COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF COLUMBIA GAS	**)**	
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF	**)**	
RATES; APPROVAL OF DEPRECIATION STUDY;	**)**	**CASE NO. 2021-00183**
APPROVAL OF TARIFF REVISIONS; ISSUANCE	**)**	
OF A CERTIFICATE AND NECESSITY; AND	**)**	
OTHER RELIEF	**)**	

TESTIMONY OF

DAVID DITTEMORE

ON BEHALF OF

THE OFFICE OF THE ATTORNEY GENERAL

SEPTEMBER 8, 2021

--PUBLIC REDACTED VERSION--

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DIRECT TESTIMONY OF DAVID DITTEMORE

I. QUALIFICATIONS AND PURPOSE OF TESTIMONY

Q. Please state your name, business address, and occupation for the record.

A. My name is David N. Dittemore. My business address is 609 Regent Park Drive, Mt. Juliet, TN 37122. I am a self-employed consultant specializing in utility regulatory matters.

Q. Please provide a summary of your background and professional experience.

A. I received a Bachelor of Science Degree in Business Administration from the University of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission (KCC) in various capacities, including Managing Auditor, Chief Auditor, and Director of the Utilities Division. I was self-employed as a Utility Regulatory Consultant for approximately four years representing primarily the KCC Staff in regulatory issues. For eleven years, I served as Manager and Director of Regulatory Affairs for KGS, the largest natural gas utility in Kansas, serving approximately 625,000 customers. KGS is a division of ONE Gas, a natural gas utility serving about two million customers in Kansas, Oklahoma, and Texas. I joined the Tennessee Attorney General's Office in September 2017 as a Financial Analyst and served in that role until July 1, 2021, when I initiated my consulting practice. Overall, I have thirty years of experience in the field of public utility regulation. I have presented testimony as an expert witness on many occasions. Attached as Exhibit DND-1 is a detailed overview of my background.

Q. Have you previously provided testimony before the Kentucky Public Service Commission?

A. No, I have not.

Q. On whose behalf are you testifying?

A. I am providing testimony on behalf of the Office of the Attorney General of the Commonwealth of Kentucky ("AG").

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide recommendations on the revenue requirement proposal of Columbia-Kentucky ("Company"). I also quantify the revenue requirement effects of AG witness Mr. Richard Baudino's cost of capital recommendation and address various policy matters proposed by the Company in their filing.

II. EXECUTIVE SUMMARY

Q. What is the revenue increase sought in this proceeding?

A. The Company is seeking a revenue increase of $26,694,986. In addition, the Company is seeking to reset its Safety Modification and Replacement Program ("SMRP") rider to zero and increase its base rates by the SMRP revenue requirement of $15,165,108.[1] The proposed increase in base rates of $41,860,094 ($26,694,986 + $15,165,108) less the reduction in SMRP rider revenue equals the proposed revenue increase of $26,694,986.

Q. What forecast period did the Company select in support of its application?

A. The forecast period is the twelve months ended December 31, 2022, inclusive of a Rate Base covering the thirteen-month average of such balances for the calendar year 2022.

[1] See the response to AG discovery request 1-9.

Q. What is the percentage increase in overall customer rates represented by the $26.7 million request?

A. The overall percentage increase in rates proposed by the Company (net of the SMRP reset) is 18.11%.[2]

Q. Do you find this to be an impactful increase to ratepayers?

A. Yes. Under the Company's proposal, the average residential customer would experience an annual increase in their bill of approximately $142, or roughly $12/month. The Company proposal would increase base rates 28.4%. The average residential bill which includes the cost of gas, would increase nearly 18% under the Company proposal.[3]

Q. Do you believe the Commission should consider the overall bill implications facing customers when weighing the evidence in this proceeding?

A. Yes.

Q. What is the revenue requirement you are recommending in this proceeding?

A. I am recommending a rate increase of $14,715,477 which is summarized in the table below:

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[2] The increase was computed by dividing the forecasted return at proposed rates by the forecasted return at current rates as calculated by the Company on Schedule C-1.

[3] See Volume 9 of the filing, Tab 83, Schedule N, page 1.

Table 1	DND Schedule	Before Gross-Up Amount	B/D and PSC Gross-up	Adjustment Amount
Columbia Requested Increase				
Columbia Request (Company Schedule A)				$ 26.695
Effects on AG Operating Income Recommendations on Revenue Requirement				
Remove incentive compensation costs tied to financial performance	2.1	(1.354)	1.006320	$ (1.362)
Remove AGA and SGA dues	2.2	(0.049)	1.006320	(0.049)
Remove SERP costs from the forecast period	2.3	(0.072)	1.006320	(0.073)
Remove 401k costs for employees covered under a defined benefit plan	2.4	(0.378)	1.006320	(0.380)
Correct Depreciation Expense	2.5	(0.278)	1.006320	(0.280)
Normalize O&M Costs	2.8	(4.058)	1.006320	(4.084)
Increase O&M costs for the estimated impact of the Picarro leak detection trial	2.10	0.300	1.006320	0.302
Reduction in the Revenue Requirement		(5.889)		(5.926)
Effects of AG Rate Base Recommendations on Revenue Requirement				
Correct ADIT in the Forecast Period (AG 1-101)				$ (0.196)
Eliminate Unsupported NOL Asset from Rate Base				(0.551)
Include the Results of the Cash Working Capital Study in Rate Base				(0.867)
Reflect Impact of Depreciation Correction				0.0129
Effects of AG Rate of Return Recommendations on Revenue Requirement				
Reflect AG Proposed Capital structure w/ Return on Equity of 9.10%				(4.452)
Total AG Recommendations				$ 14.715
Alternative Adjustment to Reduce Forecasted Labor Costs		1.400	1.006320	$ 1.409

III. OPERATING INCOME ADJUSTMENTS

A. INCENTIVE COMPENSATION COSTS INCLUDED IN THE REVENUE REQUIREMENT ARE EXCESSIVE

Q. Please explain the Company's incentive compensation programs and the costs included in the revenue requirement.

A. The Company has included two types of incentive compensation costs.[4] The Company refers to short-term incentive compensation as Corporate Incentive Payout ("CIP"). Long-term incentives are comprised of stock compensation.[5] The proposed revenue requirement includes costs of both programs for Columbia-Kentucky employees and allocated NCSC employee

[4] In addition to these two incentive compensation programs, the Company also provides a defined benefit plan (pension) for qualifying employees, profit sharing, defined contribution plan (401k), executive compensation benefits, and a Supplemental Executive Retirement Program (SERP).

[5] See the testimony of Company witness Cartella for an overview of the incentive plans.

costs. Company witness Kimberly Cartella's testimony contains background information on the programs beginning on page 13.

Q. What group of employees are eligible for each type of incentive compensation?

A. The CIP program is available to all employees, with minor exceptions.[6] The LTI awards are eligible to key management employees and executives.[7]

Q. What level of incentive compensation costs is the Company seeking to recover?

A. The amount of incentive costs by type and Company are identified in the table below.

		Table 2			
Incentive Costs Included in Proposed Revenue Requirement					
		Columbia-Kentucky		NCSC	
Short Term Incentives		$ 483,079		600766	$ 1,083,845
Long Term Incentives		$ 251,070		$ 378,829	$ 629,899
		$ 734,149		$ 979,595	$ 1,713,744

The amounts listed above are net of adjustments the Company has proposed to each type of incentive cost. The Company has adjusted its requested CIP costs to reflect the base level of incentive compensation rather than an aspirational level of CIP.[8] The Company has adjusted its long-term incentive compensation request based on historical averages for 2018 – 2020.

Q. Is the Company's methodology for computing the eligible incentive compensation costs consistent with past Commission precedence?

A. No. The Company did not reduce its incentive compensation costs to remove that portion of expense tied to the Company's financial performance. In its order dated December 8, 2020, in

[6] See Response to AG 1-163, Attachment A.
[7] Id.
[8] See Response to AG 1-153, Attachment A.

Case No. 2020-00160,[9] the Commission stated the following concerning the recovery of incentive compensation costs:

> *"The Commission has consistently disallowed recovery of the cost of employee incentive compensation plans that are tied to financial measures because such plans benefit shareholders while ratepayers receive little benefit."*

Q. Have you determined the criteria necessary to establish the portion of each type of incentive compensation attributable to financial performance?

A. Yes. The response to AG discovery request 1-55 (a) indicates the 2021 portion of CIP that relates to financial performance measures is 70% for all employees. The portion of long-term incentive costs tied to financial performance is 82%, as outlined in response to AG discovery request 1-55 (d).

Q. How did you calculate the incentive compensation adjustment?

A. First, I identified the incentive compensation claim for both the Company's direct costs and those costs allocated from NCSC. The Company's costs were identified in its workpaper WPD2.4G, while the NCSC costs were identified in response to AG discovery request 1-153. I then eliminated the respective portion of each set of costs based upon financial performance metrics. I then applied Social Security and Medicare tax to arrive at a reduction in O&M costs of $1,353,502 as outlined in my Schedule DND 2.1. This O&M adjustment translates to a revenue requirement impact of $1,362,056 after applying the revenue conversion factor. The net amount of incentive compensation costs included in the AG recommended revenue requirement is $360,242 ($1,713,744 - $1,353,502). The response to AG discovery request 1-55, company workpaper WPD2.4G, and AG discovery request 1-153, Attachment A are

[9] In Re: Electronic Application Of Water Service Corporation Of Kentucky For A General Adjustment In Existing Rates, at 20.

combined for ease of reference and attached as my Exhibit DND-3.

B. ASSOCIATION DUES ARE NOT SUPPORTED

Q. What is the level of association dues included in the forecast period O&M costs?

A. The Company has included dues associated with the American Gas Association (AGA) ($49,600) less $2,338 in lobbying costs and the Southern Gas Association (SGA) ($1,700) for net forecasted association dues of $48,962. This information is outlined in response to discovery request AG 1-204 and attached to my testimony as Exhibit DND-4.

Q. What **is your recommended regulatory treatment of these costs?**

A. I recommend the removal of these costs from the forecasted test period. Schedule DND 2.2 contains the adjustment calculations. The revenue requirement impact of the adjustment is $49,271.

Q. What is the basis for the removal of these costs?

A. In various prior electric rate cases, the Commission has disallowed recovery of dues paid to Edison Electric Institute ("EEI") because EEI engages in legislative advocacy, regulatory advocacy, and public relations activities.[10] The AGA and SGA dues are very similar because those organizations also engage in these same activities. The Company has not provided the necessary support to include these costs in the revenue requirement. The Company has the burden to demonstrate that dues related to these two organizations provide a direct ratepayer benefit, and are fair, just and reasonable. There is insufficient evidence in the record to establish that these dues are not used for legislative advocacy, regulatory advocacy, and/or public relations. It is not the burden of intervenors to show that such costs should not be recovered.

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[10] Orders in Case No. 2003-00433 at 51-52, and in Case No. 2003-00434 at 44-45.

Q. Has the Commission ruled in the recovery of association dues in a recent rate case order?

A. Yes. In Case Nos. 2020-00349 and 2020-00350,[11] the Commission found that Kentucky Utilities Co., and Louisville Gas & Electric Co., respectively, had not met their burden of proof in demonstrating that Edison Electric Institute (EEI) dues were properly recoverable from its customers. Likewise, Columbia-Kentucky has not demonstrated any direct benefits to the customers of its participation in AGA and SGA. Thus recovery of these expenses is not fair, just and reasonable.

C. SERP Costs Are Not Supported

Q. Please identify the nature of SERP costs?

A. SERP benefits are provided to a select group of executives. The Company offers two types of SERP plan costs, the NiSource Supplemental Executive Retirement Plan and the NiSource Pension Restoration Plan. I do not make a distinction between these two types of plans for purposes of quantifying this adjustment.[12]

Q. What is the level of these costs included in the Company's O&M expense claim in the forecast period?

A. The Company has indicated a total cost of $72,396 was included in the forecast period, as provided in response to AG discovery request 1-167 and attached as Exhibit DND-5.

Q. Do you believe such costs should be recoverable from the Company's customers?

A. No.

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[11] *In the Matters of*: Electronic Application Of Kentucky Utilities Company For An Adjustment Of Its Electric Rates, A Certificate Of Public Convenience And Necessity To Deploy Advanced Metering Infrastructure, Approval Of Certain Regulatory And Accounting Treatments, And Establishment Of A One-Year Surcredit; and Electronic Application Of Louisville Gas And Electric Company For An Adjustment Of Its Electric And Gas Rates, A Certificate Of Public Convenience And Necessity To Deploy Advanced Metering Infrastructure, Approval Of Certain Regulatory And Accounting Treatments, And Establishment Of A One-Year Surcredit, respectively.

[12] See response to AG 1-168. The NiSource Supplemental Executive Retirement Plan has been frozen for fifteen years, and no new participants are eligible for the plan.

Q. What is your reasoning for the exclusion of these costs from the Company's revenue requirement?

A. There is no demonstration by the Company that such costs benefit the Company's customers.

Q. Is the Company's inclusion of these costs in its revenue requirement request consistent with prior Commission rulings?

A. No. In Case No. 2020-00174,[13] the Commission found that Kentucky Power's SERP expenses should be disallowed for rate making purposes because the Company did not provide substantial evidence that ratepayers benefitted from the incurrence of SERP costs. [14]

Q. What is the amount of the adjustment and the revenue requirement impact from removing SERP costs?

A. I have removed the SERP costs of $72,396 as contained in Schedule DND-2.3, which reduces the revenue requirement $72,854.

D. EXCLUSION OF CERTAIN 401K COSTS

Q. Please explain your adjustment to remove certain 401k costs from the revenue requirement.

A. The Commission has held it is not reasonable for utilities to recover from ratepayers the costs associated with both a defined benefit pension plan as well as employer contributions to defined contribution (401k) plans. In Case No. 2016-00169,[15] the Commission found such benefits were excessive and unreasonable, and removed them from the revenue requirement of Cumberland Valley Electric Inc. The Commission found:

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[13] *In Re:* Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Accounting Practices To Establish Regulatory Assets And Liabilities; (4) Approval Of A Certificate Of Public Convenience And Necessity; And (5) All Other Required Approvals And Relief.
[14] Commission Order, Case No. 2020-00174, January 13, 2021, at 17.
[15] Application Of Cumberland Valley Electric, Inc. For A General Adjustment Of Rates.

> *The Commission believes all employees should have a retirement benefit but finds it excessive and not reasonable that Cumberland Valley continues to contribute to both a defined-benefit pension plan and a 401k plan for salaried employees. The Commission will allow Cumberland Valley to recover only the costs of the more expensive defined-benefit plan for the salaried employees and the 401k plan for union employees.* [16]

Columbia-Kentucky has not proposed such an adjustment in this proceeding. I recommend the Company's employee benefit costs included in this filing be reduced to reflect the Commission's precedent. The 401k costs applicable to employees who are also covered under a defined benefit plan were provided in response to AG discovery request 1-178, attached as Exhibit DND-6. This adjustment removes $377,643 in employee benefit costs from the forecasted test period, which translates to a reduction in the revenue requirement of $380,030. Schedule DND 2.4 contains the adjustment amount.

E. DEPRECIATION EXPENSE IS OVERSTATED

Q. Has the Company revised its proposed depreciation expense level from its as-filed expense level?

A. Yes. In response to Staff discovery request 3-40, attached as Exhibit DND-7, the Company acknowledged an error in the workpapers supporting its pro-forma depreciation expense proposal. This correction reduces depreciation expense $278,428, resulting in a revenue requirement impact of $280,188. The calculation supporting the adjustment is outlined in Schedule DND 2.5. This recalculation also impacts Rate Base due to the reduction in Accumulated Depreciation, increasing Rate Base by $138,000.

F. TRAINING FACILITY COSTS

Q. Has there been a recent development impacting this proposal?

A. Yes. My understanding is that on September 1, 2021, the Company filed into the official record

[16] Commission Order, Case No. 16-00169, February 6, 2017, at 10.

of this case a notice[17] that it has withdrawn its request for a Certificate of Public Convenience and Necessity (CPCN) for the requested training facilities.

Q. Have you quantified an adjustment related to the Company's Training Facilities?

A. No. Based upon the Company communication, I understand the Company will be submitting rebuttal testimony incorporating a revised revenue requirement that removes the costs of the training facility. I have not quantified an adjustment for the removal of the training facilities, based upon that understanding.[18]

G. PROPOSED O&M COSTS ARE EXCESSIVE

Q. Please begin your discussion of the proposed O&M costs by providing some background information on NiSource Corporate Services Company (NCSC).

A. Article 2 within Attachment ST-2 to the Company's Application identifies the types of services provided by NCSC. These services include Accounting, Customer Billing and collection, Depreciation, Engineering, Facility, Information Technology, Insurance, Legal, Executive Leadership, Regulatory, Tax, and Treasury Services. The scope of services provided by NCSC to the Company is quite extensive.

Q. How are such services charged to the Company?

A. NCSC services are charged to affiliates according to a December 2015 Service Agreement ("Agreement"). The Agreement sets out the various allocation methods used to assign costs to the Company.[19]Where possible, costs incurred exclusively on behalf of one entity are

[17] See: https://psc.ky.gov/pscecf/202100183/kristen%40gosssamfordlaw.com/09012021110642/Notice_of_Withdrawal_of_Request_for_Certain_Relief.pdf
[18] If the Company does not provide such an adjustment, I recommend that the Commission simply remove the costs for the facility from the test period.
[19] The terms and conditions by which NCSC provides services to other NiSource utility affiliates are presumably identical to that by which such services are provided to the Company.

charged to that entity. If labor costs are incurred for a group of utilities, such costs are apportioned based upon allocation methods provided in the Agreement. Other non-labor costs are charged directly to the utility receiving benefits of such services where possible. When a direct assignment is impossible, such costs are allocated using various cost pools outlined in the Agreement.

Q. Did you have an opportunity to audit the accuracy of the corporate cost allocation methodology and ensure that costs assigned to the Company are necessary and appropriate for recovery from ratepayers?

A. No. The timeline of the case does not provide for this type of review.

Q. What level of NCSC charges are sought to be included in base rates in this proceeding?

A. The Pro-forma forecasted level of NSCS O&M costs incorporated into this case is $19,320,924.[20] The total revenue requirement request is $174,059,847, or $124.2 million net of gas costs. Thus, NCSC O&M charges comprise approximately 11% of the nominal revenue requirement and represent a significant component of the Company's total costs. The Company also capitalizes a substantial portion of allocated costs in addition to the NCSC O&M charges referenced above. In 2020, NCSC capitalized costs totaling $5,069,698 across the Company's work orders.

Q. How did the Company determine its level of requested NCSC O&M?

A. Two paths were taken by the Company in arriving at its adjusted $19,320,924 O&M request. First, the Company supports this Pro-forma level of NCSC by starting with its stated NCSC O&M budget assigned to the Company of $20,913,572. The Company then makes several 'regulatory' adjustments to account for purported efficiency gains and normalizes incentive

[20] See Attachment ST-3, line 6.

compensation and other below-the-line items to arrive at the Pro-forma adjusted forecasted level of NCSC charges of $19,320,924. The second path yields a nearly identical result by taking its 'normalized' 2017 NCSC charges and applying an inflation factor to arrive at total NCSC charges of $19,320,739, within $184 of the first method's costs. I do not believe it is a coincidence that the two numbers are virtually identical. I have computed an adjustment to historic Company O&M costs using this same inflation index used by the Company that I will explain later in my testimony.

Q. Do you believe the Company's proposed O&M costs contained in this request to be excessive?

A. Yes.

Q. What is the basis for your conclusion?

A. The basis for my opinion is the Confidential documents supporting the Company's "NiSource Next" initiative in response to the AG's discovery requests 1-126 and 1-128, and a comparison of historic O&M costs with those proposed in this application. These files are part of the record in this case and are quite large. I have extracted select pages from these documents and combined them to create Confidential Exhibit DND-8.

Q. Provide an overview of the "NiSource Next" initiative.

A. The NiSource Next initiative is highlighted in the Company's first and second quarters' 10Q filings with the Securities and Exchange Commission. The Company's August 4, 2021 SEC filing contains the following note:

> *NiSource Next: We are executing on a defined, comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements, and cost optimization improvements. This program is advancing the high priority we place on safety and risk mitigation, further enabling our safety management system and enhancing the customer experience. NiSource Next is designed to (i) leverage our current scale, (ii) utilize technology, (iii) define clear roles and accountability with our leaders and employees, and*

(iv) standardize our processes to focus on operational rigor, quality management, and continuous improvement.

The response to AG discovery request 1-128(d) provides further information concerning the goal of the NiSource Next initiative:

The overarching objective of this program include an unwavering commitment to safety leadership, identifying savings opportunities, efficient and empowered leadership structure enhanced digital customer service capabilities, and standardizing operations management supported by technology enhancements. Cost efficiencies achieved are expected to reduce future inflationary pressure related to O&M costs.

Q. Based upon your review of these documents, do you believe this initiative impacts the [redacted]

A. Yes. The goals identified in the [redacted]. The NiSource Next kickoff meeting (September 17, 2020) handout provides the following:[21]

[redacted].

Q. **Do you have an example of a significant operational change announced as part of the initiative?**

A. Yes. One example of the magnitude of change envisioned by the [redacted] is the Company's April 2021 announcement concerning the delivery of [redacted] The statement indicated the [redacted]

[21] Response to AG 1-128 (A), pdf page 10 (Confidential).

[redacted] Employee messaging describing this decision indicates it was done in part to [redacted].’[22] Further, the messaging references a duty to customers to [redacted].[23] This announcement is but one component of the [redacted], [redacted].

Q. Does the initiative have a formal internal [redacted]

A. Yes. The initiative, referenced as the [redacted], has a formal [redacted] identifying employees and their specific [redacted][24] The existence of an [redacted] indicates the emphasis the Company is placing on this effort. The initiative goes far [redacted] Instead, it represents [redacted] and is aptly referred to internally [redacted].

Q. Has the Company reflected these efficiencies within its application?

A. The Company indicates that such efficiencies are incorporated in the revenue requirement proposal.[25] However, when those claimed efficiencies are added back to the O&M costs sought in this case, it indicates the forecast costs before recognition of the efficiencies is extremely high, raising questions about the reasonableness of the budget.

Q. Could you please summarize the O&M implications of the confidential responses to AG discovery requests 1-126 and AG 1-128?

A. Yes. The documents supporting the initiative indicate that the Company's [redacted]

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[22] Response to AG 1-128 (H), pdf page 17.
[23] Id.
[24] Response to AG 1-126 (Attachment A), pdf page 23.
[25] See Response to AG discovery request 2-48.

[redacted] time-frame. Notably, the [redacted] for Columbia Gas Kentucky was in the [redacted]. Specifically, the Company ranked [redacted].[26]

Q. Have you compared the [redacted] of the Company as contained in the [redacted]

A. Yes. Confidential Schedule DND-2.6 quantifies the [redacted] incurred by Columbia-Kentucky compared [redacted], respectively. As outlined in the calculations, the Company's costs in the 2016-2018 time-frame exceeded the [redacted] by [redacted], respectively.

The Company's study covering the [redacted] period indicated its annual [redacted] costs.[27] The Company's [redacted] were [redacted] per customer. The difference between the Columbia-Kentucky and [redacted] per customer. I then multiplied these differences by the current customer count resulting in Columbia-Kentucky costs [redacted]. And as discussed below, the Company's [redacted] have increased significantly since that period; therefore, it's reasonable to conclude that the Company's [redacted] continue to be [redacted]

Q. Provide an overview of the [redacted]

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[26] [redacted].

[27] The Company's study removed the following expenses [redacted],

A. Along with the Company, [redacted] all fell into the [redacted].[28] However, for this proceeding, it must be remembered that Columbia-Kentucky ranked in [redacted] The Company's [redacted] ranking is the relevant point in establishing fair, just and reasonable rates.

Q. How did the Company calculate the benchmark [redacted] within the NiSource Next initiative study?

A. As referenced in AG discovery request 1-126 A, the average [redacted] were adjusted for [redacted]

Q. Has the Company incorporated the benefits of the NiSource Next initiative into its forecasted test period for purposes of setting rates?

A. The Company indicates it has incorporated the NiSource Next initiative into its forecast. In Confidential response 2-48, the Company indicates it has incorporated forecast period savings of [redacted] comprised of [redacted] included in the budget and an explicit savings adjustment of $666,016 contained in Company Attachment ST-3.

Q. Have you compared the 2022 O&M forecast period costs with actual 2019 and 2020 results?

A. Yes. Table 3 below, below compares the 2020 Gas O&M costs with the comparable costs

[28] Response to AG 1-126 (B), pdf page 2.

incorporated into the Forecast Period.[29] As shown below, the proposed O&M costs contrasted with 2020 costs represents an annual compound growth rate of 5.24%, inclusive of the [redacted] in savings identified above. In order to evaluate the reasonableness of the forecast prior to recognition of the efficiencies, I added the [redacted] to the Company's O&M budget proposal in the forecast period, which indicates a compound annual growth rate of [redacted] when applied to 2020 results. Therefore, despite recognition of [redacted] in new efficiencies, the O&M budget, prior to reflecting such efficiencies, is approximately $8.3 million *higher* than the Company's 2020 actual results. The results are similar if one uses 2019 as the benchmark. The compound annual growth rate on the Company's proposed forecast inclusive of efficiencies is 4.15%, and [redacted] excluding the efficiencies. It is clear from this table that the Company has not reflected the magnitude of cost savings [redacted].

[29] Schedule DND-2.7 replicates this table.

CONFIDENTIAL

Table 3

Comparison of Forecast vs. Actual Gas O&M Costs

Items	**2019 1/**	**2020 1/**	**Forecast Period 2/**
Total O&M	$ 95,840,258	87,203,540	140,478,214
Less:			
Purchase Gas Costs	(46,586,121)	(37,265,862)	(49,843,851)
Depreciation			(19,609,323)
Other Taxes			(8,629,744)
State and Federal Income Taxes			(6,919,364)
Net O&M Expense - Controllable	49,254,137	49,937,678	55,475,932
Less: Disallowed Incentive Compensation in 2020 results	$ (1,346,876)	(1,066,869)	(1,353,502)
Normalized Annual O&M Results	47,907,261	48,870,809	54,122,430
Add Back purported efficiency savings already in the budget (Response to AG 2-48)			[redacted]
Budget Prior to Recognition of Efficiency Gains	47,907,261	48,870,809	[redacted]
Nominal Amount of Increase forecast period vs 2020 Actual results, prior to recognition of Efficieny Gains			[redacted]
Compound Annual Growth Rate (2022 vs 2019/2020)	4.15%	5.24%	
Compount Annual Growth Rate (Forecast Period Budget prior reflecting Efficiency Gains)	[redacted]	[redacted]	
Overall Percentage Increase Forecast Period Normalized vs 2019/2020 normalized.	[redacted]	[redacted]	

1/ Information from FERC Form 2 and Company's annual Commission report; Gas O&M excludes Depreciation, Property and Income Taxes.

2/ Company Schedule C-2; starting point is total operating expenses. Other elements are

Q. How were the 2019 and 2020 costs determined in the table above?

A. I obtained the unadjusted 2020 O&M costs from the Company's FERC Form 2 provided in Volume 4 of the filing. I obtained the 2019 costs from the Company's annual report submitted to the Commission. These costs do not include depreciation expense, other taxes, and state/federal income tax expense. I adjusted the 2019 and 2020 per-books results to eliminate incentive compensation costs in the same proportion as is contained in my forecast period adjustment later in my testimony.

Q. Why did you make this normalization adjustment to incentive compensation costs?

A. The objective of the analysis is to assess the reasonableness of the Company's forecasted test period. The Company has removed a portion of its incentive compensation costs in arriving at its adjusted forecast period balance. Therefore, in order to provide an adequate comparison with the Company's O&M forecast, it is necessary to normalize the 2019 and 2020 book results for this material item.

Q. Do you believe Table 3 above is an indication that the Company's budget is excessive prior to recognition of the efficiency savings?

A. Yes. As mentioned above, the compound annual growth rate between forecasted expenses and those actual unadjusted expenses of 2020 represents an annual growth rate of 5.24%, inclusive of the efficiency savings the Company claims is embedded in the Company budget. The overall increase in the Company's forecast period costs compared with 2020 costs is [redacted], excluding efficiency gains. This rate of increase for this two-year period is greater than the 9.94% inflation factor supported by the Company covering the five-year period 2017 - 2022.

Q. Please explain why you believe adding back the efficiency savings incorporated into the budget is relevant to assess the reasonableness of the forecast?

A. The Company has undertaken a major initiative in an effort [redacted] while maintaining safety. By definition, the starting point for assessing the overall reasonableness of the budget requires the add-back of the Company's forecasted O&M costs to determine if the budget has been inflated prior to recognition of the savings. This add-back results in a pre-efficiency budget of [redacted] [redacted], representing a compound annual growth rate of [redacted] when compared with 2020 results, or [redacted] based upon 2019 results. In summary, I believe the forecast budget is excessive as evidenced by the significant growth in budgeted O&M compared with actual 2019 <u>and</u> 2020 results, as well as the evidence contained in Confidential Exhibit DND – 8 highlighting the Company's costs [redacted].

Q. Have you compared the forecast period costs to those incurred in periods prior to 2020?

A. Yes. Schedule DND-2.8 compares the forecast period costs with those book costs incurred for periods 2016 – 2020. I have further modified the book results to eliminate a portion of incentive compensation incurred in prior periods.[30] The Schedule computes the per book O&M costs for the historic periods, compares the normalized O&M excluding incentive compensation costs for the historic period and applies Company supported inflation factors to historic period results to compare with the forecast period O&M costs. This Schedule is another data point indicating the Company's forecasted test period results are excessive.

Q. Do you believe an adjustment to the Company's total O&M costs is necessary to ensure rates paid by customers are fair, just and reasonable?

A. Yes. I am supporting an adjustment to the Company's total O&M costs, hereafter referred to as an indexing adjustment. The adjustment is necessary to normalize the Company's abnormally high O&M forecast costs.

Q. Why do you believe such an adjustment is necessary?

A. The information provided by the Company demonstrates that the Company's costs [redacted]. This conclusion is not mine, but that of the Company. And in the case of Columbia-Kentucky, its costs are [redacted] Further, NiSource has mentioned [redacted]

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[30] The Company objected to a request to obtain incentive compensation amounts prior to 2018.

[redacted].

Schedules DND-2.7 and DND-2.8 demonstrate that the forecast period O&M costs have continued to grow at a pace significantly in excess of inflation as defined by the Company in Attachment ST-4, despite the Company's assertion that its O&M costs have been reduced due to efficiencies.

Regulators are charged with ensuring rates are fair, just and reasonable. Rates established upon <u>costs</u> that are not fair, just and reasonable do not meet this standard.

Q. Have you compared historic actual non-gas O&M expenses with those proposed by the Company in the forecast period?

A. Yes. The actual non-gas O&M costs in the 2016 – 2018 time-frame resulted in costs of $353, $416 and $383, respectively, per customer.[31] This compares with O&M costs per customer of $465 in the forecast period. Recall that the historic costs in the 2016 – 2018 period were ranked in the bottom quartile of the peer comparison and now the forecast period costs are significantly higher than these historic costs.

Q. Do the O&M costs include purchased gas costs, depreciation expense, property taxes or state/federal income taxes?

A. No. Gas costs have been removed from O&M for purposes of this comparison, and the other expense items do not fall into the definition of O&M costs. Purchased gas costs will vary due to variations in weather and the market price for natural gas. These costs are not appropriate to incorporate into this type of comparison as in large measure they are non-controllable, so

[31] The O&M costs shown for the 2016 – 2020 period were identified from the Company's annual report contained on the Commissions' web site.

they have been consistently removed in my comparisons.

Q. Please describe how you calculated your O&M adjustment.

A. I first calculated the average O&M cost per customer for the 2016 – 2018 period and then indexed the cost for inflation through the forecast period. I applied the same inflation factor the Company used to index its 2017 NCSC costs (see the Company's Attachment ST-4). The resulting indexed O&M cost per customer for the forecast period is $410. I then calculated the adjustment as the difference between this indexed level of adjusted O&M costs per customer, to the net O&M costs per customer I have computed after recognition of the various O&M adjustments discussed earlier in my testimony. The resulting adjustment is $4,058,340 as shown on Schedule DND-2.9. The revenue requirement impact of this adjustment is $4,083,988.

It should be remembered that the starting point of this calculation is the historical costs of the Company which are [redacted]. Thus, this scenario simply indexes historical costs and does not calculate an adjustment recognizing that the Company's historic O&M costs were in the [redacted].

Q. Why is it appropriate to calculate the adjustment based upon the AG-adjusted O&M cost per customer rather than the Company O&M costs?

A. In this case, the order in which adjustments are computed matters. The appropriate order to make this comparison is after recognizing other O&M adjustments sponsored in my testimony to avoid a double-counting of adjustments. This methodology has the effect of reducing the O&M costs per customer before calculating the indexing adjustment, and in fact, results in a lower adjustment. In my opinion, it would be inappropriate to compute this adjustment based upon the Company's proposal and then subsequently reduce O&M costs for such items as incentive compensation. Instead, these items should be removed from the Company's O&M forecast and then compare the net AG adjusted O&M costs contained in Schedule DND – 2.9 to the benchmark level of costs.[32]

Q. Please discuss in greater detail how the amount of this index adjustment would change if the Commission declined to accept any of your other adjustments.

A. The adjustment is computed as the difference between the Pro-forma level of O&M costs supported in my testimony and that of the historic costs adjusted for inflation (the indexed costs). This Pro-forma level of O&M costs will increase if any of the adjustments I support are not accepted by the Commission. Therefore, if the Commission declines to accept any of my adjustments, the Pro-forma level of O&M expenses will increase, thus increasing the O&M indexing adjustment.

Q. Please describe the inflation factor (indexing) you applied to calculate this adjustment.

A. I relied upon the inflation index referenced in the testimony of Company Witness Ms. Taylor as set out in her Attachment ST-4, which is the Gross Domestic Product – Implicit Price Deflator. Ms. Taylor used the inflation index to adjust 2017 NCSC costs forward to the forecasted period. The resulting inflation factor of 9.94% is simply used to increase 2017 NCSC costs to 2022 levels. I applied the same factor to the [redacted] average costs contained in the Company's presentation to adjust the historic costs to 2022 levels.

<u>H. INCLUSION OF PICARRO LEAK DETECTION SYSTEM COSTS</u>

Q. Have you reviewed the Company's proposal to implement the Picarro leak detection equipment on a pilot basis?

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[32] An exception to this treatment is my proposal to increase the Company's O&M forecast costs for inclusion of the Picarro costs.

A. Yes, I have. The Company's discussion of the Picarro proposal begins on page 31 of Mr. David Roy's testimony.

Q. Provide a brief overview of the program.

A. The Company proposes to implement the Picarro leak detection technology as a three-month pilot program to assess approximately 300 miles of the Company's distribution system in a structured fashion. The Picarro equipment is hyper-sensitive in that it may detect methane with 1,000 times more sensitivity than traditional leak detection equipment, per the testimony of Mr. Roy. As identified by Mr. Roy on page 34 of his testimony, about half of the surveyed system would include bare steel or cast-iron piping, one-hundred miles of main with no known issues (steel or plastic)[33] and approximately 50 miles of recently installed gas main.

Q. What is your recommendation regarding the proposal to implement a pilot program using the Picarro leak detection system?

A. The AG's office supports investments to enhance system safety. I believe deploying this technology on a pilot basis is a reasonable approach to evaluate its potential benefits. I am concerned with the degree of sensitivity of the equipment and whether the Company will be able to accurately differentiate between leaks posing safety risks versus those that do not pose a risk to public safety, or even emissions that are unrelated to gas distribution operations. I recommend that the Company submit a report at the end of its trial to both the Commission and the parties containing the following information:

1) Identify the number of leaks located by the Picarro equipment, by pipe type, and by grade of leak.

[33] Mr. Roy did not specifically identify Adyl-A piping as a target of the Picarro leak program.

2)_Compare these results against leaks detected in the past three years relying upon traditional leak detection methods.

3) Identify a list of all potential sources of methane emissions within the surveyed area.

Q. Are you recommending a specific adjustment to your recommended Pro-forma level of operating expenses?

A. Yes. To be conservative and to explicitly endorse this project, I have increased the Company's O&M costs by $300,000 (Schedule DND 2.10), which translates to an increase in the revenue requirement of $301,896. I would note that this is a very conservative regulatory approach to this issue. Since the programs' costs will be embedded in base rates regardless of whether the program extends beyond its pilot period, I recommend the Commission revisit this expense in the Company's next base rate case.

Q. Can you explain why you made this adjustment subsequent to the adjustment indexing total O&M costs?

A. Yes. The $300 thousand Picarro adjustment is added to adjusted operating expenses to avoid having the adjustment absorbed within the indexing adjustment. In other words, had the adjustment been made prior to the indexing adjustment, it would have been eliminated within the indexing adjustment. By making the adjustment subsequent to the indexing adjustment the increased costs of the program will be included in the revenue requirement in total.

IV. ALTERNATIVE OPERATING INCOME ADJUSTMENTS

a. Forecasted Labor costs of Columbia Kentucky and NCSC are excessive

Q. Do you have an alternative adjustment if the Commission declines to accept your O&M indexing adjustment?

A. Yes. The actual employee headcount for both Columbia-Kentucky and NCSC is significantly less than the level of employment in the forecast period, meaning that those positions may not be needed. As demonstrated in Schedule DND-2.11, the actual employment level of NCSC is 13% less than the employment levels in the forecast period. For Columbia-Kentucky the existing vacancies are 13[34] out of a total budgeted employment level of 209, resulting in a shortfall in the employment level of over 6%. If the Commission does not accept the O&M indexing adjustment, I would recommend a reduction to forecast period O&M employment costs of $1,399,663, translating to a reduction in the revenue requirement of $1,408,509 as outlined in Schedule DND-2.11. Supporting information for the adjustment may be found in Exhibit DND-9, containing the information obtained from Staff and AG discovery requests.

Q. Why do you believe the forecasted level of payroll should be reduced for existing vacancies?

A. Employment vacancies are ongoing. The revenue requirement should not include costs of vacant positions simply due to the Company's stated intent to increase employment levels. Instead, payroll costs should be based on *actual* employment levels. Further, based on a review of the NiSource Next initiative, I would expect a noticeable decline in employment levels compared with historical levels. In Confidential response to AG discovery request 2-48, the Company indicated it built in [redacted] of savings into the budget. I would expect that this level of forecasted savings would translate to a reduction in headcount. However, the Company's budgeted headcount does not reflect a meaningful decrease in employment compared to historic levels at either the Columbia-Kentucky or NCSC level.

Q. How did you calculate the labor adjustment?

A. The response to AG discovery request 1-45 indicated that the Company's eight vacant

[34] See response to AG discovery request 2-67.

positions represented a reduction in O&M costs of $618,000, including taxes and benefits. From this information, I calculated the average cost per employee and applied it to the existing vacancies identified in response to AG discovery request 2-67. This produced a reduction to Columbia-Kentucky O&M costs of $1,004,250.

The responses to AG discovery requests 1-141 and 1-142 provided the number of NCSC actual employees for the January – May 2021 time period and budgeted employees for the same months of the forecast period. The response indicates the actual employment level is approximately 13% less than the forecast employment. I calculated the overall percentage reduction in headcount, comparing actual to budgeted employment levels, and applied this percentage to the allocated NCSC labor costs[35] to calculate the reduction in NSCS allocated labor costs. I then subtracted the NCSC efficiency savings identified by the Company in Attachment ST-3. This net savings of $395,413 represents additional cost reductions not reflected in the Company's rate increase request. The sum of these two adjustments is $1,399,663 million as mentioned earlier.

V. RATE BASE ADJUSTMENTS

A. ACCUMULATED DEFERRED INCOME TAXES (ADIT) IS UNDERSTATED.

Q. What is ADIT, and how is it reflected within the revenue requirement calculation?

A. ADIT is a source of funding provided by ratepayers to compensate the utility for its Income Tax Expense, but which has yet to be paid. ADIT is recorded as a liability on the books of the utility and reflects its future obligation to pay income taxes on amounts it has already recorded as an expense, and recovered in rates.[36] Income tax expense recognized for accounting

[35] See Response to AG discovery request 1-135 (A).

purposes and income taxes paid differs due to differences in the definition of income deductions and, to a lesser extent, the value attributed to assets.

Due to the magnitude of tax deductions historically available to utilities, the ADIT balance represents a significant offset to Rate Base. The goal of determining Rate Base for rate-setting purposes is to determine the balance of assets devoted to utility service, funded by the utility (through debt or equity). The balance of ADIT represents a level of funding that is not provided by the utility.

Q. Are you proposing more than one adjustment to the balance of ADIT?

A. Yes. I am recommending two adjustments to the Company's ADIT balance, the first to correct an error in the Company's ADIT calculation, and the second to eliminate the Net Operating Loss (NOL) component of the Company's ADIT balance.

i. Correct ADIT Forecast

Q. Explain the adjustment necessary to correct the Company's error in computing its forecasted ADIT balance.

A. The Company's initial forecast for accelerated depreciation for both state and federal ADIT remained constant throughout the forecast period. This balance should change monthly as the difference between accelerated tax depreciation and book depreciation is calculated on plant in service balances. The Company indicated an error occurred in the presentation of their ADIT forecast in response to AG discovery request 1-101 of approximately $2.1 million. I have reflected this adjustment in Schedule DND-2.12.[37] The revenue requirement impact of this adjustment based upon the Company's requested rate of return is $196,938.

[37] See Exhibit DND-10, Response to AG 1-101.

ii. Eliminate NOL Asset from Rate Base

Q. Please explain the nature of an NOL.

A. An NOL is a tax asset recorded on the books for financial reporting purposes and is generally reflected as a reduction to the related ADIT liability for ratemaking purposes. When a Company's tax deductions exceed its taxable income, it cannot realize the cash benefits of its total deductions. In other words, when a Company has a negative taxable income (tax loss), this balance is applied to the tax rate and recorded on the books as an asset. The utility will use this balance of historic tax losses as an offset to future taxable income balances and thereby avoid payment of current income taxes. The NOL balance reflects cumulative results of operation over time.

Q. Do you take exception with the concept of recognizing NOL's as a Rate Base component?

A. No. My disagreement with the Company is in the method it uses to determine the Kentucky jurisdictional NOL balance. The Company's NOL methodology does not comply with the Commissions' policy of reflecting Income Tax components on a stand-alone basis for ratemaking purposes. and therefore, it should be removed from Rate Base.

Q. Provide an overview of the stand-alone approach to determine Income Tax components within the revenue requirement.

A. The stand-alone approach to incorporating income tax components in the revenue requirement refers to the recognition of the balances of Income Tax Expense (Current and Deferred), ADIT Liability and the NOL asset within the revenue requirement calculation based upon the exclusive results of the jurisdictional utility. The taxable income or tax losses occurring in other jurisdictions do not impact the jurisdictional results under the stand-alone approach to recognize income tax components in the ratemaking process.

Q. Has the Commission adopted the stand-alone approach for determining Income Tax Expense?

A. Yes. In rejecting an AG tax proposal, the Commission stated:

> *This recommendation, if adopted, would represent a significant departure from over 25 years of the Commission's established and balanced policy prohibiting affiliate cross-subsidization. Therefore, the "stand-alone" approach the Commission has historically used shall be used to allocate income tax liabilities for Kentucky ratemaking purposes.*[38]

Q. Provide an overview of your concerns with how the Company has computed its NOL balance in Rate Base.

A. Income Tax Expense, the related ADIT liability, and the NOL asset should be computed consistently. That is, each of these related revenue requirement components should be determined on a stand-alone Company basis. The Company has properly based its balances of Income Tax Expenses and its ADIT Liability (exclusive of the NOL asset offset) on specific operations of Columbia - Kentucky for rate making purposes. However, the NOL asset balance is not exclusively determined from the specific results of Columbia-Kentucky, but instead is influenced by the consolidated results of NiSource Inc. The Company's proposal has broken the link between the synchronized recognition of Income Tax Expense, its ADIT liability and NOL asset balance for rate making purposes. All three components should be reflected on a stand-alone basis. While the Company claims its NOL balance is calculated on a specific Columbia-Kentucky basis, I disagree with their conclusion.

Q. What evidence do you have that supports your position?

A. Exhibit DND-11 combines the responses to Staff discovery request 1-16, AG discovery request

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[38] Commission Order, Case No. 2014-00396, *In Re*: Application Of Kentucky Power Company For: (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; And (4) An Order Granting All Other Required Approvals And Relief April 30, 2015, at 23.

1-110, Staff discovery request 3-20, and Staff discovery response 3-21. The response to Staff discovery request 1-16 indicates that the Company reported taxable income of $5.8 million and $2.0 million for federal and state income tax reporting purposes for 2019, the most recent available tax return. The existence of taxable income should reduce the NOL asset since it would be used to eliminate the tax payments associated with positive taxable income values if the NOL value reflected the results of Columbia-Kentucky on a stand-alone basis. However, this is not what occurred. As reflected in Attachment A of the response to AG 1-110, the balance of the Company's NOL increased in 2019. This concept also occurs within the Company's 2022 forecasted NOL results. The Company's response to Staff discovery request 3-21 indicates that despite the projection of $14.7 million of taxable income, the Company's NOL asset is only reduced by $18,425.

Q. What impact on the NOL would you expect, given taxable income of $14.7 million?

A. I would expect to see a reduction in the NOL asset of approximately $3.1 million ($14.7 million multiplied by the 21% federal tax rate).

Q. What justification does the Company provide for its NOL balance?

A. First, the Company indicates such balances are included in the filing under the terms of a NiSource Tax Sharing Agreement.

Q. Is the Commission's discretion limited on this issue due to the existence of the Tax Sharing Agreement?

A. No. The Commission is not bound to accept the proposed NOL balance in Rate Base due to the Tax Sharing Agreement.

Q. Does the Company offer other support for its determination of the jurisdictional NOL balance?

A. Yes. The Company acknowledges in response to Staff discovery request 3-21 that its NOL balance is based upon a formula that includes the consolidated group's NOL for all of NiSource. The Company's specific language in pertinent part is:

> *The Company did forecast a change in the net operating loss carryforward during the forecasted period that represents utilization of the NOL based on the Federal taxable income multiplied by the Company's beginning balance <u>NOL divided by the consolidated group beginning balance NOL</u> under the tax sharing agreement. (emphasis added)*

It is clear from this response that the NOL balance included in this case is influenced by the operating results of other NiSource affiliates ("the consolidated group"), indicating that the NOL balance is not based upon a stand-alone company calculation.

While I disagree entirely with the Company's methodology, it is clear that under their approach, if other NiSource entities were to have taxable income, it would reduce the NOL balance assigned to the Company. The Company has not forecast the taxable income of other NiSource affiliates in 2022 necessary to arrive at an accurate forecast under the tax sharing methodology supported by the Company.

Q. What is your recommendation regarding the recognition of an NOL balance in Rate Base?

A. The Company has not supported its claimed NOL amount in Rate Base. I have therefore removed all NOL balances included in Rate Base as reflected in Schedule DND-2.13, resulting in a reduction in Rate Base of $5,892,096, which translates to a revenue requirement impact of $549,816 based upon the Company's requested rate of return. Supporting information for this adjustment is contained in Exhibit DND-11.

B. <u>REFLECT APPROPRIATE CASH WORKING CAPITAL BALANCE IN RATE BASE</u>

Q. What is the level of cash working capital incorporated within the Company's proposal?

A. The Company is proposing a zero value for cash working capital.

Q. Was the issue of cash working capital addressed in the Company's last rate case?

A. Yes. The Company agreed to perform a lead/lag study in its next rate case application as documented in item 9 of the Stipulation and Agreement.[39]

Q. Did the Company perform a lead-lag study as required in the stipulation?

A. Yes.

Q. What is the rationale used by the Company to support a value of zero for cash working capital rather than the results of the lead-lag study?

A. The Company provides the following reasoning for supporting a zero cash working capital value in response to AG discovery request 1-30:

> *The calculated negative Cash Working Capital requirement is driven by the company's effective cash management processes. Reducing Rate Base for Cash Working Capital creates a disincentive to effectively manage its cash and does not encourage efficiency and cost minimization.*

Q. Do you agree with the premise that the Company should receive extra compensation for efficient cash management?

A. No. The Company operates as a state-sanctioned provider of an essential, monopoly service. The Company has an obligation to operate in a safe and efficient manner. The implication that the Company should be permitted to retain all of the productivity gains from its efficient cash management practices ignores its obligation to operate efficiently.

Q. Please address the cash working capital adjustment you are supporting.

A. I am supporting a negative cash working capital value of $ $9,280,364, as calculated in

[39] Stipulation and Agreement, Case No. 2016-00162.

Schedule DND-2.14. The negative cash working capital value indicates that ratepayer funds are providing a source of capital to the Company and therefore are properly reflected as a reduction to Rate Base.

The starting point for the lead-lag analysis is the determination of O&M costs. I have assigned the adjustments I am supporting into the expense categories used by the Company, resulting in net O&M costs included in the AG revenue requirement proposal. I then applied the lead/lag days as the Company calculated in its study. I have eliminated Depreciation Expense from the calculation since it is a non-cash expenses item. This adjustment also reflects the elimination of the Company's $1.28 million balance sheet asset (increase in rate base), which I will discuss later.

Q. What is the reason for the elimination of Depreciation expense from the cash working capital calculation?

A. Cash Working capital is a measure of the level of investor or customer-supplied funds necessary to finance the utility's operations. Depreciation expense is an accounting accrual of legacy capital expenditures. Depreciation is not a cash expense, and thus its inclusion in a lead-lag study is not justified.

Q. Has the Company responded to your concerns with the inclusion of Depreciation expense in the cash working capital calculation?

A. Yes. In response to AG discovery request 1-90, the Company discusses the recovery of Depreciation expense in terms of regulatory lag. The lag referenced by the Company represents that the Company experiences lag between the reduction in rate base and the actual receipt of customer payment. I agree there is a lag in the recovery of Depreciation expense. However, the cash working capital mechanism is *not* designed to measure all regulatory lag associated with utility operations, including cash and non-cash items. Instead, cash working capital is designed to measure the extent to which investors (or customers) provide funds used in the provision of utility service. This subtle distinction requires removing depreciation expense from the cash working capital calculation.

Q. Is the Company's method of calculating the cash working capital requirement consistent with the method identified in the Stipulation and Agreement in Case No. 16-00162?

A. No. Provision 9 of the Stipulation and Agreement indicates that the study *should exclude any non-cash items.* Depreciation expense is a *non-cash* item, but as mentioned above, was included in the Company's calculation.

Q. Do you have other adjustments to the Company's cash working capital proposal?

A. Yes. The Company has included a $1.28 million asset, in its cash working capital calculation identified as "Balance Sheet Analysis," which has the effect of increasing Rate Base.[40] This balance is the sum of various assets and liabilities the Company believes impacts its cash working capital requirement. The various components comprising this balance are reflected in response to AG discovery request 1-89.

Q. Do you agree with the inclusion of each of the Company's components comprising the $1.28 million balance?

A. No. The response to AG discovery request 2-86 indicates the $1.28 million balance includes both the fair value of pension plan assets as well as the transactions related to non-qualified retirement plans. The SERP plan is a non-qualified retirement plan. The fair value of pension plan assets fluctuates based upon market returns of the underlying assets. Ratepayers should

[40] This balance is reflected in the Company's Schedule B-5.2.

not be required to provide a return on pension assets that are impacted by variations in the equity and bond markets. Secondly, the impacts of SERP plan assets should not be in Rate Base consistent with the Commission's precedent to disallow SERP costs as a recoverable expense. The two accounts incorporating these transactions drive the positive balance requested by the Company. Therefore, I have eliminated the $1.28 million requested balance from the lead-lag analysis.

Q. Have you calculated the Pro-forma adjusted Rate Base you are recommending in this proceeding?

A. Yes. The Pro-forma Rate Base I am recommending is $429,089,061 as reflected in Schedule DND 2.15. This compares to the Company's proposed Rate Base of $446,223,290, for a difference of approximately $17.1 million.

Q. What is the total revenue requirement resulting from the recommendations of the AG's office?

A. The total revenue requirement based upon the AG's recommendations is $162,080,338 as reflected in Schedule DND 2.16.

VI. COST OF CAPITAL QUANTIFICATION

Q. Have you quantified the revenue requirement impact resulting from the cost of capital proposed by AG witness Mr. Richard Baudino?

A. Yes. Mr. Baudino has recommended an overall rate of return of 6.70%, with a recommended return on equity of 9.1%. Mr. Baudino's recommended rate of return reduces the revenue requirement by $4,451,936. For a reference point, every ten-basis point change in the return on equity impacts the revenue requirement of approximately $298 thousand based upon the AG recommended Rate Base.

VII. CROSS BORE BUDGET REQUEST

Q. What is the Cross Bore project?

A. The Cross Bore project is discussed in the testimony of Mr. David Roy beginning on page 24. Cross Bores may occur when a gas line intersects another line such as a wastewater line. When this occurs, the wastewater line may become blocked which, in turn, may result in the homeowner inserting an auger into the clogged line and causing damage to the gas line. The Company intends to initiate a five-year program, based upon the results of its previous cross bore trial program, to assess 155 miles of plastic mains and services. The estimated cost of the five-year program is $6.5 million, or $1.3 million per year.[41]

Q. Have you considered the Company's proposal to increase its forecasted O&M costs to implement the cross-bore program at the cost of $1.3 million per year?

A. Yes. I oppose this request to add $1.3 million to the Company's proposed budget. The Company's witness Mr. Gore indicated the trial was not complete when the budget was prepared. The Company could have delayed finalizing its 2022 budget to incorporate the results of the cross-bore program. I believe there are opportunities to achieve efficiencies within the cost structure of NCSC or the Company to fund this program based upon information I have reviewed in this proceeding. I don't believe it's reasonable to make the simplistic assumption that no other aspects of the budget would have changed with the addition of the cross-bore program had it been considered at the time both the Company's and NCSC' budgets were being prepared.

VIII. REQUEST TO EXPAND THE SAFETY MODIFICATION AND REPLACEMENT PROGRAM (SMRP)

[41] Testimony of David Roy, page 28.

Q. Have you reviewed the Company's testimony supporting an expansion of the SMRP to include first-generation plastic pipe (Aldyl-A) as part of the SMRP mechanism?

A. Yes. The Attorney General's office supports those investments that enhance system safety. I am not rendering an opinion on the prioritization of replacing Aldyl-A pipe relative to other types of pipe. The Company is in the best position to develop a rank-order of priorities for pipes to be replaced.

Q. Do you have a recommendation regarding the Company's proposal to recover Aldyl-A related capital expenditures in the SMRP mechanism?

A. Yes. I support giving the Company the discretion to prioritize pipe replacement based upon the results of its risk assessment. I do not object to expanding the qualifying projects under SMRP to include the costs of Aldyl-A replacements made under the Company's risk assessment results.[42] Having said that, I do recommend that the Commission require the Company to establish the need for replacement by providing known leak rates, and any other objective criteria such as the results of in-line and other visual inspections of pipes the Company identifies for replacement.

Q. Do you have a recommendation concerning the SMRP program?

A. Yes. I recommend the Commission establish a subsequent docket to establish an appropriate annual cap on SMRP-qualifying expenditures to calculate an annual surcharge. This cap would not limit the Company's ability to make system improvements but rather establish a limit on the annual level of those capital expenditures recoverable through the SMRP mechanism.

Q. What is the justification for placing a limit on the recovery of capital expenditures?

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[42] The response to Staff discovery request 3-2 indicates that the grade 1 leak rate associated with first-generation plastic mains is substantially less than that of Bare Steel mains.

A. The purpose of the cap is to find the appropriate balance between ensuring the necessary system improvements are made and at the same time ensuring the affordability of customer rates. Establishing a cap would also provide for some level of regulatory accountability to manage the budget and accomplish necessary replacement goals in the most efficient manner possible.[43] The Commission should also continue to require annual true-up filings to review SMRP expenditures.

IX. TAX ACT ADJUSTMENT FACTOR (TAAF)

Q. Please provide background information on the Tax Act Adjustment Factor (TAAF) proposed by the Company.

A. The Company is seeking adoption of a tariff that would allow it to immediately collect (or refund) the incremental (or decremental) costs associated with any future change in the federal or state income tax rate. The tariff is sponsored by Company witness Ms. Judy Cooper, while Company witness Ms. Jennifer Harding illustrates how the calculation may work. As stated in Ms. Harding's testimony, the tariff would have no impact on customer bills until a state or federal tax rate change occurs.

Q. Do you believe it would be wise for the Commission to approve a tariff within this proceeding, permitting the immediate recognition of any future impacts of federal or state tax rate changes in base rates?

A. No, I do not. First, the magnitude of any future tax change is unknown. The Company is requesting an immediate pass-through of any state/federal income tax rate change to its customers without considering the magnitude such change may have on rates. Indeed, the impacts of any future tax change will eventually be passed to customers of Columbia-

[43] Confidential Response to AG discovery request 1-126 discusses the opportunity for cost efficiencies.

Kentucky. However, the Commission should retain discretion in the timing and manner such changes are assigned to customers. The Company's proposal may arguably limit Commission discretion[44] over the timing of when such a change would be implemented, determining an appropriate amortization period for any deficient deferred tax balances, and assigning such costs among customer classes.

Second, the Commission should not assume, as the Company does, that any change in the tax code would be limited to a change in the state and federal tax rate. The Commission may also be required to consider the implications of other changes in the tax code beyond a change in the nominal federal tax rate. It would be conjecture to suggest what other tax code changes may accompany a statutory tax rate change modification. It's also conjecture on the Company's part to assume there will be no change to the tax code beyond the rate itself. In summary, changes in the tax code may not be as straightforward as is assumed in the Company's request.

Q. Does this complete your testimony?

A. Yes, however, I reserve the right to update my testimony if new information becomes available.

[44] The Company's proposal is unclear as to what discretion the Commission would retain beyond a check for mathematical accuracy of the impact of any federal or state tax change.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	)	
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	CASE NO. 2021-00183
APPROVAL OF TARIFF REVISIONS;	)	
ISSUANCE OF A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY;	)	
AND OTHER RELIEF	)	

AFFIDAVIT OF DAVID DITTEMORE

State of Tennessee)
)
)

David Dittemore, being first duly sworn, states the following:
The prepared Pre-Filed Direct Testimony, Schedules and Exhibits attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, information and belief his statements made are true and correct. Further affiant saith naught.

David N. Dittemore
David Dittemore

SUBSCRIBED AND SWORN to before me this 7 day of September, 2021

Carin A. Koop
NOTARY PUBLIC

My Commission Expires: 3-21-2023

CARIN A. KOOP
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY

Exhibit DND-1

David Dittemore

Experience

Areas of Specialization
Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Self-Employed; **Consultant July 1 - Current**; Responsible for providing evaluation of utility ratemaking issues on behalf of clients. Prepare analysis and expert witness testimony.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – June 2021;** Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 - 2017; Manager Regulatory Affairs, 2007 - 2014**
Responsible for directing the regulatory activity of Kansas Gas Service (KOS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KOS, formulated strategic legislative options for KOS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis, I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007
Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003
Manager Regulatory Affairs; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

Manager, Wholesale Billing Resolution; Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than $SOK. During my tenure, completed disputes increased by over 100%, rising to $150M per year.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of $2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Chief of Accounting 1990 - 1995; Responsible for the direct supervision of9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) - Not a license to practice

Columbia Gas of Kentucky Inc.
Summary of Attorney General Recommendations
KPSC Case No. 2021-00183
Test Year Ended December 31, 2022
$ Millions

Schedule DND 2

Table 1

	DND Schedule	Before Gross-Up Amount	B/D and PSC Gross-up	Adjustment Amount
Columbia Requested Increase				
Columbia Request (Company Schedule A)				$ 26.695
Effects on AG Operating Income Recommendations on Revenue Requirement				
Remove incentive compensation costs tied to financial performance	2.1	(1.354)	1.006320	$ (1.362)
Remove AGA and SGA dues	2.2	(0.049)	1.006320	(0.049)
Remove SERP costs from the forecast period	2.3	(0.072)	1.006320	(0.073)
Remove 401k costs for employees covered under a defined benefit plan	2.4	(0.378)	1.006320	(0.380)
Correct Depreciation Expense	2.5	(0.278)	1.006320	(0.280)
Normalize O&M Costs	2.8	(4.058)	1.006320	(4.084)
Increase O&M costs for the estimated impact of the Picarro leak detection trial	2.10	0.300	1.006320	0.302
Reduction in the Revenue Requirement		(5.889)		(5.926)
Effects of AG Rate Base Recommendations on Revenue Requirement				
Correct ADIT in the Forecast Period (AG 1-101)				$ (0.196)
Eliminate Unsupported NOL Asset from Rate Base				(0.551)
Include the Results of the Cash Working Capital Study in Rate Base				(0.867)
Reflect Impact of Depreciation Correction				0.0129
Effects of AG Rate of Return Recommendations on Revenue Requirement				
Reflect AG Proposed Capital structure w/ Return on Equity of 9.10%				(4.452)
Total AG Recommendations				$ 14.715
Alternative Adjustment to Reduce Forecasted Labor Costs		1.400	1.006320	$ 1.409

Attorney General Recommendation
KPSC Case No. 2021-00183
To Adjust incentive compensation consistent with Commission precedence
Test Year Ended December 31, 2022

Schedule DND 2.1

Line No.		Item	Amount		Adjustment		Source
		Columbia - Kentucky Incentive Compensation					
1		Short Term Incentive Compensation as Adjusted by the Company	$	483,079			Company workpaper WPD2.4G
2		Portion Applicable to Earnings Criteria		70%			Response AG 1-55 (A)
3		Eliminated Short Term Incentive Compensation			$	338,155	
4		Long Term Incentive Compensation as Adjusted	$	251,070			Company workpaper WPD2.4G
5		Portion Applicable to Earnings Criteria		82%			Response to AG 1-55 (D)
6		Total Columbia-Kentucky long term Incentive Compensation tied to financial performance.			$	205,877	
7		Subtotal Columbia Kentucky Adjustment	$	544,033			
8	*	Social Security Tax		6.20%	$	33,730	
9	*	Medicare Tax		1.45%	$	7,888	
10		Total Columbia Kentucky Adjustment			$	585,651	
		NCSC Incentive Compensation					
11		Short Term Incentive Compensation	$	600,766			Response AG 1-153 (A); target of 1,143,875 less $543,109
12		Portion Applicable to Earnings Criteria		70%			Response AG 1-55 (A)
13		Eliminated Short Term Incentive Compensation			$	420,536	
14		Adjustment Subject to Social Security Tax		6.20%			
15		Social Security Tax on Short Term Incentive Compensation			$	26,073	
16		Long Term Incentive Compensation as Adjusted	$	378,829			Response AG 1-153 (A)
17		Portion Applicable to Earnings Criteria		82%			Response to AG 1-55 (D)
18		NCSC Long-Term Incentive tied to financial performance			$	310,640	
19		Subtotal NCSC Adjustment; Short Term and Long Term	$	731,176			
20		Medicare Tax		1.45%	$	10,602	
21		Total NCSC Adjustment Allocated to Columbia-Kentucky			$	767,851	
22		Total Adjustment			$	(1,353,502)	
23		Revenue Gross-up Factor		1.00632			
24		Revenue Requirement Impact	$	(1,362,056)			

Attorney General Recommendation
KPSC Case No. 2021-00183
To Remove Association Dues
Test Year Ended December 31, 2022

Schedule DND 2.2

Line No.	Item	Amount	Amount	Source
1	AGA Dues in the Forecast Period	$ 49,600		Response to AG 1-204
2	Less: Adjustment made by Columbia-Kentucky to exclude lobbying dues	(2,338)		Response to AG 1-204
3	AGA Dues in Forecast Period		$ 47,262	
4	SGA Dues in the Forecast Period		1,700	Response to AG 1-204
5	Disallowed Association Dues		$ (48,962)	
6	Revenue Gross-up Factor	1.00632		
7	Revenue Requirement Impact	$ (49,271)		

Attorney General Recommendation
KPSC Case No. 2021-00183
Adjustment to Remove SERP Costs
Test Year Ended December 31, 2022

Schedule DND 2.3

Line No.	Item	Amount	Source
1	NCSC SERP Costs allocated to the Company in the Forecast Period	$ (72,396)	Response to AG 1-167
2	Revenue Gross-up Factor	1.00632	
3	Revenue Requirement Impact	$ (72,854)	

Attorney General Recommendation
KPSC Case No. 2021-00183
To Remove 401k costs for Employees Covered Under a Defined Benefit Plan
Test Year Ended December 31, 2022

Schedule DND 2.4

Line No.	Item	Amount	Source
	Forecast Period		
1	Columbia-Kentucky Direct	$ 231,266	Response to AG 1-178
2	NCSC Allocated	$ 146,377	Response to AG 1-178
3	Total 401k costs eliminated for Employees covered under a defined benefit plan	$ (377,643)	
4	Revenue Gross-up Factor	1.00632	
5	Revenue Requirement Impact	$ (380,030)	

Attorney General Recommendation
KPSC Case No. 2021-00183
To Correct the Calculation of Depreciation Expense
Test Year Ended December 31, 2022

Schedule DND 2.5

Line No.	Item	Amount	Adjustment	Source
	Depreciation Expense			
1	Revised Depreciation	$ 19,210,422		Response to Staff Request 3-40
2	Original Filing	19,488,850		Response to Staff Request 3-40
3	Reduction in Depreciation Expense		(278,428)	
4	Revenue Gross-up Factor	1.00632		
5	Revenue Requirement Impact	$ (280,188)		
	Accumulated Depreciation			
6	Reduction in Accumulated Depreciation/Increase in Rate Base		$ 138,000	Response to Staff Request 3-40

Columbia Gas of Kentucky Inc.

KPSC Case No. 2021-00183
Test Year Ended December 31, 2022

Entire Page Confidential and Redacted

Schedule DND 2.6

Item	Amount	Amount	Source

Calculation of Compound Annual Growth Rate O&M/Customer
KPSC Case No. 2021-00183
Test Year Ended December 31, 2022

Schedule DND-2.7

CONFIDENTIAL

Table 3

Comparison of Forecast vs. Actual Gas O&M Costs

Line No.	Items	2019 1/	2020 1/	Forecast Period 2/
1	Total O&M	$ 95,840,258	87,203,540	140,478,214
	Less:			
2	Purchase Gas Costs	(46,586,121)	(37,265,862)	(49,843,851)
3	Depreciation			(19,609,323)
4	Other Taxes			(8,629,744)
5	State and Federal Income Taxes			(6,919,364)
6	Net O&M Expense - Controllable	49,254,137	49,937,678	55,475,932
7	Less: Disallowed Incentive Compensation in 2020 results	$ (1,346,876)	(1,066,869)	1,353,502
8	Normalized Annual O&M Results	47,907,261	48,870,809	56,829,434
9	Add Back purported efficiency savings already in the budget (Response to AG 2-48)			
10	Budget Prior to Recognition of Efficiency Gains	47,907,261	48,870,809	
11	**Nominal Amount of Increase forecast period vs 2020 Actual results, prior to recognition of Efficieny Gains**			
12	Compound Annual Growth Rate (2022 vs 2019/2020)	5.86%	7.84%	
13	Compound Annual Growth Rate (Forecast Period Budget prior reflecting Efficiency Gains)			
14	Overall Percentage Increase Forecast Period Normalized vs 2019/2020 normalized.			

1/ Information from FERC Form 2 and Company's annual Commission report; Gas O&M excludes Depreciation, Property and Income Taxes.

2/ Company Schedule C-1; starting point is total operating expenses. Other elements are subtracted to arrived at comparable O&M charges

Columbia Gas of Kentucky Inc.
Calculation of Historic O&M
KPSC Case No. 2021-00183
Test Year Ended December 31, 2022

Schedule DND 2.8

Line No.	Item		2016	2017	2018	2019	2020	Forecast Test Year 2022	
1	Total Gas O&M Costs	1/	$ 77,673,670	$ 99,023,870	$ 99,900,696	$ 95,840,258	$ 87,203,540	105,319,753	7/
2	Less: Production Expenses	2/	$ (38,614,153)	(52,042,993)	(55,785,434)	(46,586,121)	(37,265,862)	(49,843,851)	7/
3	Net Gas O&M Costs		$ 39,059,517	$ 46,980,877	$ 44,115,262	$ 49,254,137	$ 49,937,678	$ 55,475,902	7/
4	Customer Counts	3/	$ 110,756	113,047	115,205	117,037	119,625	119,403	
5	Per book Costs Per Customer		$ 353	$ 416	$ 383	$ 421	$ 417	$ 465	
6	Less: Incentive Compensation Disallowance	4/	$ (1,174,004)	$ (1,174,004)	$ (1,174,004)	$ (1,346,876)	$ (1,066,869)	$ 1,353,502	
7	Net Normalized O&M Costs (Lines 3 - 6)		$ 37,885,513	$ 45,806,873	$ 42,941,258	$ 47,907,261	$ 48,870,809	$ 56,829,405	
8	Customer Counts	3/	$ 110,756	113,047	115,205	117,037	119,625	119,403	
9	Total O&M Costs per Customer		$ 342	$ 405	$ 373	$ 409	$ 409	$ 476	
10	**Average Cost per Customer 2016 - 2018**		$ 373.33						
11	Inflation Factor per ST-4	5/	9.94%						
12	Inflation Adjusted Book Costs to Forecast Period		$ 410.44						
13	**Less: 2022 As AG Adjusted Forecast Period O&M Costs**	6/	$ (444.43)						
14	Adjustment Per Customer		$ (33.99)						
15	Number of Customers		119,403						
16	Adjustment to O&M		$ (4,058,340)						
17	Revenue Gross-up Factor		1.00632						
18	Revenue Requirement Impact		$ (4,083,989)						

1/ Annual Report PSC website, page 99
2/ Annual Report PSC website page 92
3/ Annual Report PSC website page 5

Columbia Gas of Kentucky Inc.
Calculation of O&M Costs per Customer
KPSC Case No. 2021-00183
Test Year Ended December 31, 2022
$ Millions

Schedule DND-2.9

			Less: Attorney General Adjustments							
Line No.	Item	Forecasted Non-Gas Costs per Company	To Reduce Incentive Compensation Costs; Sch DND 2.1	To Remove Association Dues; Sch DND 2.2	To Remove SERP Costs; Sch DND 2.3	To Reduce 401k Costs; Sch DND 2.4	To Corrrect Depreciation Expense; Sch DND 2.5	Subtotal AG Pro-forma O&M Costs	Picarro Trial; Sch DND 2.10	AG Pro-forma O&M Costs
1	Total Operating Expenses	$ 140,478,214 1/	$ (1,353,502)	$ (48,962)	$ (72,396)	$ (377,643)	$ (278,428)	$ 138,347,283	$ 300,000	$ 138,647,283
2	Less:									
3	Gas Supply Expenses	$ (49,843,851) 1/						$ (49,843,851)		$ (49,843,851)
4	Depreciation Expense	$ (19,609,323) 1/					$ (278,428)	$ (19,887,751)		$ (19,887,751)
5	Other Taxes	$ (8,629,744) 1/						$ (8,629,744)		$ (8,629,744)
6	State and Federal Income Taxes	$ (6,919,394) 1/						$ (6,919,394)		$ (6,919,394)
7	Net O&M	$ 55,475,902	$ (1,353,502)	$ (48,962)	$ (72,396)	$ (377,643)	$ -	$ 53,066,543		$ 53,366,543
8	Divided by: Total Customers	119,403 2/						119,403		
9	O&M Per Customer	$ 464.61						$ 444.43		

1/ Company Schedule C-1
5/ Company Schedule I-3

Attorney General Recommendation
KPSC Case No. 2021-0083
To Increase O&M Costs for Estimated Picarro Leak Detection Program
Test Year Ended December 31, 2022

Schedule DND-2.10

Line No.	Item	Amount	Amount	Source
	Forecast Period			
1	Equipment Rental (Other O&M Expense)	$ 75,000		Response to Staff 2-9
2	Labor			
3	Driver		$ 22,000	"
4	Analyst		13,000	"
5	Idication Investigation		40,000	"
6	Leak Repair		150,000	"
7	Subtotal	$ 75,000	$ 225,000	
8	Picarro Increase to O&M Costs	$ 300,000		
9	Revenue Gross-up Factor	1.00632		

Attorney General Recommendation
KPSC Case No. 2021-00183
Alternative Adjustment to Reflect Labor Cost Reduction to Forecast
Test Year Ended December 31, 2022

Schedule DND-2.11

Line No.	Elimination of Unfilled Vacancies			Amount
	Columbia-Kentucky			
1	Budgeted Positions in the Forecast (Response to Staff request 1-36)			209
2	Active Employees at time of Testimony (Cole Testimony p. 5)			201
3	Initial Vacancies			8
4	O&M Savings Associated with vacancies (inclusive of benefits and taxes); Response to AG 1-45			$ 618,000
5	Cost per Employee			77,250
6	Existing Vacancies (Response to AG request 2-67)			13
7	Reduction in Columbia-Kentucky O&M Costs			$ 1,004,250
	NCSC			
	Item	Budged Headcount In Forecast (AG 1-142 A)	Actual Headcount 2021 (AG 1-141 A)	% Difference
8	January	2,181	1,867	14.40%
9	February	2,181	1,878	13.89%
10	March	2,181	1,886	13.53%
11	April	2,181	1,890	13.34%
12	May	2,181	1,883	13.66%
13	Average Headcount Reduction			13.76%
14	NCSC Labor in Forecast; AG 1-135 A			$ 7,711,448
15	Reduction in Forecasted NCSC Labor Costs			$ 1,061,429
16	Less: Company supported Efficiency Adjustment AG 1-153 (A)			(666,016)
17	Total NCSC Adjustment			$ 395,413
	Summary of Labor Savings			
18	Columbia-Kentucky		$ 1,004,250	
19	NCSC		395,413	
20	Total Reduction in Labor		$ 1,399,663	

Attorney General Recommendation
KPSC Case No. 2021-00183
Adjustment to Correct ADIT Balance
Test Year Ended December 31, 2022

Schedule DND-2.12

Line No.	Item	Amount	Source
1	Corrected ADIT	$ (92,616,298)	AG 1-101 (A)
2	Original ADIT	$ (90,516,529)	Company Schedule B-6; page 2; also B-1 p.2
3	Increase in ADIT/Reduction to Rate Base	$ (2,099,769)	

Attorney General Recommendation
KPSC Case No. 2021-00183
Adjustment to Eliminate the NOL Asset from Rate Base
Test Year Ended December 31, 2022

Schedule DND-2.13

Line No.	Item	Amount	Source
1	Net Operating Loss - Federal Account 190	$ 4,682,745	Comparny Corrected B-6; Response to AG 1-101 (A), **Line 38**
2	Net Operating Loss Federal - Tax Cuts and Jobs Act Account 190	$ 1,209,351	Comparny Corrected B-6; Response to AG 1-101 (A), **Line 140**
3	Total Unsupported NOL Asset included in Rate Base	$ 5,892,096	
4	Rate Base Adjustment	$ (5,892,096)	

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2021 - 00183
CASH WORKING CAPITAL COMPONENTS
AS OF DECEMBER 31, 2022

Schedule DND-2.14

DATA: BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: X ORIGINAL UPDATED
WORKPAPER REFERENCE NO(S). ATTACHMENT KLJ-1

Source: Company Schedule B-5.2

LINE NO.	COST CATEGORGY	TOTAL COMPANY	JURISDICTIONAL PERCENT	JURISDICTIONAL AMOUNT	To Adjust Incentive Compensation	To Remove Association Dues	To Remove SERP Costs	To Correct Depreciation Expense	To Remove 401k Costs
		$		$					
1	**OPERATING EXPENSES:**								
2	PURCHASED GAS EXPENSE	49,957,869	100.00%	49,957,869					
3	GAS WITHDRAWN FROM STORAGE	(436,141)	100.00%	(436,141)					
4	PREPAID INSURANCE EXPENSE	2,321,393	100.00%	2,321,393					
5	EMPLOYEE PAYROLL	12,969,690	100.00%	12,969,690					
6	INCENTIVE COMPENSATION	483,079	100.00%	483,079	(338,155)				
7	EMPLOYEE BENEFITS EXPENSE	3,171,257	100.00%	3,171,257	(205,877)				(377,643)
8	PENSION & OPEB EXPENSE	339,691	100.00%	339,691					
9	UNCOLLECTIBLE EXPENSE	236,307	100.00%	236,307					
10	INJURIES AND DAMAGE EXPENSE	324,772	100.00%	324,772					
11	CORPORATE SERVICES	19,320,924	100.00%	19,320,924			(72,396)		
12	MISC. TRACKER ADJUSTMENT	1,602,637	100.00%	1,602,637					
13	OTHER O&M COSTS	15,028,276	100.00%	15,028,276	(731,176)	(48,962)			
14	DEPRECIATION AND AMORTIZATION	19,609,323	100.00%	19,609,323				(278,428)	
15	**TAXES OTHER THAN INCOME:**								
16	PAYROLL TAX EXPENSE	1,063,501	100.00%	1,063,501	(52,221)				
17	PROPERTY TAX EXPENSE	7,566,243	100.00%	7,566,243					
18	OTHER TAXES	-	100.00%	-					
19	**INCOME TAXES:**								
20	CURRENT: FEDERAL	(2,172,274)	100.00%	(2,172,274)					
21	CURRENT: STATE	(831,641)	100.00%	(831,641)					
22	DEFERRED: FEDERAL & STATE (INCLUDING ITC)	3,341,219	100.00%	3,341,219					
23	**OTHER EXPENSES:**								
24	OTHER EXPENSE/(INCOME)	568,449	100.00%	568,449					
25	INTEREST ON DEBT	9,192,200	100.00%	9,192,200					
26	INCOME AVAILABLE FOR COMMON EQUITY	4,844,986	100.00%	4,844,986					
27	SUBTOTAL	147,364,861	100.00%	147,364,861	(1,327,429)	(48,962)	(72,396)	(278,428)	(377,643)
28	GROSS RECEIPTS TAX	4,324,374	100.00%	4,324,374					
29	FRANCHISE TAX	3,686,923	100.00%	3,686,923					
30	SALES AND USE TAX	2,692,049	100.00%	2,692,049					
31	CASH WORKING CAPITAL (LEAD LAG)								
32	PLUS: BALANCE SHEET ANALYSIS								
33	CALCULATED CASH WORKING CAPITAL REQUIREMENT / (SOURCE)								
34	REQUESTED CASH WORKING CAPITAL								

LINE NO.	COST CATEGORGY	To Normalize O&M Costs	To Include Picarro Trial Costs	To Eliminate Dep. Exp from CWC	AG Adjustments To CWC	AG Proforma	DAILY AMOUNT	REVENUE LAG DAYS	EXPENSE LEAD DAYS	NET LAG DAYS	WORKING CAPITAL REQ.
							$				
1	**OPERATING EXPENSES:**										
2	PURCHASED GAS EXPENSE				-	49,957,869	136,871	22.33	39.24	(16.91)	(2,314,489)
3	GAS WITHDRAWN FROM STORAGE				-	(436,141)	(1,195)	22.33	0.00	22.33	(26,684)
4	PREPAID INSURANCE EXPENSE				-	2,321,393	6,360	22.33	0.00	22.33	142,019
5	EMPLOYEE PAYROLL		225,000		225,000	13,194,690	36,150	22.33	8.46	13.87	501,401
6	INCENTIVE COMPENSATION				(338,155)	144,923	397	22.33	247.79	(225.46)	(89,506)
7	EMPLOYEE BENEFITS EXPENSE				(583,520)	2,587,737	7,090	22.33	12.10	10.23	72,531
8	PENSION & OPEB EXPENSE				-	339,691	931	22.33	0.00	22.33	20,789
9	UNCOLLECTIBLE EXPENSE				-	236,307	647	22.33	22.33	0.00	-
10	INJURIES AND DAMAGE EXPENSE				-	324,772	890	22.33	0.00	22.33	19,874
11	CORPORATE SERVICES	(4,058,340)			(4,130,736)	15,190,188	41,617	22.33	34.20	(11.87)	(493,994)
12	MISC. TRACKER ADJUSTMENT				-	1,602,637	4,391	22.33	22.33	0.00	-
13	OTHER O&M COSTS		75,000		(705,138)	14,323,138	39,241	22.33	30.63	(8.30)	(325,700)
							-				
14	DEPRECIATION AND AMORTIZATION			(19,330,895)	(19,609,323)	-	-	22.33	0.00	22.33	-
15	**TAXES OTHER THAN INCOME:**										
16	PAYROLL TAX EXPENSE				(52,221)	1,011,281	2,771	22.33	8.62	13.71	37,990
17	PROPERTY TAX EXPENSE				-	7,566,243	20,729	22.33	248.16	(225.83)	(4,681,230)
18	OTHER TAXES						-	22.33	45.10	(22.77)	-
19	**INCOME TAXES:**										
20	CURRENT: FEDERAL					1,081,173	2,962	22.33	37.50	(15.17)	(44,934)
21	CURRENT: STATE					1,193,243	3,269	22.33	37.50	(15.17)	(49,591)
22	DEFERRED: FEDERAL & STATE (INCLUDING ITC)					3,341,219	9,154	22.33	0.00	22.33	204,409
23	**OTHER EXPENSES:**										
24	OTHER EXPENSE/(INCOME)				-	568,449	1,557	22.33	22.33	0.00	-
25	INTEREST ON DEBT				-	9,192,200	25,184	22.33	91.41	(69.08)	(1,739,711)
26	INCOME AVAILABLE FOR COMMON EQUITY				-	4,844,986	13,274	22.33	22.33	0.00	-
27	SUBTOTAL	(4,058,340)	300,000	(19,330,895)	(25,194,094)		-				(8,766,826)
28	GROSS RECEIPTS TAX				-	4,324,374	11,848	22.33	35.20	(12.87)	(152,484)
29	FRANCHISE TAX				-	3,686,923	10,101	22.33	45.10	(22.77)	(230,000)
30	SALES AND USE TAX				-	2,692,049	7,375	22.33	40.10	(17.77)	(131,054)
31	CASH WORKING CAPITAL (LEAD LAG)										(9,280,364)
32	PLUS: BALANCE SHEET ANALYSIS				-						-
33	CALCULATED CASH WORKING CAPITAL REQUIREMENT / (SOURCE)										(9,280,364)
34	REQUESTED CASH WORKING CAPITAL										0

Columbia Gas of Kentucky Inc.
Summary of Attorney General Recommended Rate Base
KPSC Case No. 2021-00183
Test Year Ended December 31, 2022
$ Millions

Schedule DND-2.15

Line No.			Amount
	Rate Base per Columbia	(Schedule A)	$ 446,223,290
	Adjustments:		
1	To Correct ADIT Balance in the Forecast Period		(2,099,769)
2	To Eliminate the NOL from Rate Base		(5,892,096)
3	To Reflcect the results of the CWC study in Rate Base		(9,280,364)
4	To Increase Rate Base due to Depreciation Expense Correction		138,000
			$ 429,089,061

Columbia Gas Kentucky Inc.
Reconciliation of Rate of Return
KPSC Case No. 2021-00183
Test Year Ended December 31, 2022

Schedule DND 2.16

LINE NO.	DESCRIPTION	FORECASTED RETURN AT CURRENT RATES PER COMPANY - C-1	AG ADJUSTMENTS	FORECASTED RETURN - AG AT CURRENT RATES	Taxable Income	Pro-Forma After Increase
1	OPERATING REVENUES	147,364,861		147,364,861	$ 14,715,477	$ 162,080,338
2	OPERATING EXPENSES					
3	GAS SUPPLY EXPENSES	49,843,851		49,843,851		49,843,851
4	OTHER OPERATING EXPENSES	55,475,902	$ (5,889,272)	49,586,631	$ 93,002	49,679,633
5	DEPRECIATION EXPENSE	19,609,323		19,609,323		19,609,323
6	TAXES OTHER THAN INCOME	8,629,744		8,629,744		8,629,744
7	OPERATING INCOME BEFORE INCOME TAXES	13,806,041	5,889,272	19,695,312	14,622,475	34,317,787
8	FEDERAL INCOME TAXES	201,842	1,313,983	1,515,826	2,906,567	4,422,392
9	STATE INCOME TAXES	135,462	329,319	464,781	728,463	1,193,244
10	TOTAL INCOME TAXES	337,304	1,643,302	1,980,606	3,635,029	5,615,636
11	OPERATING INCOME	13,468,737	4,245,969	17,714,706	10,987,446	28,702,152
12	RATE BASE	446,223,290		$ 429,089,061		$ 429,089,061
13	RATE OF RETURN	3.02%		4.13%		6.69%

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Refer to the Cartella Testimony, page 13.

a. Identify the portion of the Corporate Incentive Plan ("CIP") that is tied to financial performance measures, and provide evidentiary proof of the same.

b. Provide the total monetary amount of CIP that is included in the proposed rates.

c. Identify the portion of the CIP, if any, which is tied to measures that directly benefit Columbia Kentucky's ratepayers instead of the shareholders, and provide detailed examples of the benefits.

d. Identify the portion of the Long-Term Incentive Plan ("LTI") that is tied to financial performance measures, and provide evidentiary proof of the same.

e. Identify the portion of the LTI, if any, which is tied to measures that benefit Columbia Kentucky's ratepayers instead of the shareholders, and provide detailed examples of the benefits.

f. Provide the total monetary amount of LTI that is included in the proposed rates.

Response:

a. For 2020, the portion of the CIP related to financial performance measures is 85% for all employees (except officers) and is 75% for officers. For 2021, the portion is 70% for all employees. Please refer to page 2 of Attachments A through D of Columbia's Response to the Attorney General's First Set of Requests for Information, No. 163, for details supporting these percentages.

b. Please refer to Columbia's Response to Staff's First Set of Requests for Information, No. 54, Tab WPD2.4g for the amount of CIP included in rates for Columbia. Refer to Columbia's Response to the Attorney General's First Set of Requests for Information, No. 153, for the support on the NCSC CIP pro-forma amount allocated to Columbia of $600,766 included in forecasted test period.

c. The entire CIP is tied to measures that directly benefit Columbia Kentucky's ratepayers. CIP measures focus on meeting needs of customers, such as service quality, service reliability, safety, and cost containment. See Witness Cartella's testimony pages 18-19.

d. The percent of the total test period Long-term Incentive ("LTI") costs related to achieving financial performance measures is 65% for 2018, 2019, and 2020. It is 82% (weighted average across all participants) for 2021. For evidentiary proof of years

2018, 2019, 2020 and 2021 please refer to CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-55, Attachment A.

e. LTI is tied to measures that directly benefit Columbia Kentucky's ratepayers. LTI measures focus on achievement of customer, safety, environmental, diversity, and financial goals. See Witness Cartella's testimony pages 21-22.

f. Refer to Columbia's Response to Staff's First Request, Item 54, Tab WPD2.4g for the amount of LTI included in rates for Columbia. Refer to Columbia's Response to the Attorney General's First Set of Requests for Information, No. 153 for the support on the NCSC LTI (stock compensation) pro-forma amount allocated to Columbia of $378,829 included in forecasted test period.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2021 - 00183
Incentive Plan Adjustment
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

Data:__ Base Period_X_Forecasted Period — **Workpaper WPD-2.4G**
Type of Filing: X Original _ Update _ Revised — **WITNESS: LAI**

Line No.	Description	Reference		Adjustment
1	Short Term Corporate Incentive Plan:			
2	Corporate Incentive Plan (at Trigger)		$	483,079
3	Less: Test Year Corporate Incentive Plan (at Target)		$	966,157
4	Corporate Incentive Plan Adjustment	Line 2 - Line 3	$	(483,079)
5	Long Term Incentive Plan:			
6	Long Term Incentive Plan (Three-Year Average 2018 - 2020)		$	251,070
7	Less: Test Year Long Term Incentive Plan		$	337,495
8	Long Term Incentive Plan Adjustment	Line 9 - Line 10	$	(86,425)
9	Total Incentive Plan Adjustment	Line 4 + Line 11	$	(569,503)
10	Payroll Tax:			
11	Social Security Tax	6.20%	$	(35,309)
12	Medicare Tax	1.45%	$	(8,258)
13	Total Payroll Tax Adjustment	Line 14 + Line 15	$	(43,567)

Attachment ST-3, Adjustment Description	Forecasted Adjustment	Additional Information
Adjustments:		
CIP adjustment	(543,109)	Budget for Annual Incentive Compensation planned at Target of $1,143,875 adjusted to Trigger level (1/2 of Target)*
Stock Comp, 3 yr avg historical	(266,575)	Prior 3 historical year average - $378,829 (2018 $375,600; 2019 $380,843; 2020 380,044) compared to 2022 Budget amount of $645,404
Enterprise Business Services Savings Adjustment	(252,874)	See AG 1-153, Attachment A, Sheet 2 (attached hereto)
Connected Customer Experience Savings Adjustment	(441,033)	See AG 1-153, Attachment A, Sheet 2 (attached hereto)
Cost to Achieve Adjustment	27,891	See AG 1-153, Attachment A, Sheet 2 (attached hereto)
Efficiency Savings Adjustment	(666,016)	
Rate Making Adjustment for lobbying, charitable etc.	(116,948)	See AG 1-153, Attachment B
	(1,592,648)	

*Adjusted for indirect savings for efficiency initiatives of $28,829 (see Sheet 2 for support)

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set One No. 204
Respondent: Jeff Gore

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Provide the amount of costs allocated to Columbia Kentucky from NCSC associated with i) AGA dues and ii) SGA dues in 2020 as well as such amount embedded in the base period and forecast period.

Response:

Allocated costs for Columbia Kentucky from NCSC that are associated with AGA and SGA dues for 2020 and 2021 are reflected below:

	2020	YTD June 2021	Base Period	Forecasted Period
AGA	$47,587.92	$21,888.86	$45,047.79	$49,600.00
SGA	$ 1,586.88	$ 902.39	$ 1,732.15	$ 1,700.00

Dues for the forecast period were based upon the historical dues from 2020 plus a 4.22% inflation factor. The lower AGA dues for 2021 are attributed to a change in the allocation factor for Columbia Kentucky and not a reduction in total 2021 AGA dues. Please note that Columbia Kentucky made a rate making adjustment to exclude AGA associated lobbying expenses of $2,338 (historical 2020 expense $2,243 + 4.22% inflation factor) for the forecasted period. None of SGA's membership dues are attributed to lobbying expense and therefore no allocation was removed.

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set One No. 167
Respondent: Jeff Gore, Kimberly Cartella, John Spaons and Chun-Yi Lai; As to the Objection: Legal

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Provide the amount of Supplemental Executive Retirement Plan ("SERP") costs i) direct charged and ii) allocated/assigned from NCSC for the period 2015 – 2021 as well as that embedded within the forecast period.

Response:

Objection. Columbia's rate case is based upon a forecasted test period ending December 31, 2022 and, under applicable law, historical data that required to be filed is generally limited to the base period. Nevertheless, Columbia is providing historical information that predates the base period, up to and including the time following the expiration of the forecasted test year in the Company's 2016 rate case. To the extent that the question calls for additional information, the question is overly broad and seeks information that is very unlikely to be relevant to the issues of this case and Columbia therefore respectfully objects. Notwithstanding these objections, Columbia responds as follows:

Please see below for the SERP amount for CKY direct and allocated to CKY from NCSC.

	2018 Actual	2019 Actual	2020 Actual	YTD June 2021 Actual	2022 Forecasted Test Period
CKY Direct	$4,319	$5,019	$3,899	$5	$0

NiSource Corporate Services (allocated to CKY)	$58,069	$58,447	$57,402	$33,478	$72,396*

*Budget information does not provide the split between service and non-service costs. The total SERP amount allocated to CKY was split between service and non-service costs based on 2021 accounting data to determine the service cost that gets capitalization treatment.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Provide the amount of 401k costs expensed within the i) base Period and ii) forecast period related to employees who are covered under a defined benefit plan.

Response:

The 401k costs expensed related to employees who are covered under a defined benefit plan are $379,168 for the base period and $377,643 in the forecast period. The following compares these amounts to the company total 401k expenses for the periods:

Base Period	Total 401K	Defined Benefit Plan
CKY Direct	551,525	218,955
NCSC Allocated	398,539	160,213
	950,064	379,168

Forecast Period	Total 401K	Defined Benefit Plan
CKY Direct	582,534	231,266
NCSC Allocated	364,123	146,377
	946,657	377,643

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 10, 2021

40. Using the depreciation lives and net salvage values in the Depreciation Study presented by Jon J. Spanos, Columbia Kentucky calculated a forecasted depreciation expense is $19,609,323. Provide an Excel spreadsheet with all formulas, columns, and rows unprotected and fully accessible showing the forecasted depreciation expense if the net salvage values are eliminated.

Response:

As the analysis on this request was developed, it was discovered that some of the depreciation rates used in WPB2.2 in the forecast year did not align with the depreciation rates as developed in the depreciation study. Refer to KY PSC Case No. 2021-00183, Staff 3-40, Attachment A for a revised WPB2.2. The net impact of this change is a reduction of the forecasted test year depreciation expense as follows:

Depreciation Expense	Depreciation	Reserve Amortization Adjustment	Total Depreciation
Revised	19,210,422.00	120,473.00	19,330,895.00
Original Filing	19,488,850.00	120,473.00	19,609,323.00
Difference	(278,428.00)	-	(278,428.00)

The reduced depreciation also impact the Accumulated Depreciation balances used in rate base and results in an increase in rate base of approximately $138,000.

Depreciation rates and expense should include the recovery of the full service value of all assets which includes the net salvage component. Additionally, past depreciation rates and expense have included the incurred and accrued net salvage amounts. This is a critical factor in the development of the accumulated depreciation (book reserve) which is a primary component of a remaining life rate. Therefore, with an understanding that developing depreciation expense on a go forward basis without a net salvage percentage is not a reasonable calculation particularly when past depreciation rates have been based on a net salvage component and forecasted data requires appropriate rate development, the calculation prepared is only established to respond to this request for information. These depreciation rates and the total depreciation expense do not include the appropriate monthly bringforward of the accumulated depreciation that would be developed with the elimination of the net salvage component. Refer to KY PSC Case No. 2021-00183, Staff 3-40, Attachment B for another version of WPB2.2 with depreciation rates developed as described without the net salvage percentages. A comparison of the 19,330.895 (revised above) depreciation to the $13,502,649 depreciation provided in KY PSC Case No. 2021-00183, Staff 3-40, Attachment B is not reasonable.

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set One No. 126
Respondent: Suzanne Surface; As to the objection: Legal

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Provide a copy of any studies a) conducted by NiSource or any NiSource affiliate or b) in possession of NiSource or any affiliate comparing the relative Administrative and General cost burden comparing the service company costs of NiSource with its peer holding companies (electric or gas).

Response:

Objection. Columbia objects as there are no reasonable limiting time frames contained in the data request. Further, Columbia objects as Columbia's rate case is based upon a forecasted test period ending December 31, 2022 and, under applicable law, historical data that is required to be filed is generally limited to the base period. Nevertheless, Columbia is providing historical information that predates the base period, up to and including the time following the expiration of the forecasted test year in the Company's 2016 rate case. Columbia further objects as responsive information related to NiSource affiliates (e.g, any operating company, gas or electric, other than Columbia) is overly broad and seeks information that is irrelevant to the issues of this case.

Notwithstanding these objections, Columbia responds as follows:

In 2020, NiSource launched an initiative called NiSource Next, a multi-year enterprise-wide program designed to deliver long-term, sustainable capability enhancements and cost efficiency improvements. The program is structured to leverage our current scale, utilize technology, define clear accountability with our leaders and employees, and standardize processes to create an organization focused on operational rigor and continuous improvement. The overarching objectives of this program include an unwavering commitment to safety leadership, identifying savings opportunities, efficient and empowered leadership structure, enhanced digital customer service capabilities, and standardizing operations management supported by technology enhancements. Cost efficiencies achieved are expected to reduce future inflationary pressure related to O&M costs.

Please refer to the attached documents containing studies conducted by or on behalf of NiSource comparing the Administrative and General service company costs of NiSource with its peer holding companies relevant to this proceeding and responsive to this request. These documents were prepared to support NiSource Next and irrelevant information has been omitted.

- CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-126, Attachment A
- CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-126, Attachment B

- CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-126, Attachment C
- CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-126, Attachment D
- CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-126, Attachment E

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set One No. 128
Respondent: Jeff Gore, Suzanne Surface; As to the Objection: Legal

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Refer to Volume 7, May 5, 2021 Form 8K covering the first quarter 2021 financial results, page 6, which includes a comparison of the first quarter 2021 Net Income with that of the first quarter 2020 Net Income. Footnotes 1 – 3 all relate to 2021 charges taken as a result of the Greater Lawrence Incident ($5.8 million), the NiSource Next initiative ($9.7 million) and the Columbia Massachusetts sale ($6.9 million, $280.2 million in 2020), respectively. With respect to these three footnotes provide the following:

a. Provide a comprehensive explanation indicating how the costs of each of these 2020 items were assigned to NiSource affiliates. Reference the applicable source within the Service Agreement that supports the basis for the cost assignment.

b. For each of these categories, provide the amounts charged to each NCSC affiliate for i) 2020 and ii) 2021 through May, providing the underlying basis for such cost assignments.

c. For each of the footnote items indicate the amount charged to Columbia Kentucky operations in a) 2019, b) 2020 and c) 2021 through May.

d. Provide a comprehensive explanation of the NiSource next initiative. Provide copies of any internal memos, studies or reports provided to executive management concerning this initiative.

Response:

a., b., and c.

Objection: Columbia objects to parts a. and b. of this request as responsive information related to NiSource affiliates (e.g, any operating company, gas or electric, other than Columbia) is irrelevant to the issues of this case. Notwithstanding these objections, Columbia responds as follows:

The costs related to the Greater Lawrence Incident and the Columbia Gas of Massachusetts sale were not charged to Columbia Gas of Kentucky. The amounts and affiliates that were charged are not relevant to this proceeding.

The following details the total NiSource and Columbia Gas of Kentucky cost for NiSource Next:

NiSource Next Costs
($)

Line No.		2019	2020	YTD May 2021
1	CKY direct	-	163,927	211,482
2	Recorded on NCSC books - billed to CKY			
3	NCSC - Direct Billed to CKY	-	834,887	98,717
4	NCSC - Overhead - follows labor billings			2,507
5	NCSC - Allocated to CKY - Basis 1			9,187
6	NCSC - Allocated to CKY - Basis 2			38
7	NCSC - Allocated to CKY - Basis 4			1,307
8	NCSC - Allocated to CKY - Basis 10	-	9,195	(10,147)
9	NCSC - Allocated to CKY - Basiis 11	-	34,401	50,095
10	NCSC - Allocated to CKY - Basis 20	-	469,140	253,306
11	Total billed to CKY	-	1,347,623	405,010
12	Total CKY	-	1,511,550	616,492
13	Total NiSource	-	45,861,995	12,405,981

The allocation basis used by NiSource Corporate Services were included in 807 KAR 5:001 Section 16-(7)(u) and discussed in Columbia Witness Taylor testimony. The amounts charged to other affiliates (Line 14) is not detailed as this information is not relevant to this proceeding.

d.

General Objection. Columbia objects to providing copies of *any* internal memos, studies or reports provided to executive management concerning this initiative, as this request is overly broad and responding to this request would be unduly burdensome.

Notwithstanding these objections, Columbia is providing the following materials that were presented to the Executive Leadership Team and Senior Leadership Team regarding NiSource Next:

i. Materials communicating about the NiNext program: CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-128, Attachment A and CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-128, Attachment B

ii. Materials provided to the Senior Leadership Team working sessions, by date: CONFIDENTIAL KY PSC Case No. 2021-00183, AG 1-128, Attachments C through J

The materials contain recommendations for savings and/or performance improvements at various levels of confidence. The initiatives continue to evolve as additional facts become known.

Description of NiSource Next

In 2020, NiSource launched an initiative called NiSource Next, a multi-year enterprise-wide program designed to deliver long-term, sustainable capability enhancements and cost efficiency improvements. The program is structured to leverage our current scale, utilize technology, define clear accountability with our leaders and employees, and standardize processes to create an organization focused on operational rigor and continuous improvement. The overarching objectives of this program include an unwavering commitment to safety leadership, identifying savings opportunities, efficient and empowered leadership structure, enhanced digital customer service capabilities, and standardizing operations management supported by technology enhancements. Cost efficiencies achieved are expected to reduce future inflationary pressure related to O&M costs.

NiSource Next is centered on the following five programs:

- A streamlined organizational structure and clearly defined roles and responsibilities
- Evolution of business services which will provide support to our employees when needed and provide opportunities to consolidate and digitize processes across supply chain, human resources, finance and customer and billing organizations
- Operational work standardization which builds from the operational rigor, risk identification and safety enhancement work underway with our Safety Management System and is intended to ensure we execute work processes the best and safest way
- Enabling field mobility which will provide tools and resources to our employees when and where they are needed – we will deploy enhanced work planning and scheduling tools and provide field employees with the technology and resources

they need to allow for a paperless environment, provide all information needed at the job site to support safe execution of work while improving the consistency and quality of records and operational data

- Connected customer experience which will enable us to be responsive to and empower customers by implementing digital and mobile capabilities to drive self-service, decrease call handling times through automation, and empower teams with tools to achieve high productivity in a remote work environment; we will also modernize billing practices and encourage customers to transition to paperless billing while applying analytics to more quickly address customer service needs across multiple channels.

[redacted]

[redacted]

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[redacted]

[redacted]

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

45. Refer to the Direct Testimony of Chun-Yi Lai, page 10.

a. Chun-Yi Lai states that Columbia Kentucky is projecting 209 full-time employees for 2022. As aforementioned, Ms. Cole stated in her testimony that Columbia Kentucky currently employs 201 active full-time employees.

i. Explain in detail why Columbia Kentucky is projecting eight additional full-time employees for the future test period in 2022.

ii. Explain whether the eight jobs are newly created positions or vacancies.

iii. Identify and provide a brief overview of all eight additional full-time jobs, and why each job is necessary to provide natural gas to the ratepayers.

iv. Provide a specific date as to when each new employee will be hired to fill the additional eight full-time jobs.

v. Provide justification for Columbia Kentucky adding eight additional full-time employees for the forecasted period ending December 31, 2022, when based upon Ms. Bartos' testimony, page 16, Columbia Kentucky is forecasting lower sales and lower transport volumes of gas per CCF in 2022 than in 2021.

vi. Provide the total monetary amount that Columbia Kentucky is including in the pending rate case for each of the eight new full-time job positions including but not limited to salary, benefits, taxes, etc.

b. Provide justification for the overall wage increase of 3% for exempt and non-exempt employees.

Response:

a.

i. Columbia is projecting eight additional full-time employees which are existing vacancies that Columbia plans to fill.

ii. The eight additional full-time employees are existing vacancies.

iii. Seven of the eight vacancies will reside in gas operations to perform work related, but not limited to, emergency response, leak repairs, meter change program, and oversight over construction contractor crews for safety and quality control. The remaining vacancy is an On-the-Job trainer that will focus on coaching, mentoring and developing field employees and providing support and feedback to employees and leadership. This role will develop employees through hands-on training and knowledge transfer to ensure they are successful in their roles, and that they are properly trained and are able to execute work efficiently, safely and in compliance with all federal, state, local and company requirements.

iv. The seven vacancies in gas operations are expected to be filled by September 13, 2021, and the On-the-job vacancy is expected to be filled by August 1, 2021.

v. There is no connection between these eight additional full-time employees and the lower usage forecasted by Witness Bartos.

vi. The estimated O&M impact is $618,000.

b. Please refer to pages 29 through 30 of the Direct Testimony of Kimberly Cartella in Tab 30 of the Application.

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set Two No. 67
Respondent: Kimberly Cartella

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION
DATED AUGUST 11, 2021

67. Refer to Columbia Kentucky's response to the Attorney General's First Request, Item 196.

Provide the number of vacancies in any fashion in which such vacancies are maintained for 2018 – the most recent information available for i) Columbia Kentucky and ii) NCSC.

Explain how such vacancies are tracked and what they represent.

Response:

Neither Columbia, nor NCSC track historical vacancies. Vacancies can be assessed at a particular moment in time, but any specifically provided snapshot is subject to change and such changes are not tracked. Columbia's Response to the Attorney General's First Set of Requests for Information, No. 45 outlines details supporting vacancies budgeted for the forecast period for Columbia. In that response, Columbia indicated plans to fill eight positions which were existing vacancies, with seven of those positions residing in gas operations. The number of vacancies in gas operations has increased from seven to thirteen positions which are planned to be filled by September 12, 2021. NiSource Corporate Services Company has 313 vacancies as of July 31, 2021.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Provide the actual monthly headcount of NCSC for the period January 2018 through May 2021.

Response:

Please see KY PSC Case No. 2021-00183, AG Set 1 No. 141, Attachment A.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Provide the budgeted headcount of NCSC for the period January 2018 through December 2022 as is incorporated within the NCSC forecast embedded within the current request.

Response:

Please see KY PSC Case No. 2021-00183, AG 1-142, Attachment A

NCSC Actual Employee Levels
2018-2021

Month	2018	2019	2020	2021
JANUARY	2,190	2,115	2,055	1,867
FEBRUARY	2,199	2,107	2,049	1,878
MARCH	2,204	2,075	2,056	1,886
APRIL	2,177	2,079	2,043	1,890
MAY	2,188	2,067	2,032	1,883
JUNE	2,173	2,047	2,061	
JULY	2,155	2,047	2,034	
AUGUST	2,134	2,003	2,031	
SEPTEMBER	2,132	2,031	2,009	
OCTOBER	2,124	2,041	1,873	
NOVEMBER	2,117	2,036	1,864	
DECEMBER	2,120	2,042	1,850	

KY PSC Case No. 2021-00183
AG 1-142
Attachment A
Page 1 of 1

NCSC Planned Employee Levels
2018 - 2021

	Total Departments Jan Headcount	Total Departments Feb Headcount	Total Departments Mar Headcount	Total Departments Apr Headcount	Total Departments May Headcount	Total Departments Jun Headcount	Total Departments Jul Headcount	Total Departments Aug Headcount	Total Departments Sep Headcount	Total Departments Oct Headcount	Total Departments Nov Headcount	Total Departments Dec Headcount
FY2018	2,353	2,363	2,395	2,360	2,372	2,373	2,373	2,372	2,366	2,364	2,364	2,364
FY2019	2,213	2,212	2,214	2,215	2,220	2,222	2,195	2,194	2,188	2,183	2,183	2,183
FY2020	2,287	2,287	2,289	2,287	2,288	2,290	2,288	2,286	2,287	2,288	2,289	2,290
FY2021	2,223	2,223	2,223	2,223	2,223	2,225	2,225	2,225	2,223	2,223	2,223	2,223
FY2022	2,181	2,181	2,181	2,181	2,181	2,183	2,183	2,183	2,181	2,181	2,181	2,153

Please note dollar adjustments are made during the planning process for planned vacancy adjustments. Headcount comes from Human Resources source system, and therefore, is left in tact without adjustments for control purposes.

KY PSC Case No. 2021-00183
AG1-135
Attachment A
Page 1 of 1

Twelve Months Ended	**08/31/21**	**12/31/22**
	Base Period	**Forecasted Test Period**
Labor	7,110,577	7,711,448
Employee Related Expenses	120,555	186,033
External Services Direct	4,700,195	3,715,035
Materials & Supplies Total	937,692	1,570,302
Rents & Leases Direct	811,602	861,421
Other O&M Expenses Direct	957,416	1,078,321
Fleet & Clearing	35,360	36,907
Direct Expenses	**14,673,397**	**15,159,467**
Corporate Incentive Program	1,198,540	1,143,875
Stock Compensation	533,277	625,404
Employee Benefits	2,518,385	1,630,628
External Services Indirect	56,171	59,368
Other O&M Expenses Indirect	(47,707)	(131,841)
Indirect Expenses	**4,258,667**	**3,327,435**
O&M	**18,932,064**	**18,486,903**
Depreciation	1,245,012	1,599,886
Interest Expenses, Net	65,249	165,878
Total Other Taxes	606,435	628,017
Other Misc	(14,504)	32,889
Corporate Services Bill	**20,834,256**	**20,913,572**
Management Fee Transfers	(26,070)	-
Total	**20,808,186**	**20,913,572**

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Refer to Schedule E.1 of the confidential response to Staff's First Request, Item 54 and Tab Schedule B-6 ADIT and EDIT (Forecast). Provide a comprehensive explanation as to how the Provision for Deferred Taxes found within cell L58 of Schedule E-1.1 is reflected within the calculated balances of ADIT found within Schedule B-6, or otherwise reflected in Rate Base.

Response:

The 'Provision for Deferred Taxes' presented on the Company's Schedule E-1.1, Sheet 1, Column 10, Line 43 represents the total Federal and State deferred income tax, which represents the tax effect of the 12-month activity and certain flow-through amounts related to Excess ADIT amortization, Federal ITC and property. The Company's Schedule B-6 (Forecast) is expected to reflect the 12-month activity and Excess ADIT amortization. The Company elected to amortize ITC "above-the-line" as a reduction in regulatory income tax expense rather than including in rate base as a part of ADIT rate base reduction, with no amortization through operating expenses. Schedule B-6 (Forecasted) also includes a reduction in the Federal NOL based on the tax sharing agreement resulting in a reduction in ADIT of $18,425, which represents the forecasted taxable income multiplied by the product of Columbia Kentucky's beginning Federal NOL over the total consolidated beginning Federal NOL and tax effected at 21%.

The Company had an inadvertent formula error on Schedule B-6 (Forecast) that included the wrong excel cell for 'EXCESS ACCELERATED DEPRECIATION – FED' and 'EXCESS ACCELERATED DEPRECIATION – STATE' in its computation of rate base ADIT presented on Schedule B-6 (Forecast), Lines 91 and 92 for the forecasted period which resulted in zero amounts included for the 12-month forecasted current year activity for Excess Tax Depreciation (addback of book depreciation and deduction for MACRS tax depreciation), 'Repairs Deduction', '263A Mixed Service Costs Deduction' and State Bonus Disallowance' adjustments presented on Schedule E-1.1, Page 2, Lines 33, 35, 36 and 59, respectively. The Company has attached an updated Schedule B-6 in KY PSC Case No. 2021-00183, AG 1-101, Attachment A ("Attachment A") with the corrected balance of ADIT for 'EXCESS ACCELERATED DEPRECIATION – FED' and 'EXCESS ACCELERATED DEPRECIATION – STATE' to include the activity from December 31, 2021 to December 31, 2022. Please reference Attachment A, Page 2, Column 20 for the 12-Month ADIT Activity.

The correction results in an increase in rate base ADIT of $2,099,769 for the forecasted test year as detailed on Line 9, Column 19 as follows:

- As filed Schedule B-6 - $(90,516,529)

- Attachment A $(92,616,298)

The Company also updated Schedule B-6 (Forecast) for presentation purposes for the Excess ADIT presented on Lines 137 through 148 to reflect the balances after gross up, as well as, the gross-up for deferred income tax recorded in Account 190 presented to Lines 86 and 87, and updated the reference classification to RB to include in rate base. The previous presentation excluded the gross-up for deferred income taxes from rate base ADIT and Excess ADIT balances were presented before gross-up. This change increased the Account 190 Deferred Income Taxes (Line 4) with an offset to Account 254 (Excess ADIT). The net change has a zero impact on the Total Rate Base ADIT (Line 9).

KY PSC Case No. 2021-00183
Response to Staff's Data Request Set One No. 16
Respondent: Jennifer Harding

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED MAY 5, 2021

16. Provide a copy of federal and state income tax returns for the most recent tax year, including supporting schedules.

Response:

A copy of the 2019 Federal Pro Forma US Corporation Income Tax Return and 2019 Kentucky Unitary Combined Corporation Income Tax (See page 1 of 46, line 30 for the Company's 2019 Federal Taxable Income of $5,835,716) and LLET Return (See page 40 of 120, column 1, line 34 for the Company's Separate Company 2019 State Taxable Income of $2,033,797) is included as KY PSC Case No. 2021-00180, Staff 1-16, Attachment A and Attachment B, respectively.

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set One No. 110
Respondent: Jennifer Harding

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

110. Provide the underlying documentation and sources for the inclusion of the NOL asset within the ADIT calculation as reflected on both B-6 Schedules (both NOL amounts referenced as hard-coded cells entries). This response should also provide a comprehensive explanation identifying the tax losses by entity comprising the NOL balance included in Rate Base.

Response:

The ADIT related to the Federal net operating loss ("NOL") carryforward on B-6 (Base), Line 30 and B-6 (Forecast), Line 38 depicts the cumulative Federal NOL carryforward tax effected at 21%. The cumulative Federal NOL carryforward represents tax losses generated by Columbia Gas of Kentucky in 2011, 2014, 2015, 2016, 2017 and 2021 and utilization of the NOL based on the Federal taxable income multiplied by the Company's beginning balance NOL divided by the consolidated group beginning balance NOL in accordance with the tax sharing agreement included as KY PSC Case No. 2021-00183, AG 1-110, Attachment B. Please refer to KY PSC Case No. 2021-00183, AG 1-110, Attachment A, Page 1 for the Federal NOL ADIT included in rate base. Additionally, the deficient

COLUMBIA GAS OF KENTUCKY, INC
DEFERRED INCOME TAXES FEDERAL NOL (Net Operating Loss Carryforward)
BALANCE ENDING
Forecasted Period December 31, 2022

								Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	/ 1			
Line No	Tax Year	NOL Limitation	NOL C/F Period	NOL Carryforward from Prior Years	NOL Generated in Current Year	Charitable Contributions Conversion	NOL Utilized in Prior years	NOL Utilized in 2012	NOL Utilized in 2013	NOL Utilized in 2018	NOL Utilized in 2019	NOL Utilized in 2020	NOL Utilized in 2021	NOL Utilized in 2022	NOL Carryforward to Future Years	NOL Balance by Year	NOL ADIT @ 21%	Reference
				(1) = 12	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) = Sum (1:11)	(13)	(14)	(15)
1	2011	None	20 Yrs	-	2,640,454	-	(1,768,512)	(36,391)	(2,935)	(205,570)	(34,039)	(22,142)	-	(87,736)	483,129	871,942	183,108	
2	2012	None	20 Yrs	483,129	-	144,621	-	-	-		-	-	-	-	627,750	980,172	205,836	
3	2013	None	20 Yrs	627,750	-	-	-	-	-	-	-	-	-	-	627,750	977,237	205,220	
4	2014	None	20 Yrs	627,750	33,693	-	-	-	-	-	-	-	-	-	661,443	1,010,930	212,295	
5	2015	None	20 Yrs	661,443	270,877	-	-	-	-	-	-	-	-	-	932,320	1,281,807	269,179	
6	2016	None	20 Yrs	932,320	12,033,547	-	-	-	-	-	-	-	-	-	12,965,867	13,315,354	2,796,224	
7	2017	None	20 Yrs	12,965,867	6,583,635	-	-	-	-	-	-	-	-	-	19,549,502	19,898,989	4,178,788	
8	2018	None	20 Yrs	19,549,502	-	-	-	-	-	-	-	-	-	-	19,549,502	19,693,419	4,135,618	
9	2019	None	20 Yrs	19,549,502	-	779,104						-	-	-	20,328,606	20,438,484	4,292,082	
10	2020	None	20 Yrs	20,328,606	-	-	-	-	-	-	-	-	-	-	20,328,606	20,416,342	4,287,432	
11	2021	80%	Indefinite	20,328,606	1,889,193	-	-	-	-	-	-	-	-	-	22,217,799	22,305,535	4,684,162	Sch B-6, Sht 1, Cln 5, Ln 38
12	2022	80%	Indefinite	22,217,799	-	-	-	-	-	-	-	-	-	-	22,217,799	22,217,799	4,665,738	Sch B-6, Sht 2, Cln 17, Ln 38
13				Total	23,451,399	923,725	(1,768,512)	(36,391)	(2,935)	(205,570)	(34,039)	(22,142)	-	(87,736)	22,217,799			

Federal Tax Rate	21%
Accumulated Deferred Tax Asset	4,665,738

/ 1 The NOL utilization is applies to the earliest NOL due to carryforward limitation
/ 2 NOL utilization is in accordance with the group company tax sharing agreement

COLUMBIA GAS OF KENTUCKY, INC
DEFICIENT ACCUMULATED DEFERRED INCOME TAXES FEDERAL NOL (Net Operating Loss Carryforward)
BALANCE ENDING
Forecasted Period December 31, 2022

Line No.	Year	Description	39-yr SL Amort Federal NOL Deficient ADIT	Cumulative Federal NOL Deficient ADIT	Reference
	(1)	(2)	(3)	(4)	(5)
1	12/31/2017	Re-measurment	1,026,003		
2	12/31/2018	Amortization	(4,385)	1,021,618	2018 2-months
3	12/31/2019	Amortization	(48,231)	973,387	2018 10-months + 2019
4	12/31/2020	Amortization	(26,308)	947,080	
5	12/31/2021	Amortization	(26,308)	920,772	Sch B-6, Sht 1, Cln 5, Ln 140
6	12/31/2022	Amortization	(26,308)	894,464	Sch B-6, Sht 2, Cln 17, Ln 140
7	12/31/2023	Amortization	(26,308)	868,156	
8	12/31/2024	Amortization	(26,308)	841,849	
9	12/31/2025	Amortization	(26,308)	815,541	
10	12/31/2026	Amortization	(26,308)	789,233	
11	12/31/2027	Amortization	(26,308)	762,925	
12	12/31/2028	Amortization	(26,308)	736,618	
13	12/31/2029	Amortization	(26,308)	710,310	
14	12/31/2030	Amortization	(26,308)	684,002	
15	12/31/2031	Amortization	(26,308)	657,694	
16	12/31/2032	Amortization	(26,308)	631,386	
17	12/31/2033	Amortization	(26,308)	605,079	
18	12/31/2034	Amortization	(26,308)	578,771	
19	12/31/2035	Amortization	(26,308)	552,463	
20	12/31/2036	Amortization	(26,308)	526,155	
21	12/31/2037	Amortization	(26,308)	499,848	
22	12/31/2038	Amortization	(26,308)	473,540	
23	12/31/2039	Amortization	(26,308)	447,232	
24	12/31/2040	Amortization	(26,308)	420,924	
25	12/31/2041	Amortization	(26,308)	394,617	
26	12/31/2042	Amortization	(26,308)	368,309	
27	12/31/2043	Amortization	(26,308)	342,001	
28	12/31/2044	Amortization	(26,308)	315,693	
29	12/31/2045	Amortization	(26,308)	289,385	
30	12/31/2046	Amortization	(26,308)	263,078	
31	12/31/2047	Amortization	(26,308)	236,770	
32	12/31/2048	Amortization	(26,308)	210,462	
33	12/31/2049	Amortization	(26,308)	184,154	
34	12/31/2050	Amortization	(26,308)	157,847	
35	12/31/2051	Amortization	(26,308)	131,539	
36	12/31/2052	Amortization	(26,308)	105,231	
37	12/31/2053	Amortization	(26,308)	78,923	
38	12/31/2054	Amortization	(26,308)	52,616	
39	12/31/2055	Amortization	(26,308)	26,308	
40	12/31/2056	Amortization	(26,308)	(0)	
		Ending Balance	(0)		

/ 1 Commission Order Case No. 2018-00041

KY PSC Case No. 2021-00183
Response to Staff's Data Request Set Three No. 20
Respondent: Jennifer Harding

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 10, 2021

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

a. Explain generally how Columbia Kentucky contends that the group company tax sharing agreement requires net operating loss carryforwards to be assigned to members of the Consolidated Group with reference to the relevant provisions of the agreement.

b. Explain why Columbia Kentucky contends that the treatment of net operating loss carryforwards in the group company tax sharing agreement is reasonable.

c. State whether Columbia Kentucky contends that it is in a net operating loss position for federal tax purposes in the forecasted test period, and explain each basis for Columbia Kentucky's position.

Response:

a. The tax sharing agreement does not assign net operating loss (NOL) carryforwards (NOLC) to members of the consolidated group. It is based on each member's standalone income tax liability. For group members that have standalone taxable income, utilization of the NOL is based on the percentage of the standalone group member NOLC beginning balance divided by the consolidated group NOLC beginning balance.[1] For group members that have standalone taxable loss, the liability is recognized as zero generating a NOLC for the entire amount of the standalone member taxable loss.[2]

b. The treatment of net operating loss carryforwards in the group company tax sharing agreement is reasonable due to the fact that is based on the group members standalone income tax liability position.

c. Columbia Kentucky does not generate a net operating loss for the future text period ending December 31, 2022 AFTER adjustments at proposed rates. The Federal taxable income of $14,717,901 is depicted on Schedule E-1.1, Column 10, Line 17.

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[1] Section 2.1(f)
[2] Section 2.1(b)

KY PSC Case No. 2021-00183
Response to Staff's Data Request Set Three No. 21
Respondent: Jennifer Harding

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 10, 2021

21. Refer to Columbia Kentucky's response to Staff's Second Request, Item 48 in which it indicated that the ADIT balance in Account 190 did not change because it does not forecast the change in the balance for capitalized inventory or customer advances captured in Account 190. Explain whether Columbia Kentucky forecasted any change in its net operating loss position during the forecasted period, and if so, explain where that change is reflected in the revenue model and why it is reflected in that manner.

Response:

The Company did forecast a change in the net operating loss carryforward during the forecasted period that represents utilization of the NOL based on the Federal taxable income multiplied by the Company's beginning balance NOL divided by the consolidated group beginning balance NOL in accordance with the tax sharing agreement.

Federal Taxable Income at Proposed Rates $14,717,901[1]

[1] KY PSC Case No. 2021-00183, Staff 1-54, Attachment A, Schedule E-1.1, Column 10,Line 17

2021 Columbia Kentucky NOLC/Group NOLC	.5961%
2022 NOL Utilized	87,736[2]
Tax Effected at 21%	18,425

[2] KY PSC Case No. 2021-00183, AG 1-110, Attachment A, Page 1, Column 11, Line 1

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set One No.
99 Respondent: Jennifer Harding

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED JULY 7, 2021

Form 1120 provided within the response to Staff's First Request, Item 16 indicates Columbia Kentucky had taxable income of $5.8 million for the 2019 tax year. Confirm that this computation was used to reduce the Net Operating Loss ("NOL") asset recorded on the books of Columbia Kentucky and provide the underlying calculation and accounting entry made as a result of this taxable income. If an accounting entry was not made to reduce the Columbia Kentucky NOL as a result of the determination of taxable income, provide a comprehensive explanation why such an accounting entry was not made.

Response:

Columbia Kentucky (the "Company") utilized it's Federal NOL equal to Federal taxable income multiplied by the percentage of the Company's beginning Federal NOL carryforward divided by the consolidated beginning Federal NOL carryforward in accordance with the NiSource Inc. and Affiliates tax sharing agreement which was renewed in 2020 (Please refer KY PSC Case No. 2021-00183, AG 1-110, Attachment B for a copy of the tax sharing agreement). The Company's beginning Federal NOL carryforward of $19.69 million divided by the consolidated beginning Federal NOL carryforward of $3,444.74 million equals .5717% resulting in a reduction of Columbia Kentucky's NOL carryforward of $34 thousand before tax (Please refer to KY PSC Case

No. 2021-00183, AG -110, Attachment A, Column 8 for the NOL utilized in 2019 depicted in the Federal NOL carryforward schedule).

KY PSC Case No. 2021-00183
Response to the Attorney General's Data Request Set Two No. 90
Respondent: Jennifer Harding

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION
DATED AUGUST 11, 2021

90. Confirm that the net ADIT liability balances embedded within the forecasted rate base represent an estimate of the specific book/tax timing differences associated with the operations of Columbia Kentucky, while the NOL asset embedded in the forecasted rate base represents an assignment of NiSource's NOL and is not directly tied to the cumulative tax losses (and taxable income) of Columbia Kentucky. If this is not confirmed, provide a comprehensive explanation discussing precisely how the specific tax losses and tax gains of Columbia Kentucky are represented within the NOL balance embedded within this filing.

Response:

The net ADIT liability balances embedded within the forecasted rate base represent an estimate of the specific book/tax timing differences associated with the operations of Columbia Kentucky on a standalone basis, including the Federal NOL deferred tax asset. The Federal NOL balance represents Federal income tax losses that were generated by Columbia Kentucky on a standalone basis.

Columbia Kentucky has not been allocated NOLs or NOL carryforwards (NOLC). Utilization of the Federal NOL represents the Columbia Kentucky's NOLC beginning balance divided by the Consolidated NOLC beginning balance multiplied by Federal taxable income. The generation and utilization is in accordance with the tax sharing agreement as discussed and referenced in Columbia's Response to the Attorney General's Second Set of Requests for Information, No. 87.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2021 - 00183
DEFERRED CREDITS AND ACCUMULATED DEFERRED INCOME TAXES
AS OF DECEMBER 31, 2022

OLUMBIA GAS OF KENTUCKY, IN
CASE NO. 2021 - 00183
'S AND ACCUMULATED DEFERF
AS OF DECEMBER 31, 2022
SCHEDULE B-6
SHEET 2 OF 2
WITNESS: J. HARDING

DATA:_____BASE PERIOD___X___FORECASTED PERIOD
TYPE OF FILING:___X____ORIGINAL________UPDATED
WORKPAPER REFERENCE NO(S).

LINE NO.	DESCRIPTION	REF	DEC 31, 2021 TOTAL COMPANY	JURIS. %	JURISDICTIONAL AMOUNT	DJUSTMEN	13 MONTH AVERAGE BALANCE	12-MO ADIT ACTIVITY
			(1)	(2)	(3)	(4)	(19)	(20)
1	SUMMARY OF ACCUMULATED DEFERRED INCOME TAXES							
2								
3	RATE BASE ADIT AND EXCESS ADIT							
4	ACCOUNT 190 - DEFERRED INCOME TAXES		16,021,310		16,021,310	-	15,874,400	(309,411)
5	ACCOUNT 282 - DEFERRED INCOME TAXES - DEPRECIATION		(70,296,229)		(70,296,229)	-	(72,395,997)	(4,199,537)
6	ACCOUNT 283 - DEFERRED INCOME TAXES - OTHER		-		-	-	-	
7	ACCOUNT 254 - EXCESS ADIT (AFTER GROSS UP)		(36,677,840)		(36,677,840)	-	(36,094,700)	1,166,279
8	ACCOUNT 255 - FEDERAL INVESTMENT TAX CREDIT		-		-	-	-	
9	TOTAL RATE BASE ADIT		(90,952,758)		(90,952,758)	-	(92,616,298)	(3,342,670)
10								
11	BALANCE SHEET ANALYSIS ADIT							
12	ACCOUNT 190 - DEFERRED INCOME TAXES		876,731		876,731	-	889,216	24,969
13	ACCOUNT 282 - DEFERRED INCOME TAXES - DEPRECIATION		-		-	-	-	
14	ACCOUNT 283 - DEFERRED INCOME TAXES - OTHER		(1,283,077)		(1,283,077)	-	(1,266,912)	32,328
15	ACCOUNT 254 - EXCESS ADIT (AFTER GROSS UP)		-		-	-	-	
16	ACCOUNT 255 - FEDERAL INVESTMENT TAX CREDIT		-		-	-	-	
17	TOTAL CASH WORKING CAPITAL ADIT		(406,346)		(406,346)	-	(377,697)	57,298
18								
19	LEAD LAG ADIT							
20	ACCOUNT 190 - DEFERRED INCOME TAXES		609,895		609,895	-	609,895	-
21	ACCOUNT 282 - DEFERRED INCOME TAXES - DEPRECIATION		-		-	-	-	-
22	ACCOUNT 283 - DEFERRED INCOME TAXES - OTHER		2,406,789		2,406,789	-	2,754,039	694,500
23	ACCOUNT 254 - EXCESS ADIT (AFTER GROSS UP)		-		-	-	-	-
24	ACCOUNT 255 - FEDERAL INVESTMENT TAX CREDIT		-		-	-	-	-
25	TOTAL LEAD LAG ADIT		3,016,684		3,016,684	-	3,363,934	694,500
26								
27	NON RATE BASE ADIT							
28	ACCOUNT 190 - DEFERRED INCOME TAXES		520,738		520,738	-	520,738	-
29	ACCOUNT 282 - DEFERRED INCOME TAXES - DEPRECIATION		707,115		707,115	-	707,115	-
30	ACCOUNT 283 - DEFERRED INCOME TAXES - OTHER		(617,164)		(617,164)	-	(617,164)	-
31	ACCOUNT 254 - EXCESS ADIT (AFTER GROSS UP)		-		-	-	-	-
32	ACCOUNT 255 - FEDERAL INVESTMENT TAX CREDIT		(34,241)		(34,241)	-	(27,833)	12,816
33	TOTAL NON RATE BASE ADIT		576,448		576,448	-	582,856	12,816
34								
35	TOTAL ADIT AND EXCESS ADIT		(87,765,971)		(87,765,971)	-	(89,047,204)	(2,578,055)
36								
37	ACCOUNT 190 - DEFERRED INCOME TAXES							
38	NET OPERATING LOSS - FED	RB	4,684,162	100.00%	4,684,162		4,682,745	(18,425)
39	NET OPERATING LOSS - STATE, NET	NON	-		-	-	-	-
40	CHARITABLE CONTRIBUTIONS - FED	NON	22,982		22,982	-	22,982	-
41	TAX CREDITS - FED	NON	109,273		109,273	-	109,273	-
42	CUST. ADVANCES - FED	RB	562,032		562,032	-	562,032	-
43	CUST. ADVANCES - STATE	RB	140,860		140,860	-	140,860	-
44	LIFO INVENTORY & CAPITALIZED INVENTORY - FED	RB	1,185,914		1,185,914	-	1,185,914	-
45	LIFO INVENTORY & CAPITALIZED INVENTORY -STATE	RB	297,221		297,221	-	297,221	-
46	ACCUM PROV-BANKED VACATION - FED	BSA	96,463		96,463	-	96,463	-
47	ACCUM PROV-BANKED VACATION - STATE	BSA	24,176		24,176	-	24,176	-
48	ACCD LIAB-VACATION PAY PY - FED	BSA	316,837		316,837	-	316,837	-
49	ACCD LIAB-VACATION PAY PY - STATE	BSA	79,408		79,408	-	79,408	-
50	ACCD LIAB-VACATION PAY CY - FED	BSA	77,100		77,100	-	77,100	-
51	ACCD LIAB-VACATION PAY CY - STATE	BSA	19,323		19,323	-	19,323	-
52	ACCD LIAB-PROFIT SHARING - FED	BSA	9,827		9,827	-	9,827	-
53	ACCD LIAB-PROFIT SHARING - STATE	BSA	2,463		2,463	-	2,463	-
54	ACCD LIAB-SEVERANCE - FED	BSA	63,162		63,162	-	63,162	-
55	ACCD LIAB-SEVERANCE - STATE	BSA	15,830		15,830	-	15,830	-
56	ACCUM PROVISIONS FAS 112 - FED	BSA	57,954		57,954	-	57,954	-
57	ACCUM PROVISIONS FAS 112 - STATE	BSA	14,525		14,525	-	14,525	-
58	ACCUM PROVISIONS OPEB - FED	BSA	302,305		302,305	-	313,566	22,523
59	ACCUM PROVISIONS OPEB - STATE	BSA	75,766		75,766	-	78,588	5,645
60	ACCD LIAB-ST FAS112 - FED	BSA	14,649		14,649	-	14,649	-
61	ACCD LIAB-ST FAS112 - STATE	BSA	3,671		3,671	-	3,671	-
62	ACCD LIAB-INCENTIVE COMPNSTION - FED	BSA	52,099		52,099	-	46,517	(11,165)
63	ACCD LIAB-INCENTIVE COMPNSTION - STATE	BSA	13,057		13,057	-	11,658	(2,798)
64	STOCK COMP LTIP - TAX - FED	LL	94,948		94,948	-	94,948	-
65	STOCK COMP LTIP - TAX - STATE	LL	23,797		23,797	-	23,797	-
66	BAD DEBTS - FED	LL	392,723		392,723	-	392,723	-
67	BAD DEBT - STATE	LL	98,427		98,427	-	98,427	-
68	NC REG ASSET FAS 158 OPEB - FED	BSA	(289,362)		(289,362)	-	(285,058)	8,608
69	NC REG ASSET FAS 158 OPEB - STATE	BSA	(72,522)		(72,522)	-	(71,443)	2,157
70	REG LIAB CURR-OTHER - FED	NON	1,545		1,545	-	1,545	-
71	REG LIAB CURR-OTHER - STATE	NON	387		387	-	387	-
72	REG LIAB NC-BA LOST CREDITS - FED	NON	-		-	-	-	-
73	REG LIAB NC-BA LOST CREDITS - STATE	NON	-		-	-	-	-
74	REG LIAB RATE RESERVE - CURREN - FED	BSA	-		-	-	-	-
75	REG LIAB RATE RESERVE - CURREN - STATE	BSA	-		-	-	-	-
76	REG LIAB NC-STATE TAX REFORM - FED	BSA	-		-	-	-	-
77	REG LIAB NC- STATE TAX REFORM - STATE	BSA	-		-	-	-	-
78	REG LIA CURR-AMRP - FED	NON	193,003		193,003	-	193,003	-
79	REG LIA CURR-AMRP - STATE	NON	48,372		48,372	-	48,372	-
80	DEFERRED INTERCOM GAIN/LOSS - FED	NON			-	-	-	-
81	DEFERRED INTERCOM GAIN/LOSS - STATE	NON			-	-	-	-
82	OBLIG OPERATING LEASE - FED	NON	94,562		94,562	-	94,562	-
83	OBLIG OPERATING LEASE - STATE	NON	23,700		23,700	-	23,700	-
84	ITC - REG LIAB FEDERAL	NON	22,660		22,660	-	22,660	-
85	ITC - REG LIAB STATE	NON	4,254		4,254	-	4,254	-

Exhibit DND-11

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2021 - 00183
DEFERRED CREDITS AND ACCUMULATED DEFERRED INCOME TAXES
AS OF DECEMBER 31, 2022

OLUMBIA GAS OF KENTUCKY, IN
CASE NO. 2021 - 00183
'S AND ACCUMULATED DEFERF
AS OF DECEMBER 31, 2022
SCHEDULE B-6
SHEET 2 OF 2
WITNESS: J. HARDING

DATA:_____BASE PERIOD___X___FORECASTED PERIOD
TYPE OF FILING:___X____ORIGINAL________UPDATED
WORKPAPER REFERENCE NO(S).

LINE NO.	DESCRIPTION	REF	DEC 31, 2021 TOTAL COMPANY	JURIS. %	JURISDICTIONAL AMOUNT	DJUSTMEI	13 MONTH AVERAGE BALANCE	12-MO ADIT ACTIVITY
			(1)	(2)	(3)	(4)	(19)	(20)
86	ASC 740 FED GROSS UP	RB	7,317,229		7,317,229	-	7,200,893	(232,673)
87	ASC 740 STATE GROSS UP	RB	1,833,892		1,833,892	-	1,804,735	(58,314)
88	TOTAL ACCOUNT 190		18,028,674		18,028,674	-	17,894,249	(284,442)
89								
90	ACCOUNT 282 - DEFERRED INCOME TAXES - DEPRECIATION			100.00%				
91	EXCESS ACCELERATED DEPRECIATION - FED	RB	(58,057,615)		(58,057,615)	-	(59,621,761)	(3,128,293)
92	EXCESS ACCELERATED DEPRECIATION - STATE	RB	(12,238,614)		(12,238,614)	-	(12,774,236)	(1,071,245)
93	OTHER BASIS ADJUSTMENTS - FED	NON	30,698		30,698	-	30,698	-
94	OTHER BASIS ADJUSTMENTS - STATE	NON	(146,200)		(146,200)	-	(146,200)	-
95	STATE - FAS 109 ST GROSS UP	NON	822,617		822,617	-	822,617	-
96	TOTAL ACCOUNT 282		(69,589,114)		(69,589,114)	-	(71,688,882)	(4,199,537)
97								
98	ACCOUNT 283 - DEFERRED INCOME TAXES - OTHER			100.00%				
99	ACCD LIABILITY - PENSION ST-NQ - FED	BSA	-		-	-	-	-
100	ACCD LIABILITY - PENSION ST-NQ - STATE	BSA	-		-	-	-	-
101	ACCUM PROVISIONS PEN COST QUAL - FED	BSA	-		-	-	-	-
102	ACCUM PROVISIONS PEN COST QUAL - STATE	BSA	-		-	-	-	-
103	ACCUM PROV LT PENCOST NON-QUAL - FED	BSA	10,531		10,531	-	17,505	13,948
104	ACCUM PROV LT PENCOST NON-QUAL - STATE	BSA	2,639		2,639	-	4,387	3,496
105	MISC ASSETS-PROPERTY TAX - FED	LL	(657,924)		(657,924)	-	(482,574)	350,701
106	MISC ASSETS-PROPERTY TAX - STATE	LL	(164,894)		(164,894)	-	(120,946)	87,895
107	ACCRD PROPERTY TAX - FED	LL	2,582,392		2,582,392	-	2,684,702	204,621
108	ACCRD PROPERTY TAX - STATE	LL	647,216		647,216	-	672,857	51,283
109	NC PAYROLL TAXES CARES ACT - FED	BSA	78,738		78,738	-	78,738	-
110	NC PAYROLL TAXES CARES ACT - STATE	BSA	19,734		19,734	-	19,734	-
111	REG ASSET GTI FUNDING - FED	NON	(15,546)		(15,546)	-	(15,546)	-
112	REG ASSET GTI FUNDING - STATE	NON	(3,896)		(3,896)	-	(3,896)	-
113	REG ASSET EAP - FED	NON	(11,605)		(11,605)	-	(11,605)	-
114	REG ASSET EAP - STATE	NON	(2,908)		(2,908)	-	(2,908)	-
115	REG ASSET-PRF BASE RT ADJ PBRA - FED	NON	(382,064)		(382,064)	-	(382,064)	-
116	REG ASSET-PRF BASE RT ADJ PBRA - STATE	NON	(95,755)		(95,755)	-	(95,755)	-
117	NC REG ASSET FAS158 PENSION - FED	BSA	(729,155)		(729,155)	-	(723,204)	11,902
118	NC REG ASSET FAS158 PENSION - STATE	BSA	(182,746)		(182,746)	-	(181,254)	2,983
119	NC REG ASSET RATE CASE NON-CUR - FED	NON	(1,183)		(1,183)	-	(1,183)	-
120	NC REG ASSET RATE CASE NON-CUR - STATE	NON	(297)		(297)	-	(297)	-
121	NC REG ASSET PEN NQULFD FAS158 - FED	BSA	(1,653)		(1,653)	-	(1,653)	-
122	NC REG ASSET PEN NQULFD FAS158 - STATE	BSA	(414)		(414)	-	(414)	-
123	NC REG ASSET DEF DEPR CAP LSE - FED	NON	(3,788)		(3,788)	-	(3,788)	-
124	NC REG ASSET DEF DEPR CAP LSE - STATE	NON	(949)		(949)	-	(949)	-
125	REG LIAB CURR-DSM UNCOLLECT - FED	NON	11,100		11,100	-	11,100	-
126	REG LIAB CURR-DSM UNCOLLECT - STATE	NON	2,782		2,782	-	2,782	-
127	NC REG ASSET COVID COSTS - FED	BSA	(5,064)		(5,064)	-	(5,064)	-
128	NC REG ASSET COVID COSTS - STATE	BSA	(1,269)		(1,269)	-	(1,269)	-
129	FUNDS HELD IN TRUST - FED	BSA	(379,344)		(379,344)	-	(379,344)	-
130	FUNDS HELD IN TRUST - STATE	BSA	(95,074)		(95,074)	-	(95,074)	-
131	RIGHT OF USE ASSET - FED	NON	(90,398)		(90,398)	-	(90,398)	-
132	RIGHT OF USE ASSET - STATE	NON	(22,657)		(22,657)	-	(22,657)	-
133	TOTAL ACCOUNT 283		506,548		506,548	-	869,963	726,829
134								
135	TOTAL RATE BASE ACCUMULATED DEFERRED INCOME TAXES		(51,053,891)		(51,053,891)	-	(52,924,671)	(3,757,151)
136								
137	ACCOUNT 254 - (TCJA) EXCESS ADIT (AFTER GROSS UP)			100.00%				
138	CUSTOMER ADVANCES	RB	356,669		356,669	-	326,946	(59,445)
139	LIFO INVENTORY & CAPITALIZED INVENTORY	RB	848,682		848,682	-	777,959	(141,447)
140	NET OPERATING LOSS - FED	RB	1,226,878		1,226,878	-	1,209,351	(35,054)
141	EXCESS ACCELERATED DEPRECIATION	RB	(35,874,173)		(35,874,173)	-	(35,229,716)	1,288,914
142	TOTAL ACCOUNT 254 (AFTER GROSS-UP)		(33,441,944)		(33,441,944)	-	(32,915,460)	1,052,969
143								
144	ACCOUNT 254 - (KY STATE TAX RATE) EXCESS ADIT (AFTER GROSS UP)			100.00%				
145	CUSTOMER ADVANCES	RB	33,544		33,544	-	30,749	(5,591)
146	LIFO INVENTORY & CAPITALIZED INVENTORY	RB	79,817		79,817	-	73,165	(13,303)
147	EXCESS ACCELERATED DEPRECIATION	RB	(3,349,257)		(3,349,257)	-	(3,283,154)	132,204
148	TOTAL ACCOUNT 254 (AFTER GROSS-UP)		(3,235,895)		(3,235,895)	-	(3,179,240)	113,311
149								
150	ACCOUNT 255 - FEDERAL INVESTMENT TAX CREDIT			100.00%				
151	INVESTMENT TAX CREDIT-ITC	NON	(34,241)		(34,241)	-	(27,833)	12,816
152	TOTAL ACCOUNT 255		(34,241)		(34,241)	-	(27,833)	12,816
153								
154	TOTAL RATE BASE ADIT AND EXCESS ADIT		(87,765,971)		(87,765,971)	-	(89,047,204)	(2,578,055)
			-		-	-	-	