

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of: )  
)  
THE ELECTRONIC APPLICATION OF )  
COLUMBIA GAS OF KENTUCKY, INC. FOR AN )  
ADJUSTMENT OF RATES; APPROVAL OF )  
DEPRECIATION STUDY; APPROVAL OF TARIFF )  
REVISIONS; ISSUANCE OF A CERTIFICATE OF )  
PUBLIC CONVENIENCE AND NECESSITY; AND )  
OTHER RELIEF )  
)

Case No. 2021-00183

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**COLUMBIA GAS OF KENTUCKY, INC.'S  
RESPONSES TO COMMISSION STAFF'S  
FOURTH REQUEST FOR INFORMATION**

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**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION  
DATED SEPTEMBER 9, 2021**

1. Refer to the Rea Direct Testimony (Rea Testimony), page 38, lines 3-20 and page 39, lines 1-20. Also refer to Columbia Kentucky's Response to Staff's Third Request, Item 13. Columbia Kentucky would appear to have more common operational characteristics with water utilities than with combination electric and gas utilities, who exhibit an approximate average of 30 percent consolidated revenues from gas operations.

- a. Using the seven referenced water utilities as a complementary proxy group and the same selection criteria used to select the companies in the Non-regulated Group, provide a comparison of these companies.
- b. Provide the ROE calculations using water utilities as a complementary proxy group.

**Response:**

- a. The requested information is presented below, with additional support provided in KY PSC Case No. 2021-00183, Staff 4-1, Attachments A through C ("the Attachments").

b. Please see the ROE calculations requested in Tables 1-4 below, with additional support provided in the Attachments. It is important to note that the dividend yields of the Water Utility Group companies are significantly lower than the dividend yields identified for the companies comprising the Gas LDC Group and the Combination Utility Group, which are reflected in Attachment VVR-7 and Attachment VVR-8 to Mr. Rea's direct testimony. This significant disparity in dividend yields suggests that the Water Utility Group companies are valued in the financial markets on a somewhat different basis as compared gas and electric utilities (i.e., a smaller weighting on current income relative to total investment return), and for this reason, a water utility proxy group has a somewhat different "risk and return" profile as compared to gas and electric utilities.

This is further demonstrated by the fact that the Water Utility Group has a significantly lower average beta coefficient as compared to both the Gas LDC Group and the Combination Utility Group. This indicates that U.S. publicly-traded water utilities currently have a lower level of systematic risk as compared to publicly-traded gas and electric utility holding companies. Thus, while the lower dividend yields noted above for the Water Utility Group result in lower cost of equity estimates under the DCF method when compared to the Gas LDC Group and the Combination Utility Group, the lower beta coefficients and systematic risk associated with the Water Utility Group also results in lower

CAPM and Risk Premium estimates of the cost of equity as compared to the other two utility proxy groups.

<b>Table 1 Indicated Cost of Equity Water Utility Group</b>	
<b>Method/Model</b>	<b>Water Utility Group</b>
DCF	10.04%
Traditional CAPM	9.87%
CAPM (w/size adj.)	10.58%
ECAPM	10.17%
Risk Premium	10.13%

<b>Table 2 Average DCF Estimates – Water Utility Group</b>	
<b>Calculation Method</b>	<b>Cost of Equity</b>
Earnings Forecast	
Yahoo Finance	9.20%
Zacks	8.90%
Value Line	9.50%
Retention Growth Rate Forecast	6.50%
Historical Earnings Growth Rate	9.30%
Unadjusted DCF Estimate	9.20%
Flotation Cost Adjustment (3 basis points)	x 1.00315%
Subtotal	9.23%
Plus: Market Value-Book Value Financial Risk Adjustment	0.81%
Indicated DCF Estimate	= 10.04%

<b>Table 3</b>	
<b>CAPM Results by Model Variant</b>	
<b>Model Variant</b>	<b>Water Utility Group</b>
Traditional CAPM	9.84%
+ Flotation adjustment	0.03%
Traditional CAPM	9.87%
CAPM (with size adj.)	10.55%
+ Flotation adjustment	0.03%
CAPM (with size adj.)	10.58%
Empirical CAPM	10.14%
+ Flotation adjustment	0.03%
Empirical CAPM	10.17%

<b>Table 4</b>	
<b>Risk Premium Method Results</b>	
<b>Model Variant</b>	<b>Water Utility Group</b>
Risk Prem. Method	10.10%
+ Flotation cost adjust.	0.03%
Risk Premium Method	10.13%

ATTACHMENTS  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY

**COLUMBIA GAS OF KENTUCKY, INC.**  
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**DATED SEPTEMBER 9, 2021**

2. Refer to the Rea Testimony Attachment VVR-11.

- a. Explain the differences between and the advantages of using the S&P 500 Index of companies versus the Value Line 1,700 Stock Universe in the calculations.
- b. Footnote 2 references the use of both Bloomberg Finance L.P. and Yahoo Finance as sources of earnings per share (EPS) growth rates for the S&P 500 Index of companies. Explain why the average Bloomberg EPS growth rate estimate is 13.44 percent versus the Yahoo Finance estimate of 11.21 percent.

**Response:**

- a. The advantage of using the S&P 500 Index is that it provides an opportunity to estimate the prospective market return on the basis of the EPS growth estimates of sell-side equity analysts. The finance literature has demonstrated that the EPS growth estimates of equity analysts have a significant influence on the valuation of equity securities and the investment decisions of equity investors.

The advantage of using the Value Line 1,700 Stock Universe in the calculation is that it brings a *relative valuation focus* into the estimation of the prospective market return. More specifically, the Value Line 1,700 Stock Universe growth rate reflected in Attachment VVR-11 is based upon the median price appreciation potential over the next 3-5 years for the Value Line 1,700 Stock Universe, and therefore recognizes current U.S. stock market valuations in the estimation of expected market returns going forward. In other words, the Value Line approach is a valuation focused approach, while the S&P 500 Index approach is more focused on the EPS growth estimates of equity analysts.

- b. Both Bloomberg Finance L.P. and Yahoo Finance are essentially consolidators of the EPS growth estimates of sell-side equity analysts. While the typical utility holding company can have as many as 15-20 equity analysts following the company's stock, the different consolidators may actually report on a different subset of sell-side equity analysts. Thus, while one consolidator may aggregate a "consensus" estimate from 15 equity analysts, another consolidator may aggregate a consensus value from all 20 equity analysts. For this reason, the consensus EPS estimates of the information consolidators can be somewhat different. Therefore, considering that investors rely upon the EPS consensus growth estimates



reported by both Bloomberg Finance and Yahoo Finance, Mr. Rea recognized this fact by referencing the average of the consensus EPS estimates reported by Bloomberg Finance and Yahoo Finance.

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**DATED SEPTEMBER 9, 2021**

3. Refer to the Rea Testimony, Attachment VVR-12, page 5 of 10. Footnote 5 lists both Bloomberg Finance L.P. and Yahoo Finance as sources of EPS growth rates for the S&P 500 Utilities Index of companies. Explain whether the average long-term earnings growth estimate is an average of the growth estimates from each of the sources. If so, provide a comparison of the earnings growth estimates from each source.

**Response:**

Yes, the average long-term earnings growth rate estimates reference the subset of the S&P 500 Utilities Index companies, as reported by both Bloomberg Finance L.P. and Yahoo Finance. See KY PSC Case No. 2021-00183, Staff 4-3, Attachment A for the supporting information.

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4. Refer to the Rea Testimony at 10. Explain the NiSource process for investment capital allocation to the respective state operating companies. Include in the response the following: (1) the allocation process; (2) the criteria governing investment capital allocation decisions; and (3) how Columbia Kentucky specifically must compete for equity capital, if at all, within the larger corporate entity

**Response:**

Each year, individual NiSource affiliates prepare and submit capital budget proposals to the NiSource parent company. This capital planning process specific to Columbia Gas of Kentucky is described in the Direct Testimony of David Roy, starting on page 43. The parent company analyzes the submissions and the amount of available capital. Decisions about the allocation of this available capital and the criteria utilized for the allocation are governed by the NiSource Capital Governance Policy. The purpose of the policy is designed to help NiSource productively invest its capital resources and allow management to fulfill its fiduciary responsibilities to all stakeholders. The current

Capital Governance Policy is included as KY PSC Case No. 2021-00183, Staff 4-4, Attachment A.

The above-mentioned submissions are evaluated over a 5-year horizon. During a given fiscal year, financing assumptions are re-evaluated with updated forecast expectations (capital/expense spending, etc) each quarter. Priority is given to those capital expenditures in the categories listed above related to safety and reliability. Beyond these critical considerations, and consistent with traditional capital allocation practices, it is reasonable to assume that any remaining discretionary capital will be allocated to NiSource's subsidiaries on the basis of other criteria that are unrelated to safety and reliability concerns.



# **CAPITAL GOVERNANCE POLICY**

**EFFECTIVE April 1, 2021**

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## 1. Overview

### 1.1. Scope

This Policy applies to all activity resulting in the creation of a capital asset, recording of a capital expenditure, any capital investment as well as the recording of a prepaid asset. This Policy does not apply to Treasury Cash Management, Pension and Insurance Captive investments, tax (pre)payments, or general payroll (pre)payments. This policy does not consider the tax rules for determining capitalization of an asset under the Internal Revenue Code. This Policy also does not cover disbursement governance, which has a separate policy.

This Policy applies to both cash and non-cash capital items. Examples of cash items include a cash payment for a capital asset, related abandonment spend or a cash receipt for the sale of a capital asset. An example of a non-cash capital item would be entry into a lease where cash outflows are spread over a period of time, while the value of the leased asset is recorded on the balance sheet at the inception of the lease.

This Policy applies to both operating and finance leases (previously referred to as a capital lease) which are defined under both GAAP and FERC guidelines.

The determination of whether an item is considered a capital expenditure or prepayment shall be governed by appropriate federal and state guidelines in conjunction with GAAP as interpreted by NiSource's Chief Accounting Officer. Operating Companies should consult with Fixed Asset accounting for any guidance or decision which is needed about the capitalization of a cost.

### 1.2. Purpose of this Policy

The capital allocation process is designed to help NiSource productively invest its capital resources and allow management to fulfill its fiduciary responsibilities to all stakeholders. In order to accomplish this goal, this policy must serve as a control mechanism while maintaining sufficient flexibility to respond quickly to external market opportunities and system needs.

## 2. Definitions

### 2.1. Project

A temporary, planned endeavor undertaken to create a unique capital asset or a unique sub ledger prepayment account through the utilization of resources such as labor, materials, and contractor services. A project is identified by Project ID(s) Designed Capital Job Orders. This excludes blanket work orders.

### 2.2. Abandonments (Cost of Removal)

The cost to remove a capital asset or a unique sub ledger prepayment account through the utilization of resources such as labor, materials and contractor services.



### 2.3. Blanket Work Order / Job Order

Use of a single work order / job order for groups of small, similar projects to avoid opening many work orders.

### 2.4. Initiative (also referred to as “regulatory initiative”)

An external policy change, such as a new business tariff, regulatory commitment, internal policy or design standard change or other action that could potentially commit NiSource to a project or other capital or prepay investments (e.g. tools, equipment, etc.).

### 2.5. Capital Growth Category (also referred to as “New Business”)

Spend in this category will typically be non-discretionary in nature and shall be used for any facilities that are required to serve new customers. It is recognized that on occasion there may also be discretionary spend opportunities for long-term strategic growth initiatives. This type of spend can be tracked or not tracked but is always considered revenue producing. Projects to address long-term market growth shall also be included in this category.

This category shall also be used for “Growth Betterment”, which are capital investments made in conjunction with a Growth project to serve specific new customers and/or existing customers who are adding load in order to provide increased system capacity to serve other unspecified existing or future customer loads.

### 2.6. Capital Maintenance Category

#### 2.6.1. Betterment (also referred to as “Capacity” or “Compliance”)

Spend in this category may be either discretionary or non-discretionary. This category shall be used for any facilities that are required to improve system reliability or provide additional capacity for existing customers. Projects to address long-term market growth shall also be included in this category.

This category shall also be used for any projects needed to remain compliant with internal or external policies that are not “age and condition” related (i.e. pipeline integrity). This is referred to as “Compliance Betterment”.

#### 2.6.2. Replacement (also referred to as “Age and Condition”)

Spend in this category may be discretionary or non-discretionary and shall be used for any facilities that must be replaced (planned or emergency) due to damage or physical deterioration in situations where repair is not cost effective. The majority of projects in this category address aging infrastructure.

However, there are several other project types that are to be included here such as regulator station rebuilds, corrosion mitigation, small/large volume meter settings, and other capital costs that are not directly related to the installation of transmission, distribution, or electric generation facilities such as capitalized tools/equipment and small facility improvements. Engineering should be consulted for further clarification(s).

2.6.3. Public Improvement (also referred to as “Mandatory Relocation”)

Spend in this category is typically non-discretionary and shall be used for any facilities that must be relocated or raised/lowered to meet the requirements of municipal roadway reconstruction projects. Relocation projects that are done to accommodate requests from existing customers or private entities shall also be included in this category.

2.7. Capital Shared Services Category

Spend in this category includes Information Technology, Facilities, Real Estate, and Security.

2.8. Capital Shifts

Movement of capital to alternate capital categories (e.g. growth, maintenance, and tracker) within an operating company’s capital budget. Operating Company is defined as NIP-E, NIP-G, CKY, COH, CPA, CVA, and CMD.

**3. Guidelines for Review & Approval**

3.1. Measurement of Capital

Capital should be measured based on fully-loaded costs. This should include direct costs, allocated overhead, Allowance for Funds Used During Construction (AFUDC), taxes other than income (e.g. sales tax) and any Storage, Freight, and Handling costs associated with the capital project. Questions related to the costs that should be included or requests for assistance in estimating the indirect components should be directed to Capital Execution.

If a capital project includes an upfront contribution in aid of construction (CIAC), the approval threshold should be measured based on the gross capital commitment.

3.2. New Projects

All projects need to be approved prior to acquisition, construction of assets, or obligating NiSource to make a capital expenditure or prepayment (e.g. officially entering into contractual agreement whether verbal or written). The purpose of this requirement is to ensure that capital and prepaid cash is deployed in an efficient manner and that the costs incurred are prudent. The level of approval needed is determined by the type of work and size of the project. See Appendix A for required approval thresholds specific to Executive Leadership oversight. Note that additional department level approval requirements may be maintained separately from this policy.

Any project that is part of a previously approved initiative, regardless of project size, does not need a separate business case. For example, if the project mix changes within a regulatory initiative but the capital need for the initiative stays within the approved budget for the respective initiative, then there would be no additional approval required. However, if the project mix changes and increases the capital initiative, there would be required additional approval as described in Appendix B for shifts or Appendix C if such change would increase the overall NiSource-wide capital budget. This approval should include an evaluation by the tax organization related to changes in capital mix, asset location and other tax related capital items.

A higher level of approval can be sought at management discretion. This discretion can relate to anything that management believes warrants additional review. Examples may include a project that is under the approval threshold but includes capacity concerns that could impact customers or provide future commercial opportunities.

### 3.3. Leases

Both finance and operating leases need to be approved prior to a new lease signature. The renewal of existing leases do not require any corporate approvals. Leases should be measured as the present value of all future obligations (including those past plan horizon) discounted at current cost of capital. See Appendix A for required threshold approvals.

### 3.4. New Initiatives or Changes to Existing Initiatives

A regulatory policy change, regulatory commitment, or other items that would create a new initiative or adjust an existing initiative and obligate NiSource to a capital commitment or prepayment must also be approved prior to making such commitment. As these commitments may impact NiSource for many years, the period for which an initiative should be measured for approval thresholds is based on the current plan horizon (e.g. current budget year, if impacted, plus at least 4 forecasted years). Renewals that extend, but do not change the program, do not require additional approvals unless explicitly requested by Management (e.g. TDSIC). Each such proposed initiative should be reviewed by NiSource Executive Leadership and seek required approval as described in Appendix A.

### 3.5. Approval of Changes to the Capital Plan and Intraplan Changes

The Board of Directors approves the current year capital budget. Within this approval the Board of Directors approves the plan target plus a contingency not to equal or exceed \$75 million. A deviation from this range that is not approved as a part of a separate business case requires Board of Directors Finance Committee approval. Note that Board of Directors approval of the NiSource capital budget in the Annual Financial Plan does not imply project level Executive Leadership approval in accordance with this policy.

If intraplan changes to capital create a gap in funding compared to current budget, business owners must seek approval according to thresholds outlined in Appendix C. Intraplan approval requests to increase capital should be driven by emergent needs and unforeseen circumstances.

### 3.6. Capital Shifts

Movement of capital funding within an operating company budget and across categories (e.g. growth, maintenance, tracker and shared services functions) will be reviewed and approved according to Appendix B.

### 3.7. Project Overruns

Project costs and scopes should be monitored closely and variances to original approval of projects in accordance with this policy should be identified and communicated as soon as possible to the appropriate level of management in accordance with the requirements

described in this section. Regardless of magnitude, all known and/or highly probable intraplan capital increases (overruns) as well as capital decreases (underruns) to projects that cannot otherwise be mitigated with or allocated to existing budget dollars should be communicated to Operational level leadership, SVP Regulatory & Utilities Planning, Director of Project Controls, and VP FP&A. Project overruns and mitigation within previously approved programs must be disclosed as soon as known to the Director, Regulatory & Utilities Planning and SVP Regulatory & Utilities Planning subject to Controls Policy.

If an Executive Leadership approved project is expected to overrun its original budget by greater than or equal to \$5 million for projects less than \$50 million or 10 percent for projects greater than \$50 million, the project sponsors must resubmit the project to NiSource Executive Leadership for review and approval. At a minimum, updated review/approval request should include an explanation of overrun and updated financial analysis and customer implications. Risks and opportunities associated with cancelling or discontinuing the project should also be identified.

### 3.8. Designed Capital Job Order / Work Order Variances

When potential variances of greater than +/- 15% or \$30,000 are recognized and the project is less than 75% complete, a revision and re-approval of the job order / work order or project is the preferred action. If that is not possible, variance explanations are required as described below.

**Level 1 Variance:** Once it is known that the cost of a capital job order / work order or project will vary by greater than +/- 15% or \$30,000 (whichever is greater), the project engineer (or project manager if applicable) shall document the explanation outlining the reason for the variance. At a minimum, variance explanations should include a summary of changes by cost category (i.e. material, labor, contractor, overheads) that significantly impacted the cost and an explanation of the cause of those variances (e.g. added scope, material unit costs, unexpected construction challenges, and inclement weather delays). This explanation is to be filed with the job order / work order or project documentation.

**Level 2 Variance:** As soon as it is known that the cost of a capital job order / work order or project will vary by greater than +/- 25% or \$50,000 (whichever is greater), the project engineer (or project manager if applicable) shall document the explanation outlining the reason for the variance. At a minimum, variance explanations should include a summary of changes by cost category (i.e. material, labor, contractor, overheads) that significantly impacted the cost and an explanation of the cause of those variances (e.g. added scope, material unit costs, unexpected construction challenges, and inclement weather delays). This variance explanation must then be circulated for re-approval in accordance with the approval levels described in Appendix A based on the new estimated cost. This explanation is to be filed with the job order / work order or project documentation.

## 4. Stakeholder Responsibilities

### 4.1. Financial Planning and Analysis (FP&A)

The FP&A Team is responsible for:

- a) Maintaining the Capital Governance Policy in partnership with the Capital Execution team.
- b) Business case reviews, working with Operating Companies and Capital Execution to verify economic assumptions, model selection, qualitative factors and fit with the overall corporate strategy. Each completed business case will be routed for approval identified in Appendix A, Appendix B, or Appendix C.
- c) Preparing periodic comparisons of forecasted to budgeted capital expenditures. FP&A is responsible for working with the Operating Companies, Capital Execution, Tax and Corporate Accounting teams to gather and verify information to be presented.
- d) Managing the approval process for any expenditure that requires Executive Leadership approval and/or Board of Directors approval according to Appendices A, B and C and documenting approvals in the Lotus Notes database.

#### 4.2. Capital Execution

The Capital Execution Team includes Regulatory & Utilities Planning, Major Projects, Project Controls, and Engineering and is responsible for:

- a) Identifying the capital investment opportunities that address the infrastructure related public safety and reliability risks, compliance requirements, and customer service needs of the organization and developing the capital plan recommendations.
- b) Monitoring and controlling capital expenditures within authorized levels and communicating variances and recommending capital plan adjustments.
- c) Coordinating review of projects with appropriate operating company, regulatory, finance, accounting, tax, legal, risk and compliance personnel.
- d) Seeking and obtaining the approvals outlined in this Capital Governance Policy prior to the commitment of capital expenditures in partnership with project sponsor(s) and State Leadership.
- e) Execution of capital projects approved within the capital program.

#### 4.3. State Leadership

State Leadership includes State Presidents, VP and/or Director Construction, VP of Operations and Directors of Regulatory & Utility Planning and is responsible for:

- a) Communicating the regulatory construct, customer, and operating needs to other capital program stakeholders.
- b) Approving the proposed capital plan for their operating company.
- c) Sponsoring capital plan changes outside of the approved plan.
- d) Seeking and obtaining the approvals outlined in this Capital Governance Policy prior to the commitment of capital expenditures in partnership with project sponsor(s) and Capital Execution (e.g. sponsoring business cases presented to Executive Leadership).

#### 4.4. Executive Leadership

Executive Leadership includes the EVP Chief Financial Officer, EVP COO & President NI Utilities, EVP & Chief Experience Officer, SVP Strategy & Chief Risk Officer, and SVP & Chief Safety Officer. Executive Leadership will be responsible for the review and approval or denial of business cases required per Appendices A, B and C.

**Appendix A: Guidelines for Review and Approval of Budgeted Projects <sup>1, 2</sup>**

	<b>Project Size (Gross)</b>								
<b>Project Type</b>	< \$150K	\$150K to \$300K	\$300K to \$1.5M	\$1.5M to \$5M	\$5M to \$10M	\$10M to \$20M	\$20M to \$75M	\$75M to \$150M	≥ \$150M
Growth, Tracker, Maintenance <sup>3</sup>	<ul style="list-style-type: none"> <li>Field Engineer</li> <li>New Business Rep <b>or</b> Major Account Rep (Growth Only)</li> </ul>	<ul style="list-style-type: none"> <li>Leader of Field Engineering</li> <li>New Business Development Lead <b>or</b> Lead of Large Customer Relations (Growth Only)</li> </ul>	<ul style="list-style-type: none"> <li>Manager of Engineering</li> <li>Manager of New Business <b>or</b> Manager of Large Customer Relations (Growth Only)</li> </ul>	<ul style="list-style-type: none"> <li>Director of Engineering</li> <li>Director of New Business <b>or</b> Director of Large Customer Relations (Growth Only)</li> <li>Director FP&amp;A (Growth Only)</li> </ul>	<ul style="list-style-type: none"> <li>VP of Engineering</li> <li>CCO or VP Customer Operations (Growth Only)</li> <li>Director FP&amp;A</li> <li>Director Reg &amp; Utilities Planning</li> <li>Director Project Controls</li> </ul>	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning</li> <li>VP, FP&amp;A</li> <li>State President(s)</li> </ul>	<ul style="list-style-type: none"> <li>Executive Leadership</li> <li>CEO</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
<b>Project Type</b>	< \$250K		\$250K to \$1M	\$1M to \$3M	\$3M to \$5M	\$5M to \$75M		\$75M to \$150M	≥ \$150M
IT, Shared Services (Security, Facilities, and Real Estate) Including Leases	<ul style="list-style-type: none"> <li>Shared Services Manager <b>or</b> IT Manager</li> </ul>		<ul style="list-style-type: none"> <li>Shared Services Director <b>or</b> IT Director</li> </ul>	<ul style="list-style-type: none"> <li>VP of Shared Services <b>or</b> IT VP, CIO</li> <li>Director, FP&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>VP of Shared Services <b>or</b> IT VP, CIO</li> <li>VP, FP&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Executive Leadership</li> <li>CEO</li> </ul>		<ul style="list-style-type: none"> <li>Board of Directors Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
<b>Required Documentation</b>	Variable by department					Business Case Presentation <sup>4</sup>			

<sup>1</sup> Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year

<sup>2</sup> Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement

<sup>3</sup> If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs

<sup>4</sup> See Appendix D for presentation content guidelines.

**Appendix B: Guidelines for Review & Approval for Intraplan Capital Shifts<sup>1, 2, 3</sup>**

<b>Capital Shifts – YTD Cumulative Amounts</b>	<b>&lt;\$10M</b>	<b>\$10M to \$25M</b>	<b>\$25M to \$100M</b>	<b>\$100M to \$150M</b>	<b>≥ \$150M</b>
Categories - All shifts within an operating company budget between categories (any shift between growth, maintenance, tracker, between tracker programs, and indirect budget)	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning, <b>and/or</b> SVP Electric Operations</li> </ul>	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning</li> <li>VP, FP&amp;A</li> <li>State President(s)</li> </ul>	<ul style="list-style-type: none"> <li>Executive Leadership</li> <li>CEO</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
All shifts between operating company budgets	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning, <b>and/or</b> SVP Electric Operations</li> </ul>	<ul style="list-style-type: none"> <li>State President(s)</li> <li>SVP Reg &amp; Utilities Planning</li> <li>VP, FP&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Executive Leadership</li> <li>CEO</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
All shifts between utility operating company budgets and shared services	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning <b>and/or</b> SVP Electric Operations, <b>and/or</b> VP/SVP of Shared Service Function</li> </ul>	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning <b>or</b> VP/SVP of Shared Service Function</li> <li>State President(s)</li> <li>VP, FP&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Executive Leadership</li> <li>CEO</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
<b>Required Documentation</b>	Documented at Monthly Capital Reallocation / Review Meetings / Review at Monthly Gas Segment Finance Council		Business Case Presentation <sup>4</sup>		

<sup>1</sup> Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year

<sup>2</sup> Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement

<sup>3</sup> If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs

<sup>4</sup> See Appendix D for presentation content guidelines.

**Appendix C: Guidelines for Review & Approval of Intraplan Capital Plan Increases** <sup>1, 2, 3</sup>

<b>Spend Type - YTD Cumulative Amounts</b>	<b>&lt;\$25M</b>	<b>\$25M to \$50M</b>	<b>\$50M to \$75M</b>	<b>\$75M to \$150M</b>	<b>≥ \$150M</b>
Capital Request that is Incremental to NiSource BOD Approved Plan	<ul style="list-style-type: none"> <li>SVP Reg &amp; Utilities Planning <i>or</i> VP/SVP of Shared Service Function</li> <li>VP, FP&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>CFO</li> <li>SVP Reg &amp; Utilities Planning <i>or</i> VP/SVP of Shared Service Function</li> <li>VP, FP&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Executive Leadership</li> <li>CEO</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors</li> <li>Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Full Board of Directors</li> </ul>
<b>Required Documentation</b>	Documented at Monthly Capital Reallocation / Review Meetings	Documented at Monthly Capital Reallocation / Review Meetings	Business Case Presentation <sup>4</sup>		

<sup>1</sup> Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year

<sup>2</sup> Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement

<sup>3</sup> If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs

<sup>4</sup> See Appendix D for presentation content guidelines.



<sup>1</sup> Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year

<sup>2</sup> Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement

<sup>3</sup> If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs

<sup>4</sup> See Appendix D for presentation content guidelines.

## Appendix D: Business Case Presentation Content Guidelines

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### Project Description & Overview

- Provide a short introduction describing the project's nature and benefits
- Highlight the project's support of NiSource's strategic initiatives
- Explain what the use of capital will provide to the project (description of assets to be purchased or installed, system description, etc.)
- Project's support of operating goals such as cost management or revenue growth
- Expected project start and completion dates
- Whether the project is an element of an ongoing project or program
- High-level financial impact (*e.g. Annualized Expenditures and Savings, Project NPV, IRR, Income Impact, etc.*)
- Any other notable information (Maps, Routes, Competition, etc.)

### Alternative Solutions

- Indicate what alternative solutions were evaluated and why the alternatives were not pursued.
- Describe any bidding process that was performed and include the name of the losing bidders involved in the process.

### Agreements

- Legal approval of all agreements is required. Indicate which attorney in the Legal Department has reviewed any agreement(s) that are to be executed as part of this project. Agreements should not be executed until the project has received official approval, and any signatory of agreement(s) needs to be in compliance with the Corporate Accountability Policy.
- List the counterparties, nature, commitment level and term of any agreements to be executed if the capital project is approved. Attach a copy of all agreements as an appendix to this request.
- If helpful, briefly highlight key agreement components such as milestones, covenants, risks, relationships with other projects, etc. If this information resides in other sections, there is no need to be redundant.
- If a lease agreement is involved, indicate the lessor's name, lease term, interest rate, total financed amount, lifetime interest payments, and lifetime total payments. A schedule of lease payments (separating principle and imputed interest amounts) should be attached to the financial analysis.

### Accounting & Tax Implications

- Indicate any notable accounting features of the project such as the basis for determining that a lease should be capitalized, or the need to create a new accounting process relating to the project.
- Please provide the name of the person in accounting contacted regarding the proposed accounting treatment.
- All tax assumptions are to be confirmed by the Tax Department. If helpful, describe any notable tax features of the project such as the sales tax assumptions, state tax consequences or selection of an appropriate MACRS depreciation schedule.

- Indicate the name of the person in the tax department consulted with regard to the tax treatment of the project, where applicable.

### **Risks and Mitigation**

Rank potential risks associated with executing the project and applicable mitigation strategies associated with doing the project from Highest to Lowest based on probability - impact (e.g. H-H, H-M, H-L, M-H, M-M, M-L, L-H, L-M, L-L):

- Executing physical work on time/on budget (permits, project management, experience, contractor performance, etc.)
- Regulatory disallowance risk/recovery path and prospects
- Speculative revenue probability if applicable
- Contractual revenue terms and credit risk on that revenue
- Share of obligation on build cost (and counterparty credit risk if applicable)
- Additional Financial Considerations
- Operating
- Market & Customer
- Legal, Compliance & Regulatory
- Environmental, Health & Safety
- Credit
- Strategic
- Any other potential risk

### **Success Criteria**

- Performance measures (output, cost savings, benchmarks, etc.) that define project success
- Schedule of milestones, expected timing, and any payments due at milestones

### **Exit Strategies (If applicable)**

- Triggers for review
- Exit strategy description

### **Additional Information**

Provide other information or attach other documents, memos, presentations, charts, etc. useful in evaluating the project.

### **Financial Analysis**

- Summary of the analysis and the outcome
- Key assumptions used in creating the financial model
- Basis of assumptions for tax rates, interest rates, discount rates, cost of capital, etc.
- Financing assumptions, if any (debt / equity / combination, etc.)
- Sensitivity Analysis - Discuss key project drivers / sensitivities. The sensitivity analysis should also be displayed as a financial table.

### **Financial Models**

Financial models will reflect the project's incremental cash impact to the corporation, including operating earnings income statement impact. In addition, the model should provide following financial metrics:

- Net Present Value of Cash Flows (NPV)
- Internal Rate of Return (IRR)
- Sensitivity Analysis
- Cost to Customer Impact

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

5. Refer to the Application, Volume 8, Tab 79-807 KAR 5:001 Section 16-(8)(j). Columbia Kentucky is forecasting an increase in common equity from \$201,768,566 to \$242,618,650 in the forecasted test year. Provide the expected date(s) of this equity issuance.

**Response:**

Columbia Gas of Kentucky is expecting additional paid in capital contributions of \$15 million at the end of September 2021, \$2 million in March 2022 and \$2 million in June 2022. The remaining increase in common equity is driven by growth in retained earnings over the forecasted period.

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

6. Risk associated with the recovery of costs and capital in Columbia Kentucky's SMRP would appear to be much less than the utility as a whole.

a. Provide a list of Columbia Kentucky's affiliates and proxy group companies with SMRP or similar programs and the associated ROE component.

b. Explain the whether the risks associated with SMRP and similar programs are alike or different from the risks associated with the distribution utility.

c. For Columbia Kentucky, compare and contrast the risks specifically associated with its SMRP and the utility and explain why the ROE associated with the SMRP should be lower than the authorized for base rate calculation.

**Response:**

a. The requested list of infrastructure cost recovery mechanisms employed by Columbia's affiliates and associated ROEs are reflected below, while the same information for the proxy group companies is presented in KY PSC Case No. 2021-00183, Staff 4-6, Attachment A.

Columbia Gas of Maryland – STRIDE program – 9.60% authorized ROE

Columbia Gas of Virginia – SAVE program – 9.70% authorized ROE

Columbia Gas of Ohio – CEP/IRP programs – 10.39% authorized ROE

Columbia Gas of Pennsylvania – DSIC program – 10.00% authorized ROE

NIPSCO Gas – TDSIC program – 9.85% authorized ROE

NIPSCO Electric – TDSIC program – 9.75% authorized ROE

b. The risks associated with the SMRP and similar programs are the same as the risks associated with the distribution utility, as the revenue requirement associated with the SMRP program is ultimately rolled-into base rates. This is particularly the case because of Columbia's use of 13-month average balances for the forward test period offers substantially the same benefits as the SMRP program with regard to the reduction of regulatory lag. This is further borne out by the fact, that, as noted in the direct testimony of Company witness Cooper, since Columbia is utilizing a forecasted test year per KRS 278.192, there will likely not be an SMRP Rider filing for October 2021 or a March 2023 Balancing Adjustment filing.

c. As discussed in part (b) above, there is no basis for the presumption that Columbia's ROE under the SMRP program should be lower than the ROE for the Company's overall distribution operations. This is further demonstrated by the fact, that, as can be seen in KY PSC Case No. 2021-00183, Staff 4-6, Attachment A, the majority of the proxy group companies that Mr. Rea evaluated in deriving his

cost of equity estimates and ultimate ROE recommendation already employ infrastructure cost recovery mechanisms that are similar to Columbia's SMRP program. For this reason, any theoretical risk-reducing effects of the SMRP program, if actually present, would already be reflected in the market data of the proxy group companies, and therefore would also be reflected in Mr. Rea's cost of equity estimates and recommendations.



ATTACHMENT  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY

KY PSC Case No. 2021-00183  
Response to Staff's Data Request Set Four No. 7  
Respondent: Kevin Johnson

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

7. Refer to Columbia Kentucky's response to Staff's Third Request, Item 10. Provide a cost of service study applying the average weighted calculation of the zero intercept results.

**Response:**

KY PSC Case No. 2021-00183, Staff 4-007, Attachment A provides a Customer/Demand study using the weighted average calculation from the Zero Intercept study (see Table 2 on Page 4 of Data Request KY PSC Case No. 2021-00183, Staff 3-010, Attachment A) to show mains costs treated as 43.69% Customer related and 56.31% Demand related.

ATTACHMENT  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

8. Refer to Columbia Kentucky's response to Staff's Third Request, Item 17.
- a. Explain how the information provided supports Columbia Kentucky's 5 percent residential late payment fee.
  - b. Provide by year, for calendar years 2017 to 2021 to date, the dollar amount and number of residential late payment fees assessed.
  - c. Explain whether all customers who are charged a late payment penalty also receive a termination notice.
  - d. Provide detailed support for how the amount labeled as "Third party outbound call to customer" was derived.
  - e. Explain whether all customers who are charged a late payment penalty also receive a third party outbound call.
  - f. Provide detailed support for how the amount labeled as "Columbia Customer Representative cost per inbound call" was derived.

g. Explain whether the amount labeled as “Columbia Customer Representative cost per inbound call” relates to calls only related to late payments or to calls in general.

h. Explain whether the amounts labeled as “Operational cost for collection premise visit” are recovered through any other charges.

i. Provide detailed support for how the amounts labeled “Operational cost for collection premise visit” were derived.

j. Explain whether all customers who are charged a late payment penalty receive a collection premise visit.

**Response:**

a. The information provided by Columbia shows that there are costs associated with late payments that are avoidable if a customer pays on time.

b.

Residential Late Payment Fees Assessed		
Year	Number	Amount
2017	146,441	\$353,921
2018	143,836	\$387,848
2019	142,745	\$364,953
2020	25,944	\$111,959
2021	83,597	\$272,871

c. The rendering of a termination notice is dependent on the payment action of the customer. If a Customer fails to pay their bill by the due date of the current billing cycle, any Late Payment Penalty assessed will be reflected on the subsequent billing cycle statement. If the customer satisfies the delinquent balance by the due date of the new billing cycle a termination notice would not be generated. If the customer fails to satisfy the delinquent balance a termination notice would be rendered.

d. Cost for "Third party outbound call to customer" is the cost per call paid by Columbia to its outbound call vendor.

e. Third party outbound calls are dependent on the payment action of the customer. If the customer satisfies the delinquent balance by the due date then no outbound call would be made to the customer.

f. The cost for "Columbia Customer Representative cost per inbound call" was obtained by determining labor and expense cost and dividing by the number of calls handled by the center. The amount of \$6.73 in Item 17 of Staff's Third Request was reported incorrectly as the cost for CKY. However, the methodology is correct.

The total labor and operating expenses of the Customer Care Center for Columbia Kentucky divided by the number of inbound calls for Columbia Kentucky in 2019 was \$4.29 and in 2020 it was \$4.25 yielding a combined average cost per inbound call of \$4.27 for Columbia Kentucky.

g. Columbia representatives answer a variety of account inquires which include late payment calls. "Columbia Customer Representative cost per inbound call" relates to calls in general.

h. No, the operational costs and revenue from late payment fees are both included in the calculation of the base rate revenue requirement. The rates are then designed to recover that revenue requirement through various fixed and variable charges. Revenue from established charges, such as late payment fees, contribute to the revenue requirement recovery reducing the revenue requirement such that the costs are not recovered through any other charges.

i. Company cost derived by determining total cost (labor and fleet) associated to disconnect orders completed in 2019 and 2020 and dividing by total number of orders completed. Contractor cost is the actual cost Columbia pays to vendor, per order completed.

Disconnect Order	2019	2020
Units	3,757	3,598
Costs	\$ 178,150	\$ 167,526
Labor	\$ 155,356	\$ 147,892
Materials	-	-
Outside Services	\$ 6,010	\$ 1,208
Other	\$ 125	\$ 157
Fleet(vehicles)	\$ 16,658	\$ 18,270
Unit Costs	\$ 47	\$ 47

j. A collection premise visit is dependent on the payment action of the customer. If the customer fails to satisfy the delinquent balance the account is placed into Columbia's collection cycle to include the issuance of a termination notice and a possible premise visit. If the customer satisfies the delinquent balance after the termination notice is issued a premise visit will not occur. If the customer fails to satisfy the delinquent balance further action is required. A premise visit work order would be generated for disconnection of the gas service for non-payment.



**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

9. Refer to Columbia Kentucky's response to Staff's Third Request, Item 18. Provide detailed support for how the amounts labeled "Bank Charge" and "Company processing/handling labor cost" were derived.

**Response:** The Bank Charge is the per item return check charge from PNC to Columbia. The amount was incorrectly stated as \$13.08. The correct amount is \$13.05.

The Company processing/handling labor cost is \$4.20 per returned check item for a Customer and Employee Engagement Specialist or a Customer Programs Specialist to perform the necessary returned check actions within Columbia Gas of Kentucky's database in order to record the returned item on the customer's account and to generate a notice of the returned item to the customer. This amount reflects an average per item handle time of ten minutes. This amount was derived based on the average salary of \$25.17 per hour for the employees performing this duty.

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

10. Refer to Columbia Kentucky's response to Staff's Third Request for Information, Item

19.

a. Confirm that service would not be refused if a prospective customer failed to provide their Social Security number.

b. Explain whether Columbia Kentucky retains the customer's Social Security number. If so, explain the measures Columbia Kentucky takes to protect such information.

c. Explain whether a credit check can be run without the Social Security number.

**Response:**

a. Columbia does not deny service based on an applicant's refusal to provide their Social Security number.

b. Columbia retains a customer's social security number in order to validate the customer's identity and obtain a credit check at the time of initiating service. The record is encrypted allowing only select employees to view the customer's full social security number for future review.

c. Equifax allows a credit check validation to be conducted without requiring the customer's social security number. The customer must provide a valid previous address to successfully access their credit file.

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

11. Refer to Columbia Kentucky's response to the Attorney General's First Request for Information, Item 110, Attachment B.

a. Provide a copy of the Intercompany Tax Allocation Agreement dated September 30, 2002, and any amendments thereto.

b. Provide a copy of the Amended and Restated Intercompany Income Allocation Agreement dated April 7, 2016, and any amendments thereto.

c. Provide Columbia Kentucky's federal taxable income for each tax year ending in 2011 through 2021 before any deductions for net operating losses carried forward or back from previous or subsequent tax years.

d. Provide the federal taxable income for the Consolidated Group for each tax year ending in 2011 through 2021 before any deductions for net operating losses carried forward or back from previous or subsequent tax years.

e. Provide the total net operating loss carryforward for the Consolidated Group for each tax year ending in 2011 through 2021.

**Response:**

- a. Please refer to KY PSC Case No. 2021-00183, Staff 4-11, Attachment A for a copy of the Intercompany Tax Allocation Agreement dated September 30, 2002.
- b. Please refer to KY PSC Case No. 2021-00183, Staff 4-11, Attachment B for a copy of the Amended and Restated Intercompany Income Allocation Agreement dated April 7, 2016, and KY PSC Case No. 2021-00183, Staff 4-11, Attachment C for the first amendment thereto.
- c. Please refer to KY PSC Case No. 2021-00183, Staff 4-11, Attachment D, Line 1 for Columbia Kentucky's federal taxable income for each tax year ending in 2011 through 2021 before any deductions for net operating losses carried forward or back from previous or subsequent tax years.
- d. Please refer to KY PSC Case No. 2021-00183, Staff 4-11, Attachment D, Line 59 Provide the federal taxable income for the Consolidated Group for each tax year ending in 2011 through 2021 before any deductions for net operating losses carried forward or back from previous or subsequent tax years.
- e. Please refer to KY PSC Case No. 2021-00183, Staff 4-11, Attachment D, Lines 46 through 52 for the total net operating loss carryforward for the Consolidated Group for each tax year ending in 2011 through 2021.

September 30, 2002

**NISOURCE INC. AND SUBSIDIARY COMPANIES**

**INTERCOMPANY INCOME TAX ALLOCATION AGREEMENT**

WHEREAS, NiSource Inc., a corporation organized under the laws of the State of Delaware ("NiSource") and a registered holding company under the Public Utility Holding Company Act of 1935 ("Act"), together with its subsidiary companies, direct and indirect, listed as parties hereto, comprise the members of the NiSource consolidated group which will join annually in the filing of a consolidated Federal income tax return, and it is now the intention of NiSource and its subsidiaries, direct and indirect, (hereinafter collectively referred to as the "NiSource Group"), to enter into an agreement for the allocation of current federal income taxes; and

WHEREAS, certain members of the NiSource Group will join annually in the filing of certain consolidated state income tax returns (to the extent permitted or required under applicable state income tax laws), and it is now the intention of the NiSource Group to enter into an agreement for the allocation of current state income taxes; and

WHEREAS, by order dated September 12, 2002, the Securities and Exchange Commission has authorized NiSource and its subsidiaries to enter into this agreement as of January 1, 2001 and to allocate consolidated income taxes in the manner herein provided; and

NOW, THEREFORE, each member ("Member") of the NiSource Group does hereby covenant and agree with one another that the current consolidated income tax liabilities of the NiSource Group shall be allocated as follows:

**ARTICLE I.**

**Definitions and Interpretation**

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly provided, the following terms shall have the following respective meanings:

"Acquisition Indebtedness" means indebtedness incurred by NiSource or NiSource Finance Corp. ("Finance") to finance the acquisition (including related costs) by NiSource of all of the issued and outstanding stock of Columbia Energy Group and any renewals or extensions thereof. Acquisition Indebtedness also includes indebtedness incurred by NiSource or Finance for the purpose of refinancing the indebtedness relating

to the acquisition (including related costs) of all of the issued and outstanding stock of Columbia Energy Group.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consolidated Group” means NiSource and all of its subsidiaries which, from time to time, may be included in any (i) federal income tax return filed by NiSource in accordance with sections 1501 and 1502 of the Code or (ii) Other Return.

“Consolidated Return” means any consolidated federal income tax return or Other Return filed by NiSource whether before or after the date hereof, which includes one or more Members of the NiSource Group in a consolidated, combined or unitary group of which NiSource is the common parent.

“Consolidated Return Year” means any period during which NiSource files a consolidated federal income tax return or Other Return that includes one or more Members of the NiSource Group in a consolidated, combined or unitary group of which NiSource is a common parent.

“Consolidated Taxable Income” is the taxable income of the Consolidated Group as computed for federal or state income tax purposes.

“Consolidated Tax Liability” means, with reference to any taxable period, the consolidated, combined or unitary tax liability (including any interest, additions to tax and penalties) of the Consolidated Group for such taxable period (including the consolidated federal income tax liability and other consolidated, combined or unitary liability for Other Taxes).

“Corporate Taxable Income” means the income or loss of an associate company for a tax year computed as though such company had filed a separate return on the same basis as used in the Consolidated Return, except that dividend income from associate companies shall be disregarded, and other intercompany transactions eliminated in the Consolidated Return shall be given appropriate effect.

“Designated Official” means the Vice President, Corporate Tax of NiSource Corporate Services Company or such other official assigned the responsibilities of Vice President, Corporate Tax of NiSource Corporate Services Company.

“Other Return” means any consolidated, combined or unitary return of Other Taxes filed by NiSource or another Member of the NiSource Group, whether before or after the date hereof, which covers the operations of one or more Members of the NiSource Group.

“Other Taxes” means any taxes (including any interest and penalties) payable by NiSource or another Member of the NiSource Group to the government of any state, municipal or other political subdivision, including all agencies and instrumentalities of such government.

“Person” means any individual, partnership, firm, corporation, limited liability company, joint stock company, unincorporated association, joint venture, trust or other entity or enterprise, or any government or political subdivision or agency, department or instrumentality thereof.

“Regulations” means the Treasury Regulations promulgated under the Code.

“Separate Return Tax” means the tax on the Corporate Taxable Income of a corporation which is a Member computed for purposes of this Agreement as though such company were not a Member of a consolidated group.

Section 1.2 References, Etc. The words “*hereof*”, “*herein*” and “*hereunder*” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined herein in the singular shall have the same meanings in the plural and *vice versa*. All References herein to any Person includes such Person’s successors and assigns. All references herein to Articles and Sections shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement. For purposes of this Agreement, Finance will not be treated as a Member of the NiSource Group and all items of income, deduction, loss, credit or any other tax attribute of Finance shall be treated as an item of income, deduction, loss, credit or tax attribute of NiSource. In this Agreement, unless a clear contrary intention appears the word “*including*” (and with correlative meaning “*include*”) means “including but not limited to”.

## ARTICLE II.

### Preparation and Filing of Tax Returns; Allocation of Taxes

#### Section 2.1 Federal Returns.

(a) A U.S. consolidated federal income tax return shall be prepared and filed by NiSource for each taxable year in respect of which this Agreement is in effect and for which the Consolidated Group is required or permitted to file a consolidated federal income tax return. NiSource and all its subsidiaries shall execute and file such consents, elections and other documents that may be required or appropriate for the proper filing of such returns.

(b) (i) The Consolidated Group will elect, on a timely basis, in accordance with Code Section 1552(b) and Section 1.1552-1(c)(2) of the Regulations to allocate its consolidated tax liability (other than alternative minimum tax (“AMT”) and its related credits) among its Members under the method described in Sections 1.1502-33(d)(3) and 1.1552-1(a)(2) commencing with the consolidated taxable year ended December 31, 2001. The fixed percentage to be used for purposes of Regulations section 1.1502-33(d)(3)(i) is 100%. The general effect of such method is to first allocate the consolidated tax liability among the Members of the Consolidated Group on the basis of the percentage of the total consolidated tax which the tax of such Member (other than AMT and its related credits) if computed on a separate return basis would bear to the total amount of the taxes (other than AMT and its related credits) for all Members of the group so computed. Then such method allocates an additional amount (the “Tax Benefit Amount”) to each Member up to, but not greater than, the excess, if any, of its



Separate Return Tax liability (other than AMT and its related credits) over the amount allocated to such Member in the previous sentence. The total of the Tax Benefit Amounts allocated to Members shall result in payments to, and an increase in the earnings and profits of, the Members who had items of deduction, loss or credits to which such Tax Benefit Amount is attributable. This election is intended to comply with Rule 45(c)(5) under the Act, as modified by Section 2(d) below.

(ii) The allocation of the alternative minimum tax liability incurred by the NiSource Group and the resulting minimum tax credit shall be allocated in the manner set forth in Proposed and Temporary Treasury Regulation Sections 1.1502-55. This method generally allocates (i) any AMT paid by the NiSource Group based on the relative separate adjusted AMT of each Member and (ii) the minimum tax credit (AMTC) on the basis of the AMT previously assigned to such Member and assuming that AMTC is utilized on a "first in/first out" methodology, and that to the extent that AMTC arising in one year is not fully utilized, such AMTC is utilized proportionately by the Members previously assigned AMT for that year.

(c) Each Member's allocable share of the consolidated income tax liability as determined in Section 2.1(b) hereby shall be used in both (i) the determination of each Member's earnings and profits and (ii) determining the amounts to be paid (as provided in Section 3.4 of this Agreement) by Members to NiSource with respect to each Member's share of the Consolidated Group's Tax liability and payments from NiSource to Members with respect to the use of a Member's tax attributes.

(d) (i) The aggregate of all amounts paid by Members of the Consolidated Group (the "Paying Members") as a result of the excess of each Members' Separate Return Tax liability (as determined under Section 1.1552-1(a)(2)(ii) of the Regulations) over the amount allocated to such Member as its share of the Consolidated Tax Liability under Code Section 1552 (i.e., the Tax Benefit Amount) shall be paid by NiSource to the other Members (the "Loss Members") which had tax deductions, losses and credits to which such payments by the Paying Members are attributable. The apportionment of such payments among Loss Members shall be in a manner that reflects the Consolidated Group's absorption of such tax attributes in the manner described in Section 2.1(e) below. The payments to the Loss Members for their tax attributes shall be pursuant to a consistent method which reasonably reflects such items of loss or credit (such consistency and reasonableness to be determined by the Designated Official).

(ii) Notwithstanding the provisions of section 2.1(d)(i), the Tax Benefit Amount allocated to NiSource and paid to NiSource as a result of its being a Loss Member shall be limited to its Tax Benefit Amount determined without regard to this section 2.1(b)(ii) multiplied by a fraction, the numerator of which is NiSource's interest deduction attributable to Acquisition Indebtedness, and the denominator of which is the sum of all of NiSource's deductions. The portion of NiSource's Tax Benefit Amount which cannot be allocated and paid to NiSource due to the operation of this Section shall be reallocated to Paying Members of the Consolidated Group other than NiSource in accordance with the principles contained in section 2.1(b)(i).

(e) In apportioning the payments to Loss Members for the Tax Benefit Amount pursuant to Section 2.1(d) hereof:

(i) any consolidated net operating loss ("NOL") shall be allocated among the group Members pursuant to Regulations Section 1.1502-21(b). To the extent the consolidated NOL is carried back, any Member's individually allocable NOL shall be deemed carried back and utilized in proportion to the amount that the Member's NOL bears to the consolidated NOL. Analogous principles shall apply in the case of NOL carryforwards;

(ii) with respect to each type of credit used to offset all or a portion of the Consolidated Tax Liability otherwise payable, such credit shall be allocated among the Members by crediting to each Member an amount of credit which that Member would have available to utilize on a separate return basis in a manner consistent with the method set forth in Section 2.1(e)(i) above.

(iii) the cost of any credit recapture which results in the payment of tax shall be specifically allocated to the Member whose credit is recaptured determined in a manner consistent with the provisions of Section 2.1(e)(i) above.

(f) The allocation of tax shall be subject to further adjustment from time to time on account of the payment of additional tax or the receipt of a refund attributable to either the filing of an amended return or on account of the results of an audit conducted by the Internal Revenue Service or other relevant taxing authority.

Section 2.2 Other Taxes. (a) NiSource will prepare and file (or cause to be prepared and filed) all returns of Other Taxes which are required to be filed with respect to the operations of NiSource and its subsidiaries. In the event any taxing authority requires or permits that a combined, consolidated or unitary return be filed for Other Taxes, which return includes both NiSource and a subsidiary, NiSource may elect to file such return and shall have the right to require any Member to be included in such return. NiSource will advise each of its subsidiaries included in each Other Return and each governmental office in which any Other Return is filed. Other Taxes shall be allocated among the NiSource Group in a manner that is consistent with the method set forth in Article 2 hereof. Furthermore, amounts due to NiSource or from NiSource, with respect to Other Taxes, shall be determined in a manner consistent with Sections 2.1(b) and 2.1(d).

(b) Each Member of the NiSource Group that does not file an Other Return together with any other Member of the NiSource Group shall be solely responsible and obligated to pay the tax liability with respect to such return from its own funds. Such returns shall be prepared and filed by NiSource or the Member filing the Other Return.

(c) If any Member of the NiSource Group is required to file a combined, consolidated or unitary return for Other Taxes with another Member of the NiSource Group, but not with NiSource (an "Other Taxes Subgroup"), then NiSource shall have the rights, powers and

obligations to file such tax returns and apportion among and, collect and remit from, the applicable Members such Other Taxes as the rights, powers and obligations given to NiSource under this Agreement with respect to the Consolidated Tax Liability. Such returns shall be prepared and filed by NiSource. If the right to file a combined, consolidated or unitary return for Other Taxes is optional, then NiSource shall decide which of its subsidiaries should, to the extent permitted by law, join in filing of such return.

Section 2.3 Member Tax Information. The Members of the Consolidated Group shall submit the tax information requested by the Designated Official of NiSource in the manner and by the date requested, in order to enable the Designated Official to calculate the amounts payable by the Members pursuant to Article 3 hereof.

### ARTICLE III.

#### Responsibility for Tax; Intercompany Payments

Section 3.1 Responsibility. Assuming the Members of the Consolidated Group have fulfilled their obligations pursuant to this Article III, then NiSource will be solely responsible for, and will indemnify and hold each Member of the Consolidated Group harmless with respect to, the payment of: (a) the Consolidated Tax Liability for each taxable period for which, as determined under Section 2.1 hereof, NiSource filed a Consolidated Return or should have been filed; and (b) any and all Other Taxes due or payable with respect to any Other Return which is filed by NiSource or should have been filed.

Section 3.2 Federal Tax Payments. (a) With respect to each Consolidated Return Year, the Designated Official of NiSource shall estimate and assess or pay to Members of the Consolidated Group their share of estimated tax payments to be made on a projected consolidated federal income tax return for each year. In making this determination, NiSource shall elect a method for determining estimated tax and each Member shall follow that method; provided, however, under no circumstances shall a Loss Member be paid any amount described in Section 2.1(d) until a date after which NiSource has filed the Consolidated Return for such Consolidated Return Year. Such Members will pay, to NiSource or be paid by NiSource, such estimates not later than the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> months of such Consolidated Return Year. With respect to any extension payment, the Designated Official of NiSource shall estimate and assess or pay to Members of the Consolidated Group their share of such extension payment. The difference between (1) a Member's estimated tax payments used for computation of the quarterly estimated payments plus their extension payments and (2) such Member's actual Tax Liability for any Consolidated Return Year as determined under Section 2.1(b) hereof, shall be paid to NiSource or by NiSource within sixty (60) days after the filing of the consolidated federal income tax return.

(b) NiSource shall have sole authority, to the exclusion of all other Members of the Consolidated Group, to agree to any adjustment proposed by the Internal Revenue Service or any other taxing authority with respect to items of income, deductions or credits, as well as interest or penalties, attributable to any Member of the Consolidated Group during any Consolidated Return Year in which such Member was a Member of the Consolidated

Group notwithstanding that such adjustment may increase the amounts payable by Members of the Consolidated Group under this Section 3.2 or Section 3.3 hereof. In the event of any adjustment to the Consolidated Tax Liability relating to items of income, deductions or credit, as well as interest or penalties, attributable to any Member of the Consolidated Group by reason of an amended return, claim for refund or audit by the Internal Revenue Service or any other taxing authority, the liability of all other Members of the Consolidated Group under paragraphs (a) of this Section 3.2 or Section 3.3 hereof shall be redetermined to give effect to such adjustment as if such adjustment had been made as a part of the original computation of such liability, and payment from a Member to NiSource or by NiSource to a Member, as the case may be, shall be promptly made after any payments are made to the Internal Revenue Service or any other taxing authority, refunds received or final determination of the matter in the case of contested proceedings. In such event, any payments between the parties shall bear interest at the then prevailing rate or rates on deficiencies assessed by the Internal Revenue Service or any other relevant taxing authority, during the period from the due date of the Consolidated Return (determined without regard to extensions of time for the filing thereof) for the Consolidated Return Year to which the adjustments were made to the date of payment.

Section 3.3 Other Tax Payments. Payments by a Member with respect to Other Taxes and required estimates thereof for which any other Member has joint and several liability shall be calculated and made by or to such Member in the same manner as that provided in Section 3.2. The principles set forth in Section 3.2 governing the determination and adjustment of payments as well as the method of payment to or from such Member with respect to federal income taxes shall be equally applicable in determining and adjusting the amount of and due date of payments to be made to or from such subsidiary with respect to Other Taxes and estimates thereof. Each Member shall pay, directly to the appropriate taxing authority, all taxes for which such Member is liable and for which no other Member has joint or several liability.

Section 3.4 Payment Mechanics. (a) Any payments to be made by a subsidiary of NiSource pursuant to Section 2.1, 2.2, 3.2 or 3.3 hereof shall be made by such subsidiary to NiSource by either promptly crediting as an offset against amounts owed to such Member by NiSource or to the extent no amounts are owed to such Member by NiSource, by cash payments to NiSource. To the extent any payments are to be made to a subsidiary with respect to the use of such subsidiary's tax attributes by the Consolidated Group pursuant to Section 2.1, 2.2, 3.2 or 3.3 hereof, NiSource shall make such payment to such subsidiary by either promptly crediting as an offset against amounts owned by such Member to NiSource, or to the extent no amounts are owed to NiSource by such Member, by cash payments to the Member.

(b) Tax payments by NiSource with respect to any Consolidated Tax Liability shall be paid by NiSource and shall be debited to the Member of the Consolidated Group for their respective shares of such Consolidated Tax Liability as determined pursuant to Article II hereof. Tax Refunds received by NiSource with respect to any Consolidated Tax Liability, shall be paid by NiSource to the Member of the Consolidated Group entitled to such Tax Refund, as determined.

(c) NiSource shall be responsible for maintaining the books and records reflecting the intercompany accounts reflecting the amounts owned, collected and paid with respect to Taxes pursuant to this Agreement.

(d) NiSource may delegate to other Members of the Consolidated Group responsibilities for the collection and disbursement of monies as required under this Agreement as well as responsibilities for maintaining books and records as required under this Agreement.

Section 3.5 Administration. The provisions of this Agreement shall be administered by the Designated Official of NiSource. The interpretations of this Agreement by the Designated Official of NiSource shall be conclusive.

#### ARTICLE IV.

##### Miscellaneous Provisions

Section 4.1 Effect. The provisions hereof shall fix the rights and obligations of the parties as to the matters covered hereby whether or not such are followed for federal income tax or other purposes by the Consolidated Group, including the computation of earnings and profits for federal income tax purposes.

Section 4.2 Effective Date and Termination of Affiliation. This Agreement shall be effective with respect to all taxable years ending on or after January 1, 2001, in which any subsidiary of NiSource is a Member of the Consolidated Group for any portion of the tax year. In the event that a party to this Agreement ceases to be a Member of the Consolidated Group, the rights and obligations of such party and each other party to this Agreement shall survive, but only with respect to taxable years including or ending before the date such party ceases to be a Member of the Consolidated Group.

Section 4.3 Notices. Any and all notices, requests or other communications hereunder shall be given in writing (a) if to NiSource to Attention: Vice President, Tax, Facsimile Number: 219-647-6177 and (b) if to any other person, at such other address as shall be furnished by such person by like notice to the other parties.

Section 4.4 Expenses. Each party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereby, including all legal and accounting fees and disbursements.

Section 4.5 Benefit and Burden. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors.

Section 4.6 Amendments and Waiver. No amendment, modification, change or cancellation of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the person against whom that waiver is sought to be enforced. The failure of any party at any time to insist upon strict performance of any condition, promise, agreement or understanding set forth herein shall not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same or any other condition, promise, agreement or understanding at a future time.

Section 4.7 Assignments. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto and any attempt to do so shall be null and void.

Section 4.8 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

Section 4.9 Entire Agreement. **THIS AGREEMENT SETS FORTH ALL OF THE PROMISES, AGREEMENTS, CONDITIONS, UNDERSTANDINGS, WARRANTIES AND REPRESENTATIONS AMONG THE PARTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY, AND SUPERSEDES ALL PRIOR AGREEMENTS, ARRANGEMENTS AND UNDERSTANDINGS BETWEEN THE PARTIES HERETO, WHETHER WRITTEN, ORAL OR OTHERWISE. THERE ARE NO PROMISES, AGREEMENTS, CONDITIONS, UNDERSTANDINGS, WARRANTIES OR REPRESENTATIONS, ORAL OR WRITTEN, EXPRESS OR IMPLIED, AMONG THE PARTIES EXCEPT AS SET FORTH HEREIN.**

Section 4.10 Applicable Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF INDIANA.**

Section 4.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and together which shall constitute one instrument. The parties hereto specifically recognize that from time to time other corporations may become Members of the Consolidated Group and hereby agree that such new Members may become Members to this Agreement by executing a copy of this Agreement and it will be effective as if all the Members had re-signed.

Section 4.12 Attorneys' Fees. If any Member or former Member hereto commences an action against another party to enforce any of the terms, covenants, conditions or provisions of this Agreement, or because of a default by a party under this Agreement, the prevailing party in any such action shall be entitled to recover its costs, expenses and losses, including attorneys' fees, incurred in connection with the prosecution or defense of such action from the losing party.

Section 4.13 No Third Party Rights. Nothing in this Agreement shall be deemed to create any right in any creditor or other person or entity not a party hereto and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party.

Section 4.14 Further Documents. The parties agree to execute any and all documents, and to perform any and all other acts, reasonably necessary to accomplish the purposes of this Agreement.


Section 4.15 Headings and Captions. The headings and captions contained in this Agreement are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof if any question of intent should arise.

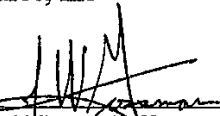
Section 4.16 Departing Members

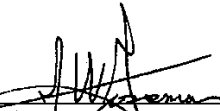
(a) In the event that any Member of the NiSource Group at any time leaves the NiSource Group and, under any applicable statutory provision or regulation, that Member is assigned and deemed to take with it all or a portion of any of the tax attributes of the NiSource Group (including but not limited to NOL, credit carry forwards, and AMTC carry forwards), then to the extent that the amount of tax attributes so assigned differs from the amount of such attributes previously allocated to such Member under this agreement, the departing Member shall appropriately settle with the NiSource Group. Such settlement shall consist of payment (1) on a dollar for dollar basis for all differences in credits, and, (2) in the case of NOL differences (or other differences related to other deductions), in a dollar amount computed by reference to the amount of NOL multiplied by the applicable tax rate relating to such NOL. The settlement payment shall be paid to NiSource within sixty days after the Member leaves the NiSource Group. The settlement amounts shall be allocated among the remaining Members of the NiSource Group in proportion to the relative level of attributes possessed by each Member and the attributes of each Member shall be adjusted accordingly.

(b) Upon the departure of any Member from the NiSource Group, such Member shall allocate its items of income, deduction, loss and credit between the period that it was a Member of the NiSource Group and the period thereafter based upon a closing of the books methodology allowed under Treasury Regulation Section 1.1502-76(b)(2). The difference between (1) its prior estimated taxes or payments of Tax Benefit and (2) the amount of taxes due or payments of Tax Benefit due to that Member, shall be appropriately settled on the day such Member leaves the NiSource Group or on an alternative date mutually agreeable in writing to the NiSource Group and the departing Member.

**EXECUTED** as of the date and year first above written.

By:   
Printed Name: Jeffrey W. Grossman  
Title: Vice President and Controller  
NiSource, Inc

By:   
Printed Name: Jeffrey W. Grossman  
Title: Vice President  
[List of companies attached as Exhibit A]

By:   
Printed Name: Jeffrey W. Grossman  
Title: President  
Columbia Insurance Corporation, Ltd.

By: \_\_\_\_\_  
Printed Name: Philip H. Conrad  
Title: President  
Northern Indiana Trading Company, Inc.

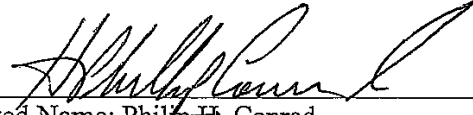


**EXECUTED** as of the date and year first above written.

By: \_\_\_\_\_  
Printed Name: Jeffrey W. Grossman  
Title: Vice President and Controller  
NiSource, Inc

By: \_\_\_\_\_  
Printed Name: Jeffrey W. Grossman  
Title: Vice President  
[List of companies attached as Exhibit A]

By: \_\_\_\_\_  
Printed Name: Jeffrey W. Grossman  
Title: President  
Columbia Insurance Corporation, Ltd.

By:  \_\_\_\_\_  
Printed Name: Phillip H. Conrad  
Title: President  
Northern Indiana Trading Company, Inc.

**Exhibit A**

**Bay State Gas Company**

**Bay State GPE, Inc.**

**Northern Utilities, Inc.**

**Columbia Energy Group**

**Columbia Accounts Receivable Corporation**

**Columbia Atlantic Trading Corporation**

**Columbia Energy Group Capital Corporation**

**TriStar Gas Technologies, Inc.**

**Columbia Energy Resources, Inc.**

**Alamco-Delaware, Inc.**

**Columbia Natural Resources Canada, Ltd.**

**Columbia Natural Resources, Inc.**

**Hawg Hauling and Disposal, Inc.**

**Columbia Energy Services Corporation**

**Columbia Energy Marketing Corporation**

**Columbia Energy Power Marketing Corporation**

**Columbia Energy Retail Corporation**

**Columbia Gas Transmission Corporation**

**Columbia Gas of Kentucky, Inc.**

**Columbia Gas of Maryland, Inc.**

**Columbia Gas of Ohio, Inc.**

**Columbia Gas of Pennsylvania, Inc.**

**Columbia Gas of Virginia, Inc.**

**Columbia Gulf Transmission Company**

**Columbia Network Services Corporation**

**CNS Microwave, Inc.**

**Columbia Petroleum Corporation**

**Columbia Pipeline Corporation**

**Columbia Deep Water Services Company**

**Columbia Remainder Corporation**

**Columbia Electric Binghamton General Corporation**

**Columbia Electric Binghamton Limited Corporation**  
**Columbia Electric Haverstraw Corporation**  
**Columbia Service Partners, Inc.**  
**Columbia Assurance Agency, Inc.**  
**Columbia Service Partners of Virginia, Inc.**  
**Columbia Transmission Communications Corporation**  
**EnergyUSA, Inc. [IN]**  
**EnergyUSA Commercial Energy Services, Inc.**  
**EnergyUSA Retail, Inc.**  
**EnergyUSA, Inc. [MA]**  
**EnergySPE, Inc.**  
**EnergyUSA (Connecticut), Inc.**  
**EnergyUSA Engineering, Inc.**  
**EnergyUSA Mechanical, Inc.**  
**EnergyUSA-TPC Corp.**  
**EnergyUSA-Appalachian Corp.**  
**NI Energy Services Transportation, Inc.**  
**NI Fuel Company, Inc.**  
**NI-TEX Gas Services, Inc.**  
**NI-TEX, Inc.**  
**IWC Resources Corporation**  
**Harbour Water Corporation**  
**IWC Morgan Water Corporation**  
**Indianapolis Water Company**  
**Irishman's Run Acquisition Corporation**  
**Lawrence Water Company, Inc.**  
**Liberty Water Corporation**  
**The Darlington Water Works Company**  
**Kokomo Gas and Fuel Company**  
**NI Energy Services, Inc.**  
**Crossroads Pipeline Company**

**NESI Power Marketing, Inc.**  
**NiSource Capital Markets, Inc.**  
**NiSource Corporate Services Company**  
**NiSource Development Company, Inc.**  
**Cardinal Property Management, Inc.**  
**JOF Transportation Company**  
**Lake Erie Land Company**  
**SCC Services, Inc.**  
**NDC Douglas Properties, Inc.**  
**South Works Power Company**  
**NiSource Energy Technologies, Inc.**  
**NiSource Finance Corp.**  
**NiSource Pipeline Group, Inc.**  
**Granite State Gas Transmission, Inc.**  
**Bay State Energy Enterprises, Inc.**  
**Northern Indiana Fuel and Light Company, Inc.**  
**Northern Indiana Public Service Company**  
**Primary Energy, Inc.**  
**Cokenergy, Inc.**  
**Harbor Coal Company**  
**Lakeside Energy Corporation**  
**North Lake Energy Corporation**  
**Portside Energy Corporation**  
**Whiting Clean Energy, Inc.**

April 7, 2016

**NISOURCE INC., AND SUBSIDIARY COMPANIES**

**AMENDED AND RESTATED**

**INTERCOMPANY INCOME TAX ALLOCATION AGREEMENT**

WHEREAS, NiSource Inc., a corporation organized under the laws of the State of Delaware ("NiSource") and a holding company under the Public Utility Holding Company Act of 2005 ("Act"), together with its subsidiary companies, direct and indirect, listed as parties hereto, comprise the members of the NiSource consolidated group which will join annually in the filing of a consolidated U.S. federal income tax return, and it is now the intention of NiSource and its subsidiaries, direct and indirect, to enter into an agreement for the allocation of current U.S. federal income taxes; and

WHEREAS, certain members of the Consolidated Group (as defined below) will join annually in the filing of certain consolidated state income tax returns (to the extent permitted or required under applicable state income tax laws), and it is now the intention of the Consolidated Group to enter into an agreement for the allocation of current state income taxes; and

WHEREAS, the members of the Consolidated Group as of September 30, 2002 entered into that Intercompany Income Tax Allocation Agreement dated September 30, 2002, for the allocation of U.S. federal income taxes (the "2002 Agreement"); and

WHEREAS, NiSource entered into that Separation and Distribution Agreement with Columbia Pipeline Group, Inc., dated as of June 30, 2015; and

WHEREAS, the Parties desire to amend and restate the 2002 Agreement as set forth herein in order to amend certain provisions therein, including, but not limited to, adopting certain obligations with respect to the allocation of income taxes among the Members; and

NOW THEREFORE, each member of the Consolidated Group does hereby covenant and agree with one another that the current consolidated income tax liabilities of the Consolidated Group shall be allocated as follows:

## ARTICLE I.

### Definitions and Interpretation

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly provided, the following terms shall have the following respective meanings:

“Code” means the Internal Revenue Code of 1986, as amended.

“Consolidated Group” means NiSource and all of its subsidiaries which, from time to time, may be included in any (i) U.S. federal income tax return filed by NiSource in accordance with Sections 1501 and 1502 of the Code or (ii) Other Return.

“Consolidated Return” means, with reference to any Taxable Period, any consolidated U.S. federal income tax return or Other Return filed by NiSource whether before or after the date hereof, which includes one or more Members of the Consolidated Group in a consolidated, combined, composite or unitary group of which NiSource is a common parent.

“Consolidated Return Year” means any Taxable Period for which NiSource files a Consolidated Return or Other Return that includes one or more Members of the Consolidated Group in a consolidated, combined, composite or unitary group of which NiSource is a common parent.

“Consolidated Tax Liability” means, with reference to any Taxable Period, the consolidated, combined, composite or unitary U.S. federal income tax liability or liability relating to Other Taxes, as the case may be (including any interest, additions to tax and penalties), of the Consolidated Group for such Taxable Period.

“Designated Official” means the Vice President, Corporate Tax of NiSource Corporate Services Company or such other official assigned the responsibilities of Vice President, Corporate Tax of NiSource Corporate Services Company.

“Includible Corporation” has the meaning attributed to that term in Section 1504(b) of the Code.

“Member” means, for any Taxable Period, any entity that is treated as a corporation for federal tax purposes (or any predecessor or successor in interest to such corporation under Section 381 of the Code which was or is, as the case may be, an Includible Corporation) which at any time during such Taxable Period is an Includible Corporation that is included in the Consolidated Group, including NiSource.

“Other Return” means any consolidated, combined, composite or unitary tax return of Other Taxes filed by NiSource or another Member of the Consolidated Group, whether before or after the date hereof, which includes the operations, income or assets of one or more Members of the Consolidated Group.

“Other Taxes” means any taxes (including any interest and penalties) payable by NiSource or another Member of the Consolidated Group to any taxing authority of any state, municipal or other political subdivision, including all agencies and instrumentalities of such taxing authority, other than those taxes subject to Section 2.1.

“Person” means any individual, partnership, firm, corporation, limited liability company, joint stock company, unincorporated association, joint venture, trust or other entity or enterprise, or any government or political subdivision or agency, department or instrumentality thereof.

“Regulations” means the Treasury Regulations promulgated under the Code.

“Standalone” means, with reference to any Member’s tax items or attributes, such tax items or attributes shall be taken into consideration as though such Member were not a Member of the Consolidated Group.

“Standalone Return Tax Liability” means, in the case of each Member of the Consolidated Group for any Taxable Period of the Consolidated Group, the U.S. federal income tax liability of such Member for such Taxable Period computed on a Standalone basis as though such Member were not a Member of the Consolidated Group, except that in making such computation for any such Taxable Period, such liability shall be determined: (1) on the assumption that the "exemption amount" specified in Section 55(d)(2) of the Code which is applicable to such Member for such Taxable Period is zero, and (2) on the further assumption that any tax credit or tax deduction will only be taken into account to the extent allowed on a consolidated basis.

“Taxable Period” shall mean any (i) period of 12 consecutive months or (ii) period of less than 12 consecutive months, for which a Consolidated Return is or will be filed by the Consolidated Group.

Section 1.2 Reference, Etc. The words “*hereof*”, “*herein*” and “*hereafter*” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined herein in the singular shall have the same meanings in the plural and *vice versa*. All References herein to any Person includes such Person’s successors and assigns. All references herein to Articles and Sections shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement. In this Agreement, unless a clear contrary intention appears the word “*including*” (and with correlative meaning “*include*”) means “*including but not limited to*”.

## ARTICLE II.

### Preparation and Filing of Tax Returns; Allocation of Taxes

#### Section 2.1 Federal Returns.

(a) A Consolidated Return shall be prepared and filed by NiSource for each Taxable Period in respect of which this Agreement is in effect and for which the Consolidated Group is required or permitted to file a consolidated U.S. federal income tax return. NiSource

and all its Members shall execute and file such consents, elections and other documents that may be required or appropriate for the proper filing of such returns.

(b) The U.S. federal Consolidated Tax Liability of the Consolidated Group for each Taxable Period of the Consolidated Group shall be borne by the Members in an amount equal to each Member's Standalone Return Tax Liability. If any Member's Standalone Return Tax Liability does not result in a positive tax liability, the amount of such Standalone Return Tax Liability will be treated as zero. The general effect of the foregoing is that each Member will pay its Standalone Return Tax Liability.

(c) The amounts determined for each Member under Section 2.1(b) shall be used in determining the amounts to be paid (as provided in Sections 3.2(a) and 3.4 of this Agreement) by each Member to NiSource with respect to each Member's share of the Consolidated Group's U.S. federal Consolidated Tax Liability.

(d) In the case of any Member whose Standalone Return Tax Liability for such Taxable Period is greater than zero, such Member shall make a payment of its Standalone Return Tax Liability for such Taxable Period to NiSource, pursuant to Section 3.2(a) hereof.

(e) For purposes of calculating a Member's Standalone net operating loss ("NOL") for any Taxable Period under this Agreement, such NOL shall be determined by taking such Member's NOL determined on a Standalone basis as of the beginning of the Taxable Period (determined by computing NOLs by reference to only such Member's items of income, gain, deduction and loss). To the extent any NOL of the Consolidated Group may be carried back or carried forward, a Member shall be allocated for use by such Member the percentage of such carryback or carryforward, as the case may be, in the amount calculated by dividing such Member's Standalone NOL by the NOL of the Consolidated Group as of the beginning of the Taxable Period. Notwithstanding the language in Section 4.2 herein, each Member's Standalone NOL as of the relevant effective date of this Agreement shall be equal to the amount allocated to such Member under the 2002 Agreement immediately prior to the time such 2002 Agreement is superseded by this Agreement.

(f) To the extent of a tax refund, NOL carryback or other adjustment that subsequently reduces a Member's tax liability as calculated under Section 2.1(b), NiSource shall credit such amount to future payments due from the affected Member. To the extent of audits and other upward adjustments in a Member's tax liability as calculated under Section 2.1(b), such Member is required to make a corresponding payment (as provided in Section 3.4 of this Agreement) to NiSource taking into account such adjustments. Any tax carryforward shall be carried forward for use by the respective Member in calculating its Standalone Return Tax Liability in the subsequent year, and no payment shall be made to NiSource by such Member until such carryforward is fully utilized.



Section 2.2 Other Taxes.

(a) Wherever appropriate, Other Taxes shall be shared among the applicable Members of the Consolidated Group in a manner that is consistent with the method set forth in Section 2.1 hereof, and amounts due to NiSource, with respect to Other Taxes, shall be determined in a manner consistent with Section 2.1. NiSource will prepare and file (or cause to be prepared and filed) all returns of Other Taxes which are required to be filed with respect to the operations of NiSource, the Consolidated Group and its Members (as Members of the Consolidated Group). In the event any taxing authority permits, but does not require, that a consolidated, combined, composite or unitary return be filed for Other Taxes, which return includes both NiSource and a Member, NiSource may elect to file such return and shall have the right to require any Member to be included in such return. NiSource will notify each of its Members included in each Other Return.

(b) Each Member of the Consolidated Group that is included on a return other than pursuant to an Other Return with any other Member of the Consolidated Group shall be solely responsible and obligated to pay the tax liability with respect to such return from its own funds. Such returns shall be prepared and filed by NiSource or the Member included on such Other Return, as determined by NiSource.

(c) If any Member of the Consolidated Group is required to file a consolidated, combined, composite or unitary return for Other Taxes with another Member of the Consolidated Group, but not with NiSource, then NiSource shall be required to prepare and file such tax returns and shall apportion among and, collect and remit from, the applicable Members such Other Taxes in a manner consistent with Section 2.1. If the right to file a consolidated, combined, composite, or unitary return for such Other Taxes is optional, then NiSource shall decide which of the Members should, to the extent permitted by law, join in filing each such return.

Section 2.3 Member Tax Information. The Members of the Consolidated Group shall submit or make available the tax information requested by the Designated Official of NiSource in the manner and by the date requested, in order to enable the Designated Official to fulfill its rights and obligations pursuant to Article 2 hereof.

**ARTICLE III.**

**Responsibility for Tax; Intercompany Payments**

Section 3.1 Responsibility. NiSource will be solely responsible for, and will indemnify and hold each Member of the Consolidated Group harmless, to the extent such Member has complied with its rights and obligations hereunder (including its payment obligations under this Article III), with respect to the payment of: (a) the Consolidated Tax

Liability for each Taxable Period for which, as determined under Section 2.1 hereof, NiSource did file, elected to file or was required to file a Consolidated Return for U.S. federal income taxes; and (b) any and all Other Taxes for each Taxable Period for which, as determined under Section 2.2 hereof, NiSource did file, elected to file or was required to file any Other Return. No Member shall at any time be required pursuant to this Agreement to remit, as part of any payment that such Member makes pursuant to this Agreement, any amount of penalty or interest that the Consolidated Group may incur for any Taxable Period by reason of NiSource's failure to properly calculate or timely pay any Consolidated Tax Liability of the Consolidated Group for such Taxable Period or to file timely the Consolidated Group's Consolidated Return for any such Taxable Period.

Section 3.2 Federal Tax Payments. (a) With respect to each Consolidated Return Year, the Designated Official of NiSource shall estimate each Member's share of quarterly estimated U.S. federal tax payments to be made for each Consolidated Return Year. In making this determination, NiSource shall elect a reasonable method for determining estimated tax and each Member shall follow that method. At the direction of the Designated Official, such Members will pay to NiSource such estimates not later than the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of such Consolidated Return Year, or at such intervals as directed by the Designated Official. The difference between (1) a Member's estimated tax payments used for computation of the quarterly estimated payments and (2) such Member's actual tax liability for any Consolidated Return Year as determined under Section 2.1 hereof, shall be paid to NiSource within sixty (60) days after the filing of the U.S. federal Consolidated Return, or applied as a credit against such Member's next estimated tax payment due under this Section 3.2(a), as the case may be.

(b) NiSource shall have sole authority, to the exclusion of all other Members of the Consolidated Group, to agree to any adjustment proposed by the Internal Revenue Service or any other taxing authority with respect to any U.S. federal Consolidated Return, including interest or penalties, attributable to any Member of the Consolidated Group during any Consolidated Return Year in which such Member was a Member of the Consolidated Group notwithstanding that such adjustment may increase the amounts payable by Members of the Consolidated Group under this Agreement. In the event of any adjustment to the U.S. federal Consolidated Tax Liability attributable to any Member of the Consolidated Group by reason of an amended return, claim for refund or audit by the Internal Revenue Service or any other taxing authority, the liability of all other Members of the Consolidated Group hereunder shall be redetermined to give effect to such adjustment as if such adjustment had been made as a part of the original computation of such liability, and payment by a Member to NiSource (or credit against such Member's next estimated tax payment due under Section 3.2(a), as the case may be) shall be promptly made (or applied as a credit, as the case may be) after any payments are made to the Internal Revenue Service or any other taxing authority, refund is received or final determination of the matter is made in the case of contested proceedings. In such event, any payments between the parties shall bear interest at the then prevailing rate or rates on deficiencies assessed by the Internal Revenue Service or any other relevant taxing authority,

during the period from the due date of such Consolidated Return (determined without regard to extensions of time for the filing thereof) for the Consolidated Return Year to which the adjustments were made to the date of payment.

Section 3.3 Other Tax Payments. Wherever appropriate, payments by a Member with respect to Other Taxes and required estimates thereof shall be calculated and made by such Member in a manner consistent with the method set forth in Section 3.2. The principles set forth in Section 3.2 governing the determination and adjustment of payments as well as the method of payment by such Member with respect to U.S. federal income taxes shall be equally applicable in determining and adjusting the amount of and due date of payments to be made by such Member with respect to Other Taxes and estimates thereof. Wherever appropriate, each Member shall pay, directly to the appropriate taxing authority, all taxes for which such Member is liable and for which no other Member has joint and several liability.

Section 3.4 Payment Mechanics. (a) Any payments to be made by a Member of the Consolidated Group pursuant to this Agreement shall be made by such Member to NiSource by either promptly crediting as an offset against amounts owed to such Member by NiSource or to the extent no amounts are owed to such Member by NiSource, by cash payments to NiSource.

(b) Tax payments by NiSource with respect to any Consolidated Tax Liability shall be paid by NiSource and shall be debited to the Member of the Consolidated Group for their respective shares of such Consolidated Tax Liability as determined pursuant to Articles II and III hereof. Tax refunds received by NiSource with respect to any Consolidated Tax Liability shall be credited by NiSource against the future tax liability of the Member entitled to such tax refund, as determined pursuant to Articles II.

(c) NiSource shall be responsible for maintaining the books and records reflecting the intercompany accounts reflecting the amounts owned, collected and paid with respect to taxes pursuant to this Agreement.

(d) NiSource may delegate to other Members of the Consolidated Group responsibilities for the collection and disbursement of funds as required under this Agreement as well as responsibilities for maintaining books and records as required under this Agreement.

Section 3.5 Departing Members. In the event that any Member of the Consolidated Group at any time leaves the Consolidated Group and, under any applicable statutory provision or regulation, NiSource shall, to the extent required or permitted by applicable statutory provision or regulation, file the appropriate tax returns with respect to such departing Member or the Consolidated Group, as the case may be, and shall calculate the applicable Consolidated Tax Liability of the Members included in such return in the manner as set forth in this Agreement, in each case as reasonably determined by NiSource. If, under applicable statutory provision or regulation, such departing Member is deemed to take with it all or a portion of any of the tax attributes of the Consolidated Group (including but not limited to NOLs, alternative minimum

tax credit carry forwards under Section 55, and other applicable credit carry forwards), then the departing Member shall make a payment to NiSource if such tax attributes of the departing Member differ from the attributes previously allocated to such Member under this Agreement. Such settlement shall consist of payment (1) on a dollar for dollar basis for all differences in credits, and, (2) in the case of NOL differences (or other differences related to other deductions), in a dollar amount computed by reference to the amount of NOL (or other deduction) multiplied by the applicable tax rate relating to such NOL (or other deduction). The settlement payment shall be paid to NiSource within sixty days after the Member leaves the Consolidated Group. The settlement amounts shall be allocated among the remaining Members of the Consolidated Group in proportion to the relative attributes possessed by each Member.

Section 3.6 Administration. The provisions of this Agreement shall be administered by the Designated Official of NiSource. The interpretations of this Agreement by the Designated Official of NiSource shall be conclusive.

#### **ARTICLE IV.**

##### **Miscellaneous Provisions**

Section 4.1 Effect. The provisions hereof shall fix the rights and obligations of the parties as to the matters covered hereby whether or not such are followed for U.S. federal income tax or other purposes by the Consolidated Group, including the computation of earnings and profits for U.S. federal income tax purposes.

Section 4.2 Effective Date. This Agreement shall be effective with respect to all Taxable Periods ending on or after July 1, 2015 for the portion of such Taxable Period beginning on such date, in which any subsidiary of NiSource is a Member of the Consolidated Group for any portion of such Taxable Period, and thereafter the 2002 Agreement shall be deemed to have been superseded and replaced in its entirety by this Agreement. It is the intent of the parties hereto that any payments previously made or received by the Members under the 2002 Agreement shall not be taken into account under this Agreement including for purposes of determining each Member's obligations under this Agreement, and that the rights and obligations of the parties under the 2002 Agreement shall survive only with respect to Taxable Periods or portions thereof ending prior to July 1, 2015, except as otherwise noted in this Agreement. In the event that a party to this Agreement ceases to be a Member of the Consolidated Group, the rights and obligations of such party and each other party to this Agreement shall survive, but only with respect to Taxable Periods including or ending before the date such party ceases to be a Member of the Consolidated Group.

Section 4.3 Notices. Any and all notices, requests or other communications hereunder shall be given in writing (a) if to NiSource to Attention: Vice President, Tax, Facsimile Number 614-460-8415 and (b) if to any other person, at such other address as shall be furnished by such person by like notice to the other parties.

Section 4.4 Expenses. Each party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereby, including all legal and accounting fees and disbursements.

Section 4.5 Benefit and Burden. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors.

Section 4.6 Amendments and Waiver. No amendment, modification, change or cancellation of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the person against whom that waiver is sought to be enforced. The failure of any party at any time to insist upon strict performance of any condition, promise, agreement or understanding set forth herein shall not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same or any other condition, promise, agreement or understanding at the future time.

Section 4.7 Assignments. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto and any attempt to do so shall be null and void.

Section 4.8 Tax Reporting. Notwithstanding the terms of this Agreement, earnings and profits of the Consolidated Group shall be allocated to the Members pursuant to the methods under Sections 1.1552-1(a)(2) and 1.1502-33(d)(3) of the Treasury Regulations, and stock basis shall be determined pursuant to Section 1.1502-32 of the Treasury Regulations.

Section 4.9 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

Section 4.10 Entire Agreement. **THIS AGREEMENT SETS FORTH ALL OF THE PROMISES, AGREEMENTS, CONDITIONS, UNDERSTANDINGS, WARRANTIES AND REPRESENTATIONS AMONG THE PARTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY, AND SUPERSEDES ALL PRIOR AGREEMENTS, ARRANGEMENTS AND UNDERSTANDINGS BETWEEN THE PARTIES HERETO, WHETHER WRITTEN, ORAL OR OTHERWISE, THERE ARE NO PROMISES, AGREEMENTS, CONDITIONS, UNDERSTANDINGS, WARRANTIES OR REPRESENTATIONS, ORAL OR WRITTEN, EXPRESS OR IMPLIED, AMONG THE PARTIES EXCEPT AS SET FORTH HEREIN.**

Section 4.11 Applicable Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF INDIANA.**

Section 4.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and together which shall constitute one instrument. The parties hereto specifically recognize that from time to time other corporations may become Members of the Consolidated Group and thereby agree that such new Members may become Members to this Agreement by executing a copy of this Agreement and it will be effective as if all the Members had re-signed.

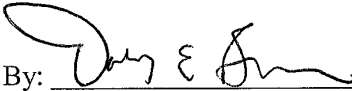
Section 4.13 Attorneys' Fees. If any Member or former member hereto commences an action against another party to enforce any of the terms, covenants, conditions or provisions of this Agreement, or because of a default by a party under this Agreement, the prevailing party in any such action shall be entitled to recover its costs, expenses and losses, including attorneys' fees, incurred in connection with the prosecution or defense of such action from the losing party.

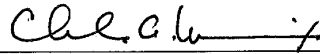
Section 4.14 No Third Party Rights. Nothing in this Agreement shall be deemed to create any right in any creditor or other person or entity not a party hereto and this Agreement shall not be construed in any respect to be a contract in whole or in part of the benefit of any third party.

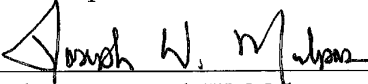
Section 4.15 Further Documents. The parties agree to execute any and all documents, and to perform any and all other acts, reasonably necessary to accomplish the purposes of this Agreement.

Section 4.16 Headings and Captions. The headings and captions contained in this Agreement are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof if any question of intent should arise.

**EXECUTED** as of the date and year first above written.

By:   
Printed Name: Donald E. Brown  
Title: Executive Vice President  
NiSource Inc.

By:   
Printed Name: Charles A. Mannix  
Title: Vice President, Tax Services  
[List of companies attached as Exhibit A]

By:   
Printed Name: Joseph W. Mulpas  
Title: Vice President  
NiSource Insurance Corporation, Inc.

**Exhibit A**

Bay State Gas Company (dba Columbia Gas of Massachusetts)  
Columbia Gas of Kentucky, Inc.  
Central Kentucky Transmission Company  
Columbia Gas of Maryland, Inc.  
Columbia Gas of Ohio, Inc.  
Columbia Gas of Ohio Receivables Corporation  
Columbia Gas of Pennsylvania, Inc.  
Columbia Gas of Pennsylvania Receivables Corporation  
Columbia Gas of Virginia, Inc.  
The Darlington Water Works Company  
Energy USA, Inc.  
Energy USA-TPC Corp.  
Harbour Water Corporation  
Indianapolis Water Company  
Irishman's Run Acquisition Corp.  
IWC Morgan Water Company  
IWC Resources Corporation  
Lake Erie Land Company  
Liberty Water Corporation  
NDC Douglas Properties, Inc.  
NiSource Capital Markets, Inc.  
NiSource Corporate Group, Inc.  
NiSource Corporate Services Company  
NiSource Development Company, Inc.  
NiSource Energy Technologies, Inc.  
NiSource Finance Corp.  
NiSource Gas Distribution Group, Inc.  
NiSource Insurance Corporation, Inc.  
NiSource Retail Services, Inc.  
Northern Indiana Public Service Company  
NIPSCO Accounts Receivable Corporation  
PEI Holdings, Inc.



August 17, 2016

**NISOURCE INC. AND SUBSIDIARY COMPANIES**

**FIRST AMENDMENT TO AMENDED & RESTATED  
INTERCOMPANY INCOME TAX ALLOCATION AGREEMENT**

Whereas, NISource Inc. and Subsidiary Companies (collectively the "Parties") have entered into the Amended and Restated InterCompany Income Tax Allocation Agreement ( "Agreement"), which Agreement is an affiliate Interest agreement that has been approved by the Virginia State Corporation Commission on March 3, 2016 and by the Pennsylvania Public Utility Commission on May 5, 2016; and

Whereas, the Parties desire to amend the Agreement in order to comply with the 5 year term limit required under the General Administrative Order of The Indiana Utility Regulatory Commission 2016-1; and

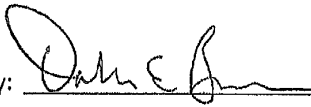
Whereas, the Agreement, in Section 4.6, provides that any amendment shall be valid only if the amendment is in writing and signed by the Parties; and

Whereas, all capitalized terms in this First Amendment to the Agreement (the "First Amendment") shall have the same meaning as set forth in the Agreement; and

Whereas, this First Amendment, upon signature by the Parties will become part of the Agreement; and

Now, therefore, the Parties hereby covenant and agree with one another that the Agreement will terminate on the date five years from the Effective Date per Section 4.2 of the Agreement.

Subject to all necessary regulatory approvals this First Amendment is executed and made part of the Agreement as of the date and year first above written.

By: 

Printed Name: Donald E. Brown

Title: Executive Vice President

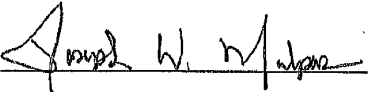
NiSource Inc.

By: 

Printed Name: Charles A. Mannix

Title: Vice President, Tax Services

[List of companies attached as Exhibit A to Agreement]

By: 

Printed Name: Joseph W. Mulpas

Title: Vice President

NiSource Insurance Corporation, Inc.

By: 

Printed Name: Violet Sistovaris

Title: Executive Vice President

Northern Indiana Public Service Company

ATTACHMENTS  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION**  
**DATED SEPTEMBER 9, 2021**

12. Refer to the Application, Volume 8, Schedule C-1, Operating Income Summary and Columbia Kentucky's Responses to Staff's Third Request, Item 38, Excel Spreadsheet: KY\_PSC\_Case\_No.\_2021-00183, Staff\_3-38, Attachment\_A. Columbia Kentucky is proposing to increase its base year Depreciation expense of \$16,051,491 by \$3,557,832 to a forecasted level of \$19,609,323. Provide a schedule that separates the proposed \$3,557,832 adjustment to Depreciation expense and the forecasted Depreciation expense of \$19,609,323, between (1) the forecasted increase in Utility Plant In Service; (2) the proposed change in depreciation lives; and (3) the proposed change in the net salvage values. The requested Depreciation expense breakdown shall be by asset category and in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response:**

Based on Columbia Gas of Kentucky, Inc.'s response to Staff's Third Request, Item 40, Columbia Gas of Kentucky, Inc. is proposing to increase its base year Depreciation expense of \$16,051,491 by \$3,279,404 to \$19,330,895 (not by \$3,557,832 to \$19,609,323).

Although, depreciation expense using the remaining life method cannot be specifically segregated by the change in parameter, the attached table establishes a reasonable expectation of each of the requested components. The attached schedule, "KY PSC Case No. 2021-00183, Staff 4-12, Attachment A.xlsx", segregates the \$3,279,404 proposed increase by (1) the forecasted increase in Utility Plant In Service; (2) the proposed change in depreciation lives; and (3) the proposed change in the net salvage values. Please note that the proposed depreciable lives caused a decrease in expense, the change in net salvage caused a slight increase in expense and the change in capital additions caused the majority of the change.

ATTACHMENT  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY