

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:)
)
ELECTRONIC APPLICATION OF) Case No. 2021-00183
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)

SUPPLEMENTAL TESTIMONY OF JUDY M. COOPER
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

Respectfully submitted,

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Attorneys for Columbia Gas of Kentucky, Inc.

October 26, 2021

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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

VERIFICATION OF JUDY COOPER

COMMONWEALTH OF KENTUCKY)
COUNTY OF FAYETTE)

Judy Cooper, Director of Regulatory Affairs of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of her Supplemental Testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Judy Cooper
Judy Cooper

The foregoing Verification was signed, acknowledged and sworn to before me this 26th day of October, 2021, by Judy Cooper.

David S. Samford
Notary Commission No. KYNP10362
Commission expiration: 7-23-24



1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Judy M. Cooper and my business address is 2001 Mercer Road,
4 Lexington, Kentucky 40511.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by Columbia Gas of Kentucky, Inc. ("Columbia" or
7 "Company") as Director of Regulatory Affairs.

8 Q. ARE YOU THE SAME JUDY COOPER THAT SUBMITTED DIRECT
9 AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

10 A. Yes.

11 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY
12 THIS PROCEEDING?

13 A. I will sponsor and support the fairness, justness and reasonableness of the
14 Stipulation, Settlement Agreement and Recommendation ("Stipulation")
15 that is being filed contemporaneously with my supplemental testimony.

16 II. OVERVIEW OF THE STIPULATION

17 Q. ARE YOU FAMILIAR WITH THE STIPULATION FILED IN THIS
18 DOCKET?

19 A. Yes. I was involved in the negotiation of the underlying settlement and the
20 preparation and filing of the Stipulation.

1 **Q. WHO ARE THE PARTIES TO THE STIPULATION?**

2 A. In addition to Columbia, both the Attorney General, by and through his
3 Office of Rate Intervention (“AG”), and Kentucky Industrial Utility
4 Customers (“KIUC”) are signatories to the Stipulation. These are the only
5 two intervenors in this case.

6 **Q. CAN YOU EXPLAIN WHY THE PARTIES WERE AMENABLE TO**
7 **ENTERING INTO THE STIPULATION?**

8 A. The Stipulation is the product of extensive negotiations by the parties to this
9 case. The first formal settlement discussions were held on September 21,
10 2021, which was shortly after the AG’s expert testimony was filed. A
11 subsequent settlement conference was held on October 12, 2021. In between
12 these meetings, and following the October 12th meeting, additional
13 counteroffers were shared by the parties with additional telephone
14 conferences being utilized to continue to narrow the issues and find
15 appropriate compromises. Commission Staff attended the October 12th
16 settlement conference to gain an understanding of how the negotiations
17 were going and to assist in clarifying issues to be discussed.

18 The outcome of all these discussions are presented in the terms of
19 the Stipulation. While no party to this case is getting everything it wanted,
20 every party recognizes the value of the compromises made to get to a

1 settlement. Taken as a whole, the Stipulation is the product of considerable
2 give and take that will allow Columbia to continue to invest in its
3 infrastructure to assure safe, reliable, and reasonable service at rates that
4 are fair, just and reasonable.

5 **Q. PLEASE SUMMARIZE THE STIPULATION'S KEY TERMS.**

6 A. This is a comprehensive settlement. It addresses each of the issues
7 presented in Columbia's original rate application and more, all in the
8 interest of compromise and agreement as to fair, just and reasonable rates.
9 For instance, the following subjects are all addressed and resolved in the
10 Stipulation:

- 11 • Rate Base;
- 12 • Revenue Requirement;
- 13 • Cost of Capital;
- 14 • Rate Design and Customer Charge;
- 15 • Tariff Changes;
- 16 • Withdrawal of a request for a Certificate of Public Convenience and
17 Necessity;
- 18 • A "Stay-Out" Provision; and
- 19 • Rate Case Expense Recovery.

20 **Q. PLEASE DESCRIBE THE ATTACHMENTS TO THE STIPULATION.**

1 A. There are four attachments to the Stipulation. Attachment A is a
2 spreadsheet that provides a high-level explanation of the adjustments that
3 explain how the stipulated rate increase of \$18.600 million is arrived at
4 when compared to the original rate increase request. Attachment B
5 includes all of the tariff changes that will be necessary to effectuate the
6 stipulated rate increase. This attachment only includes rate tariffs, not
7 tariffs that have textual changes because the latter are recommended to be
8 approved as proposed in the application and have not changed as a result
9 of the Stipulation. Attachment C is the proof-of-revenues calculation that
10 demonstrates how the stipulated rate increase will, when applied to the
11 company's billing determinants, increase Columbia's revenues as agreed to
12 by the parties. Attachment D shows how the stipulated rate increase will
13 be allocated by rate class. Attachments A, C and D are also being submitted
14 as Excel spreadsheets with all formulas intact and available for use and
15 review by Commission Staff.

16 **Q. IN LIGHT OF THE SETTLEMENT, ARE THERE ANY PROPOSALS SET**
17 **FORTH IN COLUMBIA'S APPLICATION THAT ARE NOT RESOVED?**

18 A. No. The Stipulation resolves all of the issues raised in Columbia's rate
19 application submitted on May 28, 2021.

1 **III. KEY FINANCIAL TERMS OF THE STIPULATION**

2 **Q. WHAT IS COLUMBIA’S REVENUE REQUIREMENT UNDER THE**
3 **STIPULATION AND WHAT DOES THIS MEAN FOR THE AVERAGE**
4 **RESIDENTIAL CUSTOMER?**

5 A. The Stipulation recommends a total revenue requirement of \$165.965
6 million for the test year that runs from January 1, 2022 through December
7 31, 2022. Achieving this revenue requirement necessitates a base rate
8 increase of \$18.6 million over what would be collected during the test year
9 at current rates. Overall, this represents an increase of 12.62%. Given that
10 Columbia has not had a base rate increase for five years, the overall increase
11 is in line with ordinary inflationary pressures. For the average residential
12 customer who consumes approximately 5.6 Mcf of natural gas per billing
13 period, the rate increase will be approximately 12.4%.

14 **Q. PLEASE PROVIDE AN EXPLANATION AS TO EACH OF THE**
15 **ADJUSTMENTS MADE TO ARRIVE AT THE \$18.600 MILLION**
16 **REVENUE INCREASE.**

17 A. The Stipulation covers each of the areas where the AG’s expert witness
18 proposed adjustments to operations and maintenance (“O&M”) expense,
19 rate base or other revenue calculations. These include: incentive
20 compensation; senior executive retirement pay (“SERP”) costs; retirement

1 benefits; depreciation expense; general O&M expense; various safety
2 initiatives of the Company; credit card fees; transmission line inspection
3 costs; accumulated deferred income taxes (“ADITs”) and other tax related
4 adjustments; cash working capital and withdrawal of Columbia’s request
5 for a certificate of public convenience and necessity for a proposed safety
6 training facility.

7 **Q. LET’S TALK ABOUT EACH OF THESE ADJUSTMENTS**
8 **INDIVIDUALLY. TO START, PLEASE DESCRIBE THE ADJUSTMENT**
9 **TO INCENTIVE COMPENSATION.**

10 A. In Columbia’s application, certain costs that resulted from incentive
11 compensation tied to the Company’s financial performance were included
12 in the revenue requirement. The AG objected to this and, in light of recent
13 Commission precedent on this subject, Columbia agreed to forego recovery
14 of this expense. Overall, this resulted in a decrease of \$1.362 million of
15 Columbia’s originally proposed revenue requirement.

16 **Q. PLEASE DESCRIBE THE ADJUSTMENT RELATED TO SERP COSTS.**

17 A. Columbia’s SERP costs primarily arise from former executive employees of
18 the Company. While these costs were prudently incurred, Columbia
19 agreed for settlement purposes to remove these costs from its revenue

1 requirement. In total, removal of the SERP costs decreased Columbia's
2 originally proposed revenue requirement by \$0.073 million.

3 **Q. PLEASE DESCRIBE THE ADJUSTMENT RELATED TO RETIREMENT**
4 **BENEFITS.**

5 A. Columbia's original retirement program consisted of a pension-style
6 defined benefit program. However, several years ago, the Company
7 switched to a 401(k)-based defined contribution retirement program for its
8 employees. Some employees have worked for Columbia long enough to be
9 able to participate in both programs. At the AG's recommendation and,
10 again, consistent with the Commission's recent precedent, Columbia
11 agreed to eliminate the 401(k) expense associated with employees who are
12 already covered by the defined-benefit retirement program. This
13 adjustment decreased Columbia's originally proposed revenue
14 requirement by \$0.380 million.

15 **Q. WHAT CAN YOU TELL ME ABOUT THE DEPRECIATION EXPENSE**
16 **ADJUSTMENT?**

17 A. In the course of discovery in this case, Columbia discovered an error in its
18 calculation of depreciation expense. Correcting this error resulted in a
19 decrease to its originally proposed revenue requirement of \$0.280 million.
20 When this correction is made, however, it slightly adjusts the Company's

1 rate base and required a modest \$0.009 increase in the originally proposed
2 revenue requirement to take into account the impact upon rate base.

3 **Q. CAN YOU ALSO EXPLAIN THE GENERAL ADJUSTMENT RELATED**
4 **TO O&M EXPENSE?**

5 A. In his testimony, the AG's expert witness recommended a general decrease
6 in Columbia's O&M expense of \$4.058 million. For all the reasons set forth
7 in the rebuttal testimony testimonies of Ms. Suzanne Surface, Ms. Chun-Yi
8 Lai, and Ms. Susan Taylor, the Company disagrees with this
9 recommendation. Nevertheless, for purposes of settlement only, Columbia
10 and the AG were able to compromise on the adjustment. Instead of the
11 amount recommended by the AG's expert, the Stipulation includes a
12 decrease of \$2.042 million as a general decrease in Columbia's O&M
13 expense. However, this reduction is offset by some increases to the revenue
14 requirement that relates to safety initiatives. Specifically, the parties agree
15 that Columbia should proceed with its cross-bore safety program and
16 Picarro leak-detection safety program. After these safety programs are
17 taken into account, the net adjustment to the Company's O&M expense is a
18 reduction of \$0.899 million from its originally proposed revenue
19 requirement.

1 Q. HOW DOES THE GENERAL O&M ADJUSTMENT RELATE TO
2 COLUMBIA'S PROPOSED CROSS-BORE AND PICARRO SAFETY
3 PROGRAMS?

4 A. As described in the direct testimony of David Roy, the cross-bore program
5 and Picarro program are intended to enhance overall system safety.
6 Columbia feels very strongly that these programs are essential to
7 implementing our overall commitment to safety. Columbia was only
8 willing to agree to the larger adjustment to O&M expense when the AG
9 agreed to expressly recognize the addition of the cross-bore program and
10 Picarro program in our revenue requirement. The cross-bore program will
11 result in an increase of \$0.841 million and the Picarro program will result in
12 an increase of \$0.302 million in the revenue requirement. Again, when
13 these are netted against the general \$2.042 million decrease in O&M
14 expense, the net adjustment for O&M expense is \$0.899 million.

15 Q. PLEASE DESCRIBE THE ADJUSTMENT TO CREDIT CARD FEES.

16 A. As part of its application, Columbia proposed to recover the cost of credit
17 card fees charged to customers who pay their bills by credit cards as part of
18 the overall cost of service. This would have spread the cost of credit card
19 fees over the entire customer base, just as Columbia does for costs
20 associated with other methods of customer payments. The AG objected to

1 rate recovery of this expense and, for purposes of settlement, Columbia has
2 agreed to withdraw its request. This will reduce the Company's originally
3 proposed revenue requirement by \$0.280 million.

4 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO THE COMPANY'S**
5 **TRANSMISSION LINE INSPECTION COSTS?**

6 A. Columbia originally included a cost as part of its revenue requirement that
7 was related to inspection of Line DE. However, if Columbia is able to
8 inspect the line using an in-line inspection apparatus, the costs included in
9 the application would not need to be recovered. Accordingly, based upon
10 the assumption that in-line inspections continue to be the optimal method
11 for conducting inspections, the Company has agreed to reduce its originally
12 proposed revenue requirement by \$0.091 million.

13 **Q. WHAT CAN YOU TELL ME ABOUT THE ADJUSTMENTS RELATED**
14 **TO ADITS AND OTHER TAX RELATED ADJUSTMENTS?**

15 A. The AG's expert proposed several adjustments to rate base that would have
16 a corresponding effect upon Columbia's revenue requirement. For
17 instance, the AG's expert proposed adjustments to Columbia's ADITs
18 balance and Net Operating Losses ("NOLs"). As set forth in the rebuttal
19 testimony of Jennifer Harding, Columbia disagrees with both of these
20 proposed adjustments. Nevertheless, the parties have agreed to

1 compromise on this component of the Company's proposed rate increase.
2 The compromise is based upon the overall proposed revenue requirement
3 and is not tied to any particular accounting or tax treatment. Indeed, the
4 parties agreed that while the revenue requirement may be reduced as a
5 result of this compromise, there is no actual change in the accounting or tax
6 assumptions of Columbia or its parent or affiliates. This compromise is
7 made solely for purposes of arriving at a mutually acceptable revenue
8 requirement. With those caveats, Columbia's originally proposed revenue
9 requirement is reduced by a total of \$0.471 million.

10 **Q. PLEASE DESCRIBE THE CASH WORKING CAPITAL ADJUSTMENT.**

11 A. Another of the AG's expert's proposals was to reduce cash working capital
12 in rate base, which would have the impact of further reducing Columbia's
13 revenue requirement. In the past, Columbia has generally used the 1/8th
14 Method for calculating its cash working capital, but at the Commission's
15 direction initiated a lead-lag study as an alternative method for calculating
16 cash working capital. The results predictably created a range for cash
17 working capital to fall within. Although Columbia's cash working capital
18 calculation was a negative figure, it originally proposed a cash working
19 capital figure of \$0 in its application. The \$0 figure also happened to be
20 almost in the middle of the two outcomes from the 1/8th Method and the

1 lead-lag study. The AG's expert recommended that cash working capital
2 should be set at a negative number. As set forth in the rebuttal testimony
3 of Kevin Johnson, this would be prejudicial to Columbia in light of the fact
4 that the primary reason why cash working capital is a negative number is
5 because of the timing of the reset date for Columbia's budget billing
6 program. Nevertheless, for purposes of settlement only, Columbia agreed
7 to decrease in its cash working capital calculation that, when applied to the
8 revenue requirement, further reduces the originally proposed revenue
9 requirement by \$0.867 million.

10 **Q. FINALLY, PLEASE EXPLAIN HOW THE WITHDRAWAL OF**
11 **COLUMBIA'S REQUEST FOR A CPCN FOR THE SAFETY TRAINING**
12 **FACILITY IMPACTS THE REVENUE REQUIREMENT.**

13 A. I would be happy to do so. Columbia originally requested the issuance of
14 a CPCN to construct a safety training facility at its Lexington headquarters.
15 The Company subsequently decided to withdraw this request. The net
16 effect of withdrawing the request for a CPCN from the rate case results in a
17 decrease of \$0.121 million from the Company's originally proposed
18 revenue requirement.

19 **Q. DOES THE STIPULATION SET FORTH AN ADJUSTED AMOUNT**
20 **FOR COLUMBIA'S RATE BASE?**

1 A. Yes. Based upon the thirteen-month average rate base for the forecasted
2 test year, as adjusted through the parties' negotiations, the total rate base is
3 \$431.140 million.

4 **Q. DOES THE STIPULATION ADDRESS COLUMBIA'S CAPITAL**
5 **STRUCTURE?**

6 A. It does. The parties to the Stipulation agree that Columbia's capital
7 structure is comprised of 52.64% equity, 44.25% long-term debt and 3.11%
8 short-term debt.

9 **Q. HOW WAS THE RETURN ON EQUITY COMPONENT RESOLVED IN**
10 **THE STIPULATION?**

11 A. The ROE was one of the most debated terms of the Stipulation. The starting
12 point for the Company's ROE expert and the AG's ROE expert were very
13 far apart. In negotiating the settlement, consideration was given to the
14 returns authorized by other state regulatory commissions – which tend to
15 be increasing – and the Commission's most recent authorized returns.
16 Further consideration was also given to the other terms of the Stipulation,
17 particularly with regard to the stay-out provision. At the end of the day the
18 parties were able to agree upon an authorized ROE of 9.35% for base rates
19 based upon a three-year stay out. Had the stay-out been longer, the ROE
20 would likely have needed to be higher to reach an agreement.

1 **Q. HOW WOULD YOU CHARACTERIZE THIS ROE?**

2 A. While this ROE is lower than what Columbia's ROE expert proposed, we
3 believe it is minimally sufficient to allow us to attract capital and allow
4 investors to earn a reasonable return on their investment. Columbia accepts
5 this recommended authorized ROE in light of the totality of the terms and
6 conditions in the Stipulation.

7 **Q. IS THE 9.35% ROE THE SAME FOR RIDER SMRP?**

8 A. No. Consistent with the Commission's most recent precedent, Columbia
9 has agreed to a recommended authorized ROE for Rider SMRP of 9.275%,
10 which is 7.5 basis points lower than the recommended base rate ROE.

11 **Q. DOES THE STIPULATION DISCUSS THE COMPANY'S LONG-TERM
12 AND SHORT-TERM INTEREST RATES?**

13 A. Yes. Based upon discovery in the case, Columbia has updated its interest
14 rate figures such that the long-term debt rate is 4.370% and the short-term
15 debt rate is 1.30%.

16 **Q. BASED UPON THE STIPULTED CAPITALIZATION AND ROE, WHAT
17 IS COLUMBIA'S WEIGHTED COST OF CAPITAL UNDER THE
18 STIPULATION?**

19 A. Using the stipulated capital structure and ROE, Columbia's weighted cost
20 of capital is 6.89%.

1 Q. IN YOUR OPINION, ARE THE INCREASED REVENUES PROPOSED
2 IN THE STIPULATION FAIR, JUST AND REASONABLE?

3 A. Yes. While this is certainly less than what Columbia proposed and believes
4 it could justify in a fully litigated rate case, the totality of the Stipulation
5 represents a reasonable compromise and removes the need for the Parties
6 to engage in further expensive litigation and potential appeals. Because the
7 Stipulation is the result of extensive negotiations by sophisticated parties
8 representing broad and diverse interests, it should be approved by the
9 Commission in its entirety and without modification.

10 IV. RATE DESIGN

11 Q. DOES THE STIPULATION ADDRESS ANY ITEMS PERTAINING TO
12 RATE DESIGN?

13 A. Yes. There are two small changes to rate design. One has to do with the
14 residential customer charge and the other relates to Rate DS.

15 Q. PLEASE DESCRIBE THE AGREEMENT WITH REGARD TO THE
16 MONTHLY RESIDENTIAL CUSTOMER CHARGE.

17 A. Under the Stipulation, the parties have agreed to recommend that
18 Columbia's monthly residential customer charge will increase by \$3.75
19 from \$16.00 per billing period to \$19.75 per billing period. This is
20 significantly less than what was originally proposed in the application.

1 **Q. PLEASE DESCRIBE THE OTHER CHANGE TO RATE DESIGN.**

2 A. Rate DS is the rate schedule that applies to large commercial and industrial
3 customers. It currently has three blocks or tiers with unique rates that apply
4 to each block. The first block applies to all customers in the rate class. The
5 second block applies only to certain customers who consume natural gas in
6 excess of the volumes applicable to the first block. Similarly, the third block
7 applies only to customers who consume natural gas in excess of the
8 volumes applicable to the second block. The higher the block that applies,
9 the lower the volumetric charge for the incremental consumption of natural
10 gas. The Stipulation provides that one-third (1/3rd) of the increase proposed
11 to apply to the third block of Rate DS – the customer who consumes the
12 highest volume of gas – will be split evenly and applied to the first two
13 blocks instead. In practice, this means that under the Stipulation, the
14 customer who reaches the third block of Rate DS will see a lower percentage
15 in the rate increase as compared to the customers that do not reach the third
16 volumetric block. The increase in first two blocks applies the same to all
17 customers served under Rate DS.

18 **V. OTHER TERMS OF THE STIPULATION**

19 **Q. DOES THE STIPULATION ADDRESS ANY TERMS OTHER THAN AN**
20 **INCREASED REVENUE REQUIREMENT AND RATE DESIGN?**

1 A. It does. Columbia will withdraw its request for approval of the Tax Act
2 Adjustment Factor (“TAAF”) Tariff, agree to a rate case stay-out provision,
3 roll-in its Rider SMRP into base rates, update its gas quality standards,
4 move forward with its In-Line Inspection (“ILI”) program; , implement new
5 depreciation rates in a manner consistent with the depreciation study filed
6 with the application, make annual filings with the Commission regarding
7 its cross-bore and Picarro program, and recover its rate case expense.

8 **Q. YOU MENTIONED SEVERAL THINGS THERE. LET US DISCUSS**
9 **EACH OF THEM IN A BIT MORE DETAIL. PLEASE EXPLAIN THE**
10 **TAAF TARIFF AND WHY IT IS BEING WITHDRAWN.**

11 A. Certainly. Originally, Columbia proposed to retain and modify its Tax Act
12 Adjustment Factor tariff to allow a method to recover its incremental tax
13 expense in the event that Congress enacted tax changes that rolled-back the
14 tax cuts enjoyed by customers in 2017. The political situation in
15 Washington remains fluid and, as of now, no changes to the federal tax code
16 have been enacted. Columbia has agreed to withdraw the TAAF Tariff
17 from this filing, however, in the event that Congress does eventually
18 increase tax rates, the Company will likely seek recovery of the incremental
19 tax expense either as a deferral or in a case similar to that initiated by the
20 Commission in early 2018 when tax rates were reduced. Such a proceeding

1 would be allowed under the limited exceptions to the stay-out provision
2 included in the Stipulation.

3 **Q. PLEASE DESCRIBE THE RATE CASE STAY-OUT PROVISION.**

4 A. Columbia agrees to not seek an increase of its base rates, subject to certain
5 exceptions, for a three-year period. In particular, Columbia will be allowed
6 to file an application for a base rate increase in 2024, provided that, after
7 taking into account the statutory notice period and the statutory suspension
8 period applicable to proposed rates, any new rates will not become effective
9 prior to the date service is rendered for Unit 1 of Columbia's January 2025
10 billing cycle. This three-year stay out is subject to certain enumerated
11 exceptions. Columbia may seek deferral of certain costs as generally
12 permitted by the Commission; it may seek emergency rate relief if
13 necessary under KRS 278.190(2); the stay-out does not apply to the routine
14 adjustment of various cost recovery surcharge mechanisms; and base rates
15 may be adjusted if there is a direct impact resulting from a change in law.

16 **Q. WHAT HAPPENS TO RIDER SMRP UNDER THE STIPULATION?**

17 A. The Stipulation provides that all of the proposals included in Columbia's
18 original rate application that are not specifically addressed in the
19 Stipulation are recommended to be approved as proposed. In its May
20 application, Columbia proposed to roll-in the current balance of its Rider

1 SMRP into base rates and reset this fixed charge line item on customers'
2 bills to \$0. Because this is a forecasted test year, the SMRP program costs
3 for 2022 were included in Columbia's forecasted test year and there will be
4 no SMRP Rider filing in the fourth quarter of this year. Columbia's next
5 SMRP filing will be submitted in October 2022, pursuant to its tariff. If
6 approved, these costs would begin to show up on customers' bills
7 beginning with Unit 1 billing for January 1, 2023. The other change to Rider
8 SMRP is that the scope of the eligible pipe covered by the rider will expand
9 slightly to permit cost recovery of the replacement of older plastic pipes that
10 are susceptible to brittle-like cracking. This modification is described in
11 more detail in the testimony of Mr. David Roy.

12 **Q. TELL ME MORE ABOUT THE CHANGES TO THE GAS QUALITY**
13 **STANDARDS.**

14 **A.** Under the Stipulation, Columbia will modify its gas quality standards to
15 provide for a more detailed list of particulate and chemical compounds and
16 levels that Columbia will require any gas to meet when introduced into its
17 system, and further provide for a more formalized gas quality testing
18 methodology to ensure that any supplier providing gas to Columbia's
19 system has a clear understanding of testing requirements. Finally, the
20 modified standards will set forth the multiple origins of natural gas supply

1 and define which chemical and particulate standards would likely apply to
2 the natural gas origin.

3 **Q. PLEASE ALSO DESCRIBE THE ILI PROGRAM GOING FORWARD.**

4 A. Line DE is a critical component of Columbia's system. There are only three
5 inspection methods to assure its continued reliability and comply with
6 federal safety regulations. One method is to perform invasive spot checks
7 on the pipeline, however, this type of inspection methodology is not
8 comprehensive and poses its own set of risks. Another method would be
9 to take the line out of service to complete the inspection, however, given the
10 centrality of Line DE to the Columbia system as a whole, this method is
11 simply not possible. Removing Line DE from service would require
12 numerous large industrial customers, among others, to halt production for
13 a significant period of time. The third and really only method to comply
14 with federal law without causing disruption to customers is to utilize ILI to
15 inspect Line DE while it is in service. The Stipulation recognizes this and
16 recommends approval of all cost recovery associated with Line DE ILI.

17 **Q. PLEASE ELABORATE ON WHAT YOU SAID PREVIOUSLY ABOUT**
18 **THE NEW DEPRECIATION RATES.**

19 A. Columbia included a depreciation study with new depreciation rates in its
20 application. For the most part, the deprecation study has attracted few

1 questions in discovery and is not controversial in any material respect. The
2 Stipulation recommends that the Commission accept the rates set forth in
3 the depreciation study and that Columbia's depreciation rates be adjusted
4 to be consistent with the study effective with the date that new rates are
5 effective.

6 **Q. PLEASE DESCRIBE THE ANNUAL REPORTING THAT WILL TAKE**
7 **PLACE WITH REGARD TO THE CROSS-BORE AND PICARRO**
8 **PROGRAMS.**

9 A. Columbia agrees to prepare an annual report, starting in 2023, with regard
10 to the work performed in the prior calendar year with regard to both the
11 cross-bore and Picarro safety initiatives. These annual reports will help
12 validate the importance of these programs to Columbia's commitment to
13 safety. The reports will be provided to both the AG and the Commission.

14 **Q. WHAT DOES THE STIPULATION SAY ABOUT RATE CASE EXPENSE**
15 **RECOVERY?**

16 A. The parties agrees that Columbia should be authorized to amortize and
17 recover its reasonable actual rate case expense over a period of three years,
18 which corresponds to its stay-out term.

1 **V. CONCLUSION**

2 **Q. WAS THE STIPULATION THE RESULT OF GOOD FAITH, ARMS-**
3 **LENGTH NEGOTIATIONS BETWEEN REASONABLE PERSONS?**

4 A. Yes. As I stated above, the parties to the Stipulation had numerous
5 conversations both preceding and following the two formal settlement
6 conferences. We appreciate the attention to detail and commitment to their
7 respective constituencies that both the AG and KIUC demonstrated
8 throughout the settlement process. Sometimes it is not possible to find a
9 combination that allows the parties to a rate case to find a mutually
10 acceptable settlement. In this case, however, countless hours and
11 compromise have yielded a very supportable Stipulation.

12 **Q. IN YOUR OPINION, IS THE STIPULATION A FAIR, JUST AND**
13 **REASONABLE OUTCOME OF ALL THE ISSUES PRESENTED IN THIS**
14 **DOCKET?**

15 A. Yes. I believe that, viewed in its totality, the terms and conditions of the
16 Stipulation represent a fair, just and reasonable outcome of all the issues
17 presented in this docket. I encourage the Commission to accept and
18 approve the Stipulation without any further modification.

19 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

20 A. Yes.