Columbia Exhibit No.________

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

ELECTRONIC INVESTIGATION OF THE IM-PACT OF THE TAX CUTS AND JOB ACT ON THE RATES COLUMBIA GAS OF KEN-TUCKY, INC.,	))))	Case No. 2018-00041

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

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PREPARED SUPPLEMENTAL TESTIMONY OF PANPILAS W. FISCHER

Q: Please state your name and business address.

A: My name is Panpilas W. Fischer and my business address is 290 Nationwide Boulevard, Columbus, Ohio 43215.

Q: What is your current position and what are your responsibilities?

A: I am employed by NiSource Corporate Services Company ("NCSC"), and my current position is the Director of Tax. My principal responsibilities include oversight of all of Columbia Gas of Kentucky's ("Columbia") income tax activities including the booking of income tax accruals and deferred tax entries, the filing of income tax returns, tax research and planning and the preparation of income tax data and related testimony for rate proceedings.

Q: What is your educational background?

A: I received a Bachelor of Business Administration in Accounting from The Ohio State University in 1987. I am a Certified Public Accountant and member of the Ohio Society of Certified Public Accountants.

Q: Please describe your employment history?

A: I began my career with KPMG as a Staff Auditor in 1987. I then joined the firm of Clark, Schaefer, Hackett and Co., CPA's as a Senior Auditor in 1989 where I performed financial audits, reviews and compilations, and prepared and reviewed tax returns. In October 2000, I started working as a tax analyst for NiSource Corporate Services Company and assumed various roles in the tax department since then. In October 2015, I was promoted to my current position.

Q. Have you previously testified before any regulatory commissions?

A: Yes, I have previously testified before the Kentucky Public Service Commission, the Public Utilities Commission of Ohio, the Public Service Commission of Maryland, the Pennsylvania Public Utility Commission, the Massachusetts Department of Public Utilities and the State Corporation Commission of Virginia.

Q. Did you file direct testimony in this proceeding on January 26, 2018?

A. I did not, however, I adopted the direct testimony that was filed by Company witness Megan Garber in this proceeding on January 26, 2018.

Q. Please summarize the direct testimony filed on January 26, 2018.

A. The direct testimony addressed the impact of the reduced federal corporate income tax pursuant to the Tax Cuts and Job Act of 2017 ("TCJA") on current income as well as the impact on accumulated deferred income taxes.

Q: What is the purpose of your testimony in this proceeding?

A: The purpose of my testimony in this proceeding is to support the calculation and the level of excess deferred income taxes to be returned to customers pursuant to the Commission's Order dated December 27, 2017 in this proceeding.

Q: Please explain how the Company is handling the excess deferred income taxes to be returned to customers?

A: On December 22, 2017, President Trump signed into law major tax reform known as the Tax Cuts and Jobs Act of 2017 which reduced the federal income tax rate effective January 1, 2018. In January 2018, the Company remeasured all deferred taxes as of December 31, 2017, and recorded a regulatory liability for the amount to be returned to customers. At the onset of Case No. 2018-00041, the Company stated that it was unable to calculate the amount of excess deferred income taxes ("EDIT") as of December 31, 2017 with certainty due to the fact that the 2017 federal return will not be filed until October 15, 2018 and until such time return positions taken have not been approved by the Internal Revenue Service ("IRS") (see 2018-00041 Staff DR 1-8). The determination of whether the Company was eligible to deduct 100% bonus depreciation for assets placed in service from September 27, 2017 to December 31, 2017 was one such return position that had the potential of resulting in a material change to the amount of EDIT at December 31, 2017. During the initial discovery phase of the current case, the Company filed an Issue Resolution Agreement ("IRA") request with the IRS in order to determine with greater certainty the availability of 100% bonus depreciation. Subsequent to filing the IRA but prior to receiving a determination from the IRS on the IRA, the IRS on August 3, 2018 issued proposed regulations (REG-104397-18) which affirms the availability of 100% bonus depreciation in addition to clarifying the rules for property eligible for 100% bonus depreciation. In short, the proposed regulations affirm the return position taken by the Company upon which the EDIT as of December 31, 2017 was based. This means that even though the Company has yet to file its federal return, it now believes that the amount of EDIT as calculated as of December 31, 2017 should not change materially.

Q: Please explain the Company's calculation of EDIT

A: Since Companies are allowed to treat income and expense differently on their tax returns filed with the IRS than what is recorded on their books, this results in deferred tax assets and liabilities. When a tax rate decrease occurs, the deferred taxes must be re-measured to the new rate in effect, which creates excess deferred taxes in the case of a deferred tax liability (i.e. representing amounts to be returned to customers) and deficient deferred taxes in the case of deferred tax assets (i.e. representing amounts to be collected from customers). The Company re-measured the EDIT as of December 31, 2017, by multiplying the balance of all book versus tax timing differences which gave rise to accumulated deferred income taxes by the new 21% federal income tax rate (see Column 2 in Exhibit PF-1). This amount was subtracted from the balances of all book versus tax timing differences multiplied by the previous federal income tax rate in Column 1 in Exhibit PF-1. The difference resulted in net EDIT as shown in Column 3 in Exhibit PF-1.

Q. What is the Company's proposal to reverse the excess deferred taxes?

A. For book purposes, the Company began amortizing the excess deferred taxes in January 2018. The Company proposes to include amortization of all excess deferred taxes related to the TCJA, including the excess deferred taxes amortized beginning January 2018, in rates for the benefit of customers through a Tax Act Adjustment Factor as described in the Supplemental Testimony of Company witness Lai. The amount of excess and deficient ADIT along with the proposed amortization periods are summarized in the table below:

Description	Amount of Excess or (Deficient) ADIT	Proposed Amortization
Property	30,098,662	ARAM life of assets
NOL	(1,026,003)	39 YR Straight Line
Non-Property related	(1,507,690)	10 YR Straight Line

For all property-related excess deferred taxes the Company is using what is referred to as the average rate assumption method ("ARAM") to calculate the annual amortization of excess deferred taxes to be refunded to customers. ARAM reduces the excess deferred tax reserve over the remaining regulatory life of the property during the years in which the related deferred tax reserve is reversing. This method requires the Company to keep deferred taxes intact until book depreciation exceeds tax depreciation for each individual asset, and is required to be used if the Company has the books and records to support this method, which the Company does. This results in a reduction to tax expense in the amount of $793,937. This amount does not include the refund of excess deferred taxes from federal income tax rate reductions prior to the TCJA of approximately $54,000 which is being refunded in base rates pursuant to Case No. 2016-00162.

All remaining deferred taxes are a net deficiency as a result of the tax rate decrease. For the federal NOL as shown on Exhibit PF-1, Line 5, the Company is seeking an amortization period of 39 years based on the average remaining life of book assets using a composite book depreciation rate of 2.54% as included in the last base rate case (Case No. 2016-00162). The Company projects to record higher tax expense in the amount of $26,308. For the non-property related deferred taxes as shown in Exhibit PF-1, Line 4, that were included in the determination of rates in the last case, the Company projects to record higher tax expense in the amount of $150,769 using a tenyear amortization period which aligns with the expected turnaround of the shorter term underlying assets. The net annual amortization in the amount of $616,860 ($616,860=$793,937-$26,308-$150,769) is then multiplied by the gross conversion factor as shown on Exhibit PF-1, Line 8 to determine the revenue decrease on Line 9. This amount is then adjusted for the revenue impact of the increase in rate base that results when the EDIT is amortized. This occurs because at the same time the EDIT are amortized there is a rate base increase due to the change in the resulting balance of accumulated deferred income taxes in the amount of $616,860. The rate base increase is multiplied by the weighted cost of capital of 7.3526% resulting in a net revenue increase in the amount of $45,355 as shown on Exhibit PF-1, Line 11 and the net resulting revenue decrease to be returned to customers is $794,674 as shown on Line 12. Please refer to the testimony of Company witness Lai for a discussion of how the amount will be refunded to customers.

Q: Does this complete your Prepared Supplemental testimony?

A: Yes, however, I reserve the right to file rebuttal testimony if necessary.