 posed in the cost of service, and higher than the adjustment shown above
4 related to net plant.

5

6 **Q: Per the testimony of Attorney General witness Kollen, why were strate-**
7 **gic O&M initiatives not included in the approved budget?**

8 A: Witness Kollen is correct that certain strategic O&M initiatives, particular-
9 ly those related to safety were not included in the approved budget. How-
10 ever, witness Kollen's assessment that this is discretionary O&M expense
11 that Columbia will not incur is incorrect. Columbia was unable to ade-
12 quately estimate the cost of certain safety initiatives prior to completing
13 the approved budget. Two of the safety initiatives in particular, GPS and
14 cross-bore identification and remediation work, will be completed by
15 third-party contractors and corresponding costs for such initiatives take
16 time to produce as they require partnership and negotiation with external
17 parties. In an effort to provide an accurate forecast for proposed safety
18 spend, Columbia opted to include these dollars as an adjustment in
19 Schedule D-2.4 following a thorough determination of the cost, including

1 researching similarly incurred expenses from sister subsidiaries within the
2 NiSource footprint.

3

4 **Q: Will there be additional O&M costs borne by Columbia in the event it**
5 **is unable to secure a training facility in Kentucky?**

6 A: Yes, if Columbia has to send its employees to another state, either Ohio or
7 Pennsylvania, to receive Field Operations training it will incur additional
8 costs associated with travel (hotel, meals, labor dollars associated with
9 travel, more commonly termed windshield time) as well as the cost of la-
10 bor backfill for employees who are receiving training. As a result there
11 will be an increase in overtime to cover workplan and emergency re-
12 sponse requirements. The estimated cost to complete training out of state
13 for Columbia employees is approximately \$362,000. This cost was not in-
14 cluded in the cost of service requested, but would need to be accounted
15 for as an additional unforeseen expense.

16

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

18 A: Yes, it does.