TAB 24

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Ronald J. Amen

Columbia Exhibit No. 24

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF RONALD J. AMEN ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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May 16, 2024

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF) Case No. 2024-00092

VERIFICATION OF RONALD J. AMEN

STATE OF WASHINGTON)
)
COUNTY OF KING)

Ronald J. Amen, Managing Partner of Atrium Economics, consultant for Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information, and belief, formed after reasonable inquiry.

Ronald J. Amen
Ronald J. Amen

The foregoing Verification was signed, acknowledged, and sworn to before me this 3rd day of May, 2024, by Ronald J. Amen.

Jill Palmer

JILLIAN PALMER
Notary Public
State of Washington
Commission Number 22019875
My Commission Expires
July 2, 2026

Notary Commission No. 22019875

Commission expiration: 07-02-2026

PREPARED DIRECT TESTIMONY OF RONALD J. AMEN

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I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Ronald J. Amen and my business address is 10 Hospital Center Commons, Suite 400, Hilton Head Island, SC 29926.

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

A: I am employed by Atrium Economics, LLC ("Atrium") as a Managing Partner. Atrium is a management consulting and financial advisory firm focused on the North American energy industry.

Q: What is your educational background and professional experience?

A: I have over 40 years of experience in the utility industry, the last 27 years of which have been in the field of utility management and economic consulting. I have advised and assisted utility management, industry trade organizations, and large energy users in matters pertaining to costing and pricing; competitive market analysis; regulatory planning and policy development; resource planning and acquisition; strategic business planning; merger and acquisition analysis; organizational restructuring; new product and service development; and load research studies. I have prepared and presented expert testimony before utility regulatory bodies across North America and have spoken on utility industry issues and activities dealing with the pricing and marketing of gas utility services, gas and electric resource planning and evaluation, and utility infrastructure replacement. Further background information summarizing my work experience, presentation of expert testimony, and other industry-related activities is included in Attachment 1 to my testimony.

Q: Have you previously testified before any regulatory commissions?

A: Yes, a list of the regulatory bodies across in North America before which I have testified is included in Attachment 1.

Q: What is the purpose of your testimony?

A: My testimony presents Columbia Gas of Kentucky, Inc.'s ("Columbia" or "Company") Allocated Cost of Service Study ("COSS") and discuss its results. I also present the Company's proposed class revenue apportionment and various rate design proposals filed by Columbia in this proceeding.

My testimony consists of this introduction and summary section and the following additional sections:

- Theoretical Principles of Cost Allocation
- Columbia's COSS
- Principles of Sound Rate Design
- Determination of Proposed Class Revenues
- Columbia's Rate Design Proposals

- Customer Bill Impacts

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	Description
807 KAR 5:001 Section 16(7)(c)	A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.
807 KAR 5:001 Section 16(7)(v)	A cost of service study based on a methodology generally accepted within the industry and based on current and reliable data.
807 KAR 5:001 Section 16(8)(n)	A typical bill comparison under present and proposed rates for all classes.

Q: For each of the documents included within the Filing Requirements that you are supporting, were they prepared by you or someone working under your supervision and did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

Q: Please provide a list of the exhibits and schedules supporting your testimony.

A: I am sponsoring the following 4 Exhibits, all of which were prepared by me or under my supervision and direction:

Attachment RJA-1 – Resume of Ronald J. Amen

Attachment RJA-2 – Cost of Service Study

Attachment RJA-3 – Class Revenue Apportionment

Attachment RJA-4 – Proposed Rate Design

Attachment RJA-5 - DS-ML Rate Structure

II. <u>THEORETICAL PRINCIPLES OF COST ALLOCTION</u>

Q: Why do utilities conduct cost allocation studies as part of the regulatory process?

A: There are many purposes for utilities conducting cost allocation studies, ranging from designing appropriate price signals in rates to determining the share of costs or revenue requirements borne by the utility's various rate or customer classes. In this case, an allocated COSS is a useful tool for determining the allocation of Columbia's revenue requirement among its customer classes. It is also a useful tool for rate design because it can identify the important cost drivers associated with serving customers and satisfying their design day demands.

Cost of service studies represent a process to analyze which customer or group of customers cause the utility to incur the costs to provide service. The requirement to develop cost studies results from the nature of utility costs. Utility costs are characterized by the existence of common costs. Common costs occur when the fixed costs of providing service to one or more classes, or the cost of providing multiple products to the same class, are shared by customers who use the same facilities and the use by one class precludes the use by another class.

Utility costs may be fixed or variable in nature. Fixed costs do not change with the level of throughput. Most non-fuel related utility costs are fixed in the short run and do not vary with changes in customers' loads. This includes the cost of distribution mains and service lines, meters, and regulators. The distribution assets of a gas utility do not vary with the level of throughput in the short run. Variable costs change directly with changes in throughput. In the long run, main costs vary with either growing design day demand or a growing number of customers.

Finally, many utility costs exhibit significant economies of scale. Scale economies result in declining average cost as gas throughput increases and marginal costs below average costs. These characteristics have implications for both cost analysis and rate design from a theoretical and practical perspective. The development of cost studies requires an understanding of the operating characteristics of the utility system. Further, as discussed below, different cost studies provide different contributions to the development of economically efficient rates and the cost responsibility by customer class.

Q: What is the general approach used to develop a COSS?

A: Embedded cost studies analyze the costs for a test period based on either the book value of accounting costs (an historical period) or the estimated book value of costs for a forecasted test year or some combination of historical and future costs. Typically, embedded cost studies are used to allocate the revenue requirement between jurisdictions, classes, and between customers within a class.

Q: Are cost of service studies an application of economic theory to cost allocation?

A: The allocation of costs using cost of service studies is not a theoretical economic exercise. Rather, it is a practical requirement of regulation since rates must be set based on the cost of service for the utility under cost-based regulatory models. As a general matter, utilities must be allowed a reasonable opportunity to earn a return of and on the assets used to serve their customers. This is the cost of service standard and equates to the revenue requirements for utility service. The opportunity for the utility to earn its allowed rate of return depends on the rates applied to customers producing that revenue requirement. Using the cost information per unit of demand, customer, and energy developed in the cost of service study to understand and quantify the allocated costs in each customer class is a useful step in the rate design process to guide the development of rates.

However, the existence of common costs makes any allocation of costs problematic from a strict economic perspective. This is theoretically true for any of the various utility costing methods that may be used to allocate costs. Theoretical economists have developed the theory of subsidy-free prices to evaluate traditional regulatory cost allocations. Prices are said to be subsidy-free so long as the price exceeds the incremental cost of providing service but is less than stand-alone costs. The logic for this concept is that if customers' prices exceed incremental cost, those customers contribute to the fixed costs of the utility. All other customers benefit from this contribution to fixed costs because it reduces the cost they are required to bear. Prices must be below the stand-alone costs because the customer would not be willing to participate in the service offering if prices exceed stand-alone costs.

Stand-alone costs are an important concept for Columbia because certain customers have competitive options for the end uses supplied by natural gas through the use of alternative fuels. As a result, subsidy-free prices permit all customers to benefit from the system's scale and common costs, and all customers are better off because the system is sustainable. If strict application of the cost allocation study suggests rates that exceed stand-alone costs for some customers, prices must nevertheless be set below the stand-alone costs, but above marginal cost, to ensure that those customers make the maximum practical contribution to the common costs of the utility.

Q: If any allocation of common cost is problematic from a theoretical perspective, how is it possible to meet the practical requirements of cost allocation?

A: As noted above, the practical reality of regulation often requires that common costs be allocated among jurisdictions, classes of service, rate schedules, and customers within rate schedules. The key to a reasonable cost allocation is an understanding of *cost causation*. Cost causation, as alluded to earlier, addresses the need to identify which customer or group of customers causes the utility to incur particular types of costs. To answer this question, it is necessary to establish a linkage between a local distribution company's ("LDC's") customers and the particular costs incurred by the utility in serving those customers.

An important element in the selection and development of a reasonable COSS allocation methodology is the establishment of relationships between customer requirements, load profiles and usage characteristics on the one hand and the costs incurred by the Company in serving those requirements on the other hand. For example, providing a customer with gas service during peak periods can have much different cost implications for the utility than service to a customer who requires off-peak gas service.

Q: Why are the relationships between customer requirements, load profiles and usage characteristics significant to cost causation?

A: The Company's distribution system is designed to meet three primary objectives: (1) to extend distribution services to all customers entitled to be attached to the system; (2) to meet the aggregate design day peak capacity requirements of all customers entitled to service on the peak day; and (3) to deliver volumes of natural gas to those customers either on a sales or transportation basis. There are certain costs associated with each of these objectives. Also, there is generally a direct link between the manner in which such costs are defined and their subsequent allocation.

Customer-related costs are incurred to attach a customer to the distribution system, meter any gas usage and maintain the customer's account. Customer costs are a function of the number of customers served and continue to be incurred whether or not the customer uses any gas. They generally include capital costs associated with minimum size distribution mains, services, meters, regulators and customer service and accounting expenses.

Demand- or capacity-related costs are associated with plant that is designed, installed, and operated to meet maximum hourly or daily gas flow requirements, such as the transmission and distribution mains, or more localized distribution facilities that are designed to satisfy individual customer maximum demands. Gas supply contracts also have a capacity related component of cost relative to the Company's requirements for serving daily peak demands and the winter peaking season.

Commodity-related costs are those costs that vary with the throughput sold to, or transported for, customers. Costs related to gas supply are classified as commodity related to the extent they vary with the amount of gas volumes purchased by the Company for its sales service customers.

From a cost of service perspective, the best approach is a direct assignment of costs where costs are incurred for a customer or class of customers and can be so identified. Where costs cannot be directly assigned, the development of allocation factors by customer class uses principles of both economics and engineering. This results in appropriate allocation factors for different elements of costs based on cost causation. For example, we know from the manner in which customers are billed that each customer requires a meter. Meters differ in size and type depending on the customer's load characteristics. These meters have different costs based on size and type. Therefore, meter costs are customer-related, but differences in the cost of meters are reflected by using a different meter cost for each class of service. For some classes such as the largest customers, the meter cost may be unique for each customer.

Q: How does one establish the cost and utility service relationships you previously discussed?

A: To establish these relationships, the Company must analyze its gas system design and operations, its accounting records as well as its system and customer load data (e.g., annual and peak period gas consumption levels). From the results of those analyses, methods of direct assignment and common cost allocation methodologies can be chosen for all of the utility's plant and expense elements.

Q: Please explain what you mean by the term "direct assignment."

A: The term "direct assignment" relates to a specific identification and isolation of plant and/or expense incurred exclusively to serve a specific customer or group of customers. Direct assignments best reflect the cost causation characteristics of serving individual customers or groups of customers. Therefore, in performing a COSS, the cost analyst seeks to maximize the amount of plant and expense directly assigned to particular customer groups to avoid the need to rely upon other more generalized allocation methods. An alternative to direct assignment is an allocation methodology supported by a special study as is done with costs associated with meters and services.

Q: What prompts the analyst to elect to perform a special study?

A: When direct assignment is not readily apparent from the description of the costs recorded in the various utility plant and expense accounts, then further analysis may be conducted to derive an appropriate basis for cost allocation. For example, in evaluating the costs charged to certain operating or administrative expense accounts, it is customary to assess the underlying activities, the related services provided, and for whose benefit the services were performed.

Q: How do you determine whether to directly assign costs to a particular customer or customer class?

A: Direct assignments of plant and expenses to particular customers or classes of customers are made on the basis of special studies wherever the necessary data are available. These assignments are developed by detailed analyses of the utility's maps and records, work order descriptions, property records and customer accounting records. Within time and budgetary constraints, the greater the magnitude of cost responsibility based upon direct assignments, the less reliance need be placed on common plant allocation methodologies associated with joint use plant.

Q: Is it realistic to assume that a large portion of the plant and expenses of a utility can be directly assigned?

A: No. The nature of utility operations is characterized by the existence of common or joint use facilities, as mentioned earlier. Out of necessity, then, to the extent a utility's plant and expense cannot be directly assigned to customer groups, common allocation methods must be derived to assign or allocate the remaining costs to the customer classes. The analyses discussed above facilitate the derivation of reasonable allocation factors for cost allocation purposes.

Q: Were direct assignments of plant made in Columbia's COSS?

A: Yes. A special study was performed to directly assign a portion of the specific distribution plant installed to serve Columbia's Main Line Delivery Service customers ("DS-ML"). The costs related to these facilities from the following plant accounts were directly assigned to this class.

- Account 375.4 – Structures & Improvements
- Account 376 – Distribution Mains
- Account 385 – Industrial M & R Station Equipment.

III. COLUMBIA'S COST OF SERVICE STUDIES

A. Process Steps and Structure of the Cost of Service Studies

Q: Please describe the process of performing Columbia's COSS analysis.

A: Columbia prepared three COSS in this case which are identified as the Customer/Demand study, Demand/Commodity study, and the Average study. All three studies are based on reasonable and generally accepted COSS methodologies but produce varying results.

Three broad steps were followed to perform the Company's COSS: (1) functionalization, (2) classification, and (3) allocation. The first step, functionalization, identifies and separates plant and expenses into specific categories based on the various characteristics of utility operation. The costs are functionalized in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. The Company's functional cost categories associated with gas service include Classification of costs, the second step, further separates the functionalized plant and expenses into the three cost-defining characteristics previously discussed: (1) customer, (2) demand or capacity, and (3) commodity. The final step is the allocation of each functionalized and classified cost element to the individual customer class. Costs typically are allocated on customer, demand, commodity, or revenue allocation factors.

Q: Are there factors that can influence the overall cost allocation framework utilized by a gas utility when performing a COSS?

A: Yes. The factors which can influence the cost allocation used to perform a COSS include: (1) the physical configuration of the utility's gas system; (2) the availability of data within the utility; and (3) the regulatory policies and requirements applicable to the utility.

Q: Why are these considerations relevant to conducting Columbia's COSS?

A: It is important to understand these considerations because they influence the overall context within which a utility's cost study was conducted. In particular, they provide an indication of where efforts should be focused for purposes of conducting a more detailed analysis of the utility's gas system design and operations and understanding the regulatory environment in the Commonwealth of Kentucky as it pertains to cost of service studies and gas ratemaking issues.

Q: Please explain why the physical configuration of the system is an important consideration.

A: The particulars of the physical configuration of the transmission and distribution system are important to understand the potential influence of these characteristics on cost causation. The specific characteristics of the system configuration, such as, whether the distribution system is a centralized or a dispersed one, should be identified. Other such characteristics are whether the utility has a single city-gate or a multiple city-gate configuration, whether the utility has an integrated transmission and distribution system or a distribution-only operation, and whether the system is a multiple-pressure based or a single-pressure based operation.

Q: What are the specific physical characteristics of Columbia's system?

A: The physical configuration of Columbia's system is a dispersed / multiple city gate, primarily distribution-only and multi-pressure based system.

Q: What was the source of the cost data analyzed in the Company's COSS?

A: All cost of service data has been extracted from the Company's total cost of service (i.e., total revenue requirement) and subsidiary schedules contained in this filing.

Q: How does the availability of data influence a COSS?

A: The structure of the utility's books and records can influence the cost study framework. This structure relates to attributes such as the level of detail, segregation of data by operating unit or geographic region and the types of load data available. Columbia maintains many detailed plant accounting records for its distribution-related facilities.

Q: How are Columbia's classes structured for purposes of the COSS?

A: The COSS evaluated five customer classes: General Service Residential (GS-Residential), General Service Other (GS-Other), Intrastate Utility Service (IUS), Main Line Delivery Service (DS-ML), and Interruptible Delivery Service (DS/IS). The specific rate schedules contained within each class can be found in Columbia's COSS Report in Attachment RJA-2.

Q: How do regulatory policies bear upon a utility's COSS?

A: Regulatory policies and requirements prescribe whether there is a particular approach historically used to establish utility rates in the Commonwealth. Specifically, regulations may set forth the methodological preferences or guidelines for performing cost studies or designing rates which can influence the cost allocation method utilized by the utility.

B. <u>Classification and Allocation of Distribution Mains</u>

Q: How did the Company's COSS classify and allocate investment in Distribution Mains?

A: In alignment with the past filings made by Columbia, the Application provides insight into the total cost to serve each rate class using two different methods of allocating distribution mains—the Customer/Demand Study and the Demand/Commodity Study. Columbia believes that both the Customer/Demand and Demand/Commodity Studies are relevant because they provide the outside limits of the reasonable allocation of mains costs to the various classes of service. As such, Atrium performed three Allocated COSS: (1) Customer/Demand Study, (2) Demand/Commodity Study, and (3) Average Study (using an average of the Customer/Demand and the Demand/Commodity allocations).

Q: Were there any other differences in methodology between the Average, Demand/Commodity, and Customer/Demand Studies completed in this case?

A: No. The only difference among the studies is the application of the distribution mains allocation factors and their impact on the calculation of related allocation factors.

Q: How did the Company's COSS classify and allocate investment in Distribution Mains by Demand?

A: The demand-related investment was allocated to the customer classes based on their respective contribution to peak day demand under system design weather conditions, in other words, on a "design day" basis in the Customer/Demand study. In the Demand/Commodity and Average study, demand costs are allocated on design day demand and throughput.

Q: Please explain the basis for the Company's choice of classification and allocation methods under its preferred COSS.

A: It is widely accepted that distribution mains (FERC Account No. 376) are installed to meet both system peak period load requirements and to connect customers to the LDC's gas system. Therefore, to ensure that the rate classes that cause the Company to incur this plant investment or expense are charged with its cost, distribution mains should be allocated to the rate classes in proportion to their peak period load requirements and number of customers.

There are two cost factors that influence the level of distribution mains facilities installed by an LDC in expanding its gas distribution system. First, the size of the distribution main (i.e., the diameter of the main) is directly influenced by the sum of the peak period gas demands placed on the LDC's gas system by its customers. Secondly, the total installed footage of distribution mains is influenced by the need to expand the distribution system to connect new customers to the system. Therefore, to recognize that these two cost factors influence the level of investment in distribution mains, it is appropriate to allocate such investment based on both peak period demands and the number of customers served by the LDC.

Q: Is the method used by the Company to determine a customer cost component of distribution mains a generally accepted technique for determining customer costs?

A: Yes. The two most commonly used methods for determining the customer cost component of distribution mains facilities consist of the following: (1) the zero-intercept approach and 2) the most commonly installed, minimum-sized unit of plant investment. Under the zero-intercept approach, a customer cost component is developed through regression analyses to determine the unit cost associated with a zero-inch diameter distribution main. The method regresses unit costs associated with the various sized distribution mains installed on the LDC's gas system against the size (diameter) of the various distribution mains installed. The zero-intercept method seeks to identify that portion of plant representing the smallest size pipe required merely to connect any customer to the LDC's distribution system, regardless of the customer's peak or annual gas consumption.

The most commonly installed, minimum-sized unit approach is intended to reflect the engineering considerations associated with installing distribution mains to serve gas customers. That is, the method utilizes actual installed investment units to determine the minimum distribution system rather than a statistical analysis based upon investment characteristics of the entire distribution system.

For purposes of determining the customer component of distribution mains to be used in Columbia's COSS, the zero-intercept method was utilized. The zero-intercept method resulted in a 51.61% customer component.

Q: Do the results of the zero-intercept method described above therefore support the 51.61% classification of distribution mains as customer related, used by the Company?

A: Yes. Applying the regression results for the "zero inch" distribution main where plastic mains cost $32.63 per foot, and steel mains cost $56.12 per foot, to the Company's total footage of distribution mains results in an investment amount equivalent to approximately 51.61% of the total investment in distribution mains, on a current cost (year 2023) basis.

Q: Would one expect there to be a strong correlation between the number of customers served by Columbia and the length of its system of distribution mains?

A: Yes. Development of the Company's distribution system over time is a dynamic process. Customers are added to the distribution system on a continuous basis under a variety of installation conditions. Accordingly, this process cannot be viewed as a static situation where a particular customer being added to the system at any one point in time can serve as a representative example for all customers. Rather, it is more appropriate to understand and appreciate that for every situation where a customer can be added with little or no additional footage of mains installed, there are contrasting situations where a customer can be added only by extending the distribution mains to the customer's "off-system" location.

Recognizing that the goal is to more reasonably classify and allocate the total cost of Columbia's distribution mains facilities, it is appropriate to analyze the cost causation factors that relate to these facilities based on the total number of customers serviced from such facilities. Accordingly, the concept of using a minimum system approach for classifying distribution mains simply reflects the fact that the average customer serviced by the Company requires a minimum amount of mains investment to receive such service. Thus, it is entirely appropriate to conclude that the number of customers served by Columbia represents a primary causal factor in determining the amount of distribution mains cost that should be assessed to any particular group of customers. One can readily conclude that a customer component of distribution mains is a distinct and separate cost category that has much support from an engineering and operating standpoint.

C. <u>Distribution and General Plant Classification and Allocation</u>

Q: How were the remaining Distribution Plant costs treated in the COSS?

A: As discussed earlier, where possible, costs were directly assigned to the customer classes based on data in the Company's plant records. Weighting factors were developed for plant costs in FERC Account Nos. 380 (Services), 381 (Meters) and 385 (Industrial M&R Station Equipment) based on the size and type of the facilities and equipment. The classification and allocation of the remaining account balances of the directly assigned costs discussed earlier were based on the meters and distribution mains allocators, respectively. The costs in Accounts Nos. 374 (Land & Right of Way), 375 (Structures & Improvements), and 378 & 379 (Measurement & Regulator Station Equipment – General & City Gate) were classified and allocated based on the Average of Design Day and Demand/Commodity allocator, the Design Day Peak allocator, or the Demand/Commodity allocator depending on which of the three studies was being analyzed, as detailed in the COSS report (Schedules 1, 7, and 8 within Attachment RJA-2).

Q: How were the General and Common Plant costs classified and allocated in the COSS?

A: General, Intangible, and Common Plant costs were classified and allocated to the customer classes based on an internal allocation factor generated from the results of the classification and allocation of distribution plant costs as shown in the COSS report (Schedule 1 within Attachment RJA-2).

D. Operation & Maintenance, Customer Accounts & Services, and Administrative & General Expenses

Q: How were O&M expenses classified and allocated in the COSS?

A: Generally, the classification and allocation of the Operation & Maintenance (O&M) expenses followed the treatment of the related plant accounts. For example, the treatment of Account No. 879 (Customer Installations Expense), followed the weighted meters allocator.

Q: Please describe the classification and allocation of Customer Accounts and Customer Service expenses in the COSS.

A: Customer accounts and services expenses were classified as customer-related costs and allocated based on the average number of distribution customers by class. One exception to this treatment was Account No. 904 (Uncollectible Accounts). Uncollectible accounts expenses were assigned to the customer classes based on number of customers, which reflected the historical uncollectible expense experience.

Q: Please explain the treatment of Administrative and General ("A&G") expenses in the COSS.

A: The majority of the A&G expenses were classified and allocated based on the internally generated allocation factor of total O&M expenses, excluding gas supply related costs, Uncollectibles expense and A&G. Taxes Other than Income Taxes and their corresponding [allocation basis] includes Property taxes [Distribution plant] and Payroll & Other taxes [Labor]. Income taxes were allocated based on Rate Base.

E. Cost of Service Study Results

Q: Please explain the COSS information contained in Attachment RJA-2.

A: The following is the list of Schedules included in Attachment RJA-2:

Schedule 1 – Account Balances, Functionalization, Classification and Allocation – displays revenue requirements presented by FERC accounts with corresponding selections of functions, classifications, and allocations methods applied to the accounts for the Average study.

Schedule 2 – External Allocation Factors - depicts the derivation of external allocation factors for the Average study that are explained in detail in Attachment RJA-2.

Schedule 3 – Internal Allocation Factors - depicts the derivation of internal allocation factors for the Average study that are explained in detail in Attachment RJA-2.

Schedule 4 – Cost of Service and Rate of Return under Present and Proposed Rates – a summary of the Average study cost to serve as compared to revenues under present and proposed rates.

Schedule 5 – Cost of Service Allocation Study Detail by Account – a detailed cost of service study presented by the FERC accounts for the individual rate classes for the Average study.

Schedule 6 – Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class - a summary of functionalized and classified rate base and revenue requirements along with derived unit cost by customer class for the Average study.

Schedule 7 – Customer-Demand Study Summary Schedules (Account Balances, Functionalization, Classification and Allocation, Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer).

Schedule 8 – Demand-Commodity Study Summary Schedules (Account Balances, Functionalization, Classification and Allocation, Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer).

Q: Please summarize the results of the Average study COSS.

A: As shown in Schedule 4 within Attachment RJA-2, the overall rate of return for Columbia's natural gas service is 4.59% at present rates, based on the results of gas operations for the 12 months ended December 31, 2025, adjusted for known and measurable changes. The returns by customer class at current rates are shown below:

- GS Residential 2.57%
- GS Other 8.60%
- IUS 11.99%
- DS-ML 75.14%
- DS-IS 8.42%

IV. PRINCIPLES OF SOUND RATE DESIGN

Q: Please identify the principles of rate design you rely upon as the basis for rate design proposals.

A: A number of rate design principles or objectives find broad acceptance in utility regulatory and policy literature. These include:

- Efficiency;
- Cost of Service;
- Value of Service;
- Stability;
- Non-Discrimination;
- Administrative Simplicity; and
- Balanced Budget.

These rate design principles draw heavily upon the "Attributes of a Sound Rate Structure" developed by James Bonbright in <u>Principles of Public Utility Rates</u>. Each of these principles plays an important role in analyzing the rate design proposals of Columbia.

Q: Please discuss the principle of efficiency.

A: The principle of efficiency broadly incorporates both economic and technical efficiency. As such, this principle has both a pricing dimension and an engineering dimension. Economically efficient pricing promotes good decision-making by gas producers and consumers, fosters efficient expansion of delivery capacity, results in efficient capital investment in customer facilities, and facilitates the efficient use of existing gas pipeline, storage, transmission, and distribution resources. The efficiency principle benefits stakeholders by creating outcomes for regulation consistent with the long-run benefits of competition while permitting the economies of scale consistent with the best cost of service. Technical efficiency means that the development of the gas utility system is designed and constructed to meet the design day requirements of customers using the most economic equipment and technology consistent with design standards.

Q: Please discuss the cost of service and value of service principles.

A: These principles each relate to designing rates that recover the utility's total revenue requirement without causing inefficient choices by consumers. The cost of service principle contrasts with the value of service principle when certain transactions do not occur at price levels determined by the embedded cost of service. In essence, the value of service acts as a ceiling on prices. Where prices are set at levels higher than the value of service, consumers will not purchase the service. This principle puts the concept of SAC, discussed earlier, into practice.

Q: Please discuss the principle of stability.

A: The principle of stability typically applies to customer rates. This principle suggests that reasonably stable and predictable prices are important objectives of a proper rate design.

Q: Please discuss the concept of non-discrimination.

A: The concept of non-discrimination requires prices designed to promote fairness and avoid undue discrimination. Fairness requires no undue subsidization either between customers within the same class or across different classes of customers.

This principle recognizes that the ratemaking process requires discrimination where there are factors at work that cause the discrimination to be useful in accomplishing other objectives. For example, considerations such as the location, type of meter and service, demand characteristics, size, and a variety of other factors are often recognized in the design of utility rates to properly distribute the total cost of service to and within customer classes. This concept is also directly related to the concepts of vertical and horizontal equity. The principle of horizontal equity requires that "equals should be treated equally" and vertical equity requires that "unequals should be treated unequally." Specifically, these principles of equity require that where cost of service is equal – rates should be equal and, where costs are different – rates should be different.

Q: Please discuss the principle of administrative simplicity.

A: The principle of administrative simplicity as it relates to rate design requires prices be reasonably simple to administer and understand. This concept includes price transparency within the constraints of the ratemaking process. Prices are transparent when customers are able to reasonably calculate and predict bill levels and interpret details about the charges resulting from the application of the tariff.

Q: Please discuss the principle of the balanced budget.

A: This principle permits the utility a reasonable opportunity to recover its allowed revenue requirement based on the cost of service. Proper design of utility rates is a necessary condition to enable an effective opportunity to recover the cost of providing service included in the revenue authorized by the regulatory authority. This principle is very similar to the stability objective that I previously discussed from the perspective of customer rates.

Q: Can the objectives inherent in these principles compete with each other at times?

A: Yes, like most principles that have broad application, these principles can compete with each other. This competition or tension requires further judgment to strike the right balance between the principles. Detailed evaluation of rate design alternatives and rate design recommendations must recognize the potential and actual competition between these principles. Indeed, Bonbright discusses this tension in detail. Rate design recommendations must deal effectively with such tension. For example, as noted above, there are tensions between cost and value of service principles.

Q: Please describe the conflict between marginal cost price signals and the recovery of the utility's revenue requirement.

A: The conflict between proper price signals based on marginal cost and the balanced budget principle arises because marginal cost is below average cost due to economies of scale. Where fixed delivery service costs do not vary with the volume of gas sales, marginal costs for delivery equal zero.

Marginal customer costs equal the additional cost of the customer accessing the entire gas delivery system. Marginal cost tends to be either above or below average cost in both the short run and the long run. This means that marginal cost-based pricing will produce either too much or too little revenue to support the utility's total revenue requirement. This suggests that efficient price signals may require a multi-part tariff designed to meet the utility's revenue requirements while sending marginal cost price signals related to gas consumption decisions. Properly designed, a multi-part tariff may include elements such as access charges, facilities charges, demand charges, consumption charges, and the potential for revenue credits.

In the case of a local distribution company ("LDC") such as Columbia for residential and small commercial customers, the combination of scale economies and class homogeneity may permit the use of a single fixed monthly charge that meets all of the requirements for an efficient rate that recovers the utility's revenue requirement that is derived on an embedded cost basis. For larger customers, a combination of these elements permits proper price signals and revenue recovery; however, the tariff design becomes more difficult to structure and likely will no longer meet the requirements of simplicity. Therefore, sacrificing some economic efficiency for a customer class in order to maintain simplicity represents a reasonable compromise. For larger customers, the added complexity of a demand charge may not be a concern. Further, for the largest customers, the cost of metering is customer-specific and each customer creates its own unique requirements for gas distribution service based on factors such as distance from the utility's city gate, pressure requirements, and contract demand levels.

Q: Are there other potential conflicts?

A: Yes. There are potential conflicts between simplicity and non-discrimination and between value of service and non-discrimination. Other potential conflicts arise where utilities face unique circumstances that must be considered as part of the rate design process.

Q: Please summarize Bonbright's three primary criteria for sound rate design.

A: Bonbright identifies the three primary criteria for sound rate design as follows:

- Capital Attraction
- Consumer Rationing
- Fairness to Ratepayers

These three criteria are basically a subset of the list of principles above and serve to emphasize fundamental considerations in designing public utility rates. Capital attraction is a combination of an equitable rate of return on rate base and the reasonable opportunity to earn the allowed rate of return. Consumer rationing requires that rates discourage wasteful use and promote all economically efficient use. Fairness to ratepayers reflects avoidance of undue discrimination and equity principles.

Q: How are these principles translated into the design of retail gas rates?

A: The process of developing rates within the context of these principles and conflicts requires a detailed understanding of all the factors that impact rate design. These factors include:

- System cost characteristics such as established in the COSS required by the Commission, or embedded customer, demand, and commodity-related costs by type of service;
- Customer load characteristics such as peak demand, load factor, seasonality of loads, and quality of service;
- Market considerations such as elasticity of demand, competitive fuel prices, end-use load characteristics, and LDC bypass alternatives; and
- Other considerations such as the value of service ceiling/marginal cost floor, unique customer requirements, areas of underutilized

facilities, opportunities to offer new services and the status of competitive market development.

In addition, the development of rates must consider existing rates and the customer impact from modifications to the rates. In each case, a rate design seeks to recover the authorized level of revenue based on the billing determinants expected to occur during the test period used to develop the rates.

The overall rate design process, which includes both the apportionment of the revenues to be recovered among customer classes and the determination of rate structures within customer classes, consists of finding a reasonable balance between the above-described criteria or guidelines that relate to the design of utility rates. Economic, regulatory, historical, and social factors all enter into the process. In other words, both quantitative and qualitative information is evaluated before reaching a final rate design determination. Out of necessity then, the rate design process has to be, in part, influenced by judgmental evaluations.

V. DETERMINATION OF PROPOSED CLASS REVENUES

Q: Please describe the approach generally followed to allocate Columbia's proposed revenue increase of $23,773,019 to its customer classes.

A: As just described, the apportionment of revenues among customer classes consists of deriving a reasonable balance between various criteria or guidelines that relate to the design of utility rates. The various criteria that were considered in the process included: (1) cost of service; (2) class contribution to present revenue levels; and (3) customer impact considerations. These criteria were evaluated for Columbia's customer classes.

Q: Did you consider various class revenue options in conjunction with your evaluation and determination of Columbia's interclass revenue proposal?

A: Yes. Using Columbia's proposed revenue increase, and the results of its COSS, I evaluated a few options for the assignment of that increase among its customer classes and, in conjunction with Columbia's personnel and management, ultimately decided upon one of those options as the preferred resolution of the interclass revenue issue. The benchmark option that I evaluated under Columbia's proposed total revenue level was to adjust the revenue level for each customer class so that the revenue-to-cost for each class was equal to 1.00 (Unity), as shown in Attachment RJA-3, Class Revenue

Apportionment, under *Revenues at Equalized Rates of Return*. As a matter of judgment, it was decided that this fully cost-based option was not the preferred solution to the interclass revenue issue. This decision was also made in consideration of the Bonbright rate design criteria discussed earlier. It should be pointed out, however, that those class revenue results represented an important guide for purposes of evaluating subsequent rate design options from a cost of service perspective.

A second option I considered was assigning the increase in revenues to Columbia's customer classes based on an equal percentage basis of its current non-gas revenues (see *Scenario B, Equal Percentage Increase on Gas Service Revenue*, in Attachment RJA-3). By definition, this option resulted in each customer class receiving an increase in revenues. However, when this option was evaluated against the COSS results (as measured by changes in the revenue-to-cost ratio for each customer class); there was no movement towards cost for most of Columbia's customer classes (*i.e.*, there was no convergence of the resulting revenue-to-cost ratios towards unity). In fact, the disparity in cost responsibility between the classes was widened. While this option was not the preferred solution to the interclass revenue issue, together with the fully cost-based option, it defined a range of results that provides further guidance to develop Columbia's class revenue proposal.

Q: What was the result of this process?

A: After further discussions with Columbia, I concluded that the appropriate interclass revenue proposal would consist of adjustments, in varying proportions, to the present revenue levels in all of Columbia's customer classes. GS-Residential, GS-Other, IUS, DS-ML and DS/IS, as shown in Attachment RJA-3 as *Scenario C: Moderated based on Current Parity Ratio*. In the case of the GS-Residential class, the revenue adjustments ensure their proposed rates will move class revenues closer to the COSS. The proposed revenue increase to the GS-Residential class will improve its revenue to cost ("R:C") ratio from 0.75 to 0.91. The proposed non-gas revenue increases to the GS-Residential class are 100% of the overall system average increase.

The GS-Other class's R:C ratio under current rates is 1.00; therefore, the proposed revenue increase for this class is 100% of the overall system average increase, which raises the R:C ratio to 1.21.

The IUS class's R:C ratio under current rates is 1.17; therefore, the proposed revenue increase for this class is 60% of the overall system average increase, which raises the R:C ratio to 1.32.

The DS-ML class's R:C ratio under current rates is 3.62; therefore, the proposed revenue increase for this class is 60% of the overall system average increase, which raises the R:C ratio to 4.07.

The DS/IS class's R:C ratio under current rates is 0.99; therefore, the proposed revenue increase for this class is 100% the overall system average increase, which raises the R:C ratio to 1.20.

In summary, the Company's preferred revenue allocation approach resulted in meaningful movement of the GS-Residential class revenue-to-cost ratio to within the range of reasonableness to unity or 1.00, while requiring some level of revenue increase responsibility from all customer classes for the Company's total proposed revenue requirement. From a class cost of service standpoint, this type of revenue to cost responsibility movement, and reduction in the existing interclass rate subsidies, is desirable.

VI. <u>COLUMBIA'S RATE DESIGN PROPOSALS</u>

Q: Please summarize Columbia's proposed rate design changes.

A: Columbia has proposed to adjust the monthly Customer Charges to better reflect the underlying costs of providing basic customer service for customers served under the following Rate Schedules: GS-Residential (GSR/GTR), GS-Other (GSO/GTO/GDS), IUS, DS-ML, and IS/DS, as shown on Attachment RJA-4, Proposed Rate Design. Additionally, Columbia proposes two different Customer Charges for DS-ML customers based upon their monthly usage. Following the revenue increases recovered through the Customer Charges, the remaining allocated revenue increases will be recovered in their respective volumetric Delivery Charge components.

Q: Please describe the proposed changes to the Customer Charges for the respective tariff rate schedules.

A: As seen in Attachment RJA-4, the Customer Charge under the GS-Residential (GSR/GTR) class is proposed at $27.00 per month, an increase of $7.25 per month from the currently effective charge.

The Customer Charge applicable to GS-Other (GSO/GTO/GDS) customers is proposed at $110.00 per month, an increase of $26.29 per month from the current charge.

The Customer Charge applicable to IUS customers is proposed at $1,135.00 per month, an increase of $189.76 per month from the current charge.

Columbia proposes to divide Rate Schedule DS-ML customers into two blocks for the customer charge based upon Annual Transportation Volume due to large annual volume differences within the current DS-ML class as well as varying levels of On-Site plant investment. Specifically, Columbia proposes that a DS-ML customer who uses up to 400,000 Mcf of gas in a year be assessed a $300.00 per month charge while a DS-ML customer who uses over 400,000 Mcf of gas in a year be assessed $600.00

per month. This results in an increase of $39.89 and $339.89 per month, respectively. The disparity in the annual customer usage within the DS-ML class, based on the forecasted period 12/31/2024 to 12/31/2025, is shown in Attachment RJA-5, DS-ML Rate Structure. A natural break point of 400,000 Mcf is evident between Customer C (377,800 Mcf) and Customer D (800,000 Mcf). A cost-based difference is also evident from the underlying service line costs, whereby the average service investment for the larger DS-ML customers is over 50% higher than the average service investment for the smaller customers in this class. The result of the direct assignment of Industrial M&R Station Equipment is over three times higher for the larger DS-ML customers versus the smaller customers within the class. Given the average On-Site monthly cost for the DS-ML class at $2,479.96[1], Columbia believes the respective Customer Charge levels between the two groups within the DS-ML class are reasonable and warranted.

The Customer Charge applicable to IS/DS customers is proposed at $5,000.00 per month, an increase of approximately $1,017.70 per month from the current charge.

[1] See Attachment RJA-2, page 33 of 59

Q: Does a volumetrically weighted rate design provide the most appropriate prices signals to customers related to gas consumption?

A: No. A volumetrically weighted rate design conveys improper price signals to customers because it recovers fixed costs through the volumetric components of the utility's rate structure. When this undesirable situation exists, it can: (1) increase revenue variability due to factors beyond the gas utility's ability to influence; (2) fail to account for cost differences between and within customer classes; (3) promote inefficient use of the gas utility's system; and (4) needlessly inflate bills in the winter months, when customers face the greatest pressure on their household budgets from utility bills. Columbia's rate design proposal to increase the level of its Customer Charges moves in the right direction to minimize these undesirable effects and best aligns the price signals to customers with the underlying costs of providing gas delivery service.

A Customer Charge that better reflects the level of customer-related costs will result in a customer's annual bill more accurately reflecting the non-gas revenue amounts approved by the Commission in this rate case, while customers will recognize the results of their energy conservation efforts in the amount they pay for the gas commodity in their monthly bills.

VII. <u>TYPICAL BILL COMPARISON</u>

Q: How was the Schedule N, Typical Bill Comparison, developed?

A: Monthly usage levels were selected to provide a representative impact on a typical monthly bill based on the proposed changes in rates. Tariff sales rate schedules were compared with and without gas costs. Proposed changes in monthly customer and volumetric charges were compared for transportation rate schedules.

Q: Does this complete your Prepared Direct Testimony?

A: Yes.

Attachment RJA-1

Ronald J. Amen

Managing Partner

Mr. Amen has over 40 years of combined experience in utility management and consulting in the areas of regulatory support, resource planning, organizational development, distribution operations and customer service, marketing, and systems administration.

He has advised gas, electric and water utility clients in the following areas: regulatory policy, strategy, and analysis; cost of service studies (embedded and marginal cost analyses); rate design and pricing issues including time- of-use rates, revenue decoupling, weather normalization and other cost tracking mechanisms; resource strategy, planning and financial analysis; and business process design, evaluation, and organizational structures. Mr. Amen has provided expert testimony in numerous state and provincial regulatory agencies, and the Federal Energy Regulatory Commission. Prior to establishing Atrium Economics in 2020, Mr. Amen's consulting experience included Director Advisory & Planning at Black & Veatch Management Consulting, LLC, Vice President of Concentric Energy Advisors, Inc. and Director with Navigant Consulting, Inc. His prior utility experience includes leadership of State and Federal Regulatory Affairs at two electric and gas utilities, and management positions in Regulatory Affairs, Information Systems and Distribution Operations.

EDUCATION

University of Nebraska, Bachelor of Science with Distinction, Business Administration, Finance and Economics

YEARS EXPERIENCE

44

PROFESSIONAL ASSOCIATIONS

American Gas Association
Southern Gas Association

RELEVANT EXPERTISE

Financial Analysis; Litigation Support; Regulatory Support; Strategy; Utility Operations

REPRESENTATIVE PROJECT EXPERIENCE

Regulatory Policy, Strategy and Analysis

Western Export Group (2019)

In a Nova Gas Transmission, LTD. (NGTL) Rate Design and Service Application before the Canada Energy Regulator (CER), Mr. Amen led a consulting team supporting the interests of the Western Export Group, a group of nine utility companies located in the Western U.S. and British Columbia who are export shippers on the NGTL system. The case resulted in a settlement with all parties.

Regulatory Commission of Alaska (2019 – 2020)

Part of a multi-functional team that assisted the Regulatory Commission of Alaska (RCA) in its evaluation of the Chugach Electric Association, Inc's acquisition of the Municipal of Anchorage d/b/a Municipal Light & Power Department. Assisted the RCA with its evaluation of the long-term benefits of the transaction to ML&P and Chugach customers, the implication of terms and assumptions in various agreements, and the careful balance of the fiscal and regulatory implications for the customers of the combined entity.

CPS Energy (2017 – 2018)

Provided an overall review of the client's Strategic Roadmap to prioritize its multi-year regulatory initiatives. (e.g., changes in product and service offerings, restructuring of current rate classes, introduction of new rate structures, rate levels, and tariff provisions). Current pricing processes and platforms assessed to identify recommended enhancements to enable the development and implementation of dynamic pricing concepts. Assisted client with preparation of next rate case (e.g., costing and pricing analyses, load forecasting, internal communications, and stakeholder engagement).

FortisBC Energy, Inc. (2016 – 2018, 2021)

Performed an overall review of the client's Transportation Service Model. Analyzed the client's various midstream transportation and storage capacity resources used in providing balancing of transportation customers' loads. Review included the physical diversity, functionality and flexibility provided by the various capacity resources, and the cost impact caused by transportation customers' imbalance levels. Conducted an industry-wide benchmarking study of current industry-wide best practices, by regulatory jurisdiction, related to transportation balancing tariff provisions. Participated in stakeholder workshops and testified before the BCUC. Retained in 2021 to update quantitative analysis of the operation of the transportation balancing rules for reporting requirements of the BCUC in 2022.

McDowell Rackner & Gibson Law Firm (2015 – 2016)

Provided due diligence services to the law firm in connection with a state utility commission investigation into the law firm client's gas storage and optimization activities. Provided an independent opinion as to the likely outcome of the Commission's ongoing investigation.

Gulfport Energy Corporation (2016)

Provided regulatory analysis and support to Gulfport Energy Corporation in the ANR Pipeline Company Natural Gas Act §4 rate proceeding before the Federal Energy Regulatory Commission (FERC). Analyzed as-filed cost of service and rate design to identify key cost of service, cost allocation, rate design and service related/tariff issues. Developed an integrated cost of service and rate design model to prepare studies on client issues. Prepared best/worst case litigation outcomes, discovery, and evaluations of discovery of other parties. Analyzed FERC staff top sheets and settlement offers; and assisted in the preparation of settlement positions.

Confidential Financial / Energy Partners (2015)
Provided regulatory due diligence support for client related to a proposed merger with a multijurisdictional gas/electric company including an evaluation of the regulatory landscape in the various applicable state jurisdictions, recent regulatory decisions, and current regulatory issues.

Confidential International Energy Company (2014)
Provided regulatory due diligence support for client related to a proposed merger with a multijurisdictional gas company including an evaluation of the regulatory landscape in the various applicable state jurisdictions, recent regulatory decisions, and current regulatory issues.

Pacific Gas & Electric Company (2014)
Developed an extensive industrywide benchmarking study to determine the cost allocation and ratemaking treatment utilized by Local Distribution Companies (LDCs) in the United States for recovery of gas transmission costs. Benchmarked cost allocation and rate design utilized by Interstate/Intrastate Pipelines. Benchmarked how Industrial & Electric Generation customers are served with natural gas.

Public Service Company of New Mexico (2009-2010)
Provided case management, revenue requirement, cost of service and rate design support for general rate cases in the utility's two state regulatory jurisdictions. Issue management and policy development included an electric fuel and purchased power cost mechanism, recovery of environmental remediation costs for a coal fired power plant, and the valuation of renewable energy credits related to a wind power facility.

Confidential International Energy Company (2009)
Provided due diligence on behalf of client related to the purchase of a gas/electric utility, including a review of the regulatory and market-related assumptions underlying the client's valuation model, resulting in the validation of the model and identification of key business risks and opportunities.

Resource Planning, Strategy and Financial Analysis

Confidential Multi-Jurisdiction Gas Utility (2021-2022)

Retained by the multi-jurisdiction interstate transmission pipeline and local distribution utility ("client") to assist it in identifying and supporting a natural gas supply solution to satisfy additional deliverability requirements with the goals of minimizing costs, enhancing system resiliency, and introducing renewable fuels into its system. Reviewed the process and analyses that had been conducted to-date (including all underlying assumptions) and provided insight on the best path forward. The goal of the effort was to help prepare client for internal approval of the process and recommended path forward, and ultimately the development and approval of the necessary regulatory filings at the federal, state, and local levels. Atrium evaluated a broad spectrum of regulatory, economic, market-related, and logistical considerations in order to advise the client on the best path forward in utilizing LNG to meet its future deliverability requirements. Specific components of Atrium's analysis included regulatory approvability, rate design and cost recovery risk, site location (including siting LNG in multiple locations in multiple states), ownership structure, and ability to incorporate RNG and hydrogen into Utility's system to decarbonize the pipeline system.

Great Plains Natural Gas (2021-2022)

Retained to review the gas supply procurement practices and objectives of Great Plains, the interstate pipeline, storage and supply contracts, and other information available to Great Plains leading up to and throughout the severe weather event that occurred from February 13-17, 2021, and the actions by Great Plains personnel in response to the weather event, as part of a state-wide investigation by the Minnesota Public Utilities Commission. Expert testimony filed on behalf of Great Plains.

Fortis BC Energy, Inc. (2011, 2021)

Retained to help develop a gas supply incentive mechanism in cooperation with the British Columbia Utilities Commission staff and the company's other stakeholders. Provided an independent analysis of the utility's management of pipeline and storage capacity and supply. Part of this work entailed a review of the major markets in which the utility transacted, reviewing the size of trading activity at the major market hubs and reviewing the price indices for these markets. In 2021, retained to refresh all quantitative analysis of the operation of the GSMIP for reporting requirements of the BCUC in 2022.

Black Hills Colorado Electric Utility (2009)

Engaged as a member of a consultant team that served as the independent evaluator in a competitive solicitation for non-intermittent generation resources. Jointly recommended by the utility client, the staff of the utility commission and the state attorney general, the consulting team acted as an agent of the public utility commission monitoring and overseeing the solicitation, which included reviewing the request for proposals and solicitation process, including provisions of the power purchase agreement, preliminary review (economic and contractual) of bids received from the request for proposals, initial modeling of bids for screening, selection of bidders with whom to conduct negotiations and oversight of the negotiation process, and the ultimate selection of the winning bid. Provided due diligence review of all input data, preliminary and final model output, and output summaries. The team produced biweekly confidential reports to the commission regarding the process and its results.

NW Natural (2007-2008)

Assisted with the development of its long-term Integrated Resource Plan (IRP) for its Oregon and Washington service territories. The IRP included the evaluation of incremental inter- and intra-state pipeline capacity, underground storage, and two proposed LNG plants under development in the region.

Puget Sound Energy (2007)

Engaged to assist the client with the development of a natural gas resource efficiency and direct end-use strategy, an interdepartmental initiative focused on preparing a natural gas resource efficiency plan that optimizes customers' end-use energy consumption while furthering corporate customer, financial, environmental, and social responsibilities.

Puget Sound Energy (2002 – 2003)

Provided resource planning strategy and analysis for the company's Least Cost Plan, including a review of the company's underlying 20-year electric and gas demand forecasts. As a member of a consulting team, served as the client's financial advisor for the acquisition of new electric power supply resources. Conducted a multitrack solicitation process for evaluation of generation assets and purchase power agreements. Provided regulatory support for the acquisition.

Cost Allocation, Pricing Issues and Rate Design

Philadelphia Gas Works PGW (2023)

Mr. Amen led an Atrium team engaged by PGW to review the mechanics, input data, billing controls, and weather trends surrounding PGW's Weather Normalization Adjustment ("WNA") formula to understand the factors that contributed to the abnormally high WNA charges in June 2022. Atrium's review identified structural factors inherent in PGW's WNA mechanism that may have contributed to the anomalous WNA amounts billed to customers in June 2022. Mr. Amen filed testimony with Atrium's findings and recommendation in the pending general rate case before the Pennsylvania Public Utility Commission.

Potomac Electric Power Company (PEPCO) (2022-2023)

Mr. Amen led an Atrium team engaged by PEPCO on behalf of services requested by the Public Service Commission of the District of Columbia ("DC Commission"), for comprehensive evaluation of the processes, procedures, mechanics, and internal controls surrounding PEPCO's Bill Stabilization Adjustment ("BSA"). Atrium provided independent audit services sought by the DC Commission, including a) independently evaluate the timing, impact and magnitude of the billing determinant error that was identified during Formal Case No. 1156; b) independently confirm that current BSA processes and procedures are properly and timely executed as designed; c) independently confirm that current Pepco BSA internal controls are properly and timely executed; d) independently identify any recommended process and procedural improvements, as well as any recommended changes in existing internal controls or new internal controls; and e) independently conduct a comprehensive review of Pepco's BSA deferral balances by customer class, with an overall determination of the breakdown of BSA deferral balances by key drivers for each customer class. Our audit report and recommendations were filed with the DC Commission in July 2023.

Summit Natural Gas of Maine, Inc. (2022 - 2023)

Mr. Amen provided revenue requirement, allocated cost of service, class revenue apportionment, rate design, and expert witness testimony support for the utility's gas general rate case and multi-year rate plan before the Maine Public Utilities Commission. Responsibilities included determination of an optimal normal weather period for purposes of normalizing test year billing determinants, followed by the weather normalization process of determining a representative level of gas throughput for the Company's test year. The case resulted in an all-party settlement before the Maine PUC.

Black Hills Energy Arkansas (2021-2022)

Mr. Amen provided allocated cost of service, class revenue apportionment, rate design for natural gas infrastructure mechanisms, and expert witness support for the utility's gas general rate case before the Arkansas Public Service Commission. The case resulted in a settlement before the Arkansas PSC.

Until Electric System and Northern Utilities, Inc. (2021 - 2022)

Mr. Amen provided allocated cost of service, marginal cost of service, class revenue apportionment, rate design, and expert witness support for the utility's separate electric and gas general rate cases before the New Hampshire Public Utilities Commission, including expert witness testimony. The cases resulted in settlements before the NHPUC.

Manitoba Hydro – Centra Gas Manitoba (2021-2022)

Retained to provide an independent review of the cost of service methodologies employed for Centra Gas Manitoba Inc.'s natural gas operations. Atrium prepared a report filed with the Manitoba Public Utility Board documenting and supporting our assessment of Centra's existing COSS methods in conformance with the regulatory requirements of the MPUB. Focusing on the trends of Canadian gas distribution utilities, the COSS method utilized in the current COSS was reviewed against the: (1) cost causative factors identified for each plant and expense element of Centra's total cost of service; and (2) the current range of regulatory practices observed in the North American gas utility market. Centra's 2022 rate application based on the recommendations in our report was approved by the MPUB.

Montana-Dakota Utilities and Great Plains Natural Gas (2020 – 2021, 2022 - 2023)

Mr. Amen provided cost of service, class revenue apportionment, rate design, and expert witness support for the gas utilities' general rate cases before the Montana Public Service Commission (MPSC) and North Dakota Public Service Commission (NDPSC). Testimony included theoretical principals and practical application of cost allocation, and rate design principles or objectives that have broad acceptance in utility regulatory and policy literature. Supported the Straight Fixed-Variable Rate Design (SFV) in North Dakota with analysis showing low-income residential customers would experience lower annual bills under the SFV rate design than a volumetric weighted rate design. Provided a presentation at a public input hearing and oral testimony at Commission hearings in both jurisdictions. SFV rate design was approved by the North Dakota PSC. The cases resulted in settlements approved by the respective Commissions.

Mr. Amen also represented the client's interests (as well as those of neighboring utility clients NW Natural and Puget Sound Energy) in a Washington generic rulemaking proceeding on the subject of electric and gas cost of service methodologies and minimum filing requirements.

Mr. Amen supported electric general rate case filings in Montana and North Dakota, including a marginal cost study in Montana, and allocated cost studies, revenue apportionment and rate design in both jurisdictions.

Mr. Amen recently supported a gas general rate case filing in MDU's Idaho affiliate, Intermountain Gas. Support included a class level, design day load study across the utility's seven temperature zones, using a combination of AMI (60% penetration) and monthly billing data, class allocated cost of service study, class revenue apportionment, and rate design.

Mr. Amen is currently supporting gas and electric general rate case filings in MDU's South Dakota service territory, including gas and electric allocated cost studies, revenue apportionment and rate design (filed August 2023).

Chesapeake Utilities Corporation (2020 – 2021)
Reviewed and evaluated Chesapeake's Swing Service Rider (SSR), which recovers intrastate pipeline capacity costs directly from all transportation customers, and the application of the current cost allocation methodology underlying the service for its Florida gas utilities, Central Florida Gas and Florida Public Utilities. Supported Chesapeake through three primary tasks; (1) Assessment of the factors influencing the current cost allocation method, its impact on various customer groups, and data collection, (2) Assessment of the appropriateness of alternative cost allocation methods and model the application to and impact on the SSR charges, and (3) Provided a report of the evaluation, modelling results and recommendations in a report and conducted a review session with Chesapeake management personnel.

Kansas City, KS Board of Public Utilities (2019 – 2020)
Provided expert witness testimony supporting the basis for a Green Energy Program, its objectives, and overall benefits. Provide an assessment of how the program is aligned with best practices in design of Green Energy tariff programs nationally. Testimony also provided an assessment of how the program mitigates potential risks the to the Board of Public Utilities and protects against subsidization of other rate classes.

NW Natural (2018 – 2019)
Provided cost of service, class revenue apportionment, rate design, and expert witness support for the gas utility's general rate case before the Washington Utility and Transportation Commission (WUTC), filed in December 2018. Testimony included theoretical principals and practical application of cost allocation, and rate design principles or objectives that have broad acceptance in utility regulatory and policy literature.

Chesapeake Utilities Corporation (2018 – 2019)
Developed a Weather Normalization Adjustment (WNA) mechanism applicable to the monthly billings of Chesapeake's residential and general service customers. Sponsored the WNA mechanism through expert testimony filed with the Delaware Public Service Commission in January 2019. The testimony included a description of the WNA calculations; back-casting performance analyses, with bill impacts; a WNA tariff; and conceptual and evidentiary support for this ratemaking mechanism.

Louisville Gas & Electric Company and Kentucky Utilities Company (2018)
Engaged by LG&E and KU to a conduct a study in support of a joint utility and stakeholder collaborative concerning economical deployment of electric bus infrastructure by the transit authorities in the Louisville and Lexington KY areas, as well as possible cost-based rate structures related to charging stations and other infrastructure needed for electric buses.

Summit Utilities – Colorado Natural Gas, Inc. (2018)
Engaged by Summit Utilities to develop and support with expert testimony an appropriate normal weather period for the client's five Colorado temperature zones, resulting normalized billing determinants, and a Weather Normalization Adjustment ("WNA") proposal in conjunction with the filing of a general rate case for its Colorado Natural Gas , Inc. subsidiary.

Westar Energy (2018)
Provided cost of service and expert witness support for the electric utility's general rate case filing before the Kansas Corporation Commission (KCC). The cost of service study determined the cost components for a new Residential Distributed Generation (DG) customer class that provided the basis for recommendations for establishing components of a sound, modern three-part rate design for this new Residential DG (roof-top solar) service, which was approved by the KCC.

Florida Public Utilities (Chesapeake Utilities) (2017 – 2018)
Provided a rate stratification study of the utility's commercial and industrial customer classes to facilitate the reconfiguration of the classes by size of service facilities, annual volume, and load factor. Reviewed the cost allocation bases and recommended alternatives for recovery of capital investments related to the utility's Gas Reliability Investment Program (GRIP).

Tacoma Power (2016 – 2018, 2023)
Provided cost of service and rate design support for the electric utility's general rate case filings, including support for recovery of fixed costs through fixed charges and impacts on low income customers. Provided recommendations as to specifications in the client's cost of service analysis (COSA) model for deriving Open Access Transmission Tariff rates, using FERC approved standards to guide the evaluation. Conducted an electric utility costing and pricing workshop for the PUB in October 2017; and participated with Tacoma Utilities staff in a comprehensive electric and water Rates and Financial Planning workshop in February 2018. Engagement was extended for the 2019 – 2020 rate filing, which incorporated the Black & Veatch municipal COSA model for costing and ratemaking purposes. Currently providing cost of service and rate design for the 2023 – 2024 rate filing. Future project work involves innovative rate programs.

Tacoma Power (2017)
Engaged to review and assess current rates for 3rd Party Pole Attachments (PA), and more specifically, to determine and recommend if any rate adjustments were needed. Performed several tasks:

- Performed a market survey of rates charged by comparable utilities.
- Reviewed current regulations on rate setting and practice for 3rd Party Pole Attachments as set forth by the Federal Communications Commission (FCC) and the State of Washington (WA), and the interpretation of such regulations in court decisions.
- Reviewed industry best practices under the FCC, WA, and the American Public Power Association (APPA)
- Collected and reviewed data for cost-based fees including:

- Application Fees
- Non-Compliance Fees

- Reviewed cost data supplied by the City of Tacoma as relates to determining pole costs, and
- Performed modeling of rates under the FCC Model, the APPA model, and the State of Washington shared model (50 % FCC Rate/ 50% APPA Rate).

BC Hydro (2016)
Provided research and analysis of the line extension policies of a select group of peer utilities in Canada with similar regulatory regimes as well as U.S. utilities based on their geographic relationship to the client. Conducted interviews with peer utilities to gather comparative information regarding their line extension policies and related internal procedures. Performed a comparative analysis of the various line extension policies from the selected peer group.

Cascade Natural Gas Corporation (2015 – 2019)
Provided cost of service and rate design support for several of the company's general rate case filings in its two state jurisdictions, 3 in Oregon and 2 in Washington. Conducted Long-run Incremental Cost Studies in the Oregon jurisdiction and embedded class allocated cost of service studies in the Washington jurisdiction. Performed benchmark analyses to compare each of the client's administrative and general (A&G) and operations and management (O&M) expenses, on a per-customer basis, to various peer groups. Analyses were performed for natural gas utilities and combination utilities with both electric and gas operations. Various iterations of the analyses were prepared to make the peer group of utilities more comparable to the characteristics of the client's utility operations. Represented the client's interests in a Washington generic rulemaking proceeding on the subject of electric and gas cost of service methodologies and minimum filing requirements.

Chesapeake Utilities (2015 – 2016)
For its Delaware jurisdiction, provided cost of service and rate design support in the client's general rate case proceeding, including expert witness testimony in support of the utility's proposed gas revenue decoupling mechanism.

Homer Electric Association / Alaska Electric and Energy Cooperatives (2015)
Represented clients in an ENSTAR gas general rate proceeding. Testimony discussed accepted industry principles of revenue allocation and rate design, including the applicability to and alignment with ENSTAR's revenue allocation and rate design proposals for large power and industrial customers. Provided a critique of certain methodological aspects of ENSTAR's Cost of Service study, proposed revenue allocation, and rate design relating to the various large power and industrial customers.

Arkansas Oklahoma Gas Corporation (2002, 2003, 2004, 2007, 2012, 2013)
Provided cost of service and rate design support for several of the company's general rate case filings in its two state jurisdictions and in support of Section 311 transportation filings (2007,

2010) before the Federal Energy Regulatory Commission. Provided related research, design, and expert witness testimony in support of a Revenue Decoupling mechanism in one jurisdiction and a Weather Normalization Adjustment mechanism in the other jurisdiction, along with a significant increase in fixed charges and the introduction of demand charges for the company's largest customer classes. Conducted a pre-filing "decoupling" workshop for the utility commission staff.

Northern Indiana Public Service Company (NiSource) (2009 – 2010, 2013, 2017, 2021)
Conducted class allocated cost of service studies for the client's natural gas (including two other affiliate gas utilities) and electric operations. Work included reconfiguring the Company's commercial and industrial customer classes according to size of load and customer-related facilities. Rate design was modernized to recover a greater portion of fixed costs via fixed monthly customer and demand-based charges, a transition to a "Straight-Fixed Variable" form of rate design. Industry research was provided on alternative rate designs for the electric service, including Time-of-Use rates and Critical Peak Pricing. Served as an expert witness on behalf of the client in five general rate cases before the Indiana Utility Regulatory Commission. The 2021 rate case is currently pending before the IURC.

Southwestern Public Service Company (Xcel) (2012)
Retained to conduct a study to estimate the conservation effect of replacing its existing electric residential rate design with an alternative rate design such as an inverted block rate design. Reviewed inclining block rate structures that have actively been employed in other jurisdictions and also reviewed technical and academic literature to assess the elasticity of electricity demand for residential customers in the southwestern U.S. Analyzed 2009-2011 residential data to determine what sort of conservation effect the company may expect by implementing an inclining block rate structure. Provided an overview of alternative rate structures which may also promote conservation effects, such as seasonal rates, three-part rates, and time-of-use (TOU) rates, and considered the competing incentives of promoting conservation and cost recovery, without specific rate mechanisms to address this conflict.

Atlantic Wallboard LP and Flakeboard Company Limited (JD Irving) (2012)
Represented clients in an Enbridge Gas New Brunswick Limited Partnership ("EGNB") general rate proceeding. Testimony responded to the 2012 allocated cost of service study and rate design that was submitted to the New Brunswick Energy and Utilities Board by EGNB. Testimony also provided benchmark information regarding EGNB's distribution pipeline infrastructure in New Brunswick. CA.

Western Massachusetts Electric Company (Northeast Utilities) (2010 – 2011)
Supported utility in its decoupling proposal for the company's general rate case. Work included: 1) research on the financial implications of decoupling; 2) identification of decoupling mechanism details to address company and regulatory requirements and objectives; 3) identification of rate adjustment mechanisms that would work together with the company's proposed decoupling mechanism; and 4) preparing pre-filed testimony and testifying at hearings in support of the company's decoupling and rate adjustment proposals. The proposed rate adjustment mechanisms included an inflation adjustment mechanism based on a statistical analysis, and a capital spending

mechanism to recover the costs associated with capital plant investment targeted to improving service reliability.

Interstate Power & Light (Alliant Energy) (2010 – 2011)

Conducted class allocated cost of service studies for a Midwestern electric utility's Minnesota electric system. Work included reconfiguring the company's customer classes for cost of service purposes to collapse end-use based classes with the classes to which they would be eligible. Cost of service studies were performed on a before-and-after basis for the existing and proposed classes. The cost of service studies included a fixed/variable study for production costs, and a primary/secondary study for poles, transformers, and conductors. Performed a TOU analysis to determine the appropriate rate differentials for its peak and off-peak rates. Served as an expert witness on behalf of the client in a general rate case before the Minnesota Public Service Commission.

National Grid (2010)

Conducted class allocated cost of service studies for the client's Massachusetts natural gas operations. This task included combined gas cost of service studies for the consolidation of four gas service territories into two gas utility subsidiaries. During interrogatories, performed four separate allocated cost of service studies for each gas service territory. Work included reconfiguring the company's commercial and industrial customer classes according to size of load and customer-related facilities. Served as an expert witness on behalf of the client in consolidated general rate cases before the Massachusetts Department of Public Utilities.

Puget Sound Energy (2001 – 2002, 2006 – 2007, 2019 – 2020)

In three Washington general rate proceedings, provided cost of service and rate design support, including expert witness testimony in support of the utility's proposed revenue decoupling mechanism. Conducted research on accelerated cost recovery mechanisms for infrastructure replacement, and electric power cost adjustment mechanisms. In the latest general rate case, Mr. Amen sponsored expert testimony on a proposed revenue attrition adjustment to the client's revenue requirement in the 2020 general rate case.

Utility System Operations and Organizational Development

Philadelphia Gas Works (2017, 2020)

Engaged to provide an independent consulting engineer's report to be included as an appendix to the official statement prepared in connection with the issuance of the City of Philadelphia, Pennsylvania Gas Works Revenue Bonds. The evaluation of the PGW system included a discussion of organization, management, and staffing; system service area; supply facilities; distribution facilities; and the utility's Capital Improvement Plan (CIP). Our report also contained: (a) financial feasibility information, including analyses of gas rates and rate methodology; (b) projection of future operation and maintenance expenses; (c) CIP financing plans; (d) projection of revenue requirements as a determinant of future revenues; (e) an assessment of PGW's ability to satisfy the covenants in the General Gas Works Revenue Bond

Ordinance of 1998 authorizing the issuance of the Bonds; and (f) information regarding potential liquefied natural gas ("LNG") expansion opportunities.

Puget Sound Energy (2013 – 2014)
Engaged to perform a review of its project management and capital spending authorization processes (CSA). The overall project objectives were to educate project management (PM) staff as to the importance and relevance of regulatory prudence standards, evaluate existing PM processes along with newly introduced corporate CSA processes, and propose PM and corporate process and documentation efficiencies. This task was accomplished through 1) a situational assessment and risk review; 2) analysis of project management practices; and 3) development of common documentation for the CSA and PM processes.

Puget Sound Energy (2012 – 2013)
Engaged to perform a review of how the company compares to similarly situated utilities in the areas of the underlying capitalized costs related to new customer additions ("new business investment") and the management policies and practices that influence the new business capital investment. Examined the interrelationships of our client's management policies and practices in the functional areas related to new business investment and developed an understanding of the nature of the costs captured by the new business investment process. Benchmarked those costs relative to peers' cost factors and management capital expenditure practices and performed targeted peer group interviews on our client's behalf. The review identified certain trends and/or interrelationships between management policies and practices, as well as other exogenous factors, and the resulting impact on new business investment.

Puget Sound Energy (2011 – 2012)
Engaged to perform a review of its electric transmission planning and project prioritization process. The emphasis of the review was to determine if the process implemented by the client could be expected to meet the regulatory standard of prudence, as adopted by the state regulatory commission. Reviewed the prudence standard adopted by the commission in several recent regulatory proceedings, supplemented by our knowledge of the prudence standard adopted at a national level and in other states. The engagement included two phases: 1) an initial situation assessment of the existing process employed by the client, and 2) a review of the historic implementation of that process by reviewing a sampling of transmission projects. Compiled and provided examples of capital planning documents and procedures, viewed as "best practices," from other electric utilities and other relevant transmission entities.

Alliant Energy (2011 – 2012)
Provided audit support for one of the company's gas and electric utilities, Interstate Power & Light, during a management audit ordered by one of its two regulatory jurisdictions. Conducted a pre-audit of distribution operations and resource planning processes to provide the client with potential audit issues. Assisted the client throughout the audit process in responding to information requests, preparing company executives and management personnel for audit interviews, and management of preliminary audit issues and findings by the independent audit firm.

Ameren Illinois Utilities (2009 – 2010)

Performed a number of benchmark analyses to compare each of the client's A&G and O&M expenses, on a per-customer basis, to various peer groups conducted for the client's natural gas and electric operations. Analyses were performed for natural gas, electric and combination utilities with both electric and gas operations. Various iterations of the analyses were prepared to make the peer group of utilities more comparable to the characteristics of the client's utility operations. Served as an expert witness on behalf of the client in a consolidated general rate case proceeding of its three utility subsidiaries before the Illinois Commerce Commission.

EXPERT WITNESS TESTIMONY PRESENTATION

- Alaska Regulatory Commission
- Arkansas Public Service Commission
- British Columbia Utility Commission (Canada)
- Colorado Public Utility Commission
- Connecticut Department of Public Utility Control
- Delaware Public Service Commission
- Illinois Commerce Commission
- Indiana Utility Regulatory Commission
- Kansas Corporation Commission
- Maine Public Utilities Commission
- Manitoba Public Utilities Board (Canada)
- Massachusetts Department of Utilities
- Minnesota Public Utilities Commission
- Missouri Public Service Commission
- Montana Public Service Commission
- New Brunswick Energy and Utilities Board (Canada)
- New Hampshire Public Utilities Commission
- North Dakota Public Service Commission
- Oklahoma Corporation Commission
- Oregon Public Utility Commission
- Pennsylvania Public Utility Commission
- South Dakota Public Utilities Commission
- Washington Utilities and Transportation Commission
- Federal Energy Regulatory Commission

SELECTED PUBLICATIONS / PRESENTATIONS

"Enhancing the Profitability of Growth," American Gas Association, Rate and Regulatory Issues Seminar, April 4 - 7, 2004

"Regulatory Treatment of New Generation Resource Acquisition: Key Aspects of Resource Policy, Procurement and New Resource Acquisition," Law Seminars International, Managing the Modern Utility Rate Case, February 17 - 18, 2005

"Managing Regulatory Risk – The Risk Associated with Uncertain Regulatory Outcomes," Western Energy Institute, Spring Energy Management Meeting, May 18 - 20, 2005

"Capital Asset Optimization – An Integrated Approach to Optimizing Utilization and Return on Utility Assets," Southern Gas Association, July 18 - 20, 2005

"Resource Planning as a Cost Recovery Tool," Law Seminars International, Utility Rate Case Issues & Strategies, February 22 - 23, 2007

"Natural Gas Infrastructure Development and Regulatory Challenges," Southeastern Association of Regulatory Utility Commissioners, Annual Conference, June 4 – 6, 2007

"Resource Planning in a Changing Regulatory Environment," Law Seminars International, Utility Rate Cases – Current Issues & Strategies, February 7 - 8, 2008

"Natural Gas Distribution Infrastructure Replacement," American Gas Association, Rate Committee Meeting and Regulatory Issues Seminar, April 11 – 13, 2010

"Building a T&D Investment Program to Satisfy Customers, Regulators and Shareholders," SNL Webinar, March 27, 2014

"Utility Infrastructure Replacement; Trends in Aging Infrastructure, Replacement Programs and Rate Treatment," Large Public Power Council, Rates Committee Meeting, August 14, 2014

"Natural Gas in the Decarbonization Era, Gas Resource Planning for Electric Generation," EUCI, January 22-23, 2020

Attachment RJA-2

KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2024-00092

COLUMBIA GAS OF KENTUCKY, INC.

Attachment RJA-2

COST OF SERVICE ALLOCATION STUDY
TEST YEAR
ENDED DECEMBER 31, 2025

Witness: Ronald J. Amen

ATRIUM ECONOMICS
CENTERED ON ENERGY

CONTENTS

I. INTRODUCTION

The purpose of this document is to discuss the development and results of the Cost of Service Study ("COSS") model and related schedules prepared for Columbia Gas Kentucky, Inc. ("CKY" or "the Company") based on the Test Year ended December 31, 2025 ("TY").

The document is organized into three sections. The first section discusses the purpose of cost allocation and includes an overview of Atrium's COSS model used to develop the cost allocation study. The second section, CKY's Cost of Service Procedures, includes details of the methodologies adopted in the development of the study. The last section exhibits the results of the cost of service allocation.

1. Atrium Economics Cost of Service Study Model Overview

The Cost of Service Study is submitted in support of the direct testimony of Ronald J. Amen in Columbia Exhibit No. ___ . The COSS model presented in this proceeding is a Microsoft Excel based model that allows the user to modify various inputs and assumptions.

COSS Model Capabilities

The Atrium Economics' COSS model provides a large range of analytical capabilities including:

- Unbundling of operations into functions: (i.e. production/supply, storage, transmission, distribution, metering, and billing services.)
- Classification and allocation of costs into customer classes.
- Reports on Rate of Return, Revenue Requirement, and Revenue-to-Cost ratio for each function and rate class.
- Development of unit costs of each functional classification for each rate class.
- Specification of the individual rate of return targets for each function or customer class.
- Provides detailed analyses of working capital, income taxes, depreciation reserve, and depreciation expenses.
- Use of detailed analysis of labor expenses by account to facilitate the analyses of administrative and general expenses and overhead costs.
- Facilitation of direct assignment of plant investment, expenses, and revenue dollars to individual functions, classifications, or customer classes.

Follows Traditional 3-Step Allocation

The Atrium COSS Model follows the standard three-step analysis process:1) functionalization of rate base and expenses into various functional categories; 2) classification of functionalized components into demand, energy/commodity, and customer cost categories; and 3) allocation of each component among the customer classes.

As part of the functionalization process, accounts for common costs that are not specifically related to the primary functions, such as general plant and administrative and general expenses, are automatically allocated to the proper function based on internally defined allocation factors. All components of the utility's total cost of service are grouped into one of the functions.

The Atrium COSS Model provides unbundled functionalized and classified cost information by customer class; develops unbundled revenue requirements by functional classification for each customer class; and calculates unit costs by function for customer, energy/commodity, and demand categories. Accounting costs are reported by the FERC account level, and the allocation of A&G expenses, general taxes, and income taxes are clearly reported.

Revenue requirements are calculated from the allocated rate base and expenses and are adjusted to reflect the user-determined target rate of return and statutory tax adjustments. The actual revenues collected are compared to the calculated cost-based revenue requirements to determine class-specific, revenue-to-cost ratios to assist in revenue allocation and pricing activities.

Unit Cost Output Functionality

The COSS model calculates the unit cost of each functional classification separately for each rate class based on the user-specified billing determinants. These unit cost data are among the most important outputs from an embedded cost of service analysis. They are defined as the average cost of providing service to customers per measure of service (i.e., per therm, per dekatherm of daily demand, and per customer). Unit costs are a key consideration in developing prices for bundled, unbundled, and re-bundled services.

Acceptance by Utility Regulatory Commissions

The format and presentation of the model's outputs have been used in many rate case proceedings and conform to standard utility commission requirements. Where necessary the COSS model outputs can be easily modified to meet specific jurisdictional filing requirements.

II. CKY'S COST OF SERVICE PROCEDURES

1. Functionalization

The following functional cost categories were identified for purposes of CKY's cost allocation:

- Distribution
- Gas Costs
- Onsite & Metering
- Customer Accounts and Services

CKY's assigned functional categories are presented on Schedule 1 - Account Balances and Allocation Methods.

2. Classification

The second step in the CCOSS process is to classify the functionalized costs as being associated with a measurable customer service requirement which gives rise to the costs.

- Demand
- Commodity
- Customer

CKY's assigned classification categories are presented on Schedule 1 - Account Balances and Allocation Methods.

3. Allocation

The allocation step involves assigning classified costs to the customer classes based on cost causation. Therefore, the allocation of costs is usually based on some measure of class loads or class service characteristics. The External (Schedule 2) and Internal (Schedule 3) Allocation Factors are utilized to allocate costs among various customer classes. CKY's assigned Allocation Factors are presented on Schedule 1 - Account Balances and Allocation Methods.

1.1 Customer Classes and Tariff Schedules

The following customer classes were identified for purposes of cost allocation:

Rate Schedule	**COSS Customer Class**
General Service Residential	GS-Residential
General Transportation Residential	GS-Residential
General Service Other (Commercial or Industrial)	GS-Other
General Transportation Other (Commercial or Industrial)	GS-Other
General Delivery Service (Commercial or Industrial)	GS-Other
Intrastate Utility Service (Wholesale)	IUS
Main Line Delivery Service (incl. Special Contracts)	DS-ML
Interruptible Delivery Service	DS-IS

1.2 External Allocation Factors

CKY's External Allocation Factors are presented on Schedule 2 - External Allocation Factors. The External Allocation Factors are developed based on the special studies conducted using various detailed data as discussed below.

Commodity and Revenue Allocation Factors

Costs classified as "Commodity" are allocated among customer classes based on the volume of gas sales in Mcf's for the test year.

<u>TOTAL_REVENUE</u> – Factor developed to directly assign total Sales and Transportation revenue to the specific class in the Test Year.

<u>REVENUE_GAS SERVICE</u> - Factor developed to directly assign total Sales and Transportation Margin Revenue to the specific class in the Test Year.

<u>REVENUE_TRANSPORT</u> – Factor developed to directly assign Transportation Revenue to the specific class in the Test Year.

GAS_COST – Factor developed to directly assign Gas Purchasing Expense excluding DS-ML

NON-GAS COST_REVENUE_SALES – Factor developed to directly assign current Margin Revenue (Total Sales Revenue less Gas Cost Revenue)

TRACKERS – Factor developed to assign Tracker Revenue to the specific class in the Test Year.

THROUGHPUT – Factor developed to directly assign Weather Normalized Volumes/Throughput to the specific class in the Test Year

THROUGHPUT EXCL DS-ML – Factor developed to directly assign Weather Normalized Volumes/Throughput excluding Main Line Delivery Service

CUSTOMER ALLOCATION FACTORS

Customer-related costs are generally allocated based on the number of customers within each class of service, with appropriate weighting to recognize specific service characteristics.

CUSTOMERS – Customer Count factor is based on the average number of customers per customer class in the Test Year.

CUSTOMERS EXCL DS-ML – Customer Count factor is based on the average number of customers per customer class excluding DS-ML

METERS_ACCT 381 – Meters Account 381 based on identification of meters by Rate Schedule excluding DS-ML.

Meter Allocation factor is based on the identification of meters by rate class and by size of meter in Columbia's Distributive Information System ("DIS"), customer billing system and the average unit cost for each size of meter, as maintained in Columbia's books and records. From DIS, individually installed meters were summarized by rate schedule and by size as of December 31, 2023. The average cost for each size meter, as determined from Columbia's Plant Account Records, was applied to the number of meters for each rate class.

IND_M&R_ACCT 385 – The factor was derived to allocation FERC Account 385 Industrial M&R Station Equipment. The allocation of this plant account was based on individual measuring stations by station number and customer account excluding DS-ML.

SERVICES_ACCT 380 – Services Account 380 as assigned by Rate Schedule excluding DS-ML. The analysis relies on number of service lines under three inches and those service lines greater than three inches. Columbia's books and records maintain its service investment by size and kind. Based on per book data as of December 31, 2020, services were grouped by sizes under three inches and over three inches. An average unit cost was calculated for service lines under three inches and applied to the number of service lines under three inches by rate class. Likewise, the same calculation was performed for service lines three inches or more by size, by rate class. Service lines for DS-ML were directly assigned.

UNCOLLECTIBLES – This factor is based on the Bad Debt write-offs for twelve months ending December 31, 2023.

DS-ML_DIRECT – This factor directly assigns costs to Mainline customers.

DEMAND ALLOCATION FACTORS

DESIGN_DAY – The factor is based on Design Day Peak Demand for each customer class.

DESIGN DAY EXCL DS-ML – This factor is based on Design Day Peak Demand excluding Main Line Delivery Service class.

DESIGN DAY EXCL INTERR DEMAND – This factor is based on Design Day Peak Demand excluding Interruptible Demand customers.

PEAK_AVERAGE –The composite factor is based on the DESIGN DAY EXCL DS-ML and THROUGHPUT EXCL DS-ML prorated to the commodity and demand components determined in the Mains Peak and Average Analysis.

AVG_DESIGN DAY_P&A_DEMAND - The composite factor is based on the DESIGN DAY EXCL DS-ML and THROUGHPUT EXCL DS-ML prorated to the commodity and demand components determined in the Mains Average Study Analysis.

Mains Analysis

Zero-Intercept Study:

The zero-intercept study was performed using a Weighted Linear Regression (WLR) on the cost per foot by pipe diameter. Based on this relationship, the study estimates the cost of installing a hypothetical pipe with zero capacity, which is where the estimated diameter is zero (i.e., the zero-intercept). The zero-intercept determined value is then multiplied by all quantities of distribution mains currently installed by the utility to arrive at a total minimum system cost. Total minimum system cost divided by total system cost derives the portion of the system that is considered a fixed investment and is classified as customer-related.

Zero-Intercept
Weighted Linear Regression Analysis

Line No.	Material	Quantity (feet)	Cost 2023 $	Zero-Intercept Cost (2023 $)	Customer Component	Customer Component Percentage
1	Plastic	8,124,715	$434,068,788	$32.63	$ 265,137,166	61.1%
2	Steel	5,953,243	$727,174,067	$56.12	$ 334,124,955	45.9%
3	**Total**	**14,077,958**	**$ 1,161,242,854**		**$ 599,262,120**	**51.6%**

The distribution main investment is functionalized to distribution, classified based on the results of the zero-intercept study to demand (48.4%) and customer (51.6%). The demand component of the mains investment is allocated based on each class's allocation of design day. The customer component of the mains investment is allocated based on each class's number of customers.

Cost of Service Study Methods

In addition to the zero-intercept study discussed above, for comparison purposes two other mains studies were conducted: the Customer/Demand Study and the Demand/Commodity Study.

Customer/Demand Method

Under the Customer/Demand Method, the demand component is the portion remaining after the customer component is determined using the zero-intercept methodology. The demand component of mains was allocated to the various classes based on design day throughput (*i.e.*, gas sales and transportation) under each method.

Demand/Commodity

The demand-related investment was allocated to the customer classes based on their respective contribution to peak day demand under system design weather conditions or Design Day basis. The commodity component was allocated to the customer classes based on their respective annual throughput. Under the Demand/Commodity Method, the demand and commodity components were each considered equal in weight regarding mains. Therefore, the demand component was used to allocate 50% of the cost of mains.

Average Study:

A Composite Allocation factor which is the Average of the Customer/Demand and Demand/Commodity allocation factors. The Average study is the basis for Company's revenue apportionment.

3.3 Internal Allocation Factors

Internal Allocation Factors are developed within the COSS model based on the cost ratios of allocated costs. The Internal Allocation Factors are provided in Schedule 3 - Internal Allocation Factors and described below.

Factor	**Factor Description**
INT_MAINS_PLANT	Mains. This factor was based on the allocation of Mains account 376 utilizing external allocation factors.
INT_MAINS_SERVICES	Mains and Services. This factor was based on the allocation of Mains account 376 and Services account 380 utilizing external allocation factors.
INT_DISTPT_SUBTOTAL	Distribution Plant. This factor is based on allocated distribution plant, excluding accounts 375.7, 375.71 and 387.
INT_IND M&R	Industrial M&R Station Equipment. This factor is based on the allocation of M&R Station Equipment in account 385.

INT_871-879	Operation Expense. This factor is based on the allocation of operation expenses included in accounts 871 - 879.
INT_866-893	Maintenance Expense. This factor is based on the allocation of maintenance expenses included in accounts 866 – 893.
INT_ LABOR	Labor. This factor is based on allocation of operation and maintenance labor expenses and sales labor expenses.
INT_OM_EXC_A&G, GAS, UNCOLL	O&M Expense excluding A&G, Gas Supply and Uncollectible expenses. This factor is based on total allocated O&M expense excluding A&G, Gas and Uncollectible expenses.
INT_TOTAL PLANT	Total Plant. This factor was based on allocated amounts of total plant by customer class.
INT_RATEBASE	Rate Base. This factor is based on the results of the allocated balance of rate base.
INT_REVENUE REQUIREMENT	Revenue Requirement. This factor is based on the results of the allocated total revenue requirement at equal rates of return.

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 1 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
1	**RATE BASE**								
2	**Plant in Service**								
3	**Intangible Plant**								
4	Organization	301.0	521	INT_DISTPT_SUBTOTAL					
5	Misc. Intangible Plant - Plant Related	303.0	88,157	INT_DISTPT_SUBTOTAL					
6	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	943	INT_DISTPT_SUBTOTAL					
7	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL					
8	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	16,135,216	INT_DISTPT_SUBTOTAL					
9	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	3,687,045	INT_DISTPT_SUBTOTAL					
10	Subtotal - Intangible Plant		19,911,882						
11	**Distribution Plant**								
12	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	205		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
13	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	876,987		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
14	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	3,216,702		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
15	RIGHTS OF WAY	374.5	2,666,577		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
16	STRUC & IMPROV-CITY GATE M & R	375.2	2,125		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
17	STRUC & IMPROV-GENERAL M & R	375.3	0		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
18	STRUC & IMPROV-REGULATING	375.4	3,949,074		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
19	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	46,211		DISTRIBUTION	AVGERAGE STUDY	DS-ML_DIRECT		DS-ML_DIRECT
20	STRUC & IMPROV-DISTR. IND. M & R	375.6	0		ON SITE	CUSTOMER			IND_M&R_ACCT 385
21	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	9,736,916	INT_DISTPT_SUBTOTAL					
22	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	880,995	INT_DISTPT_SUBTOTAL					
23	STRUC & IMPROV-COMMUNICATIONS	375.8	132,125		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
24	MAINS (Less SMRP)	376.0	423,405,635		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
25	MAINS - DS-ML DIRECT ASSIGNMENT	376.0	10,517		DISTRIBUTION	AVGERAGE STUDY	DS-ML_DIRECT		DS-ML_DIRECT
26	M & R STATION EQUIP-GENERAL	378.1	(172,291)		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
27	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.2	29,553,454		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
28	M & R STA EQUIP REG FMV	378.2	(777,092)		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
29	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.3	45,443		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
30	Measuring and regulating station equipment—city gate check stations	379.1	1,554,144		DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND		CUSTOMERS EXCL DS-ML
31	SERVICES (Less SMRP)	380.0	206,990,734		ON SITE	CUSTOMER			SERVICES_ACCT 380
32	METERS	381.0	20,844,456		ON SITE	CUSTOMER			METERS_ACCT 381
33	METERS - AMI	381.1	9,980,854		ON SITE	CUSTOMER			METERS_ACCT 381
34	METER INSTALLATIONS (Less SMRP)	382.0	10,741,912		ON SITE	CUSTOMER			METERS_ACCT 381
35	HOUSE REGULATORS (Less SMRP)	383.0	7,740,848		ON SITE	CUSTOMER			METERS_ACCT 381
36	HOUSE REGULATOR INSTALLATIONS	384.0	2,085,302		ON SITE	CUSTOMER			METERS_ACCT 381
37	INDUSTRIAL M & R STATION EQUIPMENT	385.0	5,489,335		ON SITE	CUSTOMER			IND_M&R_ACCT 385
38	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.0	873,980		ON SITE	CUSTOMER			DS-ML_DIRECT
39	OTHER EQUIP-ODORIZATION	387.20	0	INT_DISTPT_SUBTOTAL					
40	OTHER EQUIP-TELEPHONE	387.41	260,538	INT_DISTPT_SUBTOTAL					
41	OTHER EQUIPMENT-RADIO	387.42	419,367	INT_DISTPT_SUBTOTAL					
42	OTHER EQUIP-OTHER COMMUNICATION	387.44	124,679	INT_DISTPT_SUBTOTAL					
43	OTHER EQUIP-TELEMETERING	387.45	6,532,094	INT_DISTPT_SUBTOTAL					
44	OTHER EQUIP-CUST INFO SERVICE	387.46	113,644	INT_DISTPT_SUBTOTAL					
45	GPS PIPE LOCATORS	387.50	238,073	INT_DISTPT_SUBTOTAL					
46	Subtotal - Distribution Plant		747,563,541						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 1 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
47	**General Plant**								
48	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	921,741	INT_DISTPT_SUBTOTAL					
49	OFFICE FURN & EQUIP-DATA HANDLING	391.11	0	INT_DISTPT_SUBTOTAL					
50	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	37,130	INT_DISTPT_SUBTOTAL					
51	TRANS EQUIP-TRAILERS OVER $1,000	392.2	48,924	INT_DISTPT_SUBTOTAL					
52	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	24,462	INT_DISTPT_SUBTOTAL					
53	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL					
54	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	9,739	INT_DISTPT_SUBTOTAL					
55	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	0	INT_DISTPT_SUBTOTAL					
56	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	0	INT_DISTPT_SUBTOTAL					
57	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	0	INT_DISTPT_SUBTOTAL					
58	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	6,157,146	INT_DISTPT_SUBTOTAL					
59	LABORATORY EQUIPMENT	395.0	0	INT_DISTPT_SUBTOTAL					
60	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	185,547	INT_DISTPT_SUBTOTAL					
61	MISCELLANEOUS EQUIPMENT	398.0	148,028	INT_DISTPT_SUBTOTAL					
62	Subtotal - General Plant		7,532,718						
63	**Total Plant in Service**		775,008,141						
64	**Accumulated Depreciation & Amortization**								
65	**Intangible Plant**								
66	Organization	301.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
67	Misc. Intangible Plant - Plant Related	303.0	(75,396)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
68	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	(318)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
69	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
70	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	(6,684,278)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
71	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	(1,350,895)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
72	Subtotal - Intangible Plant		(8,110,887)						

COLUMBIA GAS OF KENTUCKY, INC.
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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
73	**Distribution Plant**								
74	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	0	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
75	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	522	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
76	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	(412,970)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
77	RIGHTS OF WAY	374.5	(1,200,292)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
78	STRUC & IMPROV-CITY GATE M & R	375.2	(2,127)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
79	STRUC & IMPROV-GENERAL M & R	375.3	78	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
80	STRUC & IMPROV-REGULATING	375.4	(141,903)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
81	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	(6,063)	-	DISTRIBUTION	AVGERAGE STUDY	DS-ML_DIRECT	-	DS-ML_DIRECT
82	STRUC & IMPROV-DISTR. IND. M & R	375.6	(0)	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
83	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	(5,031,862)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
84	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	(844,347)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
85	STRUC & IMPROV-COMMUNICATIONS	375.80	(15,940)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
86	MAINS (Less SMRP)	376.00	(89,633,767)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
87	MAINS - DS-ML DIRECT ASSIGNMENT	376.00	(8,017)	-	DISTRIBUTION	AVGERAGE STUDY	DS-ML_DIRECT	-	DS-ML_DIRECT
88	M & R STATION EQUIP-GENERAL	378.10	330,470	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
89	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.20	(3,285,510)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
90	M & R STA EQUIP REG FMV	378.21	242,965	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
91	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.30	(45,058)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
92	Measuring and regulating station equipment—city gate check stations	379.10	(408,733)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
93	SERVICES (Less SMRP)	380.00	(71,285,388)	-	ON SITE	CUSTOMER	-	-	SERVICES_ACCT 380
94	METERS	381.00	(1,939,599)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
95	METERS - AMI	381.1	(6,446,517)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
96	METER INSTALLATIONS (Less SMRP)	382.0	(6,129,404)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
97	HOUSE REGULATORS (Less SMRP)	383.0	(2,708,053)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
98	HOUSE REGULATOR INSTALLATIONS	384.0	(1,769,368)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
99	INDUSTRIAL M & R STATION EQUIPMENT	385.0	(767,292)	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
100	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.0	(188,149)	-	ON SITE	CUSTOMER	-	-	DS-ML_DIRECT
101	OTHER EQUIP-ODORIZATION	387.2	59,912	INT_DISTPT_SUBTOTAL	-	-	-	-	-
102	OTHER EQUIP-TELEPHONE	387.41	(75,295)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
103	OTHER EQUIPMENT-RADIO	387.42	(367,382)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
104	OTHER EQUIP-OTHER COMMUNICATION	387.44	(74,539)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
105	OTHER EQUIP-TELEMETERING	387.45	873,972	INT_DISTPT_SUBTOTAL	-	-	-	-	-
106	OTHER EQUIP-CUST INFO SERVICE	387.46	(120,387)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
107	GPS PIPE LOCATORS	387.5	(87,096)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
108	Subtotal - Distribution Plant		(191,487,143)						

COLUMBIA GAS OF KENTUCKY, INC.
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Attachment RJA-2, Schedule 1 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
109	**General Plant**								
110	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	(270,476)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
111	OFFICE FURN & EQUIP-DATA HANDLING	391.11	9,467	INT_DISTPT_SUBTOTAL	-	-	-	-	-
112	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	(14,070)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
113	TRANS EQUIP-TRAILERS OVER $1,000	392.2	(17,809)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
114	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	(45,042)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
115	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
116	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	(4,652)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
117	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	26,072	INT_DISTPT_SUBTOTAL	-	-	-	-	-
118	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	(23,735)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
119	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	(185)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
120	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	(1,478,473)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
121	LABORATORY EQUIPMENT	395.0	150	INT_DISTPT_SUBTOTAL	-	-	-	-	-
122	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	(171,938)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
123	MISCELLANEOUS EQUIPMENT	398.0	(89,691)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
124	Subtotal - General Plant		(2,080,383)						
125	**Other Assets**								
126	Retirement Work in Progress	N/A	6,687,303	INT_MAINS_PLANT					
127	Subtotal - Other Assets		6,687,303						
128	**Accumulated Provision for Amortization**								
129	*Reserved*	111.0	0						
130	*Reserved*	111.0	0						
131	Subtotal - Accumulated Provision for Amortization		-						
132	**Total Accumulated Depreciation & Amortization**		(194,991,110)						
133	**Other Rate Base Items**								
134	Accumulated deferred income taxes	190.0	(98,939,609)	INT_TOTAL PLANT					
135	Materials & Supplies	154.0	347,375	INT_DISTPT_SUBTOTAL					
136	Gas Stored Underground	164.0	37,402,516		DISTRIBUTION	DEMAND	DESIGN DAY EXCL INTERR DEMAND		
137	**Total Other Rate Base Items**		(61,189,719)						
138	**TOTAL RATE BASE**		518,827,312						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
139	**OPERATION AND MAINTENANCE EXPENSE**								
140	**Production, Storage, LNG, Transmission, and Distribution Expense**								
141	**Other Gas Supply Expenses**								
142	Natural gas well head purchases	801-803	17,663,998		GAS COSTS	COMMODITY		GAS_COST	
143	Natural Gas City Gate Purchases	804	1,158,901		GAS COSTS	COMMODITY		GAS_COST	
144	Other gas purchases	805	15,343,425		GAS COSTS	COMMODITY		GAS_COST	
145	Exchange gas	806	1,674,085		GAS COSTS	COMMODITY		GAS_COST	
146	Gas Withdrawn from Storage	808	(386,973)		GAS COSTS	COMMODITY		GAS_COST	
147	Gas Used for Other Utility Operations	812	(40,414)		GAS COSTS	COMMODITY		GAS_COST	
148	Exchange Fees	813	0		GAS COSTS	COMMODITY		GAS_COST	
149	Purchased Gas Expense	807.0	409,263		DISTRIBUTION	COMMODITY		GAS_COST	
150	**Subtotal - Other Gas Supply Expenses**		35,822,285						
151	**Operation Expenses**								
152	Transmission Expense - Operations	852	2,562	INT_MAINS_PLANT					
153	Other expenses	859	989	INT_MAINS_PLANT					
154	M&R Station Equipment	865	831	INT_MAINS_PLANT					
155	Operation supervision and engineering	870.0	887,729	INT_871-879					
156	Distribution load dispatching	871.0	233,563		DISTRIBUTION	CUSTOMER			THROUGHPUT EXCL DS-ML
157	Mains and services expenses	874.0	5,830,265	INT_MAINS_SERVICES					
158	Measuring and regulating station expenses—general	875.0	282,376	INT_MAINS_PLANT					
159	Measuring and regulating station expenses—industrial	876.0	112,809	INT_IND M&R					
160	Meter and house regulator expenses	878.0	1,688,170		ON SITE	CUSTOMER			METERS_ACCT 381
161	Customer installations expenses	879.0	2,893,622		ON SITE	CUSTOMER			METERS_ACCT 381
162	OTHER EXPENSE	880.0	1,484,790	INT_871-879					
163	TELECOMMUNICATION EXPENSE - ENGINEERING	881.0	23,478	INT_871-879					
164	Subtotal - Operation Expenses		13,441,183						
165	**Maintenance Expenses**								
166	Maintenance supervision and engineering	885.0	84,202	INT_866-893					
167	Maintenance of structures and improvements	886.0	134,245	INT_MAINS_PLANT					
168	Maintenance of mains	887.0	3,433,598	INT_MAINS_PLANT					
169	Maintenance of measuring and regulating station equipment—general	889.0	734,888	INT_MAINS_PLANT					
170	Maintenance of measuring and regulating station equipment—industrial	890.0	85,196	INT_IND M&R					
171	Maintenance of services	892.0	642,432		ON SITE	CUSTOMER			SERVICES_ACCT 380
172	Maintenance of meters and house regulators	893.0	252,494		ON SITE	CUSTOMER			METERS_ACCT 381
173	Maintenance of other equipment	894.0	269,614	INT_866-893					
174	Subtotal - Maintenance Expenses		5,636,669						
175	**Total Production, Storage, LNG, Transmission, and Distribution Expense**		54,900,137						

COLUMBIA GAS OF KENTUCKY, INC.
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176	**Customer Accounts, Service, and Sales Expense**								
177	**Customer Account**								
178	Supervision	901.0	0						
179	Meter reading expenses	902.0	284,462		CUST ACCTS	CUSTOMER			CUSTOMERS
180	Customer records and collection expenses	903.0	2,497,402		CUST ACCTS	CUSTOMER			CUSTOMERS
181	Uncollectible accounts	904.0	997,769		CUST ACCTS	CUSTOMER			UNCOLLECTIBLES
182	Miscellaneous customer accounts expenses	905.0	15,830		CUST ACCTS	CUSTOMER			CUSTOMERS
183	Subtotal - Customer Account		3,795,464						
184	**Customer Service & Information Expenses**								
185	Supervision	907.0	0						
186	Customer assistance expenses	908.0	120,388		CUST ACCTS	CUSTOMER			CUSTOMERS
187	Informational and instructional advertising expenses	909.0	2,539		CUST ACCTS	CUSTOMER			CUSTOMERS
188	Miscellaneous customer service and informational expenses	910.0	290,903		CUST ACCTS	CUSTOMER			CUSTOMERS
189	Subtotal - Customer Service & Information Expenses		413,830						
190	**Sales Expenses**								
191	Supervision	911.0	0						
192	Demonstrating and selling expenses	912.0	4,678		CUST ACCTS	CUSTOMER			CUSTOMERS
193	Advertising expenses	913.0	7,674		CUST ACCTS	CUSTOMER			CUSTOMERS
194	Miscellaneous sales expenses	916.0	0						
195	Subtotal - Sales Expenses		12,353						
196	**Total Customer Accounts, Service, and Sales Expense**		4,221,646						
197	**Administrative and General Expenses**								
198	Administrative and general salaries	920.0	9,792,568	INT_OM_Exc_A&G,Gas,Uncoll					
199	Office supplies and expenses	921.0	2,050,331	INT_OM_Exc_A&G,Gas,Uncoll					
200	Outside services employed	923.0	6,570,152	INT_OM_Exc_A&G,Gas,Uncoll					
201	Property insurance	924.0	69,856	INT_OM_Exc_A&G,Gas,Uncoll					
202	Injuries and damages	925.0	1,512,855	INT_LABOR					
203	Employee pensions and benefits	926.0	5,278,632	INT_LABOR					
204	Regulatory commission expenses	928.0	1,399,795	INT_OM_Exc_A&G,Gas,Uncoll					
205	General advertising expenses	930.1	17,672	INT_OM_Exc_A&G,Gas,Uncoll					
206	Miscellaneous general expenses	930.2	98,399	INT_OM_Exc_A&G,Gas,Uncoll					
207	Rents	931.0	667,326	INT_OM_Exc_A&G,Gas,Uncoll					
208	Maintenance of general plant	932.0	1,700,226	INT_OM_Exc_A&G,Gas,Uncoll					
209	**Total Administrative and General Expenses**		29,157,810						
210	**TOTAL OPERATION AND MAINTENANCE EXPENSE**		88,279,594						

COLUMBIA GAS OF KENTUCKY, INC.
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211	**Adjustments, Depreciation and Amortization Expense**								
212	**Depreciation Expense**								
213	**Intangible Plant**								
214	Organization	301.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
215	Misc. Intangible Plant - Plant Related	303.0	2,876	INT_DISTPT_SUBTOTAL	-	-	-	-	-
216	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
217	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
218	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	3,023,082	INT_DISTPT_SUBTOTAL	-	-	-	-	-
219	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	652,350	INT_DISTPT_SUBTOTAL	-	-	-	-	-
220	Subtotal - Intangible Plant		3,678,308						
221	**Distribution Plant**								
222	LAND-CITY GATE & MAIN LINE IND. M & R	374.10	0	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
223	LAND-OTHER DISTRIBUTION SYSTEMS	374.20	0	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
224	LAND RIGHTS-OTHER DISTR SYSTEMS	374.40	42,761	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
225	RIGHTS OF WAY	374.50	29,328	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
226	STRUC & IMPROV-CITY GATE M & R	375.20	48	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
227	STRUC & IMPROV-GENERAL M & R	375.30	0	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
228	STRUC & IMPROV-REGULATING	375.40	94,739	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
229	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.40	735	-	DISTRIBUTION	AVGERAGE STUDY	DS-ML_DIRECT	-	DS-ML_DIRECT
230	STRUC & IMPROV-DISTR. IND. M & R	375.60	0	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
231	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.70	244,370	INT_DISTPT_SUBTOTAL	-	-	-	-	-
232	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	56,922	INT_DISTPT_SUBTOTAL	-	-	-	-	-
233	STRUC & IMPROV-COMMUNICATIONS	375.80	2,784	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
234	MAINS (Less SMRP)	376.00	7,619,697	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
235	MAINS - DS-ML DIRECT ASSIGNMENT	376.00	142	-	DISTRIBUTION	AVGERAGE STUDY	DS-ML_DIRECT	-	DS-ML_DIRECT
236	M & R STATION EQUIP-GENERAL	378.10	(5,700)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
237	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.20	978,778	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
238	M & R STA EQUIP REG FMV	378.21	(25,730)	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
239	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.30	1,500	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
240	Measuring and regulating station equipment—city gate check stations	379.10	39,480	-	DISTRIBUTION	AVGERAGE STUDY	AVG_DESIGN DAY_DEM-COMM_DEMAND	-	CUSTOMERS EXCL DS-ML
241	SERVICES (Less SMRP)	380.00	10,721,394	-	ON SITE	CUSTOMER	-	-	SERVICES_ACCT 380
242	METERS	381.00	745,856	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
243	METERS - AMI	381.10	677,700	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
244	METER INSTALLATIONS (Less SMRP)	382.00	244,864	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
245	HOUSE REGULATORS (Less SMRP)	383.00	171,843	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
246	HOUSE REGULATOR INSTALLATIONS	384.00	41,496	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
247	INDUSTRIAL M & R STATION EQUIPMENT	385.00	320,824	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
248	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.00	27,232	-	ON SITE	CUSTOMER	-	-	DS-ML_DIRECT
249	OTHER EQUIP-ODORIZATION	387.20	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
250	OTHER EQUIP-TELEPHONE	387.41	12,924	INT_DISTPT_SUBTOTAL	-	-	-	-	-
251	OTHER EQUIPMENT-RADIO	387.42	20,796	INT_DISTPT_SUBTOTAL	-	-	-	-	-
252	OTHER EQUIP-OTHER COMMUNICATION	387.44	6,180	INT_DISTPT_SUBTOTAL	-	-	-	-	-
253	OTHER EQUIP-TELEMETERING	387.45	322,980	INT_DISTPT_SUBTOTAL	-	-	-	-	-
254	OTHER EQUIP-CUST INFO SERVICE	387.46	5,640	INT_DISTPT_SUBTOTAL	-	-	-	-	-
255	GPS PIPE LOCATORS	387.50	32,136	INT_DISTPT_SUBTOTAL	-	-	-	-	-
256	Subtotal - Distribution Plant		22,431,719						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 1 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
257	**General Plant**								
258	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	103,865	INT_DISTPT_SUBTOTAL	-	-	-	-	-
259	OFFICE FURN & EQUIP-DATA HANDLING	391.1	6,311	INT_DISTPT_SUBTOTAL	-	-	-	-	-
260	OFFICE FURN & EQUIP-INFO SYSTEMS	391.1	12,903	INT_DISTPT_SUBTOTAL	-	-	-	-	-
261	TRANS EQUIP-TRAILERS OVER $1,000	392.2	444	INT_DISTPT_SUBTOTAL	-	-	-	-	-
262	TRANS EQUIP-TRAILERS $1,000 or LESS	392.2	216	INT_DISTPT_SUBTOTAL	-	-	-	-	-
263	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
264	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	384	INT_DISTPT_SUBTOTAL	-	-	-	-	-
265	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.1	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
266	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.1	(9,468)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
267	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
268	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	246,189	INT_DISTPT_SUBTOTAL	-	-	-	-	-
269	LABORATORY EQUIPMENT	395.0	(33)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
270	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
271	MISCELLANEOUS EQUIPMENT	398.0	13,058	INT_DISTPT_SUBTOTAL	-	-	-	-	-
272	Subtotal - General Plant		373,869						
273	**Total - Depreciation Expense**		26,483,896						
274	**Total Adjustments, Depreciation and Amortization Expense**		26,483,896						
275	**Taxes**								
276	**Taxes Other Than Income Taxes**								
277	Taxes Other Than Income Taxes - Property	408.1	7,451,759	INT_DISTPT_SUBTOTAL					
278	Taxes Other Than Income Taxes - Payroll	408.2	900,432	INT_LABOR					
279	Taxes Other Than Income Taxes - Other	408.3	225,600	INT_LABOR					
280	Subtotal - Taxes Other Than Income Taxes		8,577,792						
281	**Income Taxes**								
282	FEDERAL INCOME TAXES	409.1	1,295,037	INT_RATEBASE					
283	STATE INCOME TAXES	409.2	149,743	INT_RATEBASE					
284	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.1	1,192,228	INT_RATEBASE					
285	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.2	565,347	INT_RATEBASE					
286	Subtotal - Income Taxes		3,202,354						
287	**Total Taxes**		11,780,146						
288	**REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**								
289	**Test Year Expenses at Current Rates**		126,543,636						
290	**Return on Rate Base**		41,558,068	INT_RATEBASE					
291	**Gross Up Items**								
292	Gross-up Federal Income Tax		4,716,762	INT_RATEBASE					
293	Gross-up State Utility Tax		1,182,147	INT_RATEBASE					
294	Gross-up Bad Debts		99,133		CUST ACCTS	CUSTOMER			UNCOLLECTIBLES
295	Gross-up Annual Filing Fee		30,952	INT_RATEBASE					
296	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**		**174,130,697**						

Columbia Gas of Kentucky, Inc.
Development of External Allocators
Test Year - December 31, 2025
Attachment RJA-2, Schedule 2

Line	Allocator Code	Allocation Factor Description	Classifier	Total	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**CUSTOMER EXTERNAL ALLOCATORS**								
2	CUSTOMERS	Average Customers	CUS	100%	89.9%	10.1%	0.0%	0.0%	0.0%
3		Test year average number of customers		139,705	125,559	14,076	2	6	62
4	CUSTOMERS EXCL DS-ML	Average Customers (excl. DS-ML)	CUS	100%	89.9%	10.1%	0.0%	0.0%	0.0%
5		Test year average number of customers excluding mainline		139,699	125,559	14,076	2		62
6	METERS_ACCT 381	Customer Meters - Acc 381 (excl. DS-ML)	CUS	100%	76.3%	23.4%	0.0%	0.0%	0.2%
7		Test year meter counts excluding mainline		15,333,294	11,703,978	3,595,415	1,284	-	32,616
8	IND_M&R_ACCT 385	INDUSTRIAL M&R - Acc 385 (excl. DS-ML)	CUS	100%	0.0%	30.4%	0.2%	0.0%	69.3%
9		Industrial measuring and regulating equipment excluding mainline		4,351,652	-	1,323,934	10,664	-	3,017,054
10	SERVICES_ACCT 380	Services - Acc 380 (excl. DS-ML)	CUS	100%	89.5%	10.3%	0.0%	0.0%	0.2%
11		Test year servcies excluding mainline		285,277,898	255,327,960	29,509,607	4,128	-	436,202
12	UNCOLLECTIBLES	Uncollectibles	CUS	100%	87.9%	12.1%	0.0%	0.0%	0.1%
13		Test year write-offs by class		1,711,384	1,504,109	206,250	29	88	908
14	DS-ML_DIRECT	Mainline Service Direct Assignment	CUS	100%	0.0%	0.0%	0.0%	100.0%	0.0%
				1	-	-	-	1	-
15	**COMMODITY EXTERNAL ALLOCATORS**								
16	TOTAL_REVENUE	Total Sales and Transportation	REV	100.0%	63.9%	29.9%	0.0%	0.4%	5.7%
17				149,799,409	95,794,256	44,797,727	65,856	668,379	8,473,191
18	REVENUE_GAS SERVICE	Total Sales and Transportation Margin Revenue	REV	100.0%	64.4%	27.5%	0.0%	0.6%	7.4%
19				113,745,315	73,265,643	31,302,967	35,136	668,379	8,473,191
20	REVENUE_TRANSPORT	Transportation Revenue	REV	100.0%	31.8%	27.8%	0.0%	3.0%	37.5%
21				22,584,730	7,174,291	6,268,869	-	668,379	8,473,191
22	GAS_COST	GAS PURCHASED COST (excluding DS-ML)	REV	100.0%	61.9%	38.0%	0.1%	0.0%	0.0%
23				35,413,022	21,917,977	13,464,403	30,641	-	-
24	NON-GAS COST _REVENUE_SALES	Margin revenue (Total Sales Revenue less gas cost revenue)	REV	100.0%	65.6%	22.8%	0.0%	0.9%	10.8%
				78,332,294	51,347,666	17,838,563	4,494	668,379	8,473,191
25	TRACKERS	Tracker Revenue	REV	100.0%	95.3%	4.7%	0.0%	0.0%	0.0%
				641,072	610,636	30,357	79	-	-
26	THROUGHPUT	Weather Normalized Volumes	COM	100.0%	26.6%	20.0%	0.0%	24.1%	29.3%
27				31,149,627	8,285,252	6,238,516	10,411	7,493,094	9,122,355
28	THROUGHPUT EXCL DS-ML	Weather Normalized Volumes (excl. DS-ML)	COM	100.0%	35.0%	26.4%	0.0%	0.0%	38.6%
29				23,656,533	8,285,252	6,238,516	10,411		9,122,355

Columbia Gas of Kentucky, Inc.
Development of External Allocators
Test Year - December 31, 2025
Attachment RJA-2, Schedule 2

Line	Allocator Code	Allocation Factor Description	Classifier	Total	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
30	**DEMAND EXTERNAL ALLOCATORS**								
31	DESIGN DAY	Peak Day (Design Day)	DEM	100.0%	42.5%	28.1%	0.0%	28.4%	0.9%
32				342,806	145,706	96,300	100	97,500	3,200
33	DESIGN DAY EXCL DS-ML	Peak Day (Design Day) excl. DS-ML	DEM	100.0%	59.4%	39.3%	0.0%	0.0%	1.3%
34				245,306	145,706	96,300	100	-	3,200
35	DESIGN DAY EXCL INTERR DEMAND	Peak Day (Design Day) excl. Interruptible Demand	DEM	100.0%	60.2%	39.8%	0.0%	0.0%	0.0%
36				242,106	145,706	96,300	100	-	-
37	DEMAND_COMMODITY	Design Day and Commodity Allocation Factor	DEM	100%	47.2%	32.8%	0.0%	0.0%	19.9%
38	AVG_DESIGN DAY_DEM-COMM_DEMAND	Average Study Demand Allocation Factor	DEM	100%	51.2%	34.9%	0.0%	0.0%	13.9%
39									
40		**MAINS CLASSIFICATION**							
41		CUSTOMER AND DEMAND COMPONENTS OF MAINS - Zero-Int							
42		Customer Component	51.61%						
43	ZERO_INTERCEPT	Demand Component	48.39%						
44		Design Day and Commodity Allocation of Mains (50-50)							
45		Commodity Allocated	50.00%						
46	DEMAND-COMMODITY	Demand Allocated	50.00%						
47		Customer, Design Day, and Commodity Allocation of Mains under Average Study Method							
48		Customer Allocation (Customer Component)	25.80%						
49		Commodity Allocated	25.00%						
50		Demand Allocated	49.20%						
51	AVERAGE STUDY	Total Demand Component	74.20%						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 3 - Internal Allocation Factors

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Allocation Factor Basis**						
2	INT_MAINS_PLANT	423,416,152	258,992,317	120,696,383	133,062	10,517	43,583,873
3	INT_MAINS_SERVICES	630,406,885	444,252,101	142,107,839	136,057	10,517	43,900,371
4	INT_DISTPT_SUBTOTAL	729,257,235	508,589,165	167,529,855	166,712	930,708	52,040,795
5	INT_IND M&R	6,363,314	-	1,670,060	13,452	873,980	3,805,823
6	INT_871-879	11,040,805	7,860,455	2,560,323	2,072	15,598	602,357
7	INT_866-893	5,282,853	3,399,581	1,374,530	1,563	11,808	495,371
8	INT_LABOR	12,937,746	9,476,998	2,833,850	2,505	24,602	599,791
9	INT_OM_Exc_A&G,Gas,Uncoll	22,301,729	16,093,661	4,908,605	4,236	31,721	1,263,506
10	INT_TOTAL PLANT	775,008,141	540,496,171	178,040,060	177,171	989,097	55,305,642
11	INT_RATEBASE	518,827,312	351,130,241	129,511,430	134,335	640,967	37,410,340
12	INT_REVENUE REQUIREMENT	174,130,697	120,388,753	44,925,424	60,805	184,956	8,570,759
13	**Allocation Factor %**						
14	INT_MAINS_PLANT	100.0%	61.2%	28.5%	0.0%	0.0%	10.3%
15	INT_MAINS_SERVICES	100.0%	70.5%	22.5%	0.0%	0.0%	7.0%
16	INT_DISTPT_SUBTOTAL	100.0%	69.7%	23.0%	0.0%	0.1%	7.1%
17	INT_IND M&R	100.0%	0.0%	26.2%	0.2%	13.7%	59.8%
18	INT_871-879	100.0%	71.2%	23.2%	0.0%	0.1%	5.5%
19	INT_866-893	100.0%	64.4%	26.0%	0.0%	0.2%	9.4%
20	INT_LABOR	100.0%	73.3%	21.9%	0.0%	0.2%	4.6%
21	INT_OM_Exc_A&G,Gas,Uncoll	100.0%	72.2%	22.0%	0.0%	0.1%	5.7%
22	INT_TOTAL PLANT	100.0%	69.7%	23.0%	0.0%	0.1%	7.1%
23	INT_RATEBASE	100.0%	67.7%	25.0%	0.0%	0.1%	7.2%
24	INT_REVENUE REQUIREMENT	100.0%	69.1%	25.8%	0.0%	0.1%	4.9%

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 4 - Summary of Cost of Service and Rate of Return Under Present and Proposed Rates

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Rate Base**						
2	Plant in Service	$ 775,008,141	$ 540,496,171	$ 178,040,060	$ 177,171	$ 989,097	$ 55,305,642
3	Accumulated Reserve	(194,991,110)	(143,116,890)	(40,756,546)	(35,747)	(222,302)	(10,859,626)
4	Other Rate Base Items	(61,189,719)	(46,249,040)	(7,772,085)	(7,090)	(125,827)	(7,035,677)
5	**Total Rate Base**	**$ 518,827,312**	**$ 351,130,241**	**$ 129,511,430**	**$ 134,335**	**$ 640,967**	**$ 37,410,340**
6	**Revenue at Current Rates**						
7	Gas Service Revenue	$ 113,745,315	$ 73,265,643	$ 31,302,967	$ 35,136	$ 668,379	$ 8,473,191
8	Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
9	Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
10	**Total Revenue at Current Rates**	**$ 150,357,678**	**$ 96,237,489**	**$ 44,898,340**	**$ 65,958**	**$ 668,691**	**$ 8,487,200**
11	**Expenses at Current Rates**						
12	Gas Cost Expense	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
13	O&M and A&G Expenses	52,866,572	38,338,978	11,594,870	10,171	76,499	2,846,053
14	Depreciation and Amortization Expense	26,483,896	19,716,932	5,242,212	4,944	34,176	1,485,632
15	Taxes Other Than Income	8,577,792	6,021,737	1,958,511	1,922	11,651	583,970
16	Current Income Taxes	3,202,354	1,214,006	1,498,070	2,167	64,763	423,349
17	**Total Expenses at Current Rates**	**$ 126,543,636**	**$ 87,209,630**	**$ 33,758,067**	**$ 49,845**	**$ 187,090**	**$ 5,339,004**
18	**Operating Income at Current Rates**	**$ 23,814,042**	**$ 9,027,858**	**$ 11,140,273**	**$ 16,113**	**$ 481,601**	**$ 3,148,197**
19	Current Rate of Return	4.59%	2.57%	8.60%	11.99%	75.14%	8.42%
20	Relative Rate of Return	1.00	0.56	1.87	2.61	16.37	1.83
21	**Current Revenue at Equal Rates of Return**						
22	Current Rate of Return	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
23	Current Operating Income at Equal ROR	$ 23,814,042	$ 16,116,789	$ 5,944,542	$ 6,166	$ 29,420	$ 1,717,125
24	Current Income Taxes - Equal ROR	3,202,354	2,167,279	799,382	829	3,956	230,908
25	Other Expenses - Equal ROR	123,341,281	85,995,624	32,259,997	47,679	122,327	4,915,655
26	**Total Current Revenue at Equal Rates of Return**	**$ 150,357,678**	**$ 104,279,692**	**$ 39,003,921**	**$ 54,674**	**$ 155,704**	**$ 6,863,688**
27	Current (Subsidies)/Excesses	$ -	$ (8,042,203)	$ 5,894,419	$ 11,284	$ 512,987	$ 1,623,513

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 4 - Summary of Cost of Service and Rate of Return Under Present and Proposed Rates

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
28	**Revenue Requirement at Equal Rates of Return**						
29	Required Return	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
30	Required Operating Income	$ 41,558,068	$ 28,125,532	$ 10,373,866	$ 10,760	$ 51,341	$ 2,996,568
31	**Operating Income (Deficiency)/Sufficiency**	**$ (17,744,025)**	**$ (19,097,674)**	**$ 766,408**	**$ 5,352**	**$ 430,260**	**$ 151,629**
32	**Expenses at Required Return**						
33	Gas Cost Expense	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
34	O&M and A&G Expenses	52,866,572	38,338,978	11,594,870	10,171	76,499	2,846,053
35	Depreciation and Amortization Expense	26,483,896	19,716,932	5,242,212	4,944	34,176	1,485,632
36	Taxes Other Than Income	8,577,792	6,021,737	1,958,511	1,922	11,651	583,970
37	Current Income Taxes - Equal ROR	3,202,354	2,167,279	799,382	829	3,956	230,908
38	Increase - Federal Income Tax	4,716,762	3,192,194	1,177,414	1,221	5,827	340,105
39	Increase - State Income Tax	1,182,147	800,049	295,091	306	1,460	85,239
40	Increase - Bad Debts	99,133	87,127	11,947	2	5	53
41	Increase - Annual Filing Fee	30,952	20,948	7,726	8	38	2,232
42	**Total Expenses at Required Return**	**$ 132,572,630**	**$ 92,263,221**	**$ 34,551,558**	**$ 50,045**	**$ 133,614**	**$ 5,574,191**
43	**Total Revenue Requirement at Equal Rates of Return**	**$ 174,130,697**	**$ 120,388,753**	**$ 44,925,424**	**$ 60,805**	**$ 184,956**	**$ 8,570,759**
44	Less Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
45	Less Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
46	**Total Rate Revenue at Equal Rates of Return**	**$ 137,518,335**	**$ 97,416,907**	**$ 31,330,051**	**$ 29,983**	**$ 184,644**	**$ 8,556,750**
47	**Base Rate Revenue (Deficiency)/Surplus**	**$ (23,773,019)**	**$ (24,151,265)**	**$ (27,084)**	**$ 5,153**	**$ 483,735**	**$ (83,559)**
48	**Proposed Margin (Decrease)/Increase**	$ 23,773,019	$ 15,350,799	$ 6,558,675	$ 4,406	$ 83,816	$ 1,775,324
49	**Total Revenue at Proposed Increase**	$ 174,130,697	$ 111,588,288	$ 51,457,015	$ 70,364	$ 752,506	$ 10,262,524
50	Less Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
51	Less Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
52	**Total Rate Revenue at Proposed Increase**	$ 137,518,335	$ 88,616,442	$ 37,861,642	$ 39,542	$ 752,195	$ 10,248,515
53	**Revenue Conversion Factor**	1.3398	1.3398	1.3398	1.3398	1.3398	1.3398
54	Income Increase	$ 17,744,025	$ 11,457,735	$ 4,895,352	$ 3,289	$ 62,559	$ 1,325,090
55	Income at Current Rates	23,814,042	9,027,858	11,140,273	16,113	481,601	3,148,197
56	**Proposed Operating Income**	**$ 41,558,068**	**$ 20,485,594**	**$ 16,035,625**	**$ 19,401**	**$ 544,160**	**$ 4,473,287**
57	**Proposed Return**	**8.01%**	**5.83%**	**12.38%**	**14.44%**	**84.90%**	**11.96%**
58	**Index of Rate of Return**	**1.00**	**0.73**	**1.55**	**1.80**	**10.60**	**1.49**
59	**Current Return**	**4.59%**	**2.57%**	**8.60%**	**11.99%**	**75.14%**	**8.42%**
60	**Index of Rate of Return**	**1.00**	**0.56**	**1.87**	**2.61**	**16.37**	**1.83**
61	**Proposed Revenue to Cost Ratio**	**1.00**	**0.91**	**1.21**	**1.32**	**4.07**	**1.20**
62	**Proposed Parity Ratio**	**1.00**	**0.91**	**1.21**	**1.32**	**4.07**	**1.20**
63	**Current Revenue to Cost Ratio**	**0.83**	**0.75**	**1.00**	**1.17**	**3.62**	**0.99**
64	**Current Parity Ratio**	**1.00**	**0.91**	**1.21**	**1.41**	**4.36**	**1.20**

COLUMBIA GAS OF KENTUCKY, INC.
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Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**RATE BASE**							
2	**Plant in Service**							
3	**Intangible Plant**							
4	Organization	301	521	363	120	0	1	37
5	Misc. Intangible Plant - Plant Related	303	88,157	61,481	20,252	20	113	6,291
6	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	943	658	217	0	1	67
7	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	-	-	-	-	-	-
8	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	16,135,216	11,252,814	3,706,690	3,689	20,592	1,151,431
9	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	3,687,045	2,571,371	847,013	843	4,706	263,113
10	Subtotal - Intangible Plant		19,911,882	13,886,688	4,574,291	4,552	25,412	1,420,939
11	**Distribution Plant**							
12	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	205	126	59	0	-	21
13	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	876,987	536,443	249,995	276	-	90,274
14	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	3,216,702	1,967,620	916,956	1,011	-	331,116
15	RIGHTS OF WAY	374.5	2,666,577	1,631,114	760,137	838	-	274,488
16	STRUC & IMPROV-CITY GATE M & R	375.2	2,125	1,300	606	1	-	219
17	STRUC & IMPROV-GENERAL M & R	375.3	-	-	-	-	-	-
18	STRUC & IMPROV-REGULATING	375.4	3,949,074	2,415,603	1,125,726	1,241	-	406,504
19	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	46,211	-	-	-	46,211	-
20	STRUC & IMPROV-DISTR. IND. M & R	375.6	-	-	-	-	-	-
21	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	9,736,916	6,790,594	2,236,829	2,226	12,427	694,840
22	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	880,995	614,412	202,388	201	1,124	62,869
23	STRUC & IMPROV-COMMUNICATIONS	375.8	132,125	80,819	37,664	42	-	13,600
24	MAINS (Less SMRP)	376	423,405,635	258,992,317	120,696,383	133,062	-	43,583,873
25	MAINS - DS-ML DIRECT ASSIGNMENT	376	10,517	-	-	-	10,517	-
26	M & R STATION EQUIP-GENERAL	378.1	(172,291)	(105,389)	(49,113)	(54)	-	(17,735)
27	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.2	29,553,454	18,077,505	8,424,534	9,288	-	3,042,128
28	M & R STA EQUIP REG FMV	378.21	(777,092)	(475,338)	(221,519)	(244)	-	(79,991)
29	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.3	45,443	27,797	12,954	14	-	4,678
30	Measuring and regulating station equipment—city gate check stations	379.1	1,554,144	950,652	443,026	488	-	159,978
31	SERVICES (Less SMRP)	380	206,990,734	185,259,784	21,411,456	2,995	-	316,498
32	METERS	381	20,844,456	15,910,676	4,887,696	1,745	-	44,339
33	METERS - AMI	381.1	9,980,854	7,618,435	2,340,353	836	-	21,231
34	METER INSTALLATIONS (Less SMRP)	382	10,741,912	8,199,354	2,518,809	899	-	22,850
35	HOUSE REGULATORS (Less SMRP)	383	7,740,848	5,908,627	1,815,106	648	-	16,466
36	HOUSE REGULATOR INSTALLATIONS	384	2,085,302	1,591,721	488,970	175	-	4,436
37	INDUSTRIAL M & R STATION EQUIPMENT	385	5,489,335	-	1,670,060	13,452	-	3,805,823
38	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385	873,980	-	-	-	873,980	-
39	OTHER EQUIP-ODORIZATION	387.2	-	-	-	-	-	-
40	OTHER EQUIP-TELEPHONE	387.41	260,538	181,701	59,853	60	333	18,592
41	OTHER EQUIPMENT-RADIO	387.42	419,367	292,470	96,340	96	535	29,927
42	OTHER EQUIP-OTHER COMMUNICATION	387.44	124,679	86,952	28,642	29	159	8,897
43	OTHER EQUIP-TELEMETERING	387.45	6,532,094	4,555,529	1,500,596	1,493	8,337	466,139
44	OTHER EQUIP-CUST INFO SERVICE	387.46	113,644	79,256	26,107	26	145	8,110
45	GPS PIPE LOCATORS	387.5	238,073	166,034	54,692	54	304	16,989
46	Subtotal - Distribution Plant		747,563,541	521,356,113	171,735,303	170,897	954,071	53,347,158

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Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
47	**General Plant**							
48	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	921,741	642,829	211,749	211	1,176	65,777
49	OFFICE FURN & EQUIP-DATA HANDLING	391.11	-	-	-	-	-	-
50	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	37,130	25,894	8,530	8	47	2,650
51	TRANS EQUIP-TRAILERS OVER $1,000	392.2	48,924	34,120	11,239	11	62	3,491
52	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	24,462	17,060	5,620	6	31	1,746
53	STORES EQUIPMENT	393	-	-	-	-	-	-
54	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	9,739	6,792	2,237	2	12	695
55	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	-	-	-	-	-	-
56	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	-	-	-	-	-	-
57	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	-	-	-	-	-	-
58	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	6,157,146	4,294,037	1,414,461	1,408	7,858	439,382
59	LABORATORY EQUIPMENT	395	-	-	-	-	-	-
60	POWER OPERATED EQUIP-GENERAL TOOLS	396	185,547	129,402	42,625	42	237	13,241
61	MISCELLANEOUS EQUIPMENT	398	148,028	103,236	34,006	34	189	10,563
62	Subtotal - General Plant		7,532,718	5,253,371	1,730,466	1,722	9,614	537,545
63	**Total Plant in Service**		775,008,141	540,496,171	178,040,060	177,171	989,097	55,305,642
64	**Accumulated Depreciation & Amortization**							
65	**Intangible Plant**							
66	Organization	301	-	-	-	-	-	-
67	Misc. Intangible Plant - Plant Related	303	(75,396)	(52,582)	(17,320)	(17)	(96)	(5,380)
68	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	(318)	(222)	(73)	(0)	(0)	(23)
69	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	-	-	-	-	-	-
70	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	(6,684,278)	(4,661,663)	(1,535,557)	(1,528)	(8,531)	(476,999)
71	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	(1,350,895)	(942,124)	(310,337)	(309)	(1,724)	(96,402)
72	Subtotal - Intangible Plant		(8,110,887)	(5,656,590)	(1,863,287)	(1,854)	(10,351)	(578,804)

COLUMBIA GAS OF KENTUCKY, INC.
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Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
73	**Distribution Plant**							
74	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	-	-	-	-	-	-
75	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	522	319	149	0	-	54
76	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	(412,970)	(252,609)	(117,721)	(130)	-	(42,510)
77	RIGHTS OF WAY	374.5	(1,200,292)	(734,205)	(342,156)	(377)	-	(123,554)
78	STRUC & IMPROV-CITY GATE M & R	375.2	(2,127)	(1,301)	(606)	(1)	-	(219)
79	STRUC & IMPROV-GENERAL M & R	375.3	78	48	22	0	-	8
80	STRUC & IMPROV-REGULATING	375.4	(141,903)	(86,801)	(40,451)	(45)	-	(14,607)
81	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	(6,063)	-	-	-	(6,063)	-
82	STRUC & IMPROV-DISTR. IND. M & R	375.6	(0)	-	(0)	(0)	-	(0)
83	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	(5,031,862)	(3,509,256)	(1,155,953)	(1,150)	(6,422)	(359,081)
84	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	(844,347)	(588,853)	(193,969)	(193)	(1,078)	(60,254)
85	STRUC & IMPROV-COMMUNICATIONS	375.8	(15,940)	(9,751)	(4,544)	(5)	-	(1,641)
86	MAINS (Less SMRP)	376	(89,633,767)	(54,827,936)	(25,551,080)	(28,169)	-	(9,226,582)
87	MAINS - DS-ML DIRECT ASSIGNMENT	376	(8,017)	-	-	-	(8,017)	-
88	M & R STATION EQUIP-GENERAL	378.1	330,470	202,144	94,204	104	-	34,017
89	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.2	(3,285,510)	(2,009,708)	(936,570)	(1,033)	-	(338,199)
90	M & R STA EQUIP REG FMV	378.21	242,965	148,619	69,260	76	-	25,010
91	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.3	(45,058)	(27,562)	(12,844)	(14)	-	(4,638)
92	Measuring and regulating station equipment—city gate check stations	379.1	(408,733)	(250,017)	(116,514)	(128)	-	(42,074)
93	SERVICES (Less SMRP)	380	(71,285,388)	(63,801,483)	(7,373,876)	(1,032)	-	(108,998)
94	METERS	381	(1,939,599)	(1,480,505)	(454,805)	(162)	-	(4,126)
95	METERS - AMI	381.1	(6,446,517)	(4,920,658)	(1,511,606)	(540)	-	(13,713)
96	METER INSTALLATIONS (Less SMRP)	382	(6,129,404)	(4,678,605)	(1,437,248)	(513)	-	(13,038)
97	HOUSE REGULATORS (Less SMRP)	383	(2,708,053)	(2,067,071)	(634,996)	(227)	-	(5,760)
98	HOUSE REGULATOR INSTALLATIONS	384	(1,769,368)	(1,350,567)	(414,889)	(148)	-	(3,764)
99	INDUSTRIAL M & R STATION EQUIPMENT	385	(767,292)	-	(233,439)	(1,880)	-	(531,973)
100	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385	(188,149)	-	-	-	(188,149)	-
101	OTHER EQUIP-ODORIZATION	387.2	59,912	41,783	13,763	14	76	4,275
102	OTHER EQUIP-TELEPHONE	387.41	(75,295)	(52,511)	(17,297)	(17)	(96)	(5,373)
103	OTHER EQUIPMENT-RADIO	387.42	(367,382)	(256,215)	(84,397)	(84)	(469)	(26,217)
104	OTHER EQUIP-OTHER COMMUNICATION	387.44	(74,539)	(51,984)	(17,124)	(17)	(95)	(5,319)
105	OTHER EQUIP-TELEMETERING	387.45	873,972	609,515	200,775	200	1,115	62,368
106	OTHER EQUIP-CUST INFO SERVICE	387.46	(120,387)	(83,959)	(27,656)	(28)	(154)	(8,591)
107	GPS PIPE LOCATORS	387.5	(87,096)	(60,742)	(20,008)	(20)	(111)	(6,215)
108	Subtotal - Distribution Plant		(191,487,143)	(140,099,870)	(40,321,580)	(35,519)	(209,462)	(10,820,713)

COLUMBIA GAS OF KENTUCKY, INC.
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Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
				-	-	-	-	-
109	**General Plant**			-	-	-	-	-
110	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	(270,476)	(188,632)	(62,136)	(62)	(345)	(19,302)
111	OFFICE FURN & EQUIP-DATA HANDLING	391.11	9,467	6,603	2,175	2	12	676
112	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	(14,070)	(9,813)	(3,232)	(3)	(18)	(1,004)
113	TRANS EQUIP-TRAILERS OVER $1,000	392.2	(17,809)	(12,420)	(4,091)	(4)	(23)	(1,271)
114	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	(45,042)	(31,413)	(10,347)	(10)	(57)	(3,214)
115	STORES EQUIPMENT	393	-	-	-	-	-	-
116	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	(4,652)	(3,244)	(1,069)	(1)	(6)	(332)
117	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	26,072	18,182	5,989	6	33	1,860
118	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	(23,735)	(16,553)	(5,453)	(5)	(30)	(1,694)
119	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	(185)	(129)	(43)	(0)	(0)	(13)
120	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	(1,478,473)	(1,031,098)	(339,645)	(338)	(1,887)	(105,506)
121	LABORATORY EQUIPMENT	395	150	105	35	0	0	11
122	POWER OPERATED EQUIP-GENERAL TOOLS	396	(171,938)	(119,911)	(39,499)	(39)	(219)	(12,270)
123	MISCELLANEOUS EQUIPMENT	398	(89,691)	(62,551)	(20,604)	(21)	(114)	(6,400)
124	Subtotal - General Plant		(2,080,383)	(1,450,874)	(477,920)	(476)	(2,655)	(148,459)
125	**Other Assets**							
126	Retirement Work in Progress	N/A	6,687,303	4,090,444	1,906,241	2,102	166	688,350
127	Subtotal - Other Assets		6,687,303	4,090,444	1,906,241	2,102	166	688,350
				-	-	-	-	-
128	**Accumulated Provision for Amortization**			-	-	-	-	-
129	Reserved	111	-	-	-	-	-	-
130	Reserved	111	-	-	-	-	-	-
131	Subtotal - Accumulated Provision for Amortization		-	-	-	-	-	-
132	**Total Accumulated Depreciation & Amortization**		(194,991,110)	(143,116,890)	(40,756,546)	(35,747)	(222,302)	(10,859,626)
133	**Other Rate Base Items**							
134	Accumulated deferred income taxes	190	(98,939,609)	(69,001,185)	(22,729,070)	(22,618)	(126,271)	(7,060,466)
135	Materials & Supplies	154	347,375	242,262	79,801	79	443	24,789
136	Gas Stored Underground	164	37,402,516	22,509,883	14,877,184	15,449	-	-
137	Total Other Rate Base Items		(61,189,719)	(46,249,040)	(7,772,085)	(7,090)	(125,827)	(7,035,677)
138	**TOTAL RATE BASE**		518,827,312	351,130,241	129,511,430	134,335	640,967	37,410,340

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139	**OPERATION AND MAINTENANCE EXPENSE**							
140	**Production, Storage, LNG, Transmission, and Distribution Expense**							
141	**Other Gas Supply Expenses**			-	-	-	-	-
142	Natural gas well head purchases	801-803	17,663,998	10,932,676	6,716,038	15,284	-	-
143	Natural Gas City Gate Purchases	804	1,158,901	717,272	440,626	1,003	-	-
144	Other gas purchases	805	15,343,425	9,496,417	5,833,731	13,276	-	-
145	Exchange gas	806	1,674,085	1,036,132	636,505	1,449	-	-
146	Gas Withdrawn from Storage	808	(386,973)	(239,507)	(147,131)	(335)	-	-
147	Gas Used for Other Utility Operations	812	(40,414)	(25,013)	(15,366)	(35)	-	-
148	Exchange Fees	813	-	-	-	-	-	-
149	Purchased Gas Expense	807	409,263	253,303	155,606	354	-	-
150	Subtotal - Other Gas Supply Expenses		35,822,285	22,171,280	13,620,009	30,996	-	-
151	**Operation Expenses**							
152	Transmission Expense - Operations	852	2,562	1,567	730	1	0	264
153	Other expenses	859	989	605	282	0	0	102
154	M&R Station Equipment	865	831	508	237	0	0	86
155	Operation supervision and engineering	870	887,729	632,015	205,861	167	1,254	48,432
156	Distribution load dispatching	871	233,563	81,801	61,594	103	-	90,066
157	Mains and services expenses	874	5,830,265	4,108,628	1,314,272	1,258	97	406,009
158	Measuring and regulating station expenses—general	875	282,376	172,722	80,492	89	7	29,066
159	Measuring and regulating station expenses—industrial	876	112,809	-	29,607	238	15,494	67,470
160	Meter and house regulator expenses	878	1,688,170	1,288,589	395,849	141	-	3,591
161	Customer installations expenses	879	2,893,622	2,208,716	678,509	242	-	6,155
162	OTHER EXPENSE	880	1,484,790	1,057,090	344,317	279	2,098	81,006
163	TELECOMMUNICATION EXPENSE - ENGINEERING	881	23,478	16,715	5,444	4	33	1,281
164	Subtotal - Operation Expenses		13,441,183	9,568,955	3,117,195	2,523	18,983	733,527
165	**Maintenance Expenses**							
166	Maintenance supervision and engineering	885	84,202	54,185	21,908	25	188	7,896
167	Maintenance of structures and improvements	886	134,245	82,114	38,267	42	3	13,818
168	Maintenance of mains	887	3,433,598	2,100,240	978,760	1,079	85	353,434
169	Maintenance of measuring and regulating station equipment—general	889	734,888	449,511	209,483	231	18	75,645
170	Maintenance of measuring and regulating station equipment—industrial	890	85,196	-	22,360	180	11,701	50,955
171	Maintenance of services	892	642,432	574,986	66,454	9	-	982
172	Maintenance of meters and house regulators	893	252,494	192,730	59,206	21	-	537
173	Maintenance of other equipment	894	269,614	173,500	70,150	80	603	25,282
174	Subtotal - Maintenance Expenses		5,636,669	3,627,266	1,466,588	1,667	12,599	528,548
				-	-	-	-	-
175	**Total Production, Storage, LNG, Transmission, and Distribution Expense**		54,900,137	35,367,501	18,203,792	35,186	31,582	1,262,075

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Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
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Attachment RJA-2, Schedule 5 - Cost of Service Allocation Study Detail by Account

Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
176	**Customer Accounts, Service, and Sales Expense**							
177	**Customer Account**							
178	Supervision	901	-	-	-	-	-	-
179	Meter reading expenses	902	284,462	255,659	28,661	4	12	126
180	Customer records and collection expenses	903	2,497,402	2,244,525	251,626	36	107	1,108
181	Uncollectible accounts	904	997,769	876,924	120,248	17	51	529
182	Miscellaneous customer accounts expenses	905	15,830	14,227	1,595	0	1	7
183	Subtotal - Customer Account		3,795,464	3,391,335	402,130	57	171	1,771
184	**Customer Service & Information Expenses**							
185	Supervision	907	-	-	-	-	-	-
186	Customer assistance expenses	908	120,388	108,198	12,130	2	5	53
187	Informational and instructional advertising expenses	909	2,539	2,282	256	0	0	1
188	Miscellaneous customer service and informational expenses	910	290,903	261,447	29,310	4	12	129
189	Subtotal - Customer Service & Information Expenses		413,830	371,927	41,695	6	18	184
190	**Sales Expenses**							
191	Supervision	911	-	-	-	-	-	-
192	Demonstrating and selling expenses	912	4,678	4,205	471	0	0	2
193	Advertising expenses	913	7,674	6,897	773	0	0	3
194	Miscellaneous sales expenses	916	-	-	-	-	-	-
195	Subtotal - Sales Expenses		12,353	11,102	1,245	0	1	5
196	**Total Customer Accounts, Service, and Sales Expense**		4,221,646	3,774,364	445,070	63	190	1,960
197	**Administrative and General Expenses**							
198	Administrative and general salaries	920	9,792,568	7,066,639	2,155,342	1,860	13,928	554,799
199	Office supplies and expenses	921	2,050,331	1,479,586	451,277	389	2,916	116,162
200	Outside services employed	923	6,570,152	4,741,238	1,446,089	1,248	9,345	372,232
201	Property insurance	924	69,856	50,410	15,375	13	99	3,958
202	Injuries and damages	925	1,512,855	1,108,178	331,372	293	2,877	70,136
203	Employee pensions and benefits	926	5,278,632	3,866,638	1,156,217	1,022	10,038	244,716
204	Regulatory commission expenses	928	1,399,795	1,010,138	308,094	266	1,991	79,305
205	General advertising expenses	930.1	17,672	12,753	3,890	3	25	1,001
206	Miscellaneous general expenses	930.2	98,399	71,008	21,658	19	140	5,575
207	Rents	931	667,326	481,564	146,878	127	949	37,807
208	Maintenance of general plant	932	1,700,226	1,226,939	374,219	323	2,418	96,326
209	Total Administrative and General Expenses		29,157,810	21,115,090	6,410,412	5,564	44,727	1,582,017
210	**TOTAL OPERATION AND MAINTENANCE EXPENSE**		88,279,594	60,256,955	25,059,274	40,813	76,499	2,846,053

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
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Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
211	**Adjustments, Depreciation and Amortization Expense**							
212	**Depreciation Expense**							
213	**Intangible Plant**							
214	Organization	301	-	-	-	-	-	-
215	Misc. Intangible Plant - Plant Related	303	2,876	2,006	661	1	4	205
216	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	-	-	-	-	-	-
217	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	-	-	-	-	-	-
218	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	3,023,082	2,108,319	694,483	691	3,858	215,731
219	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	652,350	454,954	149,862	149	833	46,553
220	Subtotal - Intangible Plant		3,678,308	2,565,278	845,006	841	4,694	262,489
221	**Distribution Plant**							
222	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	-	-	-	-	-	-
223	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	-	-	-	-	-	-
224	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	42,761	26,156	12,189	13	-	4,402
225	RIGHTS OF WAY	374.5	29,328	17,940	8,360	9	-	3,019
226	STRUC & IMPROV-CITY GATE M & R	375.2	48	29	14	0	-	5
227	STRUC & IMPROV-GENERAL M & R	375.3	-	-	-	-	-	-
228	STRUC & IMPROV-REGULATING	375.4	94,739	57,951	27,006	30	-	9,752
229	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	735	-	-	-	735	-
230	STRUC & IMPROV-DISTR. IND. M & R	375.6	-	-	-	-	-	-
231	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	244,370	170,425	56,138	56	312	17,439
232	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	56,922	39,698	13,077	13	73	4,062
233	STRUC & IMPROV-COMMUNICATIONS	375.8	2,784	1,703	794	1	-	287
234	MAINS (Less SMRP)	376	7,619,697	4,660,880	2,172,078	2,395	-	784,345
235	MAINS - DS-ML DIRECT ASSIGNMENT	376	142	-	-	-	142	-
236	M & R STATION EQUIP-GENERAL	378.1	(5,700)	(3,487)	(1,625)	(2)	-	(587)
237	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.2	978,778	598,707	279,011	308	-	100,752
238	M & R STA EQUIP REG FMV	378.21	(25,730)	(15,739)	(7,335)	(8)	-	(2,649)
239	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.3	1,500	918	428	0	-	154
240	Measuring and regulating station equipment—city gate check stations	379.1	39,480	24,149	11,254	12	-	4,064
241	SERVICES (Less SMRP)	380	10,721,394	9,595,807	1,109,038	155	-	16,393
242	METERS	381	745,856	569,316	174,891	62	-	1,587
243	METERS - AMI	381.1	677,700	517,292	158,910	57	-	1,442
244	METER INSTALLATIONS (Less SMRP)	382	244,864	186,906	57,417	21	-	521
245	HOUSE REGULATORS (Less SMRP)	383	171,843	131,168	40,294	14	-	366
246	HOUSE REGULATOR INSTALLATIONS	384	41,496	31,674	9,730	3	-	88
247	INDUSTRIAL M & R STATION EQUIPMENT	385	320,824	-	97,607	786	-	222,431
248	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385	27,232	-	-	-	27,232	-
249	OTHER EQUIP-ODORIZATION	387.2	-	-	-	-	-	-
250	OTHER EQUIP-TELEPHONE	387.41	12,924	9,013	2,969	3	16	922
251	OTHER EQUIPMENT-RADIO	387.42	20,796	14,503	4,777	5	27	1,484
252	OTHER EQUIP-OTHER COMMUNICATION	387.44	6,180	4,310	1,420	1	8	441
253	OTHER EQUIP-TELEMETERING	387.45	322,980	225,249	74,197	74	412	23,048
254	OTHER EQUIP-CUST INFO SERVICE	387.46	5,640	3,933	1,296	1	7	402
255	GPS PIPE LOCATORS	387.5	32,136	22,412	7,382	7	41	2,293
256	Subtotal - Distribution Plant		22,431,719	16,890,915	4,311,319	4,018	29,005	1,196,463

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 5 - Cost of Service Allocation Study Detail by Account

Line No.	Account Description	FERC Account	Account Balance	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
257	**General Plant**							
258	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	103,865	72,436	23,861	24	133	7,412
259	OFFICE FURN & EQUIP-DATA HANDLING	391.11	6,311	4,401	1,450	1	8	450
260	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	12,903	8,999	2,964	3	16	921
261	TRANS EQUIP-TRAILERS OVER $1,000	392.2	444	310	102	0	1	32
262	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	216	151	50	0	0	15
263	STORES EQUIPMENT	393	-	-	-	-	-	-
264	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	384	268	88	0	0	27
265	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	-	-	-	-	-	-
266	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	(9,468)	(6,603)	(2,175)	(2)	(12)	(676)
267	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	-	-	-	-	-	-
268	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	246,189	171,694	56,556	56	314	17,568
269	LABORATORY EQUIPMENT	395	(33)	(23)	(8)	(0)	(0)	(2)
270	POWER OPERATED EQUIP-GENERAL TOOLS	396	-	-	-	-	-	-
271	MISCELLANEOUS EQUIPMENT	398	13,058	9,107	3,000	3	17	932
272	Subtotal - General Plant		373,869	260,739	85,888	85	477	26,680
273	**Total - Depreciation Expense**		26,483,896	19,716,932	5,242,212	4,944	34,176	1,485,632
274	**Total Adjustments, Depreciation and Amortization Expense**		26,483,896	19,716,932	5,242,212	4,944	34,176	1,485,632
275	**Taxes**							
276	**Taxes Other Than Income Taxes**			-	-	-	-	-
277	Taxes Other Than Income Taxes - Property	408.1	7,451,759	5,196,910	1,711,868	1,704	9,510	531,768
278	Taxes Other Than Income Taxes - Payroll	408.2	900,432	659,574	197,228	174	1,712	41,744
279	Taxes Other Than Income Taxes - Other	408.3	225,600	165,254	49,415	44	429	10,459
280	Subtotal - Taxes Other Than Income Taxes		8,577,792	6,021,737	1,958,511	1,922	11,651	583,970
281	**Income Taxes**							
282	FEDERAL INCOME TAXES	409.1	1,295,037	876,451	323,271	335	1,600	93,379
283	STATE INCOME TAXES	409.2	149,743	101,343	37,379	39	185	10,797
284	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.1	1,192,228	806,872	297,608	309	1,473	85,966
285	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.2	565,347	382,614	141,124	146	698	40,765
286	Subtotal - Income Taxes		3,202,354	2,167,279	799,382	829	3,956	230,908
287	**Total Taxes**		11,780,146	8,189,016	2,757,894	2,751	15,608	814,878
288	**REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**							
289	**Test Year Expenses at Current Rates**		126,543,636	88,162,903	33,059,379	48,508	126,283	5,146,563
290	**Return on Rate Base**		41,558,068	28,125,532	10,373,866	10,760	51,341	2,996,568
291	**Gross Up Items**			-	-	-	-	-
292	Gross-up Federal Income Tax		4,716,762	3,192,194	1,177,414	1,221	5,827	340,105
293	Gross-up State Utility Tax		1,182,147	800,049	295,091	306	1,460	85,239
294	Gross-up Bad Debts		99,133	87,127	11,947	2	5	53
295	Gross-up Annual Filing Fee		30,952	20,948	7,726	8	38	2,232
296	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**		174,130,697	120,388,753	44,925,424	60,805	184,956	8,570,759

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 6 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Functional Rate Base**						
2	**Distribution**						
3	Demand	$ 284,369,732	$ 148,905,729	$ 101,096,791	$ 118,812	$ 27,802	$ 34,220,599
4	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
5	Customer	$ 85,884,443	$ 77,182,735	$ 8,652,699	$ 1,229	$ 9,668	$ 38,112
6	Subtotal	$ 370,254,175	$ 226,088,463	$ 109,749,490	$ 120,041	$ 37,470	$ 34,258,711
7	**On Site**						
8	Demand	$ -	$ -	$ -	$ -	$ -	$ -
9	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
10	Customer	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
11	Subtotal	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
12	**Cust Accts**						
13	Demand	$ -	$ -	$ -	$ -	$ -	$ -
14	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
15	Customer	$ -	$ -	$ -	$ -	$ -	$ -
16	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -
17	**Gas Costs**						
18	Demand	$ -	$ -	$ -	$ -	$ -	$ -
19	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
20	Customer	$ -	$ -	$ -	$ -	$ -	$ -
21	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -
37	**Total**						
38	Demand	$ 284,369,732	$ 148,905,729	$ 101,096,791	$ 118,812	$ 27,802	$ 34,220,599
39	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
40	Customer	$ 234,457,579	$ 202,224,512	$ 28,414,639	$ 15,523	$ 613,165	$ 3,189,740
41	**TOTAL RATE BASE**	$ 518,827,312	$ 351,130,241	$ 129,511,430	$ 134,335	$ 640,967	$ 37,410,340

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 6 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
42	**Functional Revenue Requirement**						
43	**Distribution**						
44	Demand	$ 56,313,696	$ 29,150,661	$ 19,838,147	$ 23,549	$ 4,475	$ 7,296,864
45	Commodity	$ 659,720	$ 408,317	$ 250,833	$ 571	$ -	$ -
46	Customer	$ 18,987,761	$ 16,694,133	$ 2,023,052	$ 559	$ 1,556	$ 268,461
47	Subtotal	$ 75,961,177	$ 46,253,110	$ 22,112,031	$ 24,680	$ 6,031	$ 7,565,325
48	**On Site**						
49	Demand	$ -	$ -	$ -	$ -	$ -	$ -
50	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
51	Customer	$ 53,876,608	$ 44,258,703	$ 8,432,618	$ 5,354	$ 178,534	$ 1,001,398
52	Subtotal	$ 53,876,608	$ 44,258,703	$ 8,432,618	$ 5,354	$ 178,534	$ 1,001,398
53	**Cust Accts**						
54	Demand	$ -	$ -	$ -	$ -	$ -	$ -
55	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
56	Customer	$ 8,879,891	$ 7,958,963	$ 916,371	$ 130	$ 391	$ 4,036
57	Subtotal	$ 8,879,891	$ 7,958,963	$ 916,371	$ 130	$ 391	$ 4,036
58	**Gas Costs**						
59	Demand	$ -	$ -	$ -	$ -	$ -	$ -
60	Commodity	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
61	Customer	$ -	$ -	$ -	$ -	$ -	$ -
62	Subtotal	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
78	**Total**						
79	Demand	$ 56,313,696	$ 29,150,661	$ 19,838,147	$ 23,549	$ 4,475	$ 7,296,864
80	Commodity	$ 36,072,742	$ 22,326,294	$ 13,715,236	$ 31,212	$ -	$ -
81	Customer	$ 81,744,259	$ 68,911,799	$ 11,372,041	$ 6,043	$ 180,481	$ 1,273,895
82	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**	$ 174,130,697	$ 120,388,753	$ 44,925,424	$ 60,805	$ 184,956	$ 8,570,759
83	Demand	32.34%	24.21%	44.16%	38.73%	2.42%	85.14%
84	Energy	20.72%	18.55%	30.53%	51.33%	0.00%	0.00%
85	Customer	46.94%	57.24%	25.31%	9.94%	97.58%	14.86%

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 6 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
86	**Unit Costs**						
87	**Distribution**						
88	Demand	$ 13.69	$ 16.67	$ 17.17	$ 19.62	$ 0.00	$ 190.02
89	Commodity	$ 0.02	$ 0.05	$ 0.04	$ 0.05	$ -	$ -
90	Customer	$ 11.33	$ 11.08	$ 11.98	$ 23.30	$ 21.61	$ 360.83
91	**On Site**						
92	Demand	$ -	$ -	$ -	$ -	$ -	$ -
93	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
94	Customer	$ 32.14	$ 29.37	$ 49.92	$ 223.09	$ 2,479.64	$ 1,345.97
95	**Cust Accts**						
96	Demand	$ -	$ -	$ -	$ -	$ -	$ -
97	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
98	Customer	$ 5.30	$ 5.28	$ 5.43	$ 5.42	$ 5.43	$ 5.42
99	**Gas Costs**						
100	Demand	$ -	$ -	$ -	$ -	$ -	$ -
101	Commodity	$ 1.14	$ 2.65	$ 2.16	$ 2.94	$ -	$ -
102	Customer	$ -	$ -	$ -	$ -	$ -	$ -
115	**Total**						
116	Commodity	$ 1.1580	$ 2.6947	$ 2.1985	$ 2.9981	$ -	$ -
117	Customer (per cust month)	$ 48.76	$ 45.74	$ 67.33	$ 251.81	$ 2,506.68	$ 1,712.22
118	Demand & Customer (per cust month)	$ 82.35	$ 65.08	$ 184.77	$ 1,233.04	$ 2,568.83	$ 11,519.84
119	**BILLING DETERMINANTS**						
120	Demand (Peak Day Demand * 12)	4,113,677	1,748,477	1,155,600	1,200	1,170,000	38,400
121	Commodity	31,149,627	8,285,252	6,238,516	10,411	7,493,094	9,122,355
122	Customers (Number of Bills)	1,676,460	1,506,708	168,912	24	72	744

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
1	**RATE BASE**								
2	**Plant in Service**								
3	**Intangible Plant**								
4	Organization	301.0	521	INT_DISTPT_SUBTOTAL					
5	Misc. Intangible Plant - Plant Related	303.0	88,157	INT_DISTPT_SUBTOTAL					
6	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	943	INT_DISTPT_SUBTOTAL					
7	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL					
8	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	16,135,216	INT_DISTPT_SUBTOTAL					
9	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	3,687,045	INT_DISTPT_SUBTOTAL					
10	Subtotal - Intangible Plant		19,911,882						
11	**Distribution Plant**								
12	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	205		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
13	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	876,987		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
14	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	3,216,702		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
15	RIGHTS OF WAY	374.5	2,666,577		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
16	STRUC & IMPROV-CITY GATE M & R	375.2	2,125		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
17	STRUC & IMPROV-GENERAL M & R	375.3	0		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
18	STRUC & IMPROV-REGULATING	375.4	3,949,074		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
19	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	46,211		DISTRIBUTION	ZERO_INTERCEPT	DS-ML_DIRECT		DS-ML_DIRECT
20	STRUC & IMPROV-DISTR. IND. M & R	375.6	0		ON SITE	CUSTOMER			IND_M&R_ACCT 385
21	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	9,736,916	INT_DISTPT_SUBTOTAL					
22	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	880,995	INT_DISTPT_SUBTOTAL					
23	STRUC & IMPROV-COMMUNICATIONS	375.8	132,125		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
24	MAINS (Less SMRP)	376.0	423,405,635		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
25	MAINS - DS-ML DIRECT ASSIGNMENT	376.0	10,517		DISTRIBUTION	ZERO_INTERCEPT	DS-ML_DIRECT		DS-ML_DIRECT
26	M & R STATION EQUIP-GENERAL	378.1	(172,291)		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
27	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.2	29,553,454		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
28	M & R STA EQUIP REG FMV	378.2	(777,092)		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
29	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.3	45,443		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
30	Measuring and regulating station equipment—city gate check stations	379.1	1,554,144		DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML		CUSTOMERS EXCL DS-ML
31	SERVICES (Less SMRP)	380.0	206,990,734		ON SITE	CUSTOMER			SERVICES_ACCT 380
32	METERS	381.0	20,844,456		ON SITE	CUSTOMER			METERS_ACCT 381
33	METERS - AMI	381.1	9,980,854		ON SITE	CUSTOMER			METERS_ACCT 381
34	METER INSTALLATIONS (Less SMRP)	382.0	10,741,912		ON SITE	CUSTOMER			METERS_ACCT 381
35	HOUSE REGULATORS (Less SMRP)	383.0	7,740,848		ON SITE	CUSTOMER			METERS_ACCT 381
36	HOUSE REGULATOR INSTALLATIONS	384.0	2,085,302		ON SITE	CUSTOMER			METERS_ACCT 381
37	INDUSTRIAL M & R STATION EQUIPMENT	385.0	5,489,335		ON SITE	CUSTOMER			IND_M&R_ACCT 385
38	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.0	873,980		ON SITE	CUSTOMER			DS-ML_DIRECT
39	OTHER EQUIP-ODORIZATION	387.20	0	INT_DISTPT_SUBTOTAL					
40	OTHER EQUIP-TELEPHONE	387.41	260,538	INT_DISTPT_SUBTOTAL					
41	OTHER EQUIPMENT-RADIO	387.42	419,367	INT_DISTPT_SUBTOTAL					
42	OTHER EQUIP-OTHER COMMUNICATION	387.44	124,679	INT_DISTPT_SUBTOTAL					
43	OTHER EQUIP-TELEMETERING	387.45	6,532,094	INT_DISTPT_SUBTOTAL					
44	OTHER EQUIP-CUST INFO SERVICE	387.46	113,644	INT_DISTPT_SUBTOTAL					
45	GPS PIPE LOCATORS	387.50	238,073	INT_DISTPT_SUBTOTAL					
46	Subtotal - Distribution Plant		747,563,541						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
47	**General Plant**								
48	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	921,741	INT_DISTPT_SUBTOTAL					
49	OFFICE FURN & EQUIP-DATA HANDLING	391.11	0	INT_DISTPT_SUBTOTAL					
50	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	37,130	INT_DISTPT_SUBTOTAL					
51	TRANS EQUIP-TRAILERS OVER $1,000	392.2	48,924	INT_DISTPT_SUBTOTAL					
52	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	24,462	INT_DISTPT_SUBTOTAL					
53	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL					
54	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	9,739	INT_DISTPT_SUBTOTAL					
55	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	0	INT_DISTPT_SUBTOTAL					
56	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	0	INT_DISTPT_SUBTOTAL					
57	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	0	INT_DISTPT_SUBTOTAL					
58	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	6,157,146	INT_DISTPT_SUBTOTAL					
59	LABORATORY EQUIPMENT	395.0	0	INT_DISTPT_SUBTOTAL					
60	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	185,547	INT_DISTPT_SUBTOTAL					
61	MISCELLANEOUS EQUIPMENT	398.0	148,028	INT_DISTPT_SUBTOTAL					
62	Subtotal - General Plant		7,532,718						
63	**Total Plant in Service**		775,008,141						
64	**Accumulated Depreciation & Amortization**								
65	**Intangible Plant**								
66	Organization	301.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
67	Misc. Intangible Plant - Plant Related	303.0	(75,396)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
68	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	(318)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
69	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
70	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	(6,684,278)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
71	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	(1,350,895)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
72	Subtotal - Intangible Plant		(8,110,887)						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
73	**Distribution Plant**								
74	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	0	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
75	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	522	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
76	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	(412,970)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
77	RIGHTS OF WAY	374.5	(1,200,292)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
78	STRUC & IMPROV-CITY GATE M & R	375.2	(2,127)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
79	STRUC & IMPROV-GENERAL M & R	375.3	78	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
80	STRUC & IMPROV-REGULATING	375.4	(141,903)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
81	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	(6,063)	-	DISTRIBUTION	ZERO_INTERCEPT	DS-ML_DIRECT	-	DS-ML_DIRECT
82	STRUC & IMPROV-DISTR. IND. M & R	375.6	(0)	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
83	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	(5,031,862)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
84	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	(844,347)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
85	STRUC & IMPROV-COMMUNICATIONS	375.80	(15,940)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
86	MAINS (Less SMRP)	376.00	(89,633,767)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
87	MAINS - DS-ML DIRECT ASSIGNMENT	376.00	(8,017)	-	DISTRIBUTION	ZERO_INTERCEPT	DS-ML_DIRECT	-	DS-ML_DIRECT
88	M & R STATION EQUIP-GENERAL	378.10	330,470	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
89	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.20	(3,285,510)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
90	M & R STA EQUIP REG FMV	378.21	242,965	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
91	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.30	(45,058)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
92	Measuring and regulating station equipment—city gate check stations	379.10	(408,733)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
93	SERVICES (Less SMRP)	380.00	(71,285,388)	-	ON SITE	CUSTOMER	-	-	SERVICES_ACCT 380
94	METERS	381.00	(1,939,599)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
95	METERS - AMI	381.1	(6,446,517)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
96	METER INSTALLATIONS (Less SMRP)	382.0	(6,129,404)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
97	HOUSE REGULATORS (Less SMRP)	383.0	(2,708,053)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
98	HOUSE REGULATOR INSTALLATIONS	384.0	(1,769,368)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
99	INDUSTRIAL M & R STATION EQUIPMENT	385.0	(767,292)	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
100	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.0	(188,149)	-	ON SITE	CUSTOMER	-	-	DS-ML_DIRECT
101	OTHER EQUIP-ODORIZATION	387.2	59,912	INT_DISTPT_SUBTOTAL	-	-	-	-	-
102	OTHER EQUIP-TELEPHONE	387.41	(75,295)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
103	OTHER EQUIPMENT-RADIO	387.42	(367,382)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
104	OTHER EQUIP-OTHER COMMUNICATION	387.44	(74,539)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
105	OTHER EQUIP-TELEMETERING	387.45	873,972	INT_DISTPT_SUBTOTAL	-	-	-	-	-
106	OTHER EQUIP-CUST INFO SERVICE	387.46	(120,387)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
107	GPS PIPE LOCATORS	387.5	(87,096)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
108	Subtotal - Distribution Plant		(191,487,143)						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
109	**General Plant**								
110	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	(270,476)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
111	OFFICE FURN & EQUIP-DATA HANDLING	391.11	9,467	INT_DISTPT_SUBTOTAL	-	-	-	-	-
112	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	(14,070)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
113	TRANS EQUIP-TRAILERS OVER $1,000	392.2	(17,809)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
114	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	(45,042)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
115	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
116	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	(4,652)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
117	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	26,072	INT_DISTPT_SUBTOTAL	-	-	-	-	-
118	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	(23,735)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
119	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	(185)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
120	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	(1,478,473)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
121	LABORATORY EQUIPMENT	395.0	150	INT_DISTPT_SUBTOTAL	-	-	-	-	-
122	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	(171,938)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
123	MISCELLANEOUS EQUIPMENT	398.0	(89,691)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
124	Subtotal - General Plant		(2,080,383)						
125	**Other Assets**								
126	Retirement Work in Progress	N/A	6,687,303	INT_MAINS_PLANT					
127	Subtotal - Other Assets		6,687,303						
128	**Accumulated Provision for Amortization**								
129	*Reserved*	111.0	0						
130	*Reserved*	111.0	0						
131	Subtotal - Accumulated Provision for Amortization		-						
132	**Total Accumulated Depreciation & Amortization**		(194,991,110)						
133	**Other Rate Base Items**								
134	Accumulated deferred income taxes	190.0	(98,939,609)	INT_TOTAL PLANT					
135	Materials & Supplies	154.0	347,375	INT_DISTPT_SUBTOTAL					
136	Gas Stored Underground	164.0	37,402,516		DISTRIBUTION	DEMAND	DESIGN DAY EXCL INTERR DEMAND		
137	**Total Other Rate Base Items**		(61,189,719)						
138	**TOTAL RATE BASE**		518,827,312						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
139	**OPERATION AND MAINTENANCE EXPENSE**								
140	**Production, Storage, LNG, Transmission, and Distribution Expense**								
141	**Other Gas Supply Expenses**								
142	Natural gas well head purchases	801-803	17,663,998		GAS COSTS	COMMODITY		GAS_COST	
143	Natural Gas City Gate Purchases	804	1,158,901		GAS COSTS	COMMODITY		GAS_COST	
144	Other gas purchases	805	15,343,425		GAS COSTS	COMMODITY		GAS_COST	
145	Exchange gas	806	1,674,085		GAS COSTS	COMMODITY		GAS_COST	
146	Gas Withdrawn from Storage	808	(386,973)		GAS COSTS	COMMODITY		GAS_COST	
147	Gas Used for Other Utility Operations	812	(40,414)		GAS COSTS	COMMODITY		GAS_COST	
148	Exchange Fees	813	0		GAS COSTS	COMMODITY		GAS_COST	
149	Purchased Gas Expense	807.0	409,263		DISTRIBUTION	COMMODITY		GAS_COST	
150	**Subtotal - Other Gas Supply Expenses**		35,822,285						
151	**Operation Expenses**								
152	Transmission Expense - Operations	852	2,562	INT_MAINS_PLANT					
153	Other expenses	859	989	INT_MAINS_PLANT					
154	M&R Station Equipment	865	831	INT_MAINS_PLANT					
155	Operation supervision and engineering	870.0	887,729	INT_871-879					
156	Distribution load dispatching	871.0	233,563		DISTRIBUTION	CUSTOMER			THROUGHPUT EXCL DS-ML
157	Mains and services expenses	874.0	5,830,265	INT_MAINS_SERVICES					
158	Measuring and regulating station expenses—general	875.0	282,376	INT_MAINS_PLANT					
159	Measuring and regulating station expenses—industrial	876.0	112,809	INT_IND M&R					
160	Meter and house regulator expenses	878.0	1,688,170		ON SITE	CUSTOMER			METERS_ACCT 381
161	Customer installations expenses	879.0	2,893,622		ON SITE	CUSTOMER			METERS_ACCT 381
162	OTHER EXPENSE	880.0	1,484,790	INT_871-879					
163	TELECOMMUNICATION EXPENSE - ENGINEERING	881.0	23,478	INT_871-879					
164	Subtotal - Operation Expenses		13,441,183						
165	**Maintenance Expenses**								
166	Maintenance supervision and engineering	885.0	84,202	INT_866-893					
167	Maintenance of structures and improvements	886.0	134,245	INT_MAINS_PLANT					
168	Maintenance of mains	887.0	3,433,598	INT_MAINS_PLANT					
169	Maintenance of measuring and regulating station equipment—general	889.0	734,888	INT_MAINS_PLANT					
170	Maintenance of measuring and regulating station equipment—industrial	890.0	85,196	INT_IND M&R					
171	Maintenance of services	892.0	642,432		ON SITE	CUSTOMER			SERVICES_ACCT 380
172	Maintenance of meters and house regulators	893.0	252,494		ON SITE	CUSTOMER			METERS_ACCT 381
173	Maintenance of other equipment	894.0	269,614	INT_866-893					
174	Subtotal - Maintenance Expenses		5,636,669						
175	**Total Production, Storage, LNG, Transmission, and Distribution Expense**		54,900,137						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
176	**Customer Accounts, Service, and Sales Expense**								
177	**Customer Account**								
178	Supervision	901.0	0						
179	Meter reading expenses	902.0	284,462		CUST ACCTS	CUSTOMER			CUSTOMERS
180	Customer records and collection expenses	903.0	2,497,402		CUST ACCTS	CUSTOMER			CUSTOMERS
181	Uncollectible accounts	904.0	997,769		CUST ACCTS	CUSTOMER			UNCOLLECTIBLES
182	Miscellaneous customer accounts expenses	905.0	15,830		CUST ACCTS	CUSTOMER			CUSTOMERS
183	Subtotal - Customer Account		3,795,464						
184	**Customer Service & Information Expenses**								
185	Supervision	907.0	0						
186	Customer assistance expenses	908.0	120,388		CUST ACCTS	CUSTOMER			CUSTOMERS
187	Informational and instructional advertising expenses	909.0	2,539		CUST ACCTS	CUSTOMER			CUSTOMERS
188	Miscellaneous customer service and informational expenses	910.0	290,903		CUST ACCTS	CUSTOMER			CUSTOMERS
189	Subtotal - Customer Service & Information Expenses		413,830						
190	**Sales Expenses**								
191	Supervision	911.0	0						
192	Demonstrating and selling expenses	912.0	4,678		CUST ACCTS	CUSTOMER			CUSTOMERS
193	Advertising expenses	913.0	7,674		CUST ACCTS	CUSTOMER			CUSTOMERS
194	Miscellaneous sales expenses	916.0	0						
195	Subtotal - Sales Expenses		12,353						
196	**Total Customer Accounts, Service, and Sales Expense**		4,221,646						
197	**Administrative and General Expenses**								
198	Administrative and general salaries	920.0	9,792,568	INT_OM_Exc_A&G,Gas,Uncoll					
199	Office supplies and expenses	921.0	2,050,331	INT_OM_Exc_A&G,Gas,Uncoll					
200	Outside services employed	923.0	6,570,152	INT_OM_Exc_A&G,Gas,Uncoll					
201	Property insurance	924.0	69,856	INT_OM_Exc_A&G,Gas,Uncoll					
202	Injuries and damages	925.0	1,512,855	INT_LABOR					
203	Employee pensions and benefits	926.0	5,278,632	INT_LABOR					
204	Regulatory commission expenses	928.0	1,399,795	INT_OM_Exc_A&G,Gas,Uncoll					
205	General advertising expenses	930.1	17,672	INT_OM_Exc_A&G,Gas,Uncoll					
206	Miscellaneous general expenses	930.2	98,399	INT_OM_Exc_A&G,Gas,Uncoll					
207	Rents	931.0	667,326	INT_OM_Exc_A&G,Gas,Uncoll					
208	Maintenance of general plant	932.0	1,700,226	INT_OM_Exc_A&G,Gas,Uncoll					
209	**Total Administrative and General Expenses**		29,157,810						
210	**TOTAL OPERATION AND MAINTENANCE EXPENSE**		88,279,594						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
211	**Adjustments, Depreciation and Amortization Expense**								
212	**Depreciation Expense**								
213	**Intangible Plant**								
214	Organization	301.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
215	Misc. Intangible Plant - Plant Related	303.0	2,876	INT_DISTPT_SUBTOTAL	-	-	-	-	-
216	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
217	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
218	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	3,023,082	INT_DISTPT_SUBTOTAL	-	-	-	-	-
219	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	652,350	INT_DISTPT_SUBTOTAL	-	-	-	-	-
220	Subtotal - Intangible Plant		3,678,308						
221	**Distribution Plant**								
222	LAND-CITY GATE & MAIN LINE IND. M & R	374.10	0	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
223	LAND-OTHER DISTRIBUTION SYSTEMS	374.20	0	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
224	LAND RIGHTS-OTHER DISTR SYSTEMS	374.40	42,761	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
225	RIGHTS OF WAY	374.50	29,328	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
226	STRUC & IMPROV-CITY GATE M & R	375.20	48	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
227	STRUC & IMPROV-GENERAL M & R	375.30	0	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
228	STRUC & IMPROV-REGULATING	375.40	94,739	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
229	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.40	735	-	DISTRIBUTION	ZERO_INTERCEPT	DS-ML_DIRECT	-	DS-ML_DIRECT
230	STRUC & IMPROV-DISTR. IND. M & R	375.60	0	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
231	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.70	244,370	INT_DISTPT_SUBTOTAL	-	-	-	-	-
232	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	56,922	INT_DISTPT_SUBTOTAL	-	-	-	-	-
233	STRUC & IMPROV-COMMUNICATIONS	375.80	2,784	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
234	MAINS (Less SMRP)	376.00	7,619,697	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
235	MAINS - DS-ML DIRECT ASSIGNMENT	376.00	142	-	DISTRIBUTION	ZERO_INTERCEPT	DS-ML_DIRECT	-	DS-ML_DIRECT
236	M & R STATION EQUIP-GENERAL	378.10	(5,700)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
237	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.20	978,778	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
238	M & R STA EQUIP REG FMV	378.21	(25,730)	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
239	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.30	1,500	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
240	Measuring and regulating station equipment—city gate check stations	379.10	39,480	-	DISTRIBUTION	ZERO_INTERCEPT	DESIGN DAY EXCL DS-ML	-	CUSTOMERS EXCL DS-ML
241	SERVICES (Less SMRP)	380.00	10,721,394	-	ON SITE	CUSTOMER	-	-	SERVICES_ACCT 380
242	METERS	381.00	745,856	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
243	METERS - AMI	381.10	677,700	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
244	METER INSTALLATIONS (Less SMRP)	382.00	244,864	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
245	HOUSE REGULATORS (Less SMRP)	383.00	171,843	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
246	HOUSE REGULATOR INSTALLATIONS	384.00	41,496	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
247	INDUSTRIAL M & R STATION EQUIPMENT	385.00	320,824	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
248	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.00	27,232	-	ON SITE	CUSTOMER	-	-	DS-ML_DIRECT
249	OTHER EQUIP-ODORIZATION	387.20	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
250	OTHER EQUIP-TELEPHONE	387.41	12,924	INT_DISTPT_SUBTOTAL	-	-	-	-	-
251	OTHER EQUIPMENT-RADIO	387.42	20,796	INT_DISTPT_SUBTOTAL	-	-	-	-	-
252	OTHER EQUIP-OTHER COMMUNICATION	387.44	6,180	INT_DISTPT_SUBTOTAL	-	-	-	-	-
253	OTHER EQUIP-TELEMETERING	387.45	322,980	INT_DISTPT_SUBTOTAL	-	-	-	-	-
254	OTHER EQUIP-CUST INFO SERVICE	387.46	5,640	INT_DISTPT_SUBTOTAL	-	-	-	-	-
255	GPS PIPE LOCATORS	387.50	32,136	INT_DISTPT_SUBTOTAL	-	-	-	-	-
256	Subtotal - Distribution Plant		22,431,719						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
257	**General Plant**								
258	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	103,865	INT_DISTPT_SUBTOTAL	-	-	-	-	-
259	OFFICE FURN & EQUIP-DATA HANDLING	391.1	6,311	INT_DISTPT_SUBTOTAL	-	-	-	-	-
260	OFFICE FURN & EQUIP-INFO SYSTEMS	391.1	12,903	INT_DISTPT_SUBTOTAL	-	-	-	-	-
261	TRANS EQUIP-TRAILERS OVER $1,000	392.2	444	INT_DISTPT_SUBTOTAL	-	-	-	-	-
262	TRANS EQUIP-TRAILERS $1,000 or LESS	392.2	216	INT_DISTPT_SUBTOTAL	-	-	-	-	-
263	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
264	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	384	INT_DISTPT_SUBTOTAL	-	-	-	-	-
265	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.1	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
266	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.1	(9,468)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
267	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
268	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	246,189	INT_DISTPT_SUBTOTAL	-	-	-	-	-
269	LABORATORY EQUIPMENT	395.0	(33)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
270	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
271	MISCELLANEOUS EQUIPMENT	398.0	13,058	INT_DISTPT_SUBTOTAL	-	-	-	-	-
272	Subtotal - General Plant		373,869						
273	**Total - Depreciation Expense**		26,483,896						
274	**Total Adjustments, Depreciation and Amortization Expense**		26,483,896						
275	**Taxes**								
276	**Taxes Other Than Income Taxes**								
277	Taxes Other Than Income Taxes - Property	408.1	7,451,759	INT_DISTPT_SUBTOTAL					
278	Taxes Other Than Income Taxes - Payroll	408.2	900,432	INT_LABOR					
279	Taxes Other Than Income Taxes - Other	408.3	225,600	INT_LABOR					
280	Subtotal - Taxes Other Than Income Taxes		8,577,792						
281	**Income Taxes**								
282	FEDERAL INCOME TAXES	409.1	1,295,037	INT_RATEBASE					
283	STATE INCOME TAXES	409.2	149,743	INT_RATEBASE					
284	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.1	1,192,228	INT_RATEBASE					
285	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.2	565,347	INT_RATEBASE					
286	Subtotal - Income Taxes		3,202,354						
287	**Total Taxes**		11,780,146						
288	**REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**								
289	**Test Year Expenses at Current Rates**		126,543,636						
290	**Return on Rate Base**		41,558,068	INT_RATEBASE					
291	**Gross Up Items**								
292	Gross-up Federal Income Tax		4,716,762	INT_RATEBASE					
293	Gross-up State Utility Tax		1,182,147	INT_RATEBASE					
294	Gross-up Bad Debts		99,133		CUST ACCTS	CUSTOMER			UNCOLLECTIBLES
295	Gross-up Annual Filing Fee		30,952	INT_RATEBASE					
296	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**		**174,130,697**						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Summary of Cost of Service and Rate of Return Under Present and Proposed Rates

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Rate Base**						
2	Plant in Service	$ 775,008,141	$ 609,393,728	$ 156,776,006	$ 123,076	$ 989,097	$ 7,726,234
3	Accumulated Reserve	(194,991,110)	(156,794,060)	(36,535,321)	(25,008)	(222,302)	(1,414,419)
4	Other Rate Base Items	(61,189,719)	(55,013,805)	(5,066,990)	(208)	(125,827)	(982,889)
5	**Total Rate Base**	**$ 518,827,312**	**$ 397,585,863**	**$ 115,173,695**	**$ 97,860**	**$ 640,967**	**$ 5,328,926**
6	**Revenue at Current Rates**						
7	Gas Service Revenue	$ 113,745,315	$ 73,265,643	$ 31,302,967	$ 35,136	$ 668,379	$ 8,473,191
8	Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
9	Other Revenues	1,199,341	1,069,919	126,016	168	312	2,926
10	**Total Revenue at Current Rates**	**$ 150,357,678**	**$ 96,253,539**	**$ 44,893,386**	**$ 65,946**	**$ 668,691**	**$ 8,476,117**
11	**Expenses at Current Rates**						
12	Gas Cost Expense	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
13	O&M and A&G Expenses	52,866,572	41,346,751	10,666,573	7,810	76,499	768,939
14	Depreciation and Amortization Expense	26,483,896	21,364,796	4,733,627	3,650	34,176	347,647
15	Taxes Other Than Income	8,577,792	6,733,050	1,738,977	1,363	11,651	92,751
16	Current Income Taxes	3,202,354	579,744	1,693,824	2,665	64,763	861,359
17	**Total Expenses at Current Rates**	**$ 126,543,636**	**$ 91,942,318**	**$ 32,297,403**	**$ 46,130**	**$ 187,090**	**$ 2,070,695**
18	**Operating Income at Current Rates**	**$ 23,814,042**	**$ 4,311,221**	**$ 12,595,983**	**$ 19,816**	**$ 481,601**	**$ 6,405,422**
19	Current Rate of Return	4.59%	1.08%	10.94%	20.25%	75.14%	120.20%
20	Relative Rate of Return	1.00	0.24	2.38	4.41	16.37	26.19
21	**Current Revenue at Equal Rates of Return**						
22	Current Rate of Return	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
23	Current Operating Income at Equal ROR	$ 23,814,042	$ 18,249,090	$ 5,286,443	$ 4,492	$ 29,420	$ 244,596
24	Current Income Taxes - Equal ROR	3,202,354	2,454,016	710,886	604	3,956	32,892
25	Other Expenses - Equal ROR	123,341,281	91,362,574	30,603,579	43,465	122,327	1,209,337
26	**Total Current Revenue at Equal Rates of Return**	**$ 150,357,678**	**$ 112,065,680**	**$ 36,600,909**	**$ 48,561**	**$ 155,704**	**$ 1,486,825**
27	Current (Subsidies)/Excesses	$ -	$ (15,812,142)	$ 8,292,478	$ 17,385	$ 512,987	$ 6,989,292

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Summary of Cost of Service and Rate of Return Under Present and Proposed Rates

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
28	**Revenue Requirement at Equal Rates of Return**						
29	Required Return	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
30	Required Operating Income	$ 41,558,068	$ 31,846,628	$ 9,225,413	$ 7,839	$ 51,341	$ 426,847
31	**Operating Income (Deficiency)/Sufficiency**	**$ (17,744,025)**	**$ (27,535,407)**	**$ 3,370,570**	**$ 11,977**	**$ 430,260**	**$ 5,978,575**
32	**Expenses at Required Return**						
33	Gas Cost Expense	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
34	O&M and A&G Expenses	52,866,572	41,346,751	10,666,573	7,810	76,499	768,939
35	Depreciation and Amortization Expense	26,483,896	21,364,796	4,733,627	3,650	34,176	347,647
36	Taxes Other Than Income	8,577,792	6,733,050	1,738,977	1,363	11,651	92,751
37	Current Income Taxes - Equal ROR	3,202,354	2,454,016	710,886	604	3,956	32,892
38	Increase - Federal Income Tax	4,716,762	3,614,532	1,047,067	890	5,827	48,446
39	Increase - State Income Tax	1,182,147	905,898	262,423	223	1,460	12,142
40	Increase - Bad Debts	99,133	87,127	11,947	2	5	53
41	Increase - Annual Filing Fee	30,952	23,719	6,871	6	38	318
42	**Total Expenses at Required Return**	**$ 132,572,630**	**$ 98,447,866**	**$ 32,642,773**	**$ 45,189**	**$ 133,614**	**$ 1,303,187**
43	**Total Revenue Requirement at Equal Rates of Return**	**$ 174,130,697**	**$ 130,294,494**	**$ 41,868,186**	**$ 53,028**	**$ 184,956**	**$ 1,730,034**
44	Less Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
45	Less Other Revenues	1,199,341	1,069,919	126,016	168	312	2,926
46	**Total Rate Revenue at Equal Rates of Return**	**$ 137,518,335**	**$ 107,306,598**	**$ 28,277,767**	**$ 22,218**	**$ 184,644**	**$ 1,727,108**
47	**Base Rate Revenue (Deficiency)/Surplus**	**$ (23,773,019)**	**$ (34,040,955)**	**$ 3,025,200**	**$ 12,918**	**$ 483,735**	**$ 6,746,083**
48	**Proposed Margin (Decrease)/Increase**	$ 23,773,019	$ 15,350,799	$ 6,558,675	$ 4,406	$ 83,816	$ 1,775,324
49	**Total Revenue at Proposed Increase**	$ 174,130,697	$ 111,604,338	$ 51,452,061	$ 70,352	$ 752,506	$ 10,251,441
50	Less Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
51	Less Other Revenues	1,199,341	1,069,919	126,016	168	312	2,926
52	**Total Rate Revenue at Proposed Increase**	$ 137,518,335	$ 88,616,442	$ 37,861,642	$ 39,542	$ 752,195	$ 10,248,515
53	**Revenue Conversion Factor**	1.3398	1.3398	1.3398	1.3398	1.3398	1.3398
54	Income Increase	$ 17,744,025	$ 11,457,735	$ 4,895,352	$ 3,289	$ 62,559	$ 1,325,090
55	Income at Current Rates	23,814,042	4,311,221	12,595,983	19,816	481,601	6,405,422
56	**Proposed Operating Income**	**$ 41,558,068**	**$ 15,768,956**	**$ 17,491,335**	**$ 23,105**	**$ 544,160**	**$ 7,730,512**
57	**Proposed Return**	**8.01%**	**3.97%**	**15.19%**	**23.61%**	**84.90%**	**145.07%**
58	**Index of Rate of Return**	**1.00**	**0.50**	**1.90**	**2.95**	**10.60**	**18.11**
59	**Current Return**	**4.59%**	**1.08%**	**10.94%**	**20.25%**	**75.14%**	**120.20%**
60	**Index of Rate of Return**	**1.00**	**0.24**	**2.38**	**4.41**	**16.37**	**26.19**
61	**Proposed Revenue to Cost Ratio**	**1.00**	**0.83**	**1.34**	**1.77**	**4.07**	**5.93**
62	**Proposed Parity Ratio**	**1.00**	**0.83**	**1.34**	**1.77**	**4.07**	**5.93**
63	**Current Revenue to Cost Ratio**	**0.83**	**0.69**	**1.11**	**1.58**	**3.62**	**4.90**
64	**Current Parity Ratio**	**1.00**	**0.83**	**1.34**	**1.90**	**4.36**	**5.91**

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Functional Rate Base**						
2	**Distribution**						
3	Demand	$ 198,485,289	$ 118,178,617	$ 78,106,358	$ 81,107	$ 18,134	$ 2,101,073
4	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
5	Customer	$ 171,768,886	$ 154,365,469	$ 17,305,397	$ 2,459	$ 19,336	$ 76,224
6	Subtotal	$ 370,254,175	$ 272,544,086	$ 95,411,755	$ 83,566	$ 37,470	$ 2,177,298
7	**On Site**						
8	Demand	$ -	$ -	$ -	$ -	$ -	$ -
9	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
10	Customer	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
11	Subtotal	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
12	**Cust Accts**						
13	Demand	$ -	$ -	$ -	$ -	$ -	$ -
14	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
15	Customer	$ -	$ -	$ -	$ -	$ -	$ -
16	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -
17	**Gas Costs**						
18	Demand	$ -	$ -	$ -	$ -	$ -	$ -
19	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
20	Customer	$ -	$ -	$ -	$ -	$ -	$ -
21	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -
37	**Total**						
38	Demand	$ 198,485,289	$ 118,178,617	$ 78,106,358	$ 81,107	$ 18,134	$ 2,101,073
39	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
40	Customer	$ 320,342,022	$ 279,407,246	$ 37,067,337	$ 16,752	$ 622,834	$ 3,227,853
41	**TOTAL RATE BASE**	$ 518,827,312	$ 397,585,863	$ 115,173,695	$ 97,860	$ 640,967	$ 5,328,926

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
42	**Functional Revenue Requirement**						
43	**Distribution**						
44	Demand	$ 38,001,047	$ 22,598,713	$ 14,935,893	$ 15,510	$ 2,919	$ 448,012
45	Commodity	$ 659,720	$ 408,317	$ 250,833	$ 571	$ -	$ -
46	Customer	$ 37,300,410	$ 33,151,821	$ 3,868,068	$ 821	$ 3,112	$ 276,588
47	Subtotal	$ 75,961,177	$ 56,158,851	$ 19,054,794	$ 16,902	$ 6,031	$ 724,600
48	**On Site**						
49	Demand	$ -	$ -	$ -	$ -	$ -	$ -
50	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
51	Customer	$ 53,876,608	$ 44,258,703	$ 8,432,618	$ 5,354	$ 178,534	$ 1,001,398
52	Subtotal	$ 53,876,608	$ 44,258,703	$ 8,432,618	$ 5,354	$ 178,534	$ 1,001,398
53	**Cust Accts**						
54	Demand	$ -	$ -	$ -	$ -	$ -	$ -
55	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
56	Customer	$ 8,879,891	$ 7,958,963	$ 916,371	$ 130	$ 391	$ 4,036
57	Subtotal	$ 8,879,891	$ 7,958,963	$ 916,371	$ 130	$ 391	$ 4,036
58	**Gas Costs**						
59	Demand	$ -	$ -	$ -	$ -	$ -	$ -
60	Commodity	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
61	Customer	$ -	$ -	$ -	$ -	$ -	$ -
62	Subtotal	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
78	**Total**						
79	Demand	$ 38,001,047	$ 22,598,713	$ 14,935,893	$ 15,510	$ 2,919	$ 448,012
80	Commodity	$ 36,072,742	$ 22,326,294	$ 13,715,236	$ 31,212	$ -	$ -
81	Customer	$ 100,056,908	$ 85,369,487	$ 13,217,057	$ 6,306	$ 182,037	$ 1,282,022
82	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**	$ 174,130,697	$ 130,294,494	$ 41,868,186	$ 53,028	$ 184,956	$ 1,730,034
83	Demand	21.82%	17.34%	35.67%	29.25%	1.58%	25.90%
84	Energy	20.72%	17.14%	32.76%	58.86%	0.00%	0.00%
85	Customer	57.46%	65.52%	31.57%	11.89%	98.42%	74.10%

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Customer-Demand Method (Zero-Intercept)
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Schedule 7 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
86	**Unit Costs**						
87	**Distribution**						
88	Demand	$ 9.24	$ 12.92	$ 12.92	$ 12.92	$ 0.00	$ 11.67
89	Commodity	$ 0.02	$ 0.05	$ 0.04	$ 0.05	$ -	$ -
90	Customer	$ 22.25	$ 22.00	$ 22.90	$ 34.22	$ 43.23	$ 371.76
91	**On Site**						
92	Demand	$ -	$ -	$ -	$ -	$ -	$ -
93	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
94	Customer	$ 32.14	$ 29.37	$ 49.92	$ 223.09	$ 2,479.64	$ 1,345.97
95	**Cust Accts**						
96	Demand	$ -	$ -	$ -	$ -	$ -	$ -
97	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
98	Customer	$ 5.30	$ 5.28	$ 5.43	$ 5.42	$ 5.43	$ 5.42
99	**Gas Costs**						
100	Demand	$ -	$ -	$ -	$ -	$ -	$ -
101	Commodity	$ 1.14	$ 2.65	$ 2.16	$ 2.94	$ -	$ -
102	Customer	$ -	$ -	$ -	$ -	$ -	$ -
115	**Total**						
116	Commodity	$ 1.1580	$ 2.6947	$ 2.1985	$ 2.9981	$ -	$ -
117	Customer (per cust month)	$ 59.68	$ 56.66	$ 78.25	$ 262.73	$ 2,528.29	$ 1,723.15
118	Demand & Customer (per cust month)	$ 82.35	$ 71.66	$ 166.67	$ 908.97	$ 2,568.83	$ 2,325.31
119	**BILLING DETERMINANTS**						
120	Demand (Peak Day Demand * 12)	4,113,677	1,748,477	1,155,600	1,200	1,170,000	38,400
121	Commodity	31,149,627	8,285,252	6,238,516	10,411	7,493,094	9,122,355
122	Customers (Number of Bills)	1,676,460	1,506,708	168,912	24	72	744

COLUMBIA GAS OF KENTUCKY, INC.
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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
1	**RATE BASE**								
2	**Plant in Service**								
3	**Intangible Plant**								
4	Organization	301.0	521	INT_DISTPT_SUBTOTAL					
5	Misc. Intangible Plant - Plant Related	303.0	88,157	INT_DISTPT_SUBTOTAL					
6	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	943	INT_DISTPT_SUBTOTAL					
7	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL					
8	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	16,135,216	INT_DISTPT_SUBTOTAL					
9	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	3,687,045	INT_DISTPT_SUBTOTAL					
10	Subtotal - Intangible Plant		19,911,882						
11	**Distribution Plant**								
12	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	205		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
13	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	876,987		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
14	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	3,216,702		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
15	RIGHTS OF WAY	374.5	2,666,577		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
16	STRUC & IMPROV-CITY GATE M & R	375.2	2,125		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
17	STRUC & IMPROV-GENERAL M & R	375.3	0		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
18	STRUC & IMPROV-REGULATING	375.4	3,949,074		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
19	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	46,211		DISTRIBUTION	DEMAND	DS-ML_DIRECT		DS-ML_DIRECT
20	STRUC & IMPROV-DISTR. IND. M & R	375.6	0		ON SITE	CUSTOMER			IND_M&R_ACCT 385
21	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	9,736,916	INT_DISTPT_SUBTOTAL					
22	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	880,995	INT_DISTPT_SUBTOTAL					
23	STRUC & IMPROV-COMMUNICATIONS	375.8	132,125		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
24	MAINS (Less SMRP)	376.0	423,405,635		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
25	MAINS - DS-ML DIRECT ASSIGNMENT	376.0	10,517		DISTRIBUTION	DEMAND	DS-ML_DIRECT		DS-ML_DIRECT
26	M & R STATION EQUIP-GENERAL	378.1	(172,291)		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
27	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.2	29,553,454		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
28	M & R STA EQUIP REG FMV	378.2	(777,092)		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
29	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.3	45,443		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
30	Measuring and regulating station equipment—city gate check stations	379.1	1,554,144		DISTRIBUTION	DEMAND	DEMAND_COMMODITY		
31	SERVICES (Less SMRP)	380.0	206,990,734		ON SITE	CUSTOMER			SERVICES_ACCT 380
32	METERS	381.0	20,844,456		ON SITE	CUSTOMER			METERS_ACCT 381
33	METERS - AMI	381.1	9,980,854		ON SITE	CUSTOMER			METERS_ACCT 381
34	METER INSTALLATIONS (Less SMRP)	382.0	10,741,912		ON SITE	CUSTOMER			METERS_ACCT 381
35	HOUSE REGULATORS (Less SMRP)	383.0	7,740,848		ON SITE	CUSTOMER			METERS_ACCT 381
36	HOUSE REGULATOR INSTALLATIONS	384.0	2,085,302		ON SITE	CUSTOMER			METERS_ACCT 381
37	INDUSTRIAL M & R STATION EQUIPMENT	385.0	5,489,335		ON SITE	CUSTOMER			IND_M&R_ACCT 385
38	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.0	873,980		ON SITE	CUSTOMER			DS-ML_DIRECT
39	OTHER EQUIP-ODORIZATION	387.20	0	INT_DISTPT_SUBTOTAL					
40	OTHER EQUIP-TELEPHONE	387.41	260,538	INT_DISTPT_SUBTOTAL					
41	OTHER EQUIPMENT-RADIO	387.42	419,367	INT_DISTPT_SUBTOTAL					
42	OTHER EQUIP-OTHER COMMUNICATION	387.44	124,679	INT_DISTPT_SUBTOTAL					
43	OTHER EQUIP-TELEMETERING	387.45	6,532,094	INT_DISTPT_SUBTOTAL					
44	OTHER EQUIP-CUST INFO SERVICE	387.46	113,644	INT_DISTPT_SUBTOTAL					
45	GPS PIPE LOCATORS	387.50	238,073	INT_DISTPT_SUBTOTAL					
46	Subtotal - Distribution Plant		747,563,541						

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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
47	**General Plant**								
48	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	921,741	INT_DISTPT_SUBTOTAL					
49	OFFICE FURN & EQUIP-DATA HANDLING	391.11	0	INT_DISTPT_SUBTOTAL					
50	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	37,130	INT_DISTPT_SUBTOTAL					
51	TRANS EQUIP-TRAILERS OVER $1,000	392.2	48,924	INT_DISTPT_SUBTOTAL					
52	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	24,462	INT_DISTPT_SUBTOTAL					
53	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL					
54	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	9,739	INT_DISTPT_SUBTOTAL					
55	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	0	INT_DISTPT_SUBTOTAL					
56	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	0	INT_DISTPT_SUBTOTAL					
57	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	0	INT_DISTPT_SUBTOTAL					
58	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	6,157,146	INT_DISTPT_SUBTOTAL					
59	LABORATORY EQUIPMENT	395.0	0	INT_DISTPT_SUBTOTAL					
60	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	185,547	INT_DISTPT_SUBTOTAL					
61	MISCELLANEOUS EQUIPMENT	398.0	148,028	INT_DISTPT_SUBTOTAL					
62	Subtotal - General Plant		7,532,718						
63	**Total Plant in Service**		775,008,141						
64	**Accumulated Depreciation & Amortization**								
65	**Intangible Plant**								
66	Organization	301.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
67	Misc. Intangible Plant - Plant Related	303.0	(75,396)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
68	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	(318)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
69	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
70	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	(6,684,278)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
71	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	(1,350,895)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
72	Subtotal - Intangible Plant		(8,110,887)						

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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
73	**Distribution Plant**								
74	LAND-CITY GATE & MAIN LINE IND. M & R	374.1	0	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
75	LAND-OTHER DISTRIBUTION SYSTEMS	374.2	522	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
76	LAND RIGHTS-OTHER DISTR SYSTEMS	374.4	(412,970)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
77	RIGHTS OF WAY	374.5	(1,200,292)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
78	STRUC & IMPROV-CITY GATE M & R	375.2	(2,127)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
79	STRUC & IMPROV-GENERAL M & R	375.3	78	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
80	STRUC & IMPROV-REGULATING	375.4	(141,903)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
81	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.4	(6,063)	-	DISTRIBUTION	DEMAND	DS-ML_DIRECT	-	DS-ML_DIRECT
82	STRUC & IMPROV-DISTR. IND. M & R	375.6	(0)	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
83	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.7	(5,031,862)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
84	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	(844,347)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
85	STRUC & IMPROV-COMMUNICATIONS	375.80	(15,940)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
86	MAINS (Less SMRP)	376.00	(89,633,767)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
87	MAINS - DS-ML DIRECT ASSIGNMENT	376.00	(8,017)	-	DISTRIBUTION	DEMAND	DS-ML_DIRECT	-	DS-ML_DIRECT
88	M & R STATION EQUIP-GENERAL	378.10	330,470	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
89	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.20	(3,285,510)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
90	M & R STA EQUIP REG FMV	378.21	242,965	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
91	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.30	(45,058)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
92	Measuring and regulating station equipment—city gate check stations	379.10	(408,733)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
93	SERVICES (Less SMRP)	380.00	(71,285,388)	-	ON SITE	CUSTOMER	-	-	SERVICES_ACCT 380
94	METERS	381.00	(1,939,599)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
95	METERS - AMI	381.1	(6,446,517)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
96	METER INSTALLATIONS (Less SMRP)	382.0	(6,129,404)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
97	HOUSE REGULATORS (Less SMRP)	383.0	(2,708,053)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
98	HOUSE REGULATOR INSTALLATIONS	384.0	(1,769,368)	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
99	INDUSTRIAL M & R STATION EQUIPMENT	385.0	(767,292)	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
100	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.0	(188,149)	-	ON SITE	CUSTOMER	-	-	DS-ML_DIRECT
101	OTHER EQUIP-ODORIZATION	387.2	59,912	INT_DISTPT_SUBTOTAL	-	-	-	-	-
102	OTHER EQUIP-TELEPHONE	387.41	(75,295)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
103	OTHER EQUIPMENT-RADIO	387.42	(367,382)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
104	OTHER EQUIP-OTHER COMMUNICATION	387.44	(74,539)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
105	OTHER EQUIP-TELEMETERING	387.45	873,972	INT_DISTPT_SUBTOTAL	-	-	-	-	-
106	OTHER EQUIP-CUST INFO SERVICE	387.46	(120,387)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
107	GPS PIPE LOCATORS	387.5	(87,096)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
108	Subtotal - Distribution Plant		(191,487,143)						

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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
109	**General Plant**								
110	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	(270,476)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
111	OFFICE FURN & EQUIP-DATA HANDLING	391.11	9,467	INT_DISTPT_SUBTOTAL	-	-	-	-	-
112	OFFICE FURN & EQUIP-INFO SYSTEMS	391.12	(14,070)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
113	TRANS EQUIP-TRAILERS OVER $1,000	392.2	(17,809)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
114	TRANS EQUIP-TRAILERS $1,000 or LESS	392.21	(45,042)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
115	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
116	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	(4,652)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
117	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.11	26,072	INT_DISTPT_SUBTOTAL	-	-	-	-	-
118	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.13	(23,735)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
119	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	(185)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
120	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	(1,478,473)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
121	LABORATORY EQUIPMENT	395.0	150	INT_DISTPT_SUBTOTAL	-	-	-	-	-
122	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	(171,938)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
123	MISCELLANEOUS EQUIPMENT	398.0	(89,691)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
124	Subtotal - General Plant		(2,080,383)						
125	**Other Assets**								
126	Retirement Work in Progress	N/A	6,687,303	INT_MAINS_PLANT					
127	Subtotal - Other Assets		6,687,303						
128	**Accumulated Provision for Amortization**								
129	*Reserved*	111.0	0						
130	*Reserved*	111.0	0						
131	Subtotal - Accumulated Provision for Amortization		-						
132	**Total Accumulated Depreciation & Amortization**		(194,991,110)						
133	**Other Rate Base Items**								
134	Accumulated deferred income taxes	190.0	(98,939,609)	INT_TOTAL PLANT					
135	Materials & Supplies	154.0	347,375	INT_DISTPT_SUBTOTAL					
136	Gas Stored Underground	164.0	37,402,516		DISTRIBUTION	DEMAND	DESIGN DAY EXCL INTERR DEMAND		
137	**Total Other Rate Base Items**		(61,189,719)						
138	**TOTAL RATE BASE**		518,827,312						

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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
139	**OPERATION AND MAINTENANCE EXPENSE**								
140	**Production, Storage, LNG, Transmission, and Distribution Expense**								
141	**Other Gas Supply Expenses**								
142	Natural gas well head purchases	801-803	17,663,998		GAS COSTS	COMMODITY		GAS_COST	
143	Natural Gas City Gate Purchases	804	1,158,901		GAS COSTS	COMMODITY		GAS_COST	
144	Other gas purchases	805	15,343,425		GAS COSTS	COMMODITY		GAS_COST	
145	Exchange gas	806	1,674,085		GAS COSTS	COMMODITY		GAS_COST	
146	Gas Withdrawn from Storage	808	(386,973)		GAS COSTS	COMMODITY		GAS_COST	
147	Gas Used for Other Utility Operations	812	(40,414)		GAS COSTS	COMMODITY		GAS_COST	
148	Exchange Fees	813	0		GAS COSTS	COMMODITY		GAS_COST	
149	Purchased Gas Expense	807.0	409,263		DISTRIBUTION	COMMODITY		GAS_COST	
150	**Subtotal - Other Gas Supply Expenses**		35,822,285						
151	**Operation Expenses**								
152	Transmission Expense - Operations	852	2,562	INT_MAINS_PLANT					
153	Other expenses	859	989	INT_MAINS_PLANT					
154	M&R Station Equipment	865	831	INT_MAINS_PLANT					
155	Operation supervision and engineering	870.0	887,729	INT_871-879					
156	Distribution load dispatching	871.0	233,563		DISTRIBUTION	CUSTOMER			THROUGHPUT EXCL DS-ML
157	Mains and services expenses	874.0	5,830,265	INT_MAINS_SERVICES					
158	Measuring and regulating station expenses—general	875.0	282,376	INT_MAINS_PLANT					
159	Measuring and regulating station expenses—industrial	876.0	112,809	INT_IND M&R					
160	Meter and house regulator expenses	878.0	1,688,170		ON SITE	CUSTOMER			METERS_ACCT 381
161	Customer installations expenses	879.0	2,893,622		ON SITE	CUSTOMER			METERS_ACCT 381
162	OTHER EXPENSE	880.0	1,484,790	INT_871-879					
163	TELECOMMUNICATION EXPENSE - ENGINEERING	881.0	23,478	INT_871-879					
164	Subtotal - Operation Expenses		13,441,183						
165	**Maintenance Expenses**								
166	Maintenance supervision and engineering	885.0	84,202	INT_866-893					
167	Maintenance of structures and improvements	886.0	134,245	INT_MAINS_PLANT					
168	Maintenance of mains	887.0	3,433,598	INT_MAINS_PLANT					
169	Maintenance of measuring and regulating station equipment—general	889.0	734,888	INT_MAINS_PLANT					
170	Maintenance of measuring and regulating station equipment—industrial	890.0	85,196	INT_IND M&R					
171	Maintenance of services	892.0	642,432		ON SITE	CUSTOMER			SERVICES_ACCT 380
172	Maintenance of meters and house regulators	893.0	252,494		ON SITE	CUSTOMER			METERS_ACCT 381
173	Maintenance of other equipment	894.0	269,614	INT_866-893					
174	Subtotal - Maintenance Expenses		5,636,669						
175	**Total Production, Storage, LNG, Transmission, and Distribution Expense**		54,900,137						

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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
176	**Customer Accounts, Service, and Sales Expense**								
177	**Customer Account**								
178	Supervision	901.0	0						
179	Meter reading expenses	902.0	284,462		CUST ACCTS	CUSTOMER			CUSTOMERS
180	Customer records and collection expenses	903.0	2,497,402		CUST ACCTS	CUSTOMER			CUSTOMERS
181	Uncollectible accounts	904.0	997,769		CUST ACCTS	CUSTOMER			UNCOLLECTIBLES
182	Miscellaneous customer accounts expenses	905.0	15,830		CUST ACCTS	CUSTOMER			CUSTOMERS
183	Subtotal - Customer Account		3,795,464						
184	**Customer Service & Information Expenses**								
185	Supervision	907.0	0						
186	Customer assistance expenses	908.0	120,388		CUST ACCTS	CUSTOMER			CUSTOMERS
187	Informational and instructional advertising expenses	909.0	2,539		CUST ACCTS	CUSTOMER			CUSTOMERS
188	Miscellaneous customer service and informational expenses	910.0	290,903		CUST ACCTS	CUSTOMER			CUSTOMERS
189	Subtotal - Customer Service & Information Expenses		413,830						
190	**Sales Expenses**								
191	Supervision	911.0	0						
192	Demonstrating and selling expenses	912.0	4,678		CUST ACCTS	CUSTOMER			CUSTOMERS
193	Advertising expenses	913.0	7,674		CUST ACCTS	CUSTOMER			CUSTOMERS
194	Miscellaneous sales expenses	916.0	0						
195	Subtotal - Sales Expenses		12,353						
196	**Total Customer Accounts, Service, and Sales Expense**		4,221,646						
197	**Administrative and General Expenses**								
198	Administrative and general salaries	920.0	9,792,568	INT_OM_Exc_A&G,Gas,Uncoll					
199	Office supplies and expenses	921.0	2,050,331	INT_OM_Exc_A&G,Gas,Uncoll					
200	Outside services employed	923.0	6,570,152	INT_OM_Exc_A&G,Gas,Uncoll					
201	Property insurance	924.0	69,856	INT_OM_Exc_A&G,Gas,Uncoll					
202	Injuries and damages	925.0	1,512,855	INT_LABOR					
203	Employee pensions and benefits	926.0	5,278,632	INT_LABOR					
204	Regulatory commission expenses	928.0	1,399,795	INT_OM_Exc_A&G,Gas,Uncoll					
205	General advertising expenses	930.1	17,672	INT_OM_Exc_A&G,Gas,Uncoll					
206	Miscellaneous general expenses	930.2	98,399	INT_OM_Exc_A&G,Gas,Uncoll					
207	Rents	931.0	667,326	INT_OM_Exc_A&G,Gas,Uncoll					
208	Maintenance of general plant	932.0	1,700,226	INT_OM_Exc_A&G,Gas,Uncoll					
209	**Total Administrative and General Expenses**		29,157,810						
210	**TOTAL OPERATION AND MAINTENANCE EXPENSE**		88,279,594						

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Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
211	**Adjustments, Depreciation and Amortization Expense**								
212	**Depreciation Expense**								
213	**Intangible Plant**								
214	Organization	301.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
215	Misc. Intangible Plant - Plant Related	303.0	2,876	INT_DISTPT_SUBTOTAL	-	-	-	-	-
216	MISC INTANGIBLE PLANT-DIS SOFTWARE	303.1	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
217	MISC INTANGIBLE PLANT-FARA SOFTWARE	303.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
218	MISC INTANGIBLE PLANT-OTHER SOFTWARE	303.3	3,023,082	INT_DISTPT_SUBTOTAL	-	-	-	-	-
219	MISC INTANGIBLE PLANT-CLOUD SOFTWARE	303.99	652,350	INT_DISTPT_SUBTOTAL	-	-	-	-	-
220	Subtotal - Intangible Plant		3,678,308						
221	**Distribution Plant**								
222	LAND-CITY GATE & MAIN LINE IND. M & R	374.10	0	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
223	LAND-OTHER DISTRIBUTION SYSTEMS	374.20	0	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
224	LAND RIGHTS-OTHER DISTR SYSTEMS	374.40	42,761	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
225	RIGHTS OF WAY	374.50	29,328	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
226	STRUC & IMPROV-CITY GATE M & R	375.20	48	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
227	STRUC & IMPROV-GENERAL M & R	375.30	0	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
228	STRUC & IMPROV-REGULATING	375.40	94,739	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
229	STRUC & IMPROV-REGULATING - DS-ML DIRECT ASSIGNMENT	375.40	735	-	DISTRIBUTION	DEMAND	DS-ML_DIRECT	-	DS-ML_DIRECT
230	STRUC & IMPROV-DISTR. IND. M & R	375.60	0	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
231	STRUC & IMPROV-OTHER DISTR. SYSTEMS	375.70	244,370	INT_DISTPT_SUBTOTAL	-	-	-	-	-
232	STRUC & IMPROV-OTHER DISTR SYS-ILP	375.71	56,922	INT_DISTPT_SUBTOTAL	-	-	-	-	-
233	STRUC & IMPROV-COMMUNICATIONS	375.80	2,784	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
234	MAINS (Less SMRP)	376.00	7,619,697	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
235	MAINS - DS-ML DIRECT ASSIGNMENT	376.00	142	-	DISTRIBUTION	DEMAND	DS-ML_DIRECT	-	DS-ML_DIRECT
236	M & R STATION EQUIP-GENERAL	378.10	(5,700)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
237	M & R STA EQUIP-GENERAL-REGULATING (Less SMRP)	378.20	978,778	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
238	M & R STA EQUIP REG FMV	378.21	(25,730)	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
239	M & R STA EQUIP-GEN-LOCAL GAS PURCH	378.30	1,500	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
240	Measuring and regulating station equipment—city gate check stations	379.10	39,480	-	DISTRIBUTION	DEMAND	DEMAND_COMMODITY	-	
241	SERVICES (Less SMRP)	380.00	10,721,394	-	ON SITE	CUSTOMER	-	-	SERVICES_ACCT 380
242	METERS	381.00	745,856	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
243	METERS - AMI	381.10	677,700	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
244	METER INSTALLATIONS (Less SMRP)	382.00	244,864	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
245	HOUSE REGULATORS (Less SMRP)	383.00	171,843	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
246	HOUSE REGULATOR INSTALLATIONS	384.00	41,496	-	ON SITE	CUSTOMER	-	-	METERS_ACCT 381
247	INDUSTRIAL M & R STATION EQUIPMENT	385.00	320,824	-	ON SITE	CUSTOMER	-	-	IND_M&R_ACCT 385
248	INDUSTRIAL M & R STATION EQUIPMENT - DS-ML DIRECT ASSIGNMENT	385.00	27,232	-	ON SITE	CUSTOMER	-	-	DS-ML_DIRECT
249	OTHER EQUIP-ODORIZATION	387.20	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
250	OTHER EQUIP-TELEPHONE	387.41	12,924	INT_DISTPT_SUBTOTAL	-	-	-	-	-
251	OTHER EQUIPMENT-RADIO	387.42	20,796	INT_DISTPT_SUBTOTAL	-	-	-	-	-
252	OTHER EQUIP-OTHER COMMUNICATION	387.44	6,180	INT_DISTPT_SUBTOTAL	-	-	-	-	-
253	OTHER EQUIP-TELEMETERING	387.45	322,980	INT_DISTPT_SUBTOTAL	-	-	-	-	-
254	OTHER EQUIP-CUST INFO SERVICE	387.46	5,640	INT_DISTPT_SUBTOTAL	-	-	-	-	-
255	GPS PIPE LOCATORS	387.50	32,136	INT_DISTPT_SUBTOTAL	-	-	-	-	-
256	Subtotal - Distribution Plant		22,431,719						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Demand-Commodity
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Scheduel 8 - Account Balances and Allocation Methods

Line No.	Account Description	FERC Account	Account Balance	Internal Allocation Factor	Functional Allocation Factor	Classification Allocation Factor	Demand Allocation Factor	Commodity Allocation Factor	Customer Allocation Factor
257	**General Plant**								
258	OFFICE FURN & EQUIP-UNSPECIFIED	391.1	103,865	INT_DISTPT_SUBTOTAL	-	-	-	-	-
259	OFFICE FURN & EQUIP-DATA HANDLING	391.1	6,311	INT_DISTPT_SUBTOTAL	-	-	-	-	-
260	OFFICE FURN & EQUIP-INFO SYSTEMS	391.1	12,903	INT_DISTPT_SUBTOTAL	-	-	-	-	-
261	TRANS EQUIP-TRAILERS OVER $1,000	392.2	444	INT_DISTPT_SUBTOTAL	-	-	-	-	-
262	TRANS EQUIP-TRAILERS $1,000 or LESS	392.2	216	INT_DISTPT_SUBTOTAL	-	-	-	-	-
263	STORES EQUIPMENT	393.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
264	TOOLS,SHOP, & GAR EQ-GARAGE & SERV	394.1	384	INT_DISTPT_SUBTOTAL	-	-	-	-	-
265	TOOLS,SHOP, & GAR EQ-CNG STATIONARY	394.1	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
266	TOOLS,SHOP, & GAR EQ-UND TANK CLEANUP	394.1	(9,468)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
267	TOOLS,SHOP, & GAR EQ-SHOP EQUIP	394.2	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
268	TOOLS,SHOP, & GAR EQ-TOOLS & OTHER	394.3	246,189	INT_DISTPT_SUBTOTAL	-	-	-	-	-
269	LABORATORY EQUIPMENT	395.0	(33)	INT_DISTPT_SUBTOTAL	-	-	-	-	-
270	POWER OPERATED EQUIP-GENERAL TOOLS	396.0	0	INT_DISTPT_SUBTOTAL	-	-	-	-	-
271	MISCELLANEOUS EQUIPMENT	398.0	13,058	INT_DISTPT_SUBTOTAL	-	-	-	-	-
272	Subtotal - General Plant		373,869						
273	**Total - Depreciation Expense**		26,483,896						
274	**Total Adjustments, Depreciation and Amortization Expense**		26,483,896						
275	**Taxes**								
276	**Taxes Other Than Income Taxes**								
277	Taxes Other Than Income Taxes - Property	408.1	7,451,759	INT_DISTPT_SUBTOTAL					
278	Taxes Other Than Income Taxes - Payroll	408.2	900,432	INT_LABOR					
279	Taxes Other Than Income Taxes - Other	408.3	225,600	INT_LABOR					
280	Subtotal - Taxes Other Than Income Taxes		8,577,792						
281	**Income Taxes**								
282	FEDERAL INCOME TAXES	409.1	1,295,037	INT_RATEBASE					
283	STATE INCOME TAXES	409.2	149,743	INT_RATEBASE					
284	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.1	1,192,228	INT_RATEBASE					
285	DEFERRED INCOME TAX EXPENSE - FEDERAL	410-411.2	565,347	INT_RATEBASE					
286	Subtotal - Income Taxes		3,202,354						
287	**Total Taxes**		11,780,146						
288	**REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**								
289	**Test Year Expenses at Current Rates**		126,543,636						
290	**Return on Rate Base**		41,558,068	INT_RATEBASE					
291	**Gross Up Items**								
292	Gross-up Federal Income Tax		4,716,762	INT_RATEBASE					
293	Gross-up State Utility Tax		1,182,147	INT_RATEBASE					
294	Gross-up Bad Debts		99,133		CUST ACCTS	CUSTOMER			UNCOLLECTIBLES
295	Gross-up Annual Filing Fee		30,952	INT_RATEBASE					
296	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**		**174,130,697**						

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Demand-Commodity
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Scheduel 8 - Summary of Cost of Service and Rate of Return Under Present and Proposed Rates

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Rate Base**						
2	Plant in Service	$ 775,008,141	$ 471,598,614	$ 199,304,114	$ 231,266	$ 989,097	$ 102,885,050
3	Accumulated Reserve	(194,991,110)	(129,439,721)	(44,977,770)	(46,485)	(222,302)	(20,304,832)
4	Other Rate Base Items	(61,189,719)	(37,484,275)	(10,477,179)	(13,972)	(125,827)	(13,088,465)
5	**Total Rate Base**	**$ 518,827,312**	**$ 304,674,618**	**$ 143,849,164**	**$ 170,809**	**$ 640,967**	**$ 69,491,753**
6	**Revenue at Current Rates**						
7	Gas Service Revenue	$ 113,745,315	$ 73,265,643	$ 31,302,967	$ 35,136	$ 668,379	$ 8,473,191
8	Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
9	Other Revenues	1,199,341	1,037,819	135,924	194	312	25,093
10	**Total Revenue at Current Rates**	**$ 150,357,678**	**$ 96,221,439**	**$ 44,903,293**	**$ 65,971**	**$ 668,691**	**$ 8,498,284**
11	**Expenses at Current Rates**						
12	Gas Cost Expense	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
13	O&M and A&G Expenses	52,866,572	35,331,205	12,523,168	12,533	76,499	4,923,166
14	Depreciation and Amortization Expense	26,483,896	18,069,067	5,750,797	6,238	34,176	2,623,618
15	Taxes Other Than Income	8,577,792	5,310,424	2,178,046	2,480	11,651	1,075,190
16	Current Income Taxes	3,202,354	1,848,268	1,302,316	1,669	64,763	(14,661)
17	**Total Expenses at Current Rates**	**$ 126,543,636**	**$ 82,476,943**	**$ 35,218,730**	**$ 53,561**	**$ 187,090**	**$ 8,607,312**
18	**Operating Income at Current Rates**	**$ 23,814,042**	**$ 13,744,496**	**$ 9,684,564**	**$ 12,409**	**$ 481,601**	**$ (109,028)**
19	Current Rate of Return	4.59%	4.51%	6.73%	7.27%	75.14%	-0.16%
20	Relative Rate of Return	1.00	0.98	1.47	1.58	16.37	(0.03)
21	**Current Revenue at Equal Rates of Return**						
22	Current Rate of Return	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
23	Current Operating Income at Equal ROR	$ 23,814,042	$ 13,984,488	$ 6,602,640	$ 7,840	$ 29,420	$ 3,189,654
24	Current Income Taxes - Equal ROR	3,202,354	1,880,541	887,879	1,054	3,956	428,923
25	Other Expenses - Equal ROR	123,341,281	80,628,674	33,916,414	51,893	122,327	8,621,973
26	**Total Current Revenue at Equal Rates of Return**	**$ 150,357,678**	**$ 96,493,703**	**$ 41,406,933**	**$ 60,787**	**$ 155,704**	**$ 12,240,551**
27	Current (Subsidies)/Excesses	$ -	$ (272,264)	$ 3,496,360	$ 5,184	$ 512,987	$ (3,742,266)

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Demand-Commodity
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Scheduel 8 - Summary of Cost of Service and Rate of Return Under Present and Proposed Rates

Line No.	Category Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
28	**Revenue Requirement at Equal Rates of Return**						
29	Required Return	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
30	Required Operating Income	$ 41,558,068	$ 24,404,437	$ 11,522,318	$ 13,682	$ 51,341	$ 5,566,289
31	**Operating Income (Deficiency)/Sufficiency**	**$ (17,744,025)**	**$ (10,659,941)**	**$ (1,837,754)**	**$ (1,272)**	**$ 430,260**	**$ (5,675,317)**
32	**Expenses at Required Return**						
33	Gas Cost Expense	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
34	O&M and A&G Expenses	52,866,572	35,331,205	12,523,168	12,533	76,499	4,923,166
35	Depreciation and Amortization Expense	26,483,896	18,069,067	5,750,797	6,238	34,176	2,623,618
36	Taxes Other Than Income	8,577,792	5,310,424	2,178,046	2,480	11,651	1,075,190
37	Current Income Taxes - Equal ROR	3,202,354	1,880,541	887,879	1,054	3,956	428,923
38	Increase - Federal Income Tax	4,716,762	2,769,857	1,307,761	1,553	5,827	631,763
39	Increase - State Income Tax	1,182,147	694,200	327,760	389	1,460	158,337
40	Increase - Bad Debts	99,133	87,127	11,947	2	5	53
41	Increase - Annual Filing Fee	30,952	18,176	8,582	10	38	4,146
42	**Total Expenses at Required Return**	**$ 132,572,630**	**$ 86,078,576**	**$ 36,460,343**	**$ 54,901**	**$ 133,614**	**$ 9,845,195**
43	**Total Revenue Requirement at Equal Rates of Return**	**$ 174,130,697**	**$ 110,483,013**	**$ 47,982,661**	**$ 68,583**	**$ 184,956**	**$ 15,411,485**
44	Less Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
45	Less Other Revenues	1,199,341	1,037,819	135,924	194	312	25,093
46	**Total Rate Revenue at Equal Rates of Return**	**$ 137,518,335**	**$ 87,527,217**	**$ 34,382,335**	**$ 37,748**	**$ 184,644**	**$ 15,386,391**
47	**Base Rate Revenue (Deficiency)/Surplus**	**$ (23,773,019)**	**$ (14,261,574)**	**$ (3,079,368)**	**$ (2,612)**	**$ 483,735**	**$ (6,913,200)**
48	**Proposed Margin (Decrease)/Increase**	$ 23,773,019	$ 15,350,799	$ 6,558,675	$ 4,406	$ 83,816	$ 1,775,324
49	**Total Revenue at Proposed Increase**	$ 174,130,697	$ 111,572,238	$ 51,461,968	$ 70,377	$ 752,506	$ 10,273,608
50	Less Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
51	Less Other Revenues	1,199,341	1,037,819	135,924	194	312	25,093
52	**Total Rate Revenue at Proposed Increase**	$ 137,518,335	$ 88,616,442	$ 37,861,642	$ 39,542	$ 752,195	$ 10,248,515
53	**Revenue Conversion Factor**	1.3398	1.3398	1.3398	1.3398	1.3398	1.3398
54	Income Increase	$ 17,744,025	$ 11,457,735	$ 4,895,352	$ 3,289	$ 62,559	$ 1,325,090
55	Income at Current Rates	23,814,042	13,744,496	9,684,564	12,409	481,601	(109,028)
56	**Proposed Operating Income**	**$ 41,558,068**	**$ 25,202,231**	**$ 14,579,916**	**$ 15,698**	**$ 544,160**	**$ 1,216,062**
57	**Proposed Return**	**8.01%**	**8.27%**	**10.14%**	**9.19%**	**84.90%**	**1.75%**
58	**Index of Rate of Return**	**1.00**	**1.03**	**1.27**	**1.15**	**10.60**	**0.22**
59	**Current Return**	**4.59%**	**4.51%**	**6.73%**	**7.27%**	**75.14%**	**-0.16%**
60	**Index of Rate of Return**	**1.00**	**0.98**	**1.47**	**1.58**	**16.37**	**(0.03)**
61	**Proposed Revenue to Cost Ratio**	**1.00**	**1.01**	**1.10**	**1.05**	**4.07**	**0.67**
62	**Proposed Parity Ratio**	**1.00**	**1.01**	**1.10**	**1.05**	**4.07**	**0.67**
63	**Current Revenue to Cost Ratio**	**0.83**	**0.84**	**0.91**	**0.93**	**3.62**	**0.55**
64	**Current Parity Ratio**	**1.00**	**1.01**	**1.10**	**1.12**	**4.36**	**0.67**

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Demand-Commodity
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Scheduel 8 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Functional Rate Base**						
2	**Distribution**						
3	Demand	$ 370,254,175	$ 179,632,841	$ 124,087,224	$ 156,516	$ 37,470	$ 66,340,125
4	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
5	Customer	$ -	$ -	$ -	$ -	$ -	$ -
6	Subtotal	$ 370,254,175	$ 179,632,841	$ 124,087,224	$ 156,516	$ 37,470	$ 66,340,125
7	**On Site**						
8	Demand	$ -	$ -	$ -	$ -	$ -	$ -
9	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
10	Customer	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
11	Subtotal	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
12	**Cust Accts**						
13	Demand	$ -	$ -	$ -	$ -	$ -	$ -
14	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
15	Customer	$ -	$ -	$ -	$ -	$ -	$ -
16	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -
17	**Gas Costs**						
18	Demand	$ -	$ -	$ -	$ -	$ -	$ -
19	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
20	Customer	$ -	$ -	$ -	$ -	$ -	$ -
21	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -
37	**Total**						
38	Demand	$ 370,254,175	$ 179,632,841	$ 124,087,224	$ 156,516	$ 37,470	$ 66,340,125
39	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
40	Customer	$ 148,573,137	$ 125,041,777	$ 19,761,940	$ 14,294	$ 603,497	$ 3,151,628
41	**TOTAL RATE BASE**	$ 518,827,312	$ 304,674,618	$ 143,849,164	$ 170,809	$ 640,967	$ 69,491,753

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Demand-Commodity
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Scheduel 8 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
42	**Functional Revenue Requirement**						
43	**Distribution**						
44	Demand	$ 74,626,345	$ 35,702,608	$ 24,740,401	$ 31,589	$ 6,031	$ 14,145,716
45	Commodity	$ 659,720	$ 408,317	$ 250,833	$ 571	$ -	$ -
46	Customer	$ 675,111	$ 236,445	$ 178,035	$ 297	$ -	$ 260,334
47	Subtotal	$ 75,961,177	$ 36,347,370	$ 25,169,269	$ 32,457	$ 6,031	$ 14,406,051
48	**On Site**						
49	Demand	$ -	$ -	$ -	$ -	$ -	$ -
50	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
51	Customer	$ 53,876,608	$ 44,258,703	$ 8,432,618	$ 5,354	$ 178,534	$ 1,001,398
52	Subtotal	$ 53,876,608	$ 44,258,703	$ 8,432,618	$ 5,354	$ 178,534	$ 1,001,398
53	**Cust Accts**						
54	Demand	$ -	$ -	$ -	$ -	$ -	$ -
55	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
56	Customer	$ 8,879,891	$ 7,958,963	$ 916,371	$ 130	$ 391	$ 4,036
57	Subtotal	$ 8,879,891	$ 7,958,963	$ 916,371	$ 130	$ 391	$ 4,036
58	**Gas Costs**						
59	Demand	$ -	$ -	$ -	$ -	$ -	$ -
60	Commodity	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
61	Customer	$ -	$ -	$ -	$ -	$ -	$ -
62	Subtotal	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
78	**Total**						
79	Demand	$ 74,626,345	$ 35,702,608	$ 24,740,401	$ 31,589	$ 6,031	$ 14,145,716
80	Commodity	$ 36,072,742	$ 22,326,294	$ 13,715,236	$ 31,212	$ -	$ -
81	Customer	$ 63,431,610	$ 52,454,111	$ 9,527,025	$ 5,781	$ 178,925	$ 1,265,768
82	**TOTAL REVENUE REQUIREMENT AT EQUAL RATES OF RETURN**	$ 174,130,697	$ 110,483,013	$ 47,982,661	$ 68,583	$ 184,956	$ 15,411,485
83	Demand	42.86%	32.32%	51.56%	46.06%	3.26%	91.79%
84	Energy	20.72%	20.21%	28.58%	45.51%	0.00%	0.00%
85	Customer	36.43%	47.48%	19.86%	8.43%	96.74%	8.21%

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Demand-Commodity
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-2, Scheduel 8 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Line	Description	TOTAL	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
86	**Unit Costs**						
87	**Distribution**						
88	Demand	$ 18.14	$ 20.42	$ 21.41	$ 26.32	$ 0.01	$ 368.38
89	Commodity	$ 0.02	$ 0.05	$ 0.04	$ 0.05	$ -	$ -
90	Customer	$ 0.40	$ 0.16	$ 1.05	$ 12.38	$ -	$ 349.91
91	**On Site**						
92	Demand	$ -	$ -	$ -	$ -	$ -	$ -
93	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
94	Customer	$ 32.14	$ 29.37	$ 49.92	$ 223.09	$ 2,479.64	$ 1,345.97
95	**Cust Accts**						
96	Demand	$ -	$ -	$ -	$ -	$ -	$ -
97	Commodity	$ -	$ -	$ -	$ -	$ -	$ -
98	Customer	$ 5.30	$ 5.28	$ 5.43	$ 5.42	$ 5.43	$ 5.42
99	**Gas Costs**						
100	Demand	$ -	$ -	$ -	$ -	$ -	$ -
101	Commodity	$ 1.14	$ 2.65	$ 2.16	$ 2.94	$ -	$ -
102	Customer	$ -	$ -	$ -	$ -	$ -	$ -
115	**Total**						
116	Commodity	$ 1.1580	$ 2.6947	$ 2.1985	$ 2.9981	$ -	$ -
117	Customer (per cust month)	$ 37.84	$ 34.81	$ 56.40	$ 240.89	$ 2,485.07	$ 1,701.30
118	Demand & Customer (per cust month)	$ 82.35	$ 58.51	$ 202.87	$ 1,557.10	$ 2,568.83	$ 20,714.36
119	**BILLING DETERMINANTS**						
120	Demand (Peak Day Demand * 12)	4,113,677	1,748,477	1,155,600	1,200	1,170,000	38,400
121	Commodity	31,149,627	8,285,252	6,238,516	10,411	7,493,094	9,122,355
122	Customers (Number of Bills)	1,676,460	1,506,708	168,912	24	72	744

Attachment RJA-3

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-3 - Class Revenue Apportionment

Line No.	Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
1	**Total Rate Base**	$ 518,827,312	$ 351,130,241	$ 129,511,430	$ 134,335	$ 640,967	$ 37,410,340
2	Gas Service Revenue	$ 113,745,315	$ 73,265,643	$ 31,302,967	$ 35,136	$ 668,379	$ 8,473,191
3	Gas Purchase Revenue	35,413,022	21,917,977	13,464,403	30,641	-	-
4	Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
5	**Total Revenue**	$ 150,357,678	$ 96,237,489	$ 44,898,340	$ 65,958	$ 668,691	$ 8,487,200
6	**Total Revenue less Gas Purchases (margin)**	$ 114,944,656	$ 74,319,512	$ 31,433,937	$ 35,317	$ 668,691	$ 8,487,200
7	**Current Revenue to Cost Ratio**	0.83	0.75	1.00	1.17	3.62	0.99
8	**Current Parity Ratio**	1.00	0.91	1.21	1.41	4.36	1.20
9	**Scenario A: Revenues at Equalized Rates of Return**						
10	Revenue Increase/(Decrease)	$ 23,773,019	$ 24,151,265	$ 27,084	$ (5,153)	$ (483,735)	$ 83,559
11	Total Base Rate Revenue at Equalized Rates of Return	$ 137,518,335	$ 97,416,907	$ 31,330,051	$ 29,983	$ 184,644	$ 8,556,750
12	Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
13	**Total Margin at Equalized Rates of Return**	$ 138,717,676	$ 98,470,776	$ 31,461,021	$ 30,164	$ 184,956	$ 8,570,759
14	**% Increase of Total Revenues**	15.81%	25.10%	0.06%	-7.81%	-72.34%	0.98%
15	**% Increase of Base Rate Revenues**	20.90%	32.96%	0.09%	-14.67%	-72.37%	0.99%
16	**Resulting Revenue to Cost Ratio**	1.00	1.00	1.00	1.00	1.00	1.00
17	**Resulting Parity Ratio**	1.00	1.00	1.00	1.00	1.00	1.00
18	**Scenario B: Equal Percentage Increase on Gas Service Revenue**						
19	Percent Increase	20.90%	20.90%	20.90%	20.90%	20.90%	20.90%
20	Revenue Increase/(Decrease)	$ 23,773,019	$ 15,312,679	$ 6,542,388	$ 7,343	$ 139,693	$ 1,770,915
21	Total Base Rate Revenue	$ 137,518,335	$ 88,578,322	$ 37,845,355	$ 42,479	$ 808,072	$ 10,244,106
22	Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
23	**Total Margin at Equal Percentage Increase**	$ 138,717,676	$ 89,632,191	$ 37,976,325	$ 42,660	$ 808,383	$ 10,258,116
24	**Resulting Revenue to Cost Ratio**	1.00	0.91	1.21	1.41	4.37	1.20
25	**Resulting Parity Ratio**	1.00	0.91	1.21	1.41	4.37	1.20

COLUMBIA GAS OF KENTUCKY, INC.
Gas Class Cost of Service Study - Average of Customer-Demand and Demand-Commodity Methods
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-3 - Class Revenue Apportionment

Line No.	Description	Total System	GS-RESIDENTIAL	GS-OTHER	IUS	DS-ML	DS/IS
26	**Proposed Scenario C: Moderated based on Current Parity Ratio**						
33	Multiple of System Increase		1.00	1.00	0.60	0.60	1.00
34	Percent Increase	20.90%	20.95%	20.95%	12.54%	12.54%	20.95%
35	Revenue Increase/(Decrease)	$ 23,773,019	$ 15,350,799	$ 6,558,675	$ 4,406	$ 83,816	$ 1,775,324
36	Total Base Rate Revenue	$ 137,518,335	$ 88,616,442	$ 37,861,642	$ 39,542	$ 752,195	$ 10,248,515
37	Other Revenues	1,199,341	1,053,869	130,970	181	312	14,010
38	**Total Margin at Proposed**	**$ 138,717,676**	**$ 89,670,310**	**$ 37,992,612**	**$ 39,723**	**$ 752,506**	**$ 10,262,524**
39	Gas Purchase Revenue	$ 35,413,022	$ 21,917,977	$ 13,464,403	$ 30,641	$ -	$ -
40	**Total Revenue at Proposed**	$ 174,130,697	$ 111,588,288	$ 51,457,015	$ 70,364	$ 752,506	$ 10,262,524
41	Percent Increase on Base Rate Margin	20.90%	20.95%	20.95%	12.54%	12.54%	20.95%
42	Percent Increase on Total Revenue	15.81%	15.95%	14.61%	6.68%	12.53%	20.92%
43	**Current Revenue to Cost Ratio**	0.83	0.75	1.00	1.17	3.62	0.99
44	**Current Parity Ratio**	1.00	0.91	1.21	1.41	4.36	1.20
45	**Proposed Revenue to Cost Ratio**	1.00	0.91	1.21	1.32	4.07	1.20
46	**Proposed Parity Ratio**	1.00	0.91	1.21	1.32	4.07	1.20

Attachment RJA-4

COLUMBIA GAS OF KENTUCKY, INC.
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-4, Proposed Rate Design

	Pro Forma Test Year Revenues			Proposed Revenues		Difference	
		Present Rates		Proposed Rates			
Customer Class	**Billing Units**	Margin	**Revenue**	Margin	**Revenue**	**$ Amount**	**% Amount**
GSR/GTR							
Customer Charge	1,506,554	$19.75	$ 29,754,442	$27.00	$ 40,676,958	$ 10,922,517	37%
Delivery Charge	8,282,859	$5.25280	$ 43,508,201	$5.78740	$ 47,936,217	$ 4,428,016	10%
G1R Base Revenue			$ 2,169		$ 2,169	$ -	0%
IN3 Base Revenue			$ 385		$ 385	$ -	0%
IN4 Base Revenue			$ -		$ -	$ -	
IN5 Base Revenue			$ 118		$ 118	$ -	0%
LG2 - Residential Base Revenue			$ 190		$ 190	$ -	0%
LG3 - Residential Base Revenue			$ 138		$ 138	$ -	0%
LG4 - Residential Base Revenue			$ -		$ -	$ -	
Rounding Difference					$ 266	$ 266	
Total GSR/GTR Revenue			**$ 73,265,643**		**$ 88,616,442**	**$ 15,350,799**	21%
GSO/GTO/GDS							
Customer Charge	168,917	$83.71	$ 14,140,042	$110.00	$ 18,580,870	$ 4,440,828	31%
Delivery Charge -First 50 Mcf	2,464,363	$3.25130	$ 8,012,383	$3.65250	$ 9,001,086	$ 988,702	12%
Delivery Charge -Next 350 Mcf	2,380,623	$2.50960	$ 5,974,412	$2.81930	$ 6,711,692	$ 737,279	12%
Delivery Charge -Next 600 Mcf	706,124	$2.38550	$ 1,684,459	$2.67980	$ 1,892,271	$ 207,812	12%
Delivery Charge -Over 1,000 Mcf	687,405	$2.17000	$ 1,491,670	$2.43770	$ 1,675,688	$ 184,018	12%
G1C Base Revenue			$ -		$ -	$ -	
LG2 Commercial Base Revenue			$ -		$ -	$ -	
Rounding Difference					$ 35	$ 35	
Total GSO/GTO/GDS Revenue			**$ 31,302,967**		**$ 37,861,642**	**$ 6,558,675**	21%
IUS							
Customer Charge	24	$945.24	$ 22,686	$1,135.00	$ 27,240	$ 4,554	20%
Delivery Charge - All Volumes	10,411	$1.19590	$ 12,450	$1.18170	$ 12,302	$ (148)	-1%
Rounding Difference					$ (0)	$ (0)	
Total IUS Revenue			**$ 35,136**		**$ 39,542**	**$ 4,406**	13%
DS-ML							
Customer Charge - Up to 400,000 Mcf	36	$260.11	$ 9,364	$300.00	$ 10,800	$ 1,436	15%
Customer Charge - Over 400,000 Mcf	36	$260.11	$ 9,364	$600.00	$ 21,600	$ 12,236	131%
Delivery Charge	7,493,094	$0.08670	$ 649,651	$0.09610	$ 720,086	$ 70,435	11%
Rounding Difference					$ (292)	$ (292)	
Total DS-ML Revenue			**$ 668,379**		**$ 752,195**	**$ 83,816**	13%
IS/DS							
Customer Charge	745	$3,982.30	$ 2,966,814	$5,000.00	$ 3,725,000	$ 758,187	26%
Delivery Charge - First 30,000 Mcf	6,228,610	$0.70930	$ 4,417,953	$0.84030	$ 5,233,901	$ 815,948	18%
Delivery Charge - Next 70,000 Mcf	1,980,920	$0.43780	$ 867,247	$0.51870	$ 1,027,503	$ 160,256	18%
Delivery Charge - Over 100,000 Mcf	912,824	$0.24230	$ 221,177	$0.28710	$ 262,072	$ 40,895	18%
Rounding Difference					$ 39	$ 39	
Total IS/DS Revenue			**$ 8,473,191**		**$ 10,248,515**	**$ 1,775,324**	21%
Total							
Fixed Charge Recovery		*41%*	$ 46,902,711	*46%*	$ 63,042,468	$ 16,139,757	34%
Volumectric Charge Recovery		*59%*	$ 66,839,604	*54%*	$ 74,472,818	$ 7,633,215	11%
Other Rate Schedules (no change)			$ 3,001		$ 3,001	$ -	
Rounding			$ -		$ 48	$ 48	21%
TOTAL			$ 113,745,315		$ 137,518,335	$ 23,773,019	

Attachment RJA-5

COLUMBIA GAS OF KENTUCKY, INC.
FORECASTED PERIOD 12/31/2024 TO 12/31/2025
Attachment RJA-5, DS-ML Rate Structure

			Customer Charge		Delivery Charge		Annual Bill			
Line	Customer	Volumes	Current	Proposed	Current	Proposed	Current	Proposed	Increase	Percent
1	Customer A	26,600	$ 260.11	$ 300.00	$ 0.0867	$ 0.0961	$ 5,428	$ 6,156	$ 729	13%
2	Customer B	118,000	$ 260.11	$ 300.00	$ 0.0867	$ 0.0961	$ 13,352	$ 14,940	$ 1,588	12%
3	Customer C	377,800	$ 260.11	$ 300.00	$ 0.0867	$ 0.0961	$ 35,877	$ 39,907	$ 4,030	11%
4	Customer D	800,000	$ 260.11	$ 600.00	$ 0.0867	$ 0.0961	$ 72,481	$ 84,080	$ 11,599	16%
5	Customer E	1,584,500	$ 260.11	$ 600.00	$ 0.0867	$ 0.0961	$ 140,497	$ 159,470	$ 18,973	14%
6	Customer F	4,586,194	$ 260.11	$ 600.00	$ 0.0867	$ 0.0961	$ 400,744	$ 447,933	$ 47,189	12%

TAB 25

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Kevin L. Johnson

Columbia Exhibit No. 25

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
KEVIN L. JOHNSON
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC APPLICATION OF COLUMBIA GAS	)	
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF	)	Case No. 2024-00092
RATES; APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND OTHER	)	
RELIEF	)	

VERIFICATION OF KEVIN JOHNSON

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Kevin Johnson, Lead Regulatory Analyst, with NiSource Corporate Services Company, being duly sworn, states that he has supervised the preparation of responses to discovery in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Kevin Johnson

The foregoing Verification was signed, acknowledged and sworn to before me this 21st day of May, 2024, by Kevin Johnson.

Notary Commission No. N/A

Commission expiration: N/A

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF KEVIN L. JOHNSON

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Kevin L. Johnson and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

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

A: I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource"). My current title is Lead Regulatory Analyst in the Regulatory Strategy and Support Department at NCSC. My responsibilities as a Lead Regulatory Analyst include providing support for regulatory filings for several NiSource gas distribution companies, including, Columbia Gas of Kentucky, Inc. ("Columbia" or "the Company"), Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc.

Q: What is your educational background and professional experience?

A: I graduated from The Ohio State University in 1999 with a Bachelor of Science degree in Business Administration, majoring in Accounting. I have over 20 years of experience working in various accounting, compliance, and regulatory functions primarily supporting NiSource companies, including Columbia. In April 1999, I was hired by Columbia Gas of Ohio as a Financial Analyst in the Special Studies group, providing accounting support for the Columbia Gas Distribution Companies. In May 2002, I was promoted to the position of Accounting Manager of NCSC, overseeing its general books and records. From March 2010 through June 2015, I was the Manager of Consolidation Accounting and Securities and Exchange Commission Financial Reporting for NiSource, ensuring accurate and timely financial statement preparation. In July 2015, NiSource spun-off its gas transmission and storage business and created a new standalone entity named Columbia Pipeline Group ("CPG"). I was named Director, Sarbanes-Oxley ("SOX") Compliance at CPG overseeing its overall SOX compliance program until early 2017 when this role ended after the acquisition of CPG by TC Energy. From mid-2017 until mid-2019, I was an Accounting Manager in the banking industry. In June 2019, I rejoined NCSC in the Regulatory Strategy and Support department as a Lead Regulatory Analyst supporting various NiSource companies.

Q: Have you previously testified before any regulatory commissions?

A: Yes, I have testified before the Kentucky Public Service Commission in Case No. 2021-00183 (the "2021 Rate Case") as the Cash Working Capital ("CWC"), Allocated Cost of Service, and Rate Design witness. I have also presented direct testimony for Columbia Gas of Maryland, Inc. before the Public Service Commission of Maryland in Case No. 9701 as the Allocated Cost of Service and Rate Design witness and Case No. 9644 as the CWC witness, for Columbia Gas of Pennsylvania, Inc. before the Pennsylvania Public Utility Commission in Case No. R-2022-3031211 as the Allocated Cost of Service and Rate Design witness and Case No. R-2008-2011621 supporting NCSC costs.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to do the following:

- Discuss, present, and support the CWC component of Columbia's Allowance for Working Capital as reflected on Schedule B-5.2A in 807 KAR 5:001 Section 16-(8)(b). The CWC component is based on a Lead Lag Study for the Forecasted Test Period ("Forecasted Test Period") ending December 31, 2025.
- Along with other witnesses, sponsor KAR 5:001 16-(7)(c)

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	**Description**
807 KAR 5:001 Section 16(8)(b)	A jurisdictional rate base summary for both the base period and the forecasted period with supporting

	schedules, which include detailed analyses of each component of the rate base.
807 KAR 5:001 Section 16(7)(c)	A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.

Q: Did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

Q: Please list the attachments to your testimony and schedules that you are sponsoring.

A: I prepared Attachment KLJ-CWC-1, the Company's CWC / Lead Lag Study, in support of my testimony and am sponsoring Rate Base Schedules B-5.2A and B-5.2B. These items were prepared by me or under my supervision and direction and is accurate and complete to the best of my knowledge and belief.

II. CASH WORKING CAPITAL / LEAD LAG STUDY

Q: How did Columbia determine CWC in prior Rate Cases?

A: Columbia prepared a Lead Lag Study as part of the 2021 Rate Case that included a Balance Sheet Analysis and non-cash items. In all cases prior to the 2021 Rate Case, CWC was determined by using the formula approach of taking 1/8 of Operations & Maintenance ("O&M") Expenses. I have provided the 1/8 method (formula approach) in Schedule B-5.2B.

Q: Please describe the methodology Columbia used to determine CWC for ratemaking purposes and any changes in the way the Lead Lag Study was prepared differently than in the 2021 Rate Case.

A: Columbia is providing a full Lead Lag Study calculating the CWC component. The methodology used to determine CWC is consistent with the Commission's request in the Company's 2021 Rate Case where it stated:

> Furthermore, the Commission places Columbia Kentucky and all other utilities on notice that in any future rate cases, a lead/lag study is to be performed and shall exclude noncash items and balance sheet adjustments.[1]

Columbia has excluded non-cash items and the Balance Sheet Analysis from

[1] Case No. 2021-00183, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Dec. 28, 2021, Final Order, Page 14).

the CWC calculation. With the Balance Sheet Analysis no longer included in the CWC calculation, Columbia has included Prepaid Insurance and OPEB and Pension lead days in its Lead Lag Study. Prepaid Insurance and OPEB and Pension related balances were included in the Balance Sheet Analysis in the 2021 Rate Case.

Q: Briefly define CWC and describe the lead lag method of determining CWC for ratemaking purposes.

A: An allowance for working capital, as it applies to a regulated utility and rate base, is a value assigned to assets that are current or short-term in nature. The value of these current assets may represent a need for invested funds. CWC is the portion of the allowance for working capital that may be needed to finance the time period between receipt of payment from customers for utility service and the disbursements by the utility required to render that service. "Revenue lag" is the time period from the date customers receive service to the date the Company receives payment for the same services. It is the basis for determining the annual cash requirement that the Company must finance. This cash requirement is offset in part to the extent that Columbia can properly delay payments for labor, materials, and supplies incurred in providing service to customers. These offsets are defined as "expense leads."

The examination of the timing of these fundamental cash transactions constitutes the lead lag method of determining CWC. The net lag days are applied to the expense components of the cost of service.

Q: What period was used to perform the lead lag study?

A: Although the Company utilizes a Forecasted Test Period, the revenue lag and expense leads must be determined using actual historical data. A lead lag study is essentially a statistical analysis that utilizes historical payment information to calculate the revenue lag days and expense lead days. Revenue and expense data from the calendar year of 2023 was used to perform the lead lag study. Using the calendar year as a basis for the historical data used in the Lead Lag Study is consistent with how the Lead Lag Study was prepared in the 2021 Rate Case. The calendar year period of January-December also matches the months used in the Columbia Forecasted Test Period ending December 31, 2025.

Q: Please describe the Lead Lag Study summarized in Schedule B-5.2A.

A: The summaries presented on Schedule B-5.2A are the lead schedules showing the calculation of CWC for the Base Period and Forecasted Test Period. These schedules are supported by the revenue lag days and expense lead days calculation provided in Attachment KLJ-CWC-1.

Q: Please explain how the revenue lag days were determined.

A: The revenue lag of 21.43 days shown in the "Revenue Lag Days" Column on

Schedule B-5.2A is detailed on Sheet No. 1 of Attachment KLJ-CWC-1. The revenue lag is comprised of a 15.21 day "meter reading" period for tariff sales, a 4.24 day collection lag and a 1.98 day billing lag.

Columbia reads most of its meters once a month on a cycle basis with the time between meter readings averaging 30.42 days (*i.e.*, 365 divided by 12). Because Columbia provides service throughout the month, the average lag from the time service is rendered until the time meters are read is 15.21 days (*i.e.*, 30.42 divided by 2).

The collection lag, calculated on Attachment KLJ-CWC-1 Sheet No. 1a, represents the time from the date bills are rendered to the date cash is received in payment of the customer's bill. This lag was arrived at through examination of accounts receivable balances for tariff sales and transportation accounts using the accounts receivable turnover method. End of month book balances for the 12 months ended December 31, 2023 were utilized as the most accurate measure of customer accounts receivable. Under the accounts receivable turnover method, the 12 month-end balances of accounts receivable were averaged to calculate the Average Daily Accounts Receivable Balance of $2,625,851 ($31,510,216 divided by 12) as shown on Attachment KLJ-CWC-1, Sheet No. 1b. Total per book revenue for the 12 months ending December 31, 2023 was divided by 365 days to calculate the Average Daily

Revenue of $619,573 ($226,144,285 divided by 365). Per book revenues were adjusted for gross receipts, franchise and sales and use taxes as shown on Attachment KLJ-CWC-1, Sheet No. 1a, Line 9. These customer taxes are added to the per book revenue because they are included in the Accounts Receivable Balance. The Average Daily Accounts Receivable Balance is divided by the Average Daily Revenue to arrive at 4.24 revenue collection lag days.

The billing lag days, shown on Attachment KLJ-CWC-1, Sheet No. 1c, represents a weighted average number of days required to process the billing data for Columbia's customers. Each of Columbia's customers is billed under one of three billing systems depending upon the nature of the service provided and the manner in which billed volumes are determined. The majority of Columbia's customers are billed through the Distributive Information System ("DIS"). DIS issues a bill the first business day after a customer's meter is read. All other customers are billed through either the Gas Transportation System ("GTS") or the Gas Accounting System ("GAS"). For GTS service, customer gas is delivered to Columbia on a calendar basis while their meters are read on a cycle basis. Billings are held until the end of the month to ensure and verify that adequate supplies were delivered. GAS primarily handles larger customers that typically require daily consumption data. For both GTS and GAS, all bills generated during the 12 months ending December 31, 2023 were analyzed to determine the number of days between the meter read date and the billing date. All three groups were then weighted based on revenue billed to arrive at an overall average of 1.98 days.

Q: How were the expense lead days for gas purchases determined?

A: Columbia purchases gas from various producers and transports it through interstate pipeline companies. In determining the gas purchase expense lead, all purchases paid during the calendar year 2023 were reviewed.

For each service month, the number of days from the midpoint of service to the payment date for gas received was determined. The gas purchase expense lead days are calculated by dividing the annual weighted dollar lead days by the annual amount paid to the suppliers. On Attachment KLJ-CWC-1, Sheet No. 2, the costs for all suppliers are totaled and averaged to establish an overall weighted average of 39.24 lead days for gas purchased. Attachment KLJ-CWC-1, Sheets No. 2a and No. 2b provide additional detailed support.

Q: Why are expense lead days shown for Corporate Insurance negative?

A: Corporate insurance costs are paid in advance of services provided, reflecting a working capital requirement. As indicated on Sheet No. 3, payments are made well in advance of the corresponding service period resulting in negative (155.85) expense lead. Furthermore, the Company's books and records recognize a prepayment of these costs.

Q: Were all of the various types of payroll used in determining the number of lead days for payroll?

A: Yes. Attachment KLJ-CWC-1, Sheet No. 4 shows the calculation of lead days for gross pay in Column 2. There are 3.34 lead days with regard to payroll for biweekly paid employees, which are comprised of 7 days from the midpoint to the end of the pay period less the number of days from the end of the pay period to the day date payroll is funded. The monthly payroll has an expense lead of 8.35 days. Combined with the biweekly expense lead, payroll has an overall average lead of 4.90 days as shown on Line 3, Column 2. Attachment KLJ-CWC-1, Sheets No. 4a and No. 4b provide additional detailed support.

Q: Are the incentive compensation lead days calculated similar to payroll?

A: Yes. Columbia has a Corporate Incentive Payout ("CIP") program. Typically, employees are paid this compensation after the year in which the services were provided. In this case, 2022 CIP was paid during 2023. Lead days for incentive compensation were calculated from the midpoint of the year to the actual payment dates, both for bi-weekly and monthly paid employees, to arrive at 239.87 days as detailed on Attachment KLJ-CWC-1, Sheet No. 5.

Q: How were employee benefits expense lead days determined in your lead-lag analysis?

A: Employee benefits are paid by the Company on a monthly basis via NCSC inter-Company billing. The date of the bill was compared to the midpoint of the service period. The bill is processed near the end of the service month for an overall expense lead of 13.70 days for the other employee benefits, as detailed on Attachment KLJ-CWC-1, Sheet No. 6.

Q: How were OPEB and pension expense lead days determined in your lead-lag analysis?

A: Post-retirement benefits other than pensions ("OPEB") and pension funding occurs via inter-company billing from NCSC. The OPEB expense lead days of 43.40 days are calculated in Sheet No. 7. Columbia did not make any pension contributions during 2023.

Q: Why are uncollectible expense and the miscellaneous tracker adjustment lead days the same as the revenue lag days?

A: Uncollectible expense and miscellaneous tracker adjustment are non-cash in nature and should have no impact on CWC.

Q: How were the Corporate Services lead days of 39.40 determined?

A: The Company pays monthly for the services provided on a contract basis by NCSC. Generally, payment is made at the middle of the month following the month of service. The date paid was compared to the month in which the related services were provided, and resulted in an overall expense lead of 39.40 days for the test year as shown on Attachment KLJ-CWC-1, Sheet No. 8.

Q: What is included in Other O&M Costs and how was the 26.08 day expense lead determined?

A: Payments to a wide variety of vendors for all O&M costs, other than those already mentioned (purchased gas, prepaid insurance, employee payroll, incentive compensation, employee benefits, pension and OPEB, uncollectible, corporate services, and miscellaneous tracker adjustment) are included. These include items such as outside services and office supplies. Since most of the payments are made through the accounts payable system and the work management system, separate lead days were calculated and then combined to arrive at overall average lead days for this category of expense. For the accounts payable system, 400 invoices were randomly chosen; for the work management system, all of the purchase orders were used to calculate the lead days between the purchase order date and the check date. The lead days between the payment date and the midpoint of the service period were calculated. The lead days for work management and accounts payable were dollar weighted to arrive at an overall expense lead of 26.60 and 24.46 days, respectively. For the two payment systems, the lead days for O&M costs were further dollar weighted to calculate a single total lead of 26.08 days as summarized on Attachment KLJ-CWC-1, Sheet No. 9.

Q: Please explain the number of lead days for payroll taxes.

A: Payroll tax lead days of 8.70 days are based on the statutory requirements for payment of Federal Insurance Contributions Act ("FICA") and federal and state unemployment taxes. Columbia is a next day taxpayer for FICA. Therefore, in computing the FICA lead on Attachment KLJ-CWC-1, Sheet Nos. 10a, Page 1 and 10a, Page 2, the respective payroll leads were used and weighted based on FICA withholdings, which results in 8.37 expense lead days. Unemployment taxes, both federal and state, are based on quarterly payments and result in 74.50 lead days for each as shown on Attachment KLJ-CWC-1, Sheet 10b. The weighted average lead for payroll taxes is 8.70 days.

Q: What is the number of expense lead days for property and other taxes?

A: Property taxes relating to real estate cover a fiscal period from January 1 through December 31. Tax payments made by the Company normally occur during the first and second quarter of the following year. The date paid was compared to the mid-point of the year in which the property taxes were incurred to arrive at 297.97 expense lead days for property taxes as shown on Attachment KLJ-CWC-1, Sheet No. 11. Other taxes include severance tax resulting in 45.00 average lead days shown on Attachment KLJ-CWC-1, Sheet

No. 12.

Q: Do Federal Income Taxes – Current follow a schedule prescribed by the Internal Revenue Service ("IRS")?

A: Yes. Current federal tax laws require 100% of the current year estimated tax liability to be paid in four equal installments dated 4/15, 6/15, 9/15 and 12/15, or the first business day after a weekend or holiday. The lead days of 37.50 is shown on Attachment KLJ-CWC-1, Sheet No. 13.

Q: How is interest expense measured?

A: Interest expense lead days were based on the semi-annual payments of Columbia's installment promissory notes and monthly interest payments of Columbia's money pool borrowings. The weighted average lead days totaled 83.46 days as shown on Attachment KLJ-CWC-1, Sheet No. 14. Attachment KLJ-CWC-1, Sheet No. 14a provides additional detailed support.

Q: Please explain the impact of Gross Receipts, Franchise and Sales and Use Taxes on Columbia's CWC as shown on Schedule B-5.2A, Lines 28, 29, and 30, respectively.

A: As explained earlier, these taxes are customer taxes. Adjustments were made to revenue for these taxes to properly calculate the revenue lag. However, the collection and payment of these taxes require working capital. The Gross Receipts and Franchise Tax lead days of 35.50 and 44.90 days, respectively, are developed on Attachment KLJ-CWC-1, Sheet No. 15 while the Sales and Use Tax lead days of 40.10 are developed on Attachment KLJ-CWC-1, Sheet 16. Because these three taxes are not part of the cost of service, year 2023 payments are used to arrive at the related cash working capital shown on Schedule B-5.2A.

Q: What was the test year CWC requirement resulting from the application of the lead lag method?

A: As indicated on Schedule B-5.2A, the net CWC component for the Forecasted Test Period is $(9,746,343).

Q: Is there more than one way to calculate a CWC requirement?

A: Yes. As mentioned above, prior to the 2021 Rate Case, the Commission accepted the Company's calculation of CWC using the formula approach of taking 1/8 of operations and maintenance expenses.

Q: What were the calculated results using the 1/8 of operations and maintenance expenses formula approach to determining CWC?

A: Using the formula approach of 1/8 of forecasted period operations and maintenance expenses, the calculated CWC requirement was $6,608,321. This calculation is detailed on Schedule B-5.2B.

Q: Please summarize the results of the calculated potential CWC requirements.

A: The potential calculated CWC requirements are shown below:

- Lead Lag method Calculation Forecasted Test Period - $(9,746,343)
- Lead Lag method Calculation Base Period - $(8,251,273)
- 1/8 O&M Expense (formula approach) Calculation - $6,608,321

Q: Is the Company using the results of the lead lag study or the 1/8 O&M Expense (formula approach) to determine the CWC component of the allowance for working capital?

A: No. The Company is not making an adjustment for CWC. As noted above, the results of the two methods to calculate CWC vary significantly. The Company is not requesting the full amount that would have been requested in cases prior to the 2021 Rate Case using the 1/8 O&M expense formula approach or the negative amount produced by the Lead Lag method, but instead is not requesting a CWC adjustment.

Q: Does this complete your Prepared Direct Testimony?

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

Attachment KLJ-CWC-1

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
REVENUE LAG
TME: DECEMBER 31, 2023

Line No.	Lag Component (1)	Number of Days (2)
1	Meter Reading 1/	15.21
2	Collection (see Sheet No. 1a)	4.24
3	Billing (see Sheet No. 1c)	1.98
4	Total Revenue Lag	21.43

1/ Meter reading lag represents the midpoint of any billing month and are computed as:
365 days / 12 Months / 2 (midpoint) = 15.21 days.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
WEIGHTED AVERAGE COLLECTION LAG
TME: DECEMBER 31, 2023

Line No.	Average Daily Revenue		Amount $
1	Total Tariff Revenues:		
2	Residential Revenues		113,923,250
3	Commercial Revenues		51,469,805
4	Industrial Revenues		2,342,928
5	Other Revenues		-
6		Total Tariff Revenue	167,735,982
7	Non - traditional sales		2,654,288
8	Transportation Revenue		23,491,491
9	Gross Receipts, Franchise & Sales & Use Taxes		16,339,045
10	Forfeited Discounts		643,755
11	Miscellaneous Service Revenue		104,171
12	Other Gas Revenues - Other		1,065,169
13		Subtotal of Additional Revenue	44,297,919
14	Choice Marketer Revenues		14,110,384
15		Total Adjusted Revenue	226,144,285
16		Average Daily Revenue (Line 16 ÷ 365 days)	619,573
17		Average Daily A/R Balance (Per Sheet No. 3b)	2,625,851
18		Revenue Collection Lag Days (Line 17 ÷ Line 16)	4.24

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
SUMMARY OF ACCOUNT RECEIVABLE
TME: DECEMBER 31, 2023

Line No.	Month	14200220 Customer A/R CAB Month-End Balance (1) ($)	14200250, 14300220 Customer A/R GMB Month-End Balance (2) ($)	14200260 Customer Premise Month-End Balance (3) ($)	14300018 Off-System Sales Month-End Balance (4) ($)	14300330, 14300350 Other AR Choice Trans. Month-end Balance (5) ($)	14300240 Transportation A/R Month-End Balance (6) ($)	Utility Accounts Receivables (7)=(1 thru 6) ($)
1	January	9,701,265	735,932	125,949	129,700	412,142	1,189,163	12,294,151
2	February	13,669,144	560,549	132,924	103,961	1,183,339	1,562,534	17,212,453
3	March	8,666,703	454,450	91,498	237,423	632,328	1,007,513	11,089,915
4	April	8,344,144	221,119	130,937	407,171	624,517	1,261,013	10,988,901
5	May	5,299,634	145,992	164,452	378,077	101,738	835,517	6,925,410
6	June	1,798,927	85,269	159,152	162,229	(552,113)	873,949	2,527,412
7	July	(187,470)	267,566	184,866	52,470	(993,577)	1,047,939	371,794
8	August	(3,847,704)	160,552	189,818	122,580	(1,792,881)	972,690	(4,194,944)
9	September	(6,479,653)	72,289	199,584	364,309	(2,182,092)	1,085,876	(6,939,686)
10	October	(9,196,889)	103,950	201,668	335,315	(2,713,384)	1,170,609	(10,098,731)
11	November	(8,883,008)	261,765	326,228	448,426	(2,575,450)	1,347,223	(9,074,817)
12	December	(758,903)	240,126	291,249	164,927	(1,094,095)	1,565,052	408,357
13	Total	18,126,190	3,309,562	2,198,324	2,906,590	(8,949,529)	13,919,079	31,510,216
14	12 Mo. Avg.	1,510,516	275,797	183,194	242,216	(745,794)	1,159,923	2,625,851

(1) Source: Company Financial Statements

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
BILLING LAG CALCULATION
TME: DECEMBER 31, 2023

Line No.	Description	Revenue Amount	Billing Lag	Weighted Revenue
	(1)	(2)	(3)	(4)=(2)*(3)
		$		$
1	Tariff / Transportation Revenues - (DIS)	155,368,982	1.46	226,888,038
2	Tariff / Transportation Revenues - (GTS)	10,306,814	9.98	102,810,970
3	Tariff / Transportation Revenues - (GMB/GAS)	2,060,186	0.97	2,000,377
4		167,735,982		331,699,385
5	Calculated Billing Lag		**1.98**	

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
GAS PURCHASED COST
TME: DECEMBER 31, 2023

Line No.	Supplier Category (1)	Reference (2)	Amount Paid (3) $	Weighted Average Lead Days (4)	Dollar Lead Days (5=3*4)) $
1	Commodity Costs	Sheet 4a	$20,637,071	40.88	$ 843,569,705
2	Transportation Costs	Sheet 4b	$20,816,323	37.61	$ 782,988,649
3		Total	$41,453,394	39.24	$ 1,626,558,354

Note: The Gas Purchase leads for both Commodity and Transportation Costs were developed through the Energy Supply & Optimization Department gas purchase system that included the gas flow service period, the date paid and the amount paid for each purchase.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
GAS PURCHASED - COMMODITY COSTS
TME: DECEMBER 31, 2023

Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
1	01/31/23	02/27/23	15.50	42.50	$12,675	538,688
2	01/31/23	02/27/23	15.50	42.50	$853,895	36,290,538
3	01/31/23	02/27/23	15.50	42.50	$19,740	838,950
4	01/31/23	02/27/23	15.50	42.50	$204,092	8,673,923
5	01/31/23	02/27/23	15.50	42.50	$1,716,216	72,939,180
6	01/31/23	02/27/23	15.50	42.50	$30	1,275
7	01/31/23	02/27/23	15.50	42.50	$36,225	1,539,563
8	01/31/23	02/27/23	15.50	42.50	$1,306	55,516
9	01/31/23	02/27/23	15.50	42.50	$14,050	597,125
10	01/31/23	02/27/23	15.50	42.50	$4,050	172,125
11	02/28/23	03/27/23	14.00	41.00	$19,000	779,000
12	02/28/23	03/27/23	14.00	41.00	$166,492	6,826,157
13	02/28/23	03/27/23	14.00	41.00	$229,236	9,398,676
14	02/28/23	03/27/23	14.00	41.00	$15,695	643,495
15	02/28/23	03/27/23	14.00	41.00	$18,100	742,100
16	02/28/23	03/27/23	14.00	41.00	$40	1,640
17	02/28/23	03/27/23	14.00	41.00	$1,275	52,275
18	02/28/23	03/27/23	14.00	41.00	$1,696	69,536
19	03/31/23	04/25/23	15.50	40.50	$1,785	72,293
20	03/31/23	04/25/23	15.50	40.50	$9,200	372,600
21	03/31/23	04/25/23	15.50	40.50	$170,618	6,910,029
22	03/31/23	04/25/23	15.50	40.50	$10,800	437,400
23	03/31/23	04/25/23	15.50	40.50	$81,195	3,288,395
24	03/31/23	04/25/23	15.50	40.50	$135,199	5,475,539
25	03/31/23	04/25/23	15.50	40.50	$136	5,508
26	03/31/23	04/25/23	15.50	40.50	$10,825	438,413
27	03/31/23	04/25/23	15.50	40.50	$45,138	1,828,069
28	03/31/23	04/25/23	15.50	40.50	$48,879	1,979,600
29	03/31/23	04/25/23	15.50	40.50	$17,788	720,394
30	03/31/23	04/25/23	15.50	40.50	$35,636	1,443,268
31	03/31/23	04/25/23	15.50	40.50	$3,827	155,004
32	03/31/23	04/25/23	15.50	40.50	$8,750	354,375
33	03/31/23	04/25/23	15.50	40.50	$22,756	921,618
34	03/31/23	04/25/23	15.50	40.50	$3,094	125,307
35	03/31/23	04/25/23	15.50	40.50	$3,680	149,040
36	03/31/23	04/25/23	15.50	40.50	$33,244	1,346,372
37	04/30/23	05/25/23	15.00	40.00	$49,375	1,975,000

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
GAS PURCHASED - COMMODITY COSTS
TME: DECEMBER 31, 2023

Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
38	04/30/23	05/25/23	15.00	40.00	$279,670	11,186,800
39	04/30/23	05/25/23	15.00	40.00	$18,125	725,000
40	04/30/23	05/25/23	15.00	40.00	$8,085	323,400
41	04/30/23	05/25/23	15.00	40.00	$8,963	358,500
42	04/30/23	05/25/23	15.00	40.00	$61,446	2,457,854
43	04/30/23	05/25/23	15.00	40.00	$1,056,795	42,271,800
44	04/30/23	05/25/23	15.00	40.00	$8,202	328,060
45	04/30/23	05/25/23	15.00	40.00	$43,068	1,722,710
46	04/30/23	05/25/23	15.00	40.00	$542,200	21,688,000
47	04/30/23	05/25/23	15.00	40.00	$196	7,828
48	04/30/23	05/25/23	15.00	40.00	$264,525	10,581,000
49	04/30/23	05/25/23	15.00	40.00	$173	6,900
50	04/30/23	05/25/23	15.00	40.00	$105,303	4,212,100
51	04/30/23	05/25/23	15.00	40.00	$3,040	121,580
52	04/30/23	05/25/23	15.00	40.00	$47,050	1,882,000
53	04/30/23	05/25/23	15.00	40.00	$4,335	173,380
54	04/30/23	05/25/23	15.00	40.00	$7,900	316,000
55	04/30/23	05/25/23	15.00	40.00	$1,247	49,890
56	04/30/23	05/25/23	15.00	40.00	$176,625	7,065,000
57	04/30/23	05/25/23	15.00	40.00	$21,413	856,500
58	05/31/23	06/26/23	15.50	41.50	$109,858	4,559,086
59	05/31/23	06/26/23	15.50	41.50	$76,382	3,169,832
60	05/31/23	06/26/23	15.50	41.50	$261,503	10,852,354
61	05/31/23	06/26/23	15.50	41.50	$58,835	2,441,653
62	05/31/23	06/26/23	15.50	41.50	$26,543	1,101,535
63	05/31/23	06/26/23	15.50	41.50	$39,753	1,649,750
64	05/31/23	06/26/23	15.50	41.50	$14,768	612,851
65	05/31/23	06/21/23	15.50	36.50	$59,969	2,188,863
66	05/31/23	06/26/23	15.50	41.50	$767,383	31,846,395
67	05/31/23	06/26/23	15.50	41.50	$8,225	341,338
68	05/31/23	06/26/23	15.50	41.50	$350	14,509
69	05/31/23	06/26/23	15.50	41.50	$9,300	385,950
70	05/31/23	06/26/23	15.50	41.50	$5,970	247,755
71	05/31/23	06/26/23	15.50	41.50	$11,649	483,434
72	05/31/23	06/26/23	15.50	41.50	$153,877	6,385,896
73	05/31/23	06/26/23	15.50	41.50	$406,561	16,872,271
74	05/31/23	06/26/23	15.50	41.50	$28,865	1,197,898
75	05/31/23	06/26/23	15.50	41.50	$13,528	561,391
76	05/31/23	06/26/23	15.50	41.50	$16,817	697,906
77	05/31/23	06/26/23	15.50	41.50	$23,563	977,844

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
GAS PURCHASED - COMMODITY COSTS
TME: DECEMBER 31, 2023

Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
78	05/31/23	06/26/23	15.50	41.50	$4,830	200,445
79	05/31/23	06/26/23	15.50	41.50	$14,586	605,319
80	05/31/23	06/26/23	15.50	41.50	$162,305	6,735,658
81	05/31/23	06/26/23	15.50	41.50	$55,615	2,308,012
82	06/30/23	07/25/23	15.00	40.00	$296	11,840
83	06/30/23	07/25/23	15.00	40.00	$9,105	364,200
84	06/30/23	07/25/23	15.00	40.00	$148,592	5,943,680
85	06/30/23	07/25/23	15.00	40.00	$52,277	2,091,076
86	06/30/23	07/25/23	15.00	40.00	$18,120	724,800
87	06/30/23	07/25/23	15.00	40.00	$105,081	4,203,230
88	06/30/23	07/25/23	15.00	40.00	$54,408	2,176,320
89	06/30/23	07/25/23	15.00	40.00	$195,019	7,800,744
90	06/30/23	07/25/23	15.00	40.00	$76,207	3,048,290
91	06/30/23	07/25/23	15.00	40.00	$465,751	18,630,040
92	06/30/23	07/25/23	15.00	40.00	$1,525	61,000
93	06/30/23	07/25/23	15.00	40.00	$34,741	1,389,620
94	06/30/23	07/25/23	15.00	40.00	$362	14,479
95	06/30/23	07/25/23	15.00	40.00	$324,803	12,992,100
96	06/30/23	07/25/23	15.00	40.00	$62,701	2,508,040
97	06/30/23	07/25/23	15.00	40.00	$7,275	291,000
98	06/30/23	07/25/23	15.00	40.00	$14,783	591,320
99	06/30/23	07/25/23	15.00	40.00	$197,975	7,918,980
100	06/30/23	07/25/23	15.00	40.00	$53,800	2,152,000
101	06/30/23	07/25/23	15.00	40.00	$16,564	662,550
102	06/30/23	07/25/23	15.00	40.00	$7,000	280,000
103	06/30/23	07/25/23	15.00	40.00	$25,583	1,023,300
104	06/30/23	07/25/23	15.00	40.00	$300	11,980
105	06/30/23	07/25/23	15.00	40.00	$1,310	52,400
106	06/30/23	07/25/23	15.00	40.00	$15,322	612,880
107	06/30/23	07/25/23	15.00	40.00	$7,288	291,500
108	06/30/23	07/25/23	15.00	40.00	$1,920	76,800
109	06/30/23	07/25/23	15.00	40.00	$229,252	9,170,060
110	07/31/23	08/25/23	15.50	40.50	$27,912	1,130,446
111	07/31/23	08/25/23	15.50	40.50	$13,025	527,513
112	07/31/23	08/25/23	15.50	40.50	$181,536	7,352,218
113	07/31/23	08/25/23	15.50	40.50	$136,588	5,531,804
114	07/31/23	08/25/23	15.50	40.50	$184,751	7,482,426
115	07/31/23	08/25/23	15.50	40.50	$112,467	4,554,909

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
GAS PURCHASED - COMMODITY COSTS
TME: DECEMBER 31, 2023

Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
116	07/31/23	08/25/23	15.50	40.50	$58,258	2,359,453
117	07/31/23	08/25/23	15.50	40.50	$535,919	21,704,720
118	07/31/23	08/25/23	15.50	40.50	$303	12,254
119	07/31/23	08/25/23	15.50	40.50	$53,100	2,150,550
120	07/31/23	08/25/23	15.50	40.50	$36,135	1,463,468
121	07/31/23	08/25/23	15.50	40.50	$26,400	1,069,200
122	07/31/23	08/25/23	15.50	40.50	$14,840	601,000
123	07/31/23	08/25/23	15.50	40.50	$209,550	8,486,765
124	07/31/23	08/25/23	15.50	40.50	$410,935	16,642,868
125	07/31/23	08/25/23	15.50	40.50	$155,095	6,281,327
126	07/31/23	08/25/23	15.50	40.50	$15,590	631,375
127	07/31/23	08/25/23	15.50	40.50	$3,560	144,180
128	07/31/23	08/25/23	15.50	40.50	$152,025	6,157,013
129	07/31/23	08/25/23	15.50	40.50	$33,270	1,347,435
130	07/31/23	08/25/23	15.50	40.50	$282,699	11,449,310
131	07/31/23	08/25/23	15.50	40.50	$66,565	2,695,883
132	07/31/23	08/25/23	15.50	40.50	$7,330	296,865
133	08/31/23	09/25/23	15.50	40.50	$4,995	202,298
134	08/31/23	09/25/23	15.50	40.50	$21,186	858,033
135	08/31/23	09/25/23	15.50	40.50	$33,052	1,338,616
136	08/31/23	09/25/23	15.50	40.50	$43,671	1,768,686
137	08/31/23	09/25/23	15.50	40.50	$171,963	6,964,482
138	08/31/23	09/25/23	15.50	40.50	$56,709	2,296,710
139	08/31/23	09/25/23	15.50	40.50	$171,131	6,930,806
140	08/31/23	09/25/23	15.50	40.50	$11,420	462,510
141	08/31/23	09/25/23	15.50	40.50	$47,882	1,939,221
142	08/31/23	09/25/23	15.50	40.50	$288	11,657
143	08/31/23	09/25/23	15.50	40.50	$17,380	703,890
144	08/31/23	09/25/23	15.50	40.50	$197,175	7,985,588
145	08/31/23	09/25/23	15.50	40.50	$18,769	760,145
146	08/31/23	09/25/23	15.50	40.50	$23,550	953,775
147	08/31/23	09/25/23	15.50	40.50	$4,400	178,200
148	08/31/23	09/25/23	15.50	40.50	$244,585	9,905,693
149	08/31/23	09/25/23	15.50	40.50	$707,498	28,653,649
150	08/31/23	09/25/23	15.50	40.50	$8,978	363,589
151	08/31/23	09/25/23	15.50	40.50	$24,470	991,035
152	08/31/23	09/25/23	15.50	40.50	$116,233	4,707,416
153	08/31/23	09/25/23	15.50	40.50	$80,400	3,256,200
154	08/31/23	09/25/23	15.50	40.50	$12,298	498,079

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Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
155	09/30/23	10/25/23	15.00	40.00	$401,951	16,078,055
156	09/30/23	10/25/23	15.00	40.00	$222,600	8,904,000
157	09/30/23	10/25/23	15.00	40.00	$15,850	634,000
158	09/30/23	10/25/23	15.00	40.00	$6,474	258,960
159	09/30/23	10/25/23	15.00	40.00	$316	12,640
160	09/30/23	10/25/23	15.00	40.00	$49,091	1,963,654
161	09/30/23	10/25/23	15.00	40.00	$46,326	1,853,040
162	09/30/23	10/25/23	15.00	40.00	$4,650	186,000
163	09/30/23	10/25/23	15.00	40.00	$177	7,065
164	09/30/23	10/25/23	15.00	40.00	$8,873	354,900
165	09/30/23	10/25/23	15.00	40.00	$8,183	327,300
166	09/30/23	10/25/23	15.00	40.00	$34,085	1,363,400
167	09/30/23	10/25/23	15.00	40.00	$159,000	6,360,000
168	09/30/23	10/25/23	15.00	40.00	$9,359	374,360
169	09/30/23	10/25/23	15.00	40.00	$80,270	3,210,800
170	09/30/23	10/25/23	15.00	40.00	$50,342	2,013,680
171	09/30/23	10/25/23	15.00	40.00	$29,109	1,164,340
172	09/30/23	10/25/23	15.00	40.00	$127,405	5,096,181
173	09/30/23	10/25/23	15.00	40.00	$3,230	129,200
174	09/30/23	10/25/23	15.00	40.00	$99,873	3,994,900
175	09/30/23	10/25/23	15.00	40.00	$9,198	367,920
176	10/31/23	11/27/23	15.50	42.50	$8,400	357,000
177	10/31/23	11/27/23	15.50	42.50	$1,815	77,148
178	10/31/23	11/27/23	15.50	42.50	$34,978	1,486,576
179	10/31/23	11/27/23	15.50	42.50	$968	41,140
180	10/31/23	11/27/23	15.50	42.50	$100,457	4,269,433
181	10/31/23	11/27/23	15.50	42.50	$18,834	800,424
182	10/31/23	11/27/23	15.50	42.50	$38,946	1,655,208
183	10/31/23	11/27/23	15.50	42.50	$675,941	28,727,471
184	10/31/23	11/27/23	15.50	42.50	$19,265	818,763
185	10/31/23	11/27/23	15.50	42.50	$17,480	742,911
186	10/31/23	11/27/23	15.50	42.50	$67,200	2,856,000
187	10/31/23	11/27/23	15.50	42.50	$219	9,322
188	10/31/23	11/27/23	15.50	42.50	$1,890	80,325
189	10/31/23	11/22/23	15.50	37.50	$14,850	556,875
190	10/31/23	11/27/23	15.50	42.50	$6,075	258,188
191	10/31/23	11/27/23	15.50	42.50	$85,520	3,634,600
192	10/31/23	11/27/23	15.50	42.50	$534	22,695

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Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
193	10/31/23	11/27/23	15.50	42.50	$106,863	4,541,656
194	10/31/23	11/22/23	15.50	37.50	$70,536	2,645,109
195	10/31/23	11/27/23	15.50	42.50	$49,035	2,083,988
196	10/31/23	11/27/23	15.50	42.50	$16,700	709,750
197	10/31/23	11/27/23	15.50	42.50	$6,150	261,375
198	10/31/23	11/27/23	15.50	42.50	$796	33,841
199	10/31/23	11/27/23	15.50	42.50	$610	25,925
200	10/31/23	11/27/23	15.50	42.50	$2,196	93,330
201	10/31/23	11/27/23	15.50	42.50	$52,724	2,240,781
202	10/31/23	11/27/23	15.50	42.50	$8,337	354,323
203	10/31/23	11/27/23	15.50	42.50	$3,200	136,000
204	10/31/23	11/27/23	15.50	42.50	$7,118	302,494
205	11/30/23	12/26/23	15.00	41.00	$78,402	3,214,482
206	11/30/23	12/26/23	15.00	41.00	$1,823	74,733
207	11/30/23	12/26/23	15.00	41.00	$21,350	875,350
208	11/30/23	12/26/23	15.00	41.00	$9,181	376,431
209	11/30/23	12/26/23	15.00	41.00	$1,172	48,052
210	11/30/23	12/26/23	15.00	41.00	$48,975	2,007,975
211	11/30/23	12/26/23	15.00	41.00	$18,003	738,123
212	11/30/23	12/26/23	15.00	41.00	$66,637	2,732,125
213	11/30/23	12/26/23	15.00	41.00	$297,515	12,198,115
214	11/30/23	12/26/23	15.00	41.00	$158	6,483
215	11/30/23	12/26/23	15.00	41.00	$8,095	331,905
216	11/30/23	12/26/23	15.00	41.00	$292,125	11,977,125
217	11/30/23	12/26/23	15.00	41.00	$31,235	1,280,625
218	11/30/23	12/26/23	15.00	41.00	$16,463	674,963
219	11/30/23	12/26/23	15.00	41.00	$1,280	52,480
220	11/30/23	12/26/23	15.00	41.00	$2,040	83,640
221	11/30/23	12/26/23	15.00	41.00	$1,605	65,805
222	11/30/23	12/26/23	15.00	41.00	$1,020	41,820
223	11/30/23	12/26/23	15.00	41.00	$61,275	2,512,275
224	12/31/23	01/25/24	15.50	40.50	$1,635	66,218
225	12/31/23	01/25/24	15.50	40.50	$8,963	362,981
226	12/31/23	01/25/24	15.50	40.50	$33,465	1,355,333
227	12/31/23	01/25/24	15.50	40.50	$53,250	2,156,625
228	12/31/23	01/25/24	15.50	40.50	$29,707	1,203,134
229	12/31/23	01/25/24	15.50	40.50	$7,987	323,474
230	12/31/23	01/25/24	15.50	40.50	$187	7,574
231	12/31/23	01/25/24	15.50	40.50	$52,173	2,113,015

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Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
232	12/31/23	01/25/24	15.50	40.50	$313,437	12,694,199
233	12/31/23	01/25/24	15.50	40.50	$8,510	344,655
234	12/31/23	01/25/24	15.50	40.50	$71	2,886
235	12/31/23	01/25/24	15.50	40.50	$19,300	781,650
236	12/31/23	01/25/24	15.50	40.50	$438,340	17,752,770
237	12/31/23	01/25/24	15.50	40.50	$7,446	301,573
238	12/31/23	01/25/24	15.50	40.50	$27,862	1,128,411
239	12/31/23	01/25/24	15.50	40.50	$4,488	181,764
240	12/31/23	01/25/24	15.50	40.50	$16,200	656,100
241	12/31/23	01/25/24	15.50	40.50	$4,085	165,443
242	12/31/23	01/25/24	15.50	40.50	$9,250	374,625
243	Total			40.88	$20,637,071	843,569,705

COLUMBIA GAS OF KENTUCKY, INC.
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GAS PURCHASED - TRANSPORTATION COSTS
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Line No.	Service Month (1)	Payment Date (2)	Midpoint of Service Period (3)	Lag Days (4)=(2-1+3)	Payment (5)	Weighted Days (6)=(4*5)
1	01/31/23	02/21/23	15.50	36.50	$1,575,217	57,495,416
2	01/31/23	02/21/23	15.50	36.50	$54,782	1,999,553
3	02/28/23	03/23/23	14.00	37.00	$1,644,610	60,850,581
4	02/28/23	03/20/23	14.00	34.00	$54,805	1,863,381
5	03/31/23	04/24/23	15.50	39.50	$1,740,136	68,735,375
6	03/31/23	04/24/23	15.50	39.50	$54,834	2,165,961
7	04/30/23	05/22/23	15.00	37.00	$1,780,416	65,875,388
8	04/30/23	05/22/23	15.00	37.00	$54,842	2,029,161
9	05/31/23	06/22/23	15.50	37.50	$1,768,792	66,329,708
10	05/31/23	06/22/23	15.50	37.50	$54,922	2,059,575
11	06/30/23	07/24/23	15.00	39.00	$1,715,267	66,895,405
12	06/30/23	07/24/23	15.00	39.00	$54,916	2,141,721
13	07/31/23	08/21/23	15.50	36.50	$1,696,160	61,909,830
14	07/31/23	08/21/23	15.50	36.50	$54,971	2,006,450
15	08/31/23	09/25/23	15.50	40.50	$1,658,780	67,180,605
16	08/31/23	09/25/23	15.50	40.50	$55,128	2,232,680
17	09/30/23	10/23/23	15.00	38.00	$1,577,148	59,931,613
18	09/30/23	10/23/23	15.00	38.00	$55,464	2,107,644
19	10/31/23	11/20/23	15.50	35.50	$1,783,084	63,299,465
20	10/31/23	11/20/23	15.50	35.50	$55,474	1,969,310
21	11/30/23	12/22/23	15.00	37.00	$1,617,931	59,863,443
22	11/30/23	12/22/23	15.00	37.00	$55,521	2,054,278
23	12/31/23	01/22/24	15.50	37.50	$1,597,874	59,920,265
24	12/31/23	01/22/24	15.50	37.50	$55,249	2,071,841
25	Total			37.61	$20,816,323	782,988,649

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Line No.	Fee (1)	Payment Date (2)	Amount Paid (3)	Policy Period (4)	Midpoint of Period (5)	Lead Days (6)	Dollar Lead Days (7)=(3)*(6)
			$				$
1	Property	11/29/2023	52,415	11/1/23-11/1/24	5/1/2024	(154.00)	(8,071,966)
2	Property	12/1/2023	4,768	11/1/23-11/1/24	5/1/2024	(152.00)	(724,660)
3	Property	11/20/2023	7,286	11/1/23-11/1/24	5/1/2024	(163.00)	(1,187,590)
4	Property	11/20/2023	479	11/1/23-11/1/24	5/1/2024	(163.00)	(78,112)
5	Property	10/23/2023	2,677	7/1/23-7/1/25	7/1/2024	(252.00)	(674,509)
6	Property	11/20/2023	1,626	11/1/23-11/1/24	5/1/2024	(163.00)	(265,087)
7	General & Auto Liability	8/14/2023	2,661	7/1/23-7/1/24	1/1/2024	(140.00)	(372,481)
8	General & Auto Liability	8/14/2023	6,013	7/1/23-7/1/24	1/1/2024	(140.00)	(841,825)
9	General & Auto Liability	8/22/2023	4,858	7/1/23-7/1/24	1/1/2024	(132.00)	(641,304)
10	General & Auto Liability	8/14/2023	248,779	7/1/23-7/1/24	1/1/2024	(140.00)	(34,829,032)
11	General & Auto Liability	9/20/2023	61,093	7/1/23-7/1/24	1/1/2024	(103.00)	(6,292,532)
12	General & Auto Liability	10/23/2023	3,000	7/1/23-7/1/25	7/1/2024	(252.00)	(756,000)
13	General & Auto Liability	10/23/2023	5,733	7/1/23-7/1/25	7/1/2024	(252.00)	(1,444,800)
14	Excess Liability	8/14/2023	233,890	7/1/23-7/1/24	1/1/2024	(140.00)	(32,744,532)
15	Excess Liability	7/3/2023	600,147	7/1/23-7/1/24	1/1/2024	(182.00)	(109,226,799)
16	Excess Liability	7/3/2023	184,576	7/1/23-7/1/24	1/1/2024	(182.00)	(33,592,858)
17	Excess Liability	7/3/2023	4,614	7/1/23-7/1/24	1/1/2024	(182.00)	(839,821)
18	Excess Liability	9/1/2023	10,389	7/1/23-7/1/24	1/1/2024	(122.00)	(1,267,429)
19	Excess Liability	7/25/2023	79,771	7/1/23-7/1/24	1/1/2024	(160.00)	(12,763,394)
20	Excess Liability	8/22/2023	339,961	7/1/23-7/1/24	1/1/2024	(132.00)	(44,874,804)
21	Excess Liability	8/21/2023	47,811	7/1/23-7/1/24	1/1/2024	(133.00)	(6,358,826)
22	Excess Liability	8/21/2023	13,129	7/1/23-7/1/24	1/1/2024	(133.00)	(1,746,146)
23	Excess Liability	8/21/2023	1,217	7/1/23-7/1/24	1/1/2024	(133.00)	(161,908)
24	Excess Liability	7/1/2023	19,707	7/1/23-7/1/24	1/1/2024	(184.00)	(3,626,147)
25	Excess Liability	8/25/2023	691	7/1/23-7/1/24	1/1/2024	(129.00)	(89,109)
26	Excess Liability	7/1/2023	48,005	7/1/23-7/1/24	1/1/2024	(184.00)	(8,832,922)
27	Excess Liability	12/11/2023	18,191	7/1/23-7/1/24	1/1/2024	(21.00)	(382,019)
28	Excess Liability	10/23/2023	26,624	7/1/23-7/1/25	7/1/2024	(252.00)	(6,709,206)
29	D&O Liability	12/4/2023	104,579	11/1/23-11/1/24	5/1/2024	(149.00)	(15,582,204)
30	D&O Liability	11/14/2023	21,786	11/1/23-11/1/24	5/1/2024	(169.00)	(3,681,895)
31	D&O Liability	12/13/2023	1,852	11/1/23-11/1/24	5/1/2024	(140.00)	(259,321)
32	D&O Liability	12/13/2023	1,624	11/1/23-11/1/24	5/1/2024	(140.00)	(227,326)
33	D&O Liability	10/23/2023	7,139	7/1/23-7/1/25	7/1/2024	(252.00)	(1,799,060)
34	D&O Liability	12/14/2023	597	11/1/23-11/1/24	5/1/2024	(139.00)	(82,983)
35	Fiduciary Liability	12/5/2023	17,925	11/1/23-11/1/24	5/1/2024	(148.00)	(2,652,960)
36	Fiduciary Liability	11/17/2023	4,677	11/1/23-11/1/24	5/1/2024	(166.00)	(776,299)
37	Commercial Crime	11/21/2023	2,616	11/1/23-11/1/24	5/1/2024	(162.00)	(423,872)
38	Commercial Crime	12/5/2023	1,015	11/1/23-11/1/24	5/1/2024	(148.00)	(150,217)

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39	Commercial Crime	12/5/2023	943	11/1/23-11/1/24	5/1/2024	(148.00)	(139,602)
40	Commercial Crime	12/6/2023	519	11/1/23-11/1/24	5/1/2024	(147.00)	(76,263)
41	Special Crime	12/5/2023	423	11/1/23-11/1/26	5/1/2025	(513.00)	(216,935)
42	Cyber Liability	12/4/2023	48,384	11/1/23-11/1/24	5/1/2024	(149.00)	(7,209,150)
43	Cyber Liability	12/4/2023	5,088	11/1/23-11/1/24	5/1/2024	(149.00)	(758,164)
44	Professional Liability	8/23/2023	4,907	7/1/23-7/1/24	1/1/2024	(131.00)	(642,842)
45	Travel Accident	1/13/2022	1,665	1/1/22-1/1/25	7/1/2023	(534.00)	(889,334)
46	Workers' Compensation	8/14/2023	54,958	7/1/23-7/1/24	1/1/2024	(140.00)	(7,694,136)
47	Workers' Compensation	8/14/2023	114,645	7/1/23-7/1/24	1/1/2024	(140.00)	(16,050,272)
48	Workers' Compensation	8/22/2023	7,805	7/1/23-7/1/24	1/1/2024	(132.00)	(1,030,213)
49	Workers' Compensation	10/23/2023	2,788	7/1/23-7/1/25	7/1/2024	(252.00)	(702,492)
50	Medical Stop Loss	2/7/2023	66,376	1/1/23-12/31/23	7/1/2023	(144.00)	(9,558,074)
51	Total		2,502,421				(389,999,432)
52	Weighted Average Days					**(155.85)**	

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
EMPLOYEE PAYROLL COSTS
TME: DECEMBER 31, 2023

Line No.	Description	Reference	Payroll Costs (1) $	Lead Days (2)	Dollar Lead Days (3=1*2) $
1	Bi-Weekly:	Sheet 4a	15,380,347	3.34	51,435,367
2	Monthly:	Sheet 4b	6,940,127	8.35	57,917,736
3		Total Payroll Costs	22,320,474	4.90	109,353,103

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
BI-WEEKLY GROSS PAYROLL LEAD DAYS
TME: DECEMBER 31, 2023

Line No.	Payroll Funding Dates (1)	End of Pay Period (2)	Days from Funding Date to Pay Period (3)	Service Midpoint (4)	Bi-Weekly Gross Pay Lead Days (5)=(3)+(4)	Normal Bi-Weekly Gross Pay (6) ($)	Bi-Weekly Gross Pay Dollar Days (7)=(5)*(6)
1	01/11/23	01/14/23	(3.00)	7.00	4.00	670,299	2,681,195
2	01/24/23	01/28/23	(4.00)	7.00	3.00	587,364	1,762,093
3	02/08/23	02/11/23	(3.00)	7.00	4.00	612,883	2,451,531
4	02/22/23	02/25/23	(3.00)	7.00	4.00	1,161,976	4,647,904
5	03/08/23	03/11/23	(3.00)	7.00	4.00	592,182	2,368,727
6	03/22/23	03/25/23	(3.00)	7.00	4.00	600,959	2,403,835
7	04/05/23	04/08/23	(3.00)	7.00	4.00	548,731	2,194,923
8	04/19/23	04/22/23	(3.00)	7.00	4.00	554,511	2,218,043
9	05/03/23	05/06/23	(3.00)	7.00	4.00	562,176	2,248,706
10	05/16/23	05/20/23	(4.00)	7.00	3.00	548,411	1,645,234
11	05/31/23	06/03/23	(3.00)	7.00	4.00	544,689	2,178,755
12	06/12/23	06/17/23	(5.00)	7.00	2.00	550,367	1,100,733
13	06/27/23	07/01/23	(4.00)	7.00	3.00	549,663	1,648,988
14	07/11/23	07/15/23	(4.00)	7.00	3.00	563,114	1,689,341
15	07/24/23	07/29/23	(5.00)	7.00	2.00	550,308	1,100,615
16	08/08/23	08/12/23	(4.00)	7.00	3.00	576,091	1,728,272
17	08/22/23	08/26/23	(4.00)	7.00	3.00	555,500	1,666,500
18	09/06/23	09/09/23	(3.00)	7.00	4.00	546,595	2,186,381
19	09/19/23	09/23/23	(4.00)	7.00	3.00	548,401	1,645,203
20	10/03/23	10/07/23	(4.00)	7.00	3.00	578,561	1,735,682
21	10/17/23	10/21/23	(4.00)	7.00	3.00	543,976	1,631,927
22	10/31/23	11/04/23	(4.00)	7.00	3.00	605,749	1,817,247
23	11/14/23	11/18/23	(4.00)	7.00	3.00	560,877	1,682,632
24	11/28/23	12/02/23	(4.00)	7.00	3.00	551,294	1,653,882
25	12/12/23	12/16/23	(4.00)	7.00	3.00	562,482	1,687,445
26	12/26/23	12/30/23	(4.00)	7.00	3.00	553,191	1,659,573
27			Bi-Weekly Lead Days		3.34	15,380,347	51,435,367

Payment lead days represent days from the funding of payroll to midpoint of pay period.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
MONTHLY GROSS PAYROLL LEAD DAYS
TME: DECEMBER 31, 2023

Line No.	Monthly Payroll Funding Dates (1)	End of Pay Period (2)	Service Midpoint (3)	Monthly Gross Pay Lead Days (4)=(1)-(2)+(3)	Normal Monthly Gross Pay (5) ($)	Monthly Gross Pay Dollar Days (6)=(4)*(5)
1	01/24/23	01/31/23	15.50	8.50	489,555	4,161,216
2	02/22/23	02/28/23	14.00	8.00	1,375,016	11,000,129
3	03/27/23	03/31/23	15.50	11.50	917,124	10,546,926
4	04/24/23	04/30/23	15.00	9.00	434,245	3,908,203
5	05/23/23	05/31/23	15.50	7.50	438,135	3,286,013
6	06/23/23	06/30/23	15.00	8.00	437,345	3,498,759
7	07/25/23	07/31/23	15.50	9.50	434,314	4,125,982
8	08/24/23	08/31/23	15.50	8.50	444,823	3,780,995
9	09/22/23	09/30/23	15.00	7.00	571,603	4,001,222
10	10/24/23	10/31/23	15.50	8.50	426,934	3,628,941
11	11/22/23	11/30/23	15.00	7.00	425,779	2,980,455
12	12/21/23	12/31/23	15.50	5.50	545,254	2,998,895
13		Monthly Lead Days		8.35	6,940,127	57,917,736

Payment lead days represent days from the funding of payroll to midpoint of pay period.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
INCENTIVE COMPENSATION
TME: DECEMBER 31, 2023

Line No.	Pay Dates (1)	End of Pay Period (2)	Service Midpoint (3)	Incentive Comp Lead Days (4)=(1)-(2)+(3)	Incentive Comp Gross Pay (5) ($)	Incentive Comp Gross Pay Dollar Days (6)=(4)*(5)
1	2/24/2023	12/31/2022	182.50	237.50	568,669	135,058,885
2	2/28/2023	12/31/2022	182.50	241.50	830,494	200,564,270
3		Total			1,399,163	335,623,155
4		Monthly Lead Days			**239.87**	

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
EMPLOYEE BENEFITS
TME: DECEMBER 31, 2023

Line No.	End of Service Period (1)	Payment Date (2)	Midpoint of Service Period (3)	Lead Days (4)=(2)-(1)+(3)	Payment (5) $	Weighted Lead Days (6)=(4)*(5) $
1	1/31/2023	1/31/2023	15.50	15.50	304,280	4,716,338
2	2/28/2023	2/27/2023	14.00	13.00	489,505	6,363,563
3	3/31/2023	3/30/2023	15.50	14.50	242,122	3,510,766
4	4/30/2023	4/27/2023	15.00	12.00	356,228	4,274,733
5	5/31/2023	5/31/2023	15.50	15.50	316,638	4,907,887
6	6/30/2023	6/28/2023	15.00	13.00	436,168	5,670,189
7	7/31/2023	7/31/2023	15.50	15.50	292,028	4,526,430
8	8/31/2023	8/30/2023	15.50	14.50	398,371	5,776,373
9	9/30/2023	9/28/2023	15.00	13.00	539,448	7,012,828
10	10/31/2023	10/31/2023	15.50	15.50	163,894	2,540,356
11	11/30/2023	11/29/2023	15.00	14.00	511,287	7,158,020
12	12/31/2023	12/27/2023	15.50	11.50	449,289	5,166,822
13		Total			4,499,257	61,624,305
14	Weighted Average Days (Col. 6/Col. 5)			**13.70**		

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
OPEB & PENSION EXPENSE
TME: DECEMBER 31, 2023

OPEB

Line No.	Service Period Beginning (1)	Service Period Ending (2)	Payment Date (3)	Midpoint of Service Period (4)	Lead Days (5)=(3)-(4)	Amount Paid (6) $	Weighted Lead Days (7)=(5)*(6) $
1	1/1/2023	3/31/2023	3/29/2023	2/14/2023	43.00	50,000	2,150,000
2	4/1/2023	6/30/2023	6/29/2023	5/15/2023	44.50	50,000	2,225,000
3	7/1/2023	9/30/2023	9/28/2023	8/15/2023	44.00	50,000	2,200,000
4	10/1/2023	12/31/2023	12/27/2023	11/15/2023	42.00	50,000	2,100,000
5	Total					200,000	8,675,000
6	Weighted Average Days				**43.40**		

CKY did not make any Pension contributions made during 2023

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
CORPORATE SERVICES
TME: DECEMBER 31, 2023

Line No.	End of Service Period (1)	Payment Date (2)	Midpoint of Service Period (3)	Lead Days (4)=(2)-(1)+(3)	Payment (5) $	Weighted Lead Days (6)=(4)*(5) $
1	1/31/2023	2/22/2023	15.50	37.50	2,714,525	101,794,682
2	2/28/2023	3/27/2023	14.00	41.00	2,346,998	96,226,927
3	3/31/2023	4/24/2023	15.50	39.50	2,605,002	102,897,573
4	4/30/2023	5/24/2023	15.00	39.00	2,243,716	87,504,931
5	5/31/2023	6/26/2023	15.50	41.50	2,562,637	106,349,423
6	6/30/2023	7/25/2023	15.00	40.00	2,717,295	108,691,810
7	7/31/2023	8/25/2023	15.50	40.50	2,288,147	92,669,944
8	8/31/2023	9/25/2023	15.50	40.50	2,564,544	103,864,015
9	9/30/2023	10/25/2023	15.00	40.00	2,749,918	109,996,732
10	10/31/2023	11/21/2023	15.50	36.50	2,707,697	98,830,936
11	11/30/2023	12/22/2023	15.00	37.00	3,221,395	119,191,627
12	12/31/2023	1/25/2024	15.50	40.50	3,677,530	148,939,959
13		Total			32,399,404	1,276,958,559
14	Weighted Average Days (Col. 6/Col. 5)			**39.40**		

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
OTHER OPERATION AND MAINTENANCE COSTS
TME: DECEMBER 31, 2023

Line No.	Description	Approved Check Amount	Lead Days	Notes	Dollar Weighted Days	Percentage	Lead Days
	(1)	(2)	(3)=(5/2)	(4)	(5)	(6)	(7)=(3)*(6)
		$				%	
1	Total Work Management Contracts	3,180,507	26.60	1_/	84,592,624	75.53%	20.09
2	Total General Office Source	281,644	24.46	2_/	6,889,473	24.47%	5.99
3	Total	3,462,151			91,482,097	100.00%	**26.08**

Notes:

1_/ This data is made up of numerous invoices and is maintained in an excel spreadsheet.
An electronic copy of this data may be provided upon request.

2_/ Days were based on 400 invoices randomly selected from the company's accounts payable system.
An electronic copy of this data may be provided upon request.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
COMPANY PAID PAYROLL TAXES
TME: DECEMBER 31, 2023

Line No.	Description	Reference	Payroll Costs (1) $	Lead Days (2)	Dollar Lead Days (3) $
1	F.I.C.A.	Sheet 10a	3,095,713	8.37	25,908,132
2	Federal Unemployment	Sheet 10b	8,747	74.50	651,618
3	State Unemployment	Sheet 10b	6,895	74.50	513,658
4		Total	3,111,355	8.70	27,073,408

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
EMPLOYEE'S FICA WITHHELD LEAD DAY CALCULATION
TME: DECEMBER 31, 2023

Line No.	Pay Type	Reference	Employee's FICA Withholding (1)	Lead Days (2)	Dollar Weighted Days (3)
1	Bi-Weekly	Sheet 10a, Page 2	2,230,275	6.00	13,381,648
2	Monthly	Sheet 10a, Page 3	865,438	14.47	12,526,484
3		Total	3,095,713	8.37	25,908,132

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
PAYROLL TAXES - FICA BI-WEEKLY
TME: DECEMBER 31, 2023

Line No.	Pay Date (1)	End of Pay Period (2)	Days from Pay Date to Pay Period (3)	Service Midpoint (4)	Bi-Weekly FICA Lead Days (5)=(3)+(4)	Bi-Weekly FICA Withheld (6) ($)	Weighted FICA (7=5x6)
1	01/13/23	01/14/23	(1.00)	7.00	6.00	97,361	584,167
2	01/27/23	01/28/23	(1.00)	7.00	6.00	84,672	508,032
3	02/10/23	02/11/23	(1.00)	7.00	6.00	88,568	531,408
4	02/24/23	02/25/23	(1.00)	7.00	6.00	172,587	1,035,523
5	03/10/23	03/11/23	(1.00)	7.00	6.00	85,395	512,372
6	03/24/23	03/25/23	(1.00)	7.00	6.00	86,737	520,423
7	04/07/23	04/08/23	(1.00)	7.00	6.00	78,788	472,727
8	04/21/23	04/22/23	(1.00)	7.00	6.00	79,587	477,524
9	05/05/23	05/06/23	(1.00)	7.00	6.00	80,804	484,822
10	05/19/23	05/20/23	(1.00)	7.00	6.00	78,742	472,453
11	06/02/23	06/03/23	(1.00)	7.00	6.00	78,172	469,033
12	06/16/23	06/17/23	(1.00)	7.00	6.00	79,044	474,266
13	06/30/23	07/01/23	(1.00)	7.00	6.00	84,098	504,589
14	07/14/23	07/15/23	(1.00)	7.00	6.00	80,954	485,726
15	07/28/23	07/29/23	(1.00)	7.00	6.00	79,065	474,388
16	08/11/23	08/12/23	(1.00)	7.00	6.00	83,084	498,504
17	08/25/23	08/26/23	(1.00)	7.00	6.00	79,975	479,849
18	09/08/23	09/09/23	(1.00)	7.00	6.00	78,598	471,590
19	09/22/23	09/23/23	(1.00)	7.00	6.00	78,787	472,720
20	10/06/23	10/07/23	(1.00)	7.00	6.00	83,461	500,764
21	10/20/23	10/21/23	(1.00)	7.00	6.00	78,189	469,133
22	11/03/23	11/04/23	(1.00)	7.00	6.00	87,673	526,035
23	11/17/23	11/18/23	(1.00)	7.00	6.00	80,812	484,870
24	12/01/23	12/02/23	(1.00)	7.00	6.00	79,390	476,341
25	12/15/23	12/16/23	(1.00)	7.00	6.00	81,093	486,560
26	12/29/23	12/30/23	(1.00)	7.00	6.00	84,638	507,828
27	Total				6.00	2,230,275	13,381,648

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
PAYROLL TAXES - FICA MONTHLY PAY
TME: DECEMBER 31, 2023

Line No.	Pay Date (1)	End of Pay Period (2)	Service Midpoint (3)	Days From Midpoint To Pay Date 1/ (4)	Monthly Total FICA Withheld (5) ($)	Weighted FICA (6=3x5)
1	01/31/23	01/31/23	15.50	15.50	70,889	1,098,786
2	02/28/23	02/28/23	14.00	14.00	200,346	2,804,838
3	03/31/23	03/31/23	15.50	15.50	81,828	1,268,329
4	04/28/23	04/30/23	15.00	13.00	55,285	718,711
5	05/31/23	05/31/23	15.50	15.50	54,691	847,717
6	06/30/23	06/30/23	15.00	15.00	53,892	808,374
7	07/28/23	07/31/23	15.50	12.50	53,618	670,221
8	08/31/23	08/31/23	15.50	15.50	54,416	843,444
9	09/29/23	09/30/23	15.00	14.00	63,166	884,321
10	10/31/23	10/31/23	15.50	15.50	53,913	835,655
11	11/30/23	11/30/23	15.00	15.00	53,504	802,563
12	12/29/23	12/31/23	15.50	13.50	69,891	943,525
13	Total			14.47	865,438	12,526,484

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
PAYROLL TAXES - UNEMPLOYMENT TAXES
TME: DECEMBER 31, 2023

Line No.	Service Period Qtr Ended (1)	Days From Midpoint (2)	Deposit Paid (3)	Lead Days (4=3-1+2)	Federal Paid (5) $	State Paid (6) $	Federal $ Weighted (7=4*5)	State $ Weighted (8=4*6)
Monthly								
1	01/31/23	15.50	03/31/23	74.50	1,749	1,134	130,264	84,470
2	02/28/23	14.00	03/31/23	45.00	47	280	3,481	20,888
3	03/31/23	15.50	03/31/23	15.50	-	-	-	-
4	04/30/23	15.00	06/30/23	76.00	-	-	-	-
5	05/31/23	15.50	06/30/23	45.50	-	-	-	-
6	06/30/23	15.00	06/30/23	15.00	-	-	-	-
7	07/31/23	15.50	09/30/23	76.50	-	-	-	-
8	08/31/23	15.50	09/30/23	45.50	-	-	-	-
9	09/30/23	15.00	09/30/23	15.00	42	33	3,129	2,481
10	10/31/23	15.50	12/29/23	74.50	-	-	-	-
11	11/30/23	15.00	12/29/23	44.00	-	-	-	-
12	12/31/23	15.50	12/29/23	13.50	42	33	3,129	2,481
Bi-weekly								
13	01/14/23	7.00	03/31/23	83.00	3,603	1,851	268,456	137,913
14	01/28/23	7.00	03/31/23	69.00	2,511	1,599	187,096	119,114
15	02/11/23	7.00	03/31/23	55.00	458	1,299	34,120	96,746
16	02/25/23	7.00	03/31/23	41.00	127	504	9,487	37,557
17	03/11/23	7.00	03/31/23	27.00	-	36	-	2,710
18	03/25/23	7.00	03/31/23	13.00	-	4	-	322
19	04/08/23	7.00	03/31/23	(1.00)	-	-	-	-
20	04/22/23	7.00	06/30/23	76.00	0	0	10	5
21	05/06/23	7.00	06/30/23	62.00	-	-	-	-
22	05/20/23	7.00	06/30/23	48.00	-	-	-	-
23	06/03/23	7.00	06/30/23	34.00	-	-	-	-
24	06/17/23	7.00	06/30/23	20.00	-	-	-	-
25	07/01/23	7.00	06/30/23	6.00	-	-	-	-
26	07/15/23	7.00	09/30/23	84.00	10	5	747	374
27	07/29/23	7.00	09/30/23	70.00	11	5	796	397
28	08/12/23	7.00	09/30/23	56.00	53	39	3,928	2,881
29	08/26/23	7.00	09/30/23	42.00	10	5	748	374
30	09/09/23	7.00	09/30/23	28.00	0	5	28	373
31	09/23/23	7.00	09/30/23	14.00	-	5	-	374
32	10/07/23	7.00	09/30/23	0.00	-	2	-	183
33	10/21/23	7.00	12/31/23	78.00	-	-	-	-
34	11/04/23	7.00	12/31/23	64.00	-	-	-	-
35	11/18/23	7.00	12/31/23	50.00	-	-	-	-
36	12/02/23	7.00	12/31/23	36.00	39	20	2,908	1,453
37	12/16/23	7.00	12/31/23	22.00	30	18	2,254	1,360
38	12/30/23	7.00	12/31/23	8.00	14	16	1,037	1,202
39	Total				8,747	6,895	651,618	513,658
40	Net Lead Days						74.50	74.50

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
PROPERTY TAXES
TME: DECEMBER 31, 2023

Line No.	Taxing Authority	Payments	Date Paid	Midpoint of Tax Year	Lag Days	Weighted Lag Days
	(1)	(2) ($)	(3)	(4)	(5)=(3-4)	(6)=(5*2) ($)
1	BATH COUNTY SHERIFF	24.60	4/11/2023	7/1/2022	284.00	6,986
2	BATH COUNTY SHERIFF	12.76	5/30/2023	7/1/2022	333.00	4,249
3	BOURBON COUNTY SHERIFF	50,953.73	5/26/2023	7/1/2022	329.00	16,763,777
4	BOURBON COUNTY SHERIFF	98,204.58	4/11/2023	7/1/2022	284.00	27,890,101
5	BOYD COUNTY SHERIFF	50.00	12/13/2023	7/1/2023	165.00	8,250
6	BOYD COUNTY SHERIFF	112,597.53	7/13/2023	7/1/2022	377.00	42,449,269
7	BOYD COUNTY SHERIFF	1,965.88	11/27/2023	7/1/2023	149.00	292,916
8	BOYD COUNTY SHERIFF	50.00	12/14/2023	7/1/2023	166.00	8,300
9	BOYD COUNTY SHERIFF	217,073.08	3/26/2023	7/1/2022	268.00	58,175,585
10	BOYD COUNTY SHERIFF	50.00	4/11/2023	7/1/2022	284.00	14,200
11	BRACKEN COUNTY SHERIFF	1,787.20	3/26/2023	7/1/2022	268.00	478,970
12	BRACKEN COUNTY SHERIFF	926.59	5/30/2023	7/1/2022	333.00	308,554
13	CARTER COUNTY SHERIFF	60.32	3/26/2023	7/1/2022	268.00	16,166
14	CARTER COUNTY SHERIFF	37.87	10/19/2023	7/1/2022	475.00	17,988
15	CITY OF ASHLAND	145,850.42	4/11/2023	7/1/2022	284.00	41,421,519
16	CITY OF ASHLAND	75,667.36	5/30/2023	7/1/2022	333.00	25,197,231
17	CITY OF BELLEFONTE	3,136.30	12/13/2023	7/1/2023	165.00	517,490
18	CITY OF CATLETTSBURG KENTUCKY	4,255.14	5/19/2023	7/1/2022	322.00	1,370,155
19	CITY OF CATLETTSBURG KENTUCKY	8,201.90	3/26/2023	7/1/2022	268.00	2,198,109
20	CITY OF CYNTHIANA	6,229.69	6/21/2023	7/1/2022	355.00	2,211,540
21	CITY OF FLATWOODS	13,429.03	12/14/2023	7/1/2023	166.00	2,229,219
22	CITY OF FLATWOODS	4,492.17	5/30/2023	7/1/2022	333.00	1,495,893
23	CITY OF FRANKFORT	126,873.60	4/11/2023	7/1/2022	284.00	36,032,102
24	CITY OF FRANKFORT	65,827.38	5/30/2023	7/1/2022	333.00	21,920,518
25	CITY OF GEORGETOWN	3,292.96	5/30/2023	7/1/2022	333.00	1,096,556
26	CITY OF GEORGETOWN	6,346.84	4/11/2023	7/1/2022	284.00	1,802,503
27	CITY OF HINDMAN	62.93	8/24/2023	7/1/2022	419.00	26,368
28	CITY OF IRVINE	11,398.55	4/11/2023	7/1/2022	284.00	3,237,188
29	CITY OF LOUISA	3,568.32	11/8/2023	7/1/2022	495.00	1,766,318
30	CITY OF MAYSVILLE	9,580.65	5/30/2023	7/1/2022	333.00	3,190,356
31	CITY OF MAYSVILLE	18,464.95	4/11/2023	7/1/2022	284.00	5,244,046
32	CITY OF MIDWAY	478.23	3/26/2023	7/1/2022	268.00	128,166

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
PROPERTY TAXES
TME: DECEMBER 31, 2023

Line No.	Taxing Authority	Payments	Date Paid	Midpoint of Tax Year	Lag Days	Weighted Lag Days
	(1)	(2) ($)	(3)	(4)	(5)=(3-4)	(6)=(5*2) ($)
	(continued)					
1	CITY OF MOUNT STERLING	2,878.37	5/30/2023	7/1/2022	333.00	958,497
2	CITY OF MOUNT STERLING	5,548.85	4/23/2023	7/1/2022	296.00	1,642,460
3	CITY OF PARIS	11,825.90	4/23/2023	7/1/2022	296.00	3,500,466
4	CITY OF PARIS	6,135.65	6/8/2023	7/1/2022	342.00	2,098,392
5	CITY OF RAVENNA	1,391.13	4/23/2023	7/1/2022	296.00	411,774
6	CITY OF RUSSELL	5,138.80	5/30/2023	7/1/2022	333.00	1,711,220
7	CITY OF RUSSELL	9,906.98	3/26/2023	7/1/2022	268.00	2,655,071
8	CITY OF SOUTH SHORE	1,966.53	5/30/2023	7/1/2022	333.00	654,854
9	CITY OF SOUTH SHORE	1,078.90	3/26/2023	7/1/2022	268.00	289,145
10	CITY OF VERSAILLES	2,668.97	4/11/2023	7/1/2022	284.00	757,987
11	CITY OF WINCHESTER	13,557.52	5/30/2023	7/1/2022	333.00	4,514,654
12	CITY OF WORTHINGTON	1,211.65	5/30/2023	7/1/2022	333.00	403,479
13	CITY OF WORTHINGTON	2,336.00	3/26/2023	7/1/2022	268.00	626,048
14	CITY OF WURTLAND	1,473.73	3/26/2023	7/1/2022	268.00	394,960
15	CITY OF WURTLAND	764.40	5/30/2023	7/1/2022	333.00	254,545
16	CLARK COUNTY SHERIFF	18,204.15	6/21/2023	7/1/2022	355.00	6,462,473
17	CLARK COUNTY SHERIFF	182,041.50	6/21/2023	7/1/2022	355.00	64,624,733
18	CLAY COUNTY SHERIFF	89.25	3/26/2023	7/1/2022	268.00	23,919
19	CLAY COUNTY SHERIFF	46.30	5/30/2023	7/1/2022	333.00	15,418
20	ESTILL COUNTY SHERIFF	42,359.91	3/26/2023	7/1/2022	268.00	11,352,456
21	FAYETTE COUNTY	705,304.21	5/30/2023	7/1/2022	333.00	234,866,302
22	FAYETTE COUNTY	1,359,545.91	3/26/2023	7/1/2022	268.00	364,358,304
23	FLOYD COUNTY SHERIFF	19,494.87	5/30/2023	7/1/2022	333.00	6,491,792
24	FLOYD COUNTY SHERIFF	12,836.13	3/26/2023	7/1/2022	268.00	3,440,083
25	FRANKLIN COUNTY SHERIFF	264,505.29	3/26/2023	7/1/2022	268.00	70,887,418
26	FRANKLIN COUNTY SHERIFF	166,049.86	5/30/2023	7/1/2022	333.00	55,294,603
27	GREENUP COUNTY SHERIFF	78,789.12	5/30/2023	7/1/2022	333.00	26,236,777
28	GREENUP COUNTY SHERIFF	151,876.22	3/29/2023	7/1/2022	271.00	41,158,456
29	HARRISON COUNTY SHERIFF	16,222.80	5/30/2023	7/1/2022	333.00	5,402,192
30	HARRISON COUNTY SHERIFF	31,270.89	3/26/2023	7/1/2022	268.00	8,380,599
31	JESSAMINE COUNTY SHERIFF	10,948.93	5/30/2023	7/1/2022	333.00	3,645,994
32	JESSAMINE COUNTY SHERIFF	17,440.66	3/26/2023	7/1/2022	268.00	4,674,097
33	JOHNSON COUNTY SHERIFF	428.25	5/30/2023	7/1/2022	333.00	142,607
34	JOHNSON COUNTY SHERIFF	825.72	3/26/2023	7/1/2022	268.00	221,293
35	KENTUCKY STATE TREASURER	234,000.00	4/17/2023	7/1/2022	290.00	67,860,000
36	KNOTT COUNTY SHERIFF	2,933.47	6/18/2023	7/1/2022	352.00	1,032,581

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
PROPERTY TAXES
TME: DECEMBER 31, 2023

Line No.	Taxing Authority	Payments	Date Paid	Midpoint of Tax Year	Lag Days	Weighted Lag Days
	(1)	(2) ($)	(3)	(4)	(5)=(3-4)	(6)=(5*2) ($)
	(continued)					
1	KNOTT COUNTY SHERIFF	5,654.71	3/26/2023	7/1/2022	268.00	1,515,462
2	LAWRENCE COUNTY SHERIFF	11,306.89	5/30/2023	7/1/2022	333.00	3,765,194
3	LAWRENCE COUNTY SHERIFF	21,793.93	4/11/2023	7/1/2022	284.00	6,189,476
4	LEE COUNTY SHERIFF	21.14	4/11/2023	7/1/2022	284.00	6,004
5	LEE COUNTY SHERIFF	32.10	5/30/2023	7/1/2022	333.00	10,689
6	LEWIS COUNTY SHERIFF	446.76	5/30/2023	7/1/2022	333.00	148,771
7	LEWIS COUNTY SHERIFF	861.09	3/26/2023	7/1/2022	268.00	230,772
8	MADISON COUNTY SHERIFF	4,505.18	3/26/2023	7/1/2022	268.00	1,207,388
9	MADISON COUNTY SHERIFF	2,336.44	5/30/2023	7/1/2022	333.00	778,035
10	MARTIN COUNTY SHERIFF	23,589.64	5/30/2023	7/1/2022	333.00	7,855,350
11	MASON COUNTY SHERIFF	64,308.69	5/30/2023	7/1/2022	333.00	21,414,794
12	MASON COUNTY SHERIFF	123,945.52	3/26/2023	7/1/2022	268.00	33,217,399
13	MENIFEE COUNTY SHERIFF	152.18	4/23/2023	7/1/2022	296.00	45,045
14	MENIFEE COUNTY SHERIFF	78.81	5/30/2023	7/1/2022	333.00	26,244
15	MONTGOMERY COUNTY SHERIFF	21,148.22	7/18/2023	7/1/2022	382.00	8,078,620
16	MONTGOMERY COUNTY SHERIFF	40,770.87	4/18/2023	7/1/2022	291.00	11,864,323
17	NICHOLAS COUNTY SHERIFF	18,097.34	3/26/2023	7/1/2022	268.00	4,850,087
18	NICHOLAS COUNTY SHERIFF	9,383.14	5/30/2023	7/1/2022	333.00	3,124,586
19	OWSLEY COUNTY SHERIFF	133.30	2/21/2023	7/1/2021	600.00	79,980
20	OWSLEY COUNTY SHERIFF	158.30	3/26/2023	7/1/2022	268.00	42,424
21	PARIS INDEPENDENT	13,251.85	5/17/2023	7/1/2022	320.00	4,240,592
22	PARIS INDEPENDENT	25,542.28	3/26/2023	7/1/2022	268.00	6,845,331
23	PIKE COUNTY SHERIFF	26,508.80	8/7/2023	7/1/2022	402.00	10,656,538
24	PRESTONSBURG CITYS UTILITIES COMM	10.89	5/30/2023	7/1/2022	333.00	3,626
25	ROBERTSON COUNTY SHERIFF	57.74	3/26/2023	7/1/2022	268.00	15,474
26	ROBERTSON COUNTY SHERIFF	29.95	5/30/2023	7/1/2022	333.00	9,973
27	SCOTT COUNTY SHERIFF	54,081.74	5/30/2023	7/1/2022	333.00	18,009,219
28	SCOTT COUNTY SHERIFF	104,245.62	3/26/2023	7/1/2022	268.00	27,937,826
29	WEST VIRGINIA STATE AUDITORS	102,552.99	8/29/2023	7/1/2022	424.00	43,482,468
30	WEST VIRGINIA STATE AUDITORS	84,358.54	2/23/2023	7/1/2022	237.00	19,992,974
31	WOODFORD COUNTY SHERIFF	87,562.70	3/26/2023	7/1/2022	268.00	23,466,804
32	WOODFORD COUNTY SHERIFF	45,427.48	5/30/2023	7/1/2022	333.00	15,127,351
33	Total	**5,266,402.21**			**297.97**	**1,569,205,056**

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
OTHER TAXES
TME: DECEMBER 31, 2023

Line No.	End of Service Period (1)	Midpoint of Service Period (2)	Payment Date (3)	Amount Paid (4) $	Lead Days (5)	Weighted Tax Dollars (6=4*5) $
	Severance Tax					
1	12/31/2022	15.5	1/31/2023	230.61	46.50	10,723.00
2	1/31/2023	15.5	2/28/2023	178.36	43.50	7,759.00
3	2/28/2023	14.0	3/30/2023	269.56	44.00	11,861.00
4	3/31/2023	15.5	4/30/2023	184.62	45.50	8,400.00
5	4/30/2023	15.0	5/30/2023	109.59	45.00	4,932.00
6	5/31/2023	15.5	6/30/2023	107.73	45.50	4,902.00
7	6/30/2023	15.0	7/30/2023	82.12	45.00	3,695.00
8	7/31/2023	15.5	8/30/2023	92.56	45.50	4,211.00
9	8/31/2023	15.5	9/30/2023	124.76	45.50	5,677.00
10	9/30/2023	15.0	10/30/2023	78.20	45.00	3,519.00
11	10/31/2023	15.5	11/30/2023	22.29	45.50	1,014.00
12	11/30/2023	15.0	12/30/2023	50.69	45.00	2,281.00
13				1,531.09	45.00	68,974.00
14	**TOTAL OTHER TAXES**			1,531.09	45.00	68,974.00

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
FEDERAL INCOME TAXES
TME: DECEMBER 31, 2023

Line No.	Amount Due (1)	Service Period (2)	Date Paid (3)	Midpoint of Year (4)	Lead Days (5)	Weighted Lead Days (6=1*5)
1	25.00%	2023	15-Apr-23	01-Jul-23	(77.00)	(19.25)
2	25.00%	2023	15-Jun-23	01-Jul-23	(16.00)	(4.00)
3	25.00%	2023	15-Sep-23	01-Jul-23	76.00	19.00
4	25.00%	2023	15-Dec-23	01-Jul-23	167.00	41.75
5				Total Federal Income Tax Lead Days		**37.50**

( ) Denotes Credit

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
INTEREST ON DEBT
TME: DECEMBER 31, 2023

Line No.	Instrument	Amount (1) $	Lead Days (2)	Dollar Lead Days (3=1*2) $
1	Installment Promissory Notes	10,232,267	91.57	936,986,931
2	Money Pool	1,234,961	16.21	20,017,498
3	Total	11,467,228	**83.46**	957,004,429

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
MONEY POOL INTEREST
TME: DECEMBER 31, 2023

Line No.	End of Period (1)	Payment Date (2)	Midpoint of Service (3)	Lead Days (4)=(1-2+3)	Amount Paid (5)	Weighted Tax Dollars (6)=4*5)
Money Pool					$	
1	01/31/23	02/01/23	15.50	16.50	165,065	2,723,569
2	02/28/23	03/01/23	14.00	15.00	114,598	1,718,967
3	03/31/23	04/01/23	15.50	16.50	82,340	1,358,615
4	04/30/23	05/01/23	15.00	16.00	47,929	766,870
5	05/31/23	06/01/23	15.50	16.50	48,994	808,405
6	06/30/23	07/01/23	15.00	16.00	89,530	1,432,484
7	07/31/23	08/01/23	15.50	16.50	123,817	2,042,975
8	08/31/23	09/01/23	15.50	16.50	184,225	3,039,718
9	09/30/23	10/01/23	15.00	16.00	191,752	3,068,024
10	10/31/23	11/01/23	15.50	16.50	54,843	904,916
11	11/30/23	12/01/23	15.00	16.00	45,714	731,429
12	12/31/23	01/01/24	15.50	16.50	86,153	1,421,526
13				16.21	1,234,961	20,017,498
Installment Promissory Notes						
14	01/31/23	06/01/23	15.50	136.50	823,844	112,454,721
15	02/28/23	06/01/23	14.00	107.00	744,117	79,620,546
16	03/31/23	06/01/23	15.50	77.50	823,844	63,847,919
17	04/30/23	06/01/23	15.00	47.00	797,268	37,471,619
18	05/31/23	06/01/23	15.50	16.50	823,844	13,593,428
19	06/30/23	12/01/23	15.00	169.00	797,268	134,738,375
20	07/31/23	12/01/23	15.50	138.50	823,844	114,102,409
21	08/31/23	12/01/23	15.50	107.50	823,844	88,563,242
22	09/30/23	12/01/23	15.00	77.00	808,591	62,261,522
23	10/31/23	12/01/23	15.50	46.50	999,346	46,469,592
24	11/30/23	12/01/23	15.00	16.00	967,109	15,473,745
25	12/31/23	06/01/24	15.50	168.50	999,346	168,389,813
26				91.57	10,232,267	936,986,931

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
FRANCHISE AND GROSS RECEIPTS TAXES
TME: DECEMBER 31, 2023

Line No.	End of Service Period (1)	Midpoint of Service Period (2)	Payment Date (3)	Amount Paid (4) $	Lead Days (5)	Weighted Tax Dollars (6=4*5) $
	Franchise Tax					
1	12/31/2022	15.5	1/30/2023	818,284.86	45.50	37,231,961.00
2	1/30/2023	15.5	2/28/2023	1,074,929.38	44.50	47,834,357.00
3	2/28/2023	14.0	3/30/2023	926,468.85	44.00	40,764,629.00
4	3/31/2023	15.5	4/30/2023	628,503.61	45.50	28,596,914.00
5	4/30/2023	15.0	5/30/2023	474,957.76	45.00	21,373,099.00
6	5/31/2023	15.5	6/30/2023	293,836.10	45.50	13,369,543.00
7	6/30/2023	15.0	7/30/2023	208,647.69	45.00	9,389,146.00
8	7/31/2023	15.5	8/30/2023	194,414.66	45.50	8,845,867.00
9	8/31/2023	15.5	9/30/2023	180,570.57	45.50	8,215,961.00
10	9/30/2023	15.0	10/30/2023	160,791.82	45.00	7,235,632.00
11	10/31/2023	15.5	11/30/2023	179,487.38	45.50	8,166,676.00
12	11/30/2023	15.0	12/30/2023	271,012.98	45.00	12,195,584.00
13				5,411,905.66	**44.90**	243,219,369.00
	Gross Receipts Tax					
14	12/31/2022	15.5	1/20/2023	953,965.94	35.50	33,865,791.00
15	1/30/2023	15.5	2/20/2023	1,229,915.68	36.50	44,891,922.00
16	2/28/2023	14.0	3/20/2023	1,080,686.11	34.00	36,743,328.00
17	3/31/2023	15.5	4/20/2023	729,407.51	35.50	25,893,967.00
18	4/30/2023	15.0	5/22/2023	548,000.37	37.00	20,276,014.00
19	5/31/2023	15.5	6/20/2023	343,640.84	35.50	12,199,250.00
20	6/30/2023	15.0	7/20/2023	239,327.09	35.00	8,376,448.00
21	7/31/2023	15.5	8/20/2023	223,233.47	35.50	7,924,788.00
22	8/31/2023	15.5	9/20/2023	207,857.92	35.50	7,378,956.00
23	9/30/2023	15.0	10/20/2023	184,907.06	35.00	6,471,747.00
24	10/31/2023	15.5	11/20/2023	207,133.48	35.50	7,353,239.00
25	11/30/2023	15.0	12/20/2023	318,712.94	35.00	11,154,953.00
26				6,266,788.41	**35.50**	222,530,403.00

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024-00092
CASH WORKING CAPITAL
SALES & USE TAXES
TME: DECEMBER 31, 2023

Line No.	End of Service Period (1)	Midpoint of Service Period (2)	Payment Date (3)	Amount Paid (4) $	Lead Days (5)	Weighted Tax Dollars (6=4*5) $
	Direct Payment Use Tax					
1	12/31/2022	15.5	1/25/2023	3,542.55	40.50	143,473.00
2	1/31/2023	15.5	2/25/2023	5,425.44	40.50	219,730.00
3	2/28/2023	14.0	3/25/2023	27,710.30	39.00	1,080,702.00
4	3/31/2023	15.5	4/26/2023	12,350.49	41.50	512,545.00
5	4/30/2023	15.0	5/25/2023	12,843.93	40.00	513,757.00
6	5/31/2023	15.5	6/25/2023	20,194.68	40.50	817,885.00
7	6/30/2023	15.0	7/25/2023	24,602.26	40.00	984,090.00
8	7/31/2023	15.5	8/25/2023	54,658.34	40.50	2,213,663.00
9	8/31/2023	15.5	9/25/2023	0.00	40.50	0.00
10	9/30/2023	15.0	10/24/2023	11,784.61	39.00	459,600.00
11	10/31/2023	15.5	11/25/2023	7,650.89	40.50	309,861.00
12	11/30/2023	15.0	12/23/2023	20,623.24	38.00	783,683.00
13				201,386.73	39.90	8,038,989.00
	Sales Tax					
14	12/31/2022	15.5	1/25/2023	690,654.40	40.50	27,971,503.00
15	1/31/2023	15.5	2/25/2023	966,715.28	40.50	39,151,969.00
16	2/28/2023	14.0	3/25/2023	658,762.62	39.00	25,691,742.00
17	3/31/2023	15.5	4/26/2023	374,778.37	41.50	15,553,302.00
18	4/30/2023	15.0	5/25/2023	343,393.73	40.00	13,735,749.00
19	5/31/2023	15.5	6/25/2023	220,003.90	40.50	8,910,158.00
20	6/30/2023	15.0	7/25/2023	190,148.56	40.00	7,605,942.00
21	7/31/2023	15.5	8/25/2023	211,203.64	40.50	8,553,747.00
22	8/31/2023	15.5	9/25/2023	167,137.98	40.50	6,769,088.00
23	9/30/2023	15.0	10/24/2023	155,213.67	39.00	6,053,333.00
24	10/31/2023	15.5	11/25/2023	186,502.19	40.50	7,553,339.00
25	11/30/2023	15.0	12/23/2023	294,450.20	38.00	11,189,108.00
26				4,458,964.54	40.10	178,738,980.00
27				4,660,351.27	**40.10**	186,777,969.00

TAB 26

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Michael E. Girata

Columbia Exhibit No. 26

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
MICHAEL E. GIRATA
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC APPLICATION OF COLUMBIA GAS	)	
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF	)	Case No. 2024-00092
RATES; APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND OTHER	)	
RELIEF	)	

VERIFICATION OF MICHAEL E. GIRATA

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Michael E. Girata, Manager of Demand Forecasting for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Michael Girata

Michael E. Girata

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of May, 2024, by Michael E. Girata.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF MICHAEL E. GIRATA

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Michael E. Girata and my business address is 290 West Nationwide Boulevard, Columbus, Ohio, 43215.

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

A: I am employed by NiSource Corporate Services Company ("NCSC"), a subsidiary of NiSource Inc. ("NiSource") as Manager of Financial Planning & Analysis. As such, I am responsible for the development of short-range and long-range forecasts of customers and energy consumption for NiSource's distribution utilities, including Columbia Gas of Kentucky, Inc. ("Columbia" or the "Company"). I am also responsible for other business-related analyses and forecasts related to Revenue Planning.

Q: What is your educational background and professional experience?

A: I graduated from Westminster College with a Bachelor's Degree in Mathematics in December 2014. After starting my career in data science consulting, I joined NCSC in June 2017, working as a Sr. Business Analytics Analyst assisting with report building and predictive modeling efforts. In January 2019, I joined NCSC's GPS Program Management team as a Project Lead, focusing my efforts on program management and IT support in the form of dashboard development and automation. In February 2020, I joined the Demand Forecasting team as a Lead Analyst supporting forecast development for financial planning, regulatory filings, and peak modeling efforts for our electric business. In August 2021, I joined NCSC's Corporate Strategy & Risk group as a Project Consultant helping define NCSC's electric strategy related to generation and emerging technologies. In June 2022, I rejoined the Demand Forecasting team in my current role. In March 2023, I was given additional responsibilities related to Revenue Planning.

Q: Have you previously testified before any regulatory commissions?

A: Yes, I have testified and submitted pre-filed testimony before the Public Service Commission of Maryland and the Pennsylvania Public Utility Commission.

Q: What is the purpose of your testimony?

A: I will explain the forecast methodology used to develop the forecasted number of customers and usage for the second half of the Base Period ("BP"), which is the twelve months ended August 2024, as well as for the Forecasted Test Period ("FTP"), which is calendar year 2025.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	Description
807 KAR 5:001 Section 16(7)(c)	A complete description, which may be filed in written testimony form, of all factors used in preparing the utility’s forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.
807 KAR Section 16(7)(h)	A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information.
807 KAR 5:001 Section16(7)(h)(14)	Financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget including the customer forecast.
807 KAR 5:001 Section16(7)(h)(15)	Financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget including the sales volume forecasts in cubic feet.

Q: For each of the documents included within the Filing Requirements that you are supporting, were they prepared by you or someone working under your supervision and did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

II. DEMAND FORECAST METHODOLOGY OVERVIEW

Q: Please explain the methodology employed for developing the forecasted number of customers and volume for the BP and FTP.

A: Total residential and total commercial customers and volume are forecasted using econometric models. Total industrial volume is forecasted based on knowledge gained through relationships with large industrial customers. Total residential, total commercial, and total industrial forecasts are subsequently split into sales and transportation customers and volumes, as appropriate, using historical data.

Q: What data sources do you use to develop the econometric models for the residential and commercial classes?

A: I use Columbia's billing records through December 2023 to obtain historical monthly customer counts and billed usage for the residential and commercial customer classes. Historical billed usage is divided by historical customer counts to produce monthly historical use per customer data for residential and commercial customers. The historical customer counts and use per customer are used as the dependent variables in the residential customer, residential use per customer, commercial customer, and commercial use per customer econometric models.

Several sources are used to obtain data for the independent variables included in the econometric models. Historical and forecast gas price data is sourced from the U.S. Energy Information Administration ("EIA"). Historical and forecast values for economic and demographic variables (e.g., population and real income per capita) and deflator data are from IHS Markit ("IHS", a subsidiary of S&P Global, Inc.), a data consultant. Historical weather data ("Heating Degree Day" or "HDD") is provided by a company named DTN, a weather consulting service. Both IHS and DTN are large, independent data providers relied upon by the Company in previous rate cases, as well as relied upon by many other companies worldwide. A 20-year average HDD ending December 31, 2023 is used as the weather during forecast period.

III. RESIDENTIAL FORECAST

Q: Please describe the residential customer forecast methodology.

A: The residential customer forecast is developed using a monthly econometric model that incorporates population and several monthly variables for shaping. Residential customer counts in 2020 were affected by the moratorium on customer shut-offs due to the COVID-19 declared state of emergency. The prohibition on terminations that was ordered by the Public Service Commission in March 2020[1] resulted in residential customer counts that remained at higher-than-normal levels throughout the remainder of 2020. The Public Service Commission lifted the COVID-19 Moratorium and the Company initiated termination procedures in late February 2021.[2] From a modeling perspective, indicator variables are added to the residential customer count model for each month of May 2020 through December 2020 to account for the fact that the customer count data for this period does not reflect normal business conditions. These indicator variables essentially eliminate the impact of the COVID-19 Moratorium on the econometric model and result in a raw model forecast that does not include the effects of the COVID-19 Moratorium.

Q: Please describe the residential use per customer forecast methodology.

A: The residential use per customer forecast is developed using a monthly econometric model that incorporates weather in the form of HDD and several monthly variables for additional shaping. As described above, residential

[1] *See In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085, Order (Ky. P.S.C. March 16, 2020).
[2] *See* Case No. 2020-00085, Order (Ky. P.S.C. Sept. 21, 2020).

use per customer was temporarily and periodically affected by the shut-downs associated with COVID-19. From a modeling perspective, an indicator variable was added to the residential use per customer count model for the months of April 2020, May 2020, October 2020, December 2020, January 2021, February 2021, and April 2021 because data indicates that residential use per customer was significantly affected in those months. These indicator variables essentially eliminate the impact of the short-term COVID-19 shut-downs on the econometric model and results in a forecast that does not include these short-term effects. Because these effects from the short-term COVID-19 shut-downs are expected to be over, no adjustment to the forecasted use per customer is necessary.

Q: How is the forecast of monthly residential volume determined?

A: Monthly residential customer counts are multiplied by monthly residential use per customer to produce monthly residential volume.

IV. <u>COMMERCIAL FORECAST</u>

Q: Please describe the commercial customer forecast methodology.

A: The commercial customer forecast is developed using a monthly econometric model that incorporates real income per capita and several monthly variables for shaping.

Q: Please describe the commercial use per customer forecast methodology.

A: The commercial use per customer forecast is developed using a monthly econometric model that incorporates weather in the form of HDD and several monthly variables for additional shaping. Commercial use per customer was temporarily affected by the shutdowns associated with COVID-19. From a modeling perspective, an indicator variable is added to the commercial use per customer model for April 2020 and May 2020. These indicator variables essentially eliminate the impact of the short-term COVID-19 shut-downs on the econometric model and results in a forecast that does not include these short-term effects.

Q: How is the forecast of monthly commercial volume determined?

A: Monthly commercial customer counts are multiplied by monthly commercial use per customer to produce monthly commercial volume.

Q: How are the total commercial customers and volume split into commercial sales and commercial transportation?

A: Commercial transportation customers have leveled off in recent months and are forecasted to remain at recent historical customer levels. Commercial sales customers are the customers remaining when commercial transportation customers are subtracted from the total commercial customer forecast. Total commercial usage is allocated to sales and transportation based on proportions experienced in the most recent 12-months.

V. INDUSTRIAL FORECAST

Q: Please describe the industrial forecast methodology.

A: The industrial forecast is provided by the Company's Large Customer Relations group by incorporating information generated through individual customer interviews.

Q: How is the total industrial volume split into industrial sales, industrial TRANSPORTATION, and industrial GTS?

A: Total industrial volume is allocated to sales, GTS and transportation based on proportions experienced in the most recent 12-months.

VI. FORECAST RESULTS

Q: Please provide a summary of the customer count and demand forecast results.

A: Tables 1 and 2 below contain forecasted annual customer counts and volumes. This data can also be found in Filing Requirements 807 KAR 5:001 Sec.16-(7)(h)(14) and 807 KAR 5:001 Sec.16-(7)(h)(15).

Table 1 – Forecasted Customer Counts (Year End)

	2023 *Actual*	2024 *Forecast*	2025 *Forecast*	2026 *Forecast*	2027 *Forecast*
Sales Customers by Class					
Residential	112,698	113,128	113,374	113,622	113,873
Commercial	12,033	12,088	12,096	12,104	12,112
Industrial	51	51	51	51	51
Wholesale	2	2	2	2	2
Electric Generation	1	1	1	1	1
Total Sales Customers	**124,785**	**125,270**	**125,524**	**125,780**	**126,039**
Transportation Customers by Class					
Residential	11,447	11,447	11,447	11,447	11,447
Commercial	1,892	1,896	1,896	1,896	1,896
Industrial	61	61	61	61	61
Total Transportation Customers	**13,400**	**13,404**	**13,404**	**13,404**	**13,404**
Total Customers	**138,185**	**138,674**	**138,928**	**139,184**	**139,443**

Table 2 – Forecasted Annual Volumes (CCF)

	2023 *Actual*	2024 *Forecast*	2025 *Forecast*	2026 *Forecast*	2027 *Forecast*
Sales Volume by Class					
Residential	73,942,080	74,419,031	74,487,765	74,651,072	74,816,792
Commercial	43,822,820	43,802,436	43,663,166	43,691,963	43,723,220
Industrial	2,498,983	2,049,700	2,081,316	2,102,194	2,102,567
Wholesale	80,850	104,095	104,095	104,095	104,095
Electric Generation	2,410	2,410	2,410	2,410	2,410
Total Sales Volume	**120,347,143**	**120,377,672**	**120,338,752**	**120,551,734**	**120,749,084**
Transportation Volume by Class					
Residential	8,866,851	8,379,397	8,364,747	8,364,747	8,364,747
Commercial	44,846,753	43,980,029	43,833,513	43,851,041	43,870,314
Industrial	178,049,227	136,343,758	138,960,385	140,223,072	140,250,134
Total Transportation Volume	**231,762,831**	**188,703,184**	**191,158,645**	**192,438,860**	**192,485,195**
Total Throughput	**352,109,973**	**309,080,856**	**311,497,397**	**312,990,594**	**313,234,279**

Q: Does this complete your Prepared Direct Testimony?

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

TAB 27

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Julie C. Wozniak

Columbia Exhibit No. 27

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
JULIE C. WOZNIAK
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)))))	Case No. 2024-00092

VERIFICATION OF JULIE C. WOZNIAK

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Julie C. Wozniak, Manager of Regulatory Studies for NiSource Corporate Service Company, a management and services subsidiary of NiSource Inc. for Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Julie C. Wozniak

Julie C. Wozniak

The foregoing Verification was signed, acknowledged and sworn to before me this 30th day of April, 2024, by Julie C. Wozniak.

____

Notary Commission No. N/A

Commission expiration: N/A

PREPARED DIRECT TESTIMONY OF JULIE C. WOZNIAK

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Julie C. Wozniak and my business address is 290 West Nationwide Boulevard, Columbus, Ohio, 43215.

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

A: I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource"). My current title is Manager of Regulatory Studies in the Rates and Regulatory Department at NCSC. As a Manager in the Rates and Regulatory Department for NCSC, my principal responsibilities include planning, preparation, and oversight of the revenue requirement and cost of service for base rate proceedings; providing support for various informational and rate filings; and other duties as assigned. NCSC provides, among other services, regulatory-related services for the NiSource distribution companies, including Columbia Gas of Kentucky, Inc. ("Columbia" or "the Company").

Q: What is your educational background and professional experience?

A: I graduated from The Ohio State University with a Bachelor of Science degree in Business Administration with an Accounting Major in 1992 and with a Master's Degree in Business Administration from the University of Dayton in 1999. I began my career in 1992 as a staff auditor for a public accounting firm, and later audit senior, serving a variety of manufacturing and public utility clients including then Columbia Gas, Inc. In October 1996, I joined the Columbia Gas System as a financial analyst and have held several positions within the company over the years, including Lead Financial Analyst, Accounting Manager (Merchant Energy and Special Studies), Director, Consolidation Accounting and later, Controller, State Accounting, supporting and supervising functions for multiple NiSource companies. From October 2014 through July 2015, I also served as the Finance Function Transition Lead on the project team working to spin-off the Columbia Pipeline Group. In August 2017, I assumed the role of Director, Employee Benefits Administration and in May 2019, I assumed the role of Director, Transformation and Special Projects supporting insurance special projects and the Finance transition associated with the sale of the Bay State Gas Company d/b/a Columbia Gas of Massachusetts assets. I was assigned to my current position as Manager of Regulatory Studies, supporting NiSource operating companies, including Columbia, in March 2021.

I am a Certified Public Accountant ("CPA") and a member of the Ohio Society of Certified Public Accountants and American Institute of Certified Public Accountants. I have attended ratemaking workshops and other professional education seminars to maintain my CPA license.

Q: Have you previously testified before any regulatory commissions?

A: I have previously submitted testimony under my maiden name, Julie C. Harold, to the State Corporate Commission regarding affiliate charges on behalf of Columbia Gas of Virginia, Inc. ("CVA") in Case Numbers PUE-2005-0098 and PUE-2005-0100, and under my married name, Julie C. Wozniak in support of the earnings test, the development of the cost of service, and the proposed revenue increase on behalf of CVA in Case Number PUE-2022-00036 and in support of cash working capital requirement on behalf of CVA in Case Number PUR-2024-00030.

Q: What is the purpose of your testimony?

A: I am supporting the development of revenues for both the Base Period and Forecasted Test Period.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	Description
807 KAR 5:001 Section 16(6)(a)	Financial data for the forecasted periods shall be presented in the form of pro forma adjustment for the base period
807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period
807 KAR 5:001 Section 16(7)(c)	A complete description, of all factors used in preparing the utility's forecast period.
807 KAR 5:001 Section 16(7)(h)	A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information.
807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors
807 KAR 5:001 Section 16(8)(i)	Comparative income statements, revenue statistics, and sales statistics for the five (5) most recent calendar years from the application filing date, the base period, the forecasted period, and two (2) calendar years beyond the forecasted period
807 KAR 5:001 Section 16(8)(m)	A revenue summary for both the base period and forecasted period with supporting schedules, which provide detailed billing analysis for all customer classes.

Q: For each of the documents included within the Filing Requirements that you are supporting, were they prepared by you or someone working under your supervision, and did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

II. TEST PERIODS

Q: What are the test periods that you will be addressing in this testimony?

A: I will be addressing the twelve-month period ending August 31, 2024, as the Base Period, as well as the twelve months ending December 31, 2025, as the Forecasted Test Period.

III. PROCESS FOR DEVELOPING BILLS AND THROUGHPUT TO CALCULATE REVENUE

Q: What process is undertaken to produce the number of bills used to calculate revenue in this case?

A: The detail supporting the number of bills used for the Forecasted Test Period is found in Workpaper WPM-B. Forecasted active customer counts are first determined on a total company basis by customer class, by type of service, (sales/CHOICE/transportation) by month in Columbia's forecast supported by Columbia Witness Michael E. Girata. Large customers individually forecasted by the Large Customer Relations ("LCR") group are identified separately from the total forecast. The remaining non-LCR commercial and industrial customer counts in the forecast are then spread for each month of the test period by type of service, by customer class, by rate schedule based on the latest twelve months of historical experience ending December 31, 2023. Bill counts for the LCR customers are adjusted to reflect customers who are expected to either discontinue or add service during the forecasted period as shown in Workpaper WPM-D. The bills are accumulated based upon which rate schedule the customer was on as of December 31, 2023.

Additionally, an adjustment is made to the number of forecasted bills to reflect final billed customers because the forecast is based on projected active customers. Customers who are final billed are coded inactive and are not counted for the month even though they are billed a customer charge for their final month of service. Because Columbia does not forecast final bills, Columbia considers the historical final bill counts to be representative of what can be expected during the Forecasted Test Period. As a result, final bills are added to the active bills used in the forecast to price customer charge revenue in this case. Forecasted Test Period bills are then taken from Workpaper WPM-B and used to price customer charge revenue at current rates in Schedule M-2.2 and proposed rates in Schedule M-2.3.

The total customer counts for the Base Period are determined using six months of actual customer bills from September 2023 through February 2024, and six months of forecasted bills through August 2024.

Q: What process is used to develop the throughput in Mcf used to calculate revenue in this case?

A: Workpaper WPM-C details the throughput in Mcf used to calculate revenue in this case. Similar to the methodology used to produce the number of bills, forecasted Mcf are first determined on a total company basis by customer class, by type of service, by month in Columbia's forecast supported by Columbia Witness Girata. Forecasted throughput associated with LCR customers is identified separately from the total forecast based upon the individual large customer forecast performed by the LCR group. The remaining non-LCR throughput is then spread for each month of the Forecasted Test Period by type of service, by customer class, by rate schedule based on the latest twelve months of historical experience ending December 31, 2023. Throughput is accumulated based upon which rate schedule the customers were on at December 31, 2023.

If adjustments were expected due to LCR customers either discontinuing or adding service during the Forecasted Test Period, it would be shown in Workpaper WPM-D. Additionally, Workpaper WPM-D would reflect any anticipated significant usage changes for LCR customers during the Forecasted Test Period. However, no adjustments were made in this case. If adjustment volumes were expected in Workpaper WPM-D, they would then be recorded in Workpaper WPM-C to arrive at the total adjusted volume forecast used to price revenue for the forecasted period.

The throughput for the Base Period is determined using six months of actual volumes from September 2023 through February 2024 and six months of forecasted volumes through August 2024.

Q: How were the non-LCR commercial and industrial forecasted volumes in Workpaper WPM-C split by rate block?

A: The spread of non-LCR commercial and industrial throughput is performed at the individual customer level by month based on historical experience for the twelve months ended December 31, 2023. Each customer's forecasted monthly throughput is then split among the rate blocks pertaining to that customer's rate schedule and then accumulated by rate block and shown in Workpaper WPM-C.

Q: How was the gas cost revenue calculated for the Forecasted Test Period?

A: Columbia's Commission-approved gas cost recovery rate, effective March 1, 2024, was applied to volumes (Mcf) for each month of the Forecasted Test Period based on rate class. Calculations are shown on Workpaper WPM-A.

IV. <u>SCHEDULE M</u>

Q: Please describe Schedule M.

A: Schedule M summarizes total forecasted revenue by customer class, by month at both current and proposed rates. Revenue at current rates is summarized from Schedule M-2.2 and revenue at proposed rates is summarized from Schedule M-2.3.

Q: Please describe Schedule M-2.1.

A: Schedule M-2.1 shows the comparison of revenue at current rates and revenue at proposed rates by rate classification. Columns B (Forecasted Bills), C (Forecasted Mcf), and D (Revenue at Current Rates) are recorded from Schedule M-2.2. Column G (Revenue at Proposed Rates) is recorded from Schedule M-2.3. Column E (D-2.6 Rate Making Adjustment) is utilized to reflect any ratemaking adjustments that come through the cost of service. The difference between revenue at proposed rates and revenue at current rates is shown in column H with the corresponding percentage change shown in column I.

Q: Please explain how the gas cost uncollectible rate is calculated.

A: The calculation of the gas cost uncollectible charge utilized in Schedule M 2.3 is in Attachment JCW-1. The uncollectible charge is calculated by multiplying the total cost of gas effective March 1, 2024 and the net charge off rate which is provided by Company Witness Tamaleh L. Shaeffer in Workpaper WPD-2.6.D(2) as Attachment TLS-1. The resulting rate is used to price out the gas cost uncollectible revenue at proposed rates.

Q: How was the Forecasted Test Period revenue at current rates developed in Schedule M-2.2?

A: Forecasted Test Period bills from Workpaper WPM-B and Forecasted Test Period volumes from Workpaper WPM-C are recorded in Schedule M-2.2 by month by rate class. Forecasted Test Period bills and volumes for each month for each rate class are then multiplied by the applicable current rates in column C to develop the Forecasted Test Period revenue at current rates.

Q: How was the Forecasted Test Period revenue at proposed rates developed in Schedule M-2.3?

A: Forecasted Test Period bills and volumes in Schedule M-2.3 are identical to Schedule M-2.2. Forecasted Test Period bills and volumes for each month for each rate class are then multiplied by the applicable proposed rates in column C. The result is the Forecasted Test Period revenue at proposed rates.

Q: Was there an adjustment made to Account 487 Forfeited Discounts in Schedule M-2.2?

A: Yes, there was a downward adjustment in Schedule M-2.2 of $407,666 made to Account 487 to eliminate late payment penalties attributed to the Residential customer class as calculated in Attachment JCW-2. This adjustment reflects the removal of the residential late payment penalties described in the Direct Testimony of Company Witness Judy Cooper. In examining 3 years of actual late payment penalties from January 2021 to December 2023, the residential late payment penalties were removed from the total charges each month, leaving the remaining amount of late payment penalties by month from 2021 to 2023 attributed to non-residential customers. By adding together the non-residential late payment penalties for the 3 years by month and then dividing this amount by the annual total amount for the 3 years, the monthly spread for non-residential customers was developed. Finally, the monthly non-residential spread is multiplied by the monthly amounts projected for Account 487 resulting in projected non-residential late payment penalties of $182,431 during the future test year.

V. <u>OTHER ITEMS</u>

Q: **Are there any revenues associated with Safety Modification and Replacement Program (SMRP) included in the case?**

A: No.

Q: Does this complete your Prepared Direct Testimony?

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

Attachment JCW-1

Columbia Gas of Kentucky, Inc.
Calculation of Gas Cost Uncollectible Charge Utilized in Schedule M 2.3
Calculated Using Gas Costs as of March 1, 2024

Line No.	Description	Reference		Rate $	
1	Commodity Rate	Sch. 1 , L. 19, Col. 3 (March 2024 GCA)		1.3557	
2	Total Commodity Cost of Gas			**1.3557**	per Mcf
3	Net-Charge off Rate	Workpaper WPD-2.6D(2)	0.41700%		
4	Uncollectible Gas Cost Rate	(Line 2 x Line 3)		0.0057	per Mcf

Attachment JCW-2

Columbia Gas of Kentucky, Inc.
Calculation of Account 487 Forfeited Discounts Adjustment in Schedule M 2.3
For the Twelve Months Ended December 31, 2025

Line No.		January	February	March	April	May	June	July	August	September	October	November	December	Total
1	**Account 487 Forfeited Discounts - Late Payment Penalty Estimates by Month**													
2		January	February	March	April	May	June	July	August	September	October	November	December	Total
3	Account 487 - Projected Late Payment Penalties	$63,291	$88,061	$102,037	$68,398	$47,509	$41,944	$30,402	$24,505	$25,191	$27,147	$27,886	$43,724	$590,097
4	**Acct 487 - Actual Non-Residential Late Payment Penalties**													
5		January	February	March	April	May	June	July	August	September	October	November	December	Total
6	2021	$25,949.18	$24,221.88	$42,348.38	$13,617.53	$11,575.41	$16,075.42	$13,544.97	$8,366.19	$8,443.17	$12,817.83	$7,278.51	$13,337.31	$197,575.78
7	2022	$22,524.06	$22,717.36	$15,296.36	$12,664.78	$10,491.89	$7,751.13	$5,181.83	$8,229.01	$5,852.67	$8,842.51	$15,439.98	$20,735.87	$155,727.45
8	2023	$15,973.39	$21,974.17	$42,099.16	$17,697.87	$17,633.35	$8,740.18	$10,448.39	$15,240.57	$7,131.63	$13,615.45	$12,147.02	$11,287.97	$193,989.15
9		$64,446.63	$68,913.41	$99,743.90	$43,980.18	$39,700.65	$32,566.73	$29,175.19	$31,835.77	$21,427.47	$35,275.79	$34,865.51	$45,361.15	$547,292.38
10	Monthly Allocation Percentage	11.8%	12.6%	18.2%	8.0%	7.3%	6.0%	5.3%	5.8%	3.9%	6.4%	6.4%	8.3%	$182,431.00
11		January	February	March	April	May	June	July	August	September	October	November	December	Total
12	**Projected Non-Residential Late Payment Penalties**	$21,482	$22,971	$33,248	$14,660	$13,234	$10,856	$9,725	$10,612	$7,142	$11,759	$11,622	$15,120	$182,431
13	**Acct 487 adjustment to remove Residential portion from Total Late Payment Penalties**													
14		January	February	March	April	May	June	July	August	September	October	November	December	Total
15	Adjustment	($41,809)	($65,090)	($68,789)	($53,738)	($34,275)	($31,088)	($20,677)	($13,893)	($18,049)	($15,388)	($16,264)	($28,604)	($407,666)

TAB 28

807 KAR 5:001 Section 16(7)(a) Direct Testimony Tamaleh L. Shaeffer

Columbia Exhibit No. 28

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
TAMALEH L. SHAEFFER
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)))))	Case No. 2024-00092

VERIFICATION OF TAMALEH SHAEFFER

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Tamaleh Shaeffer, Rate Case Execution Manager for NiSource Corporate Services Company, being duly sworn, states that she has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Tamaleh Shaeffer
Tamaleh Shaeffer

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of May, 2024, by Tamaleh Shaeffer.

____

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF TAMALEH L. SHAEFFER

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Tamaleh (Tami) L. Shaeffer and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

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

A: I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource") and affiliate of Columbia Gas of Kentucky, Inc. ("Columbia" or the "Company"), as a Rate Case Execution Manager in the Rates and Regulatory Strategy Department. As a Manager in the Regulatory Department for NCSC, my principal responsibilities include planning, preparation, and oversight of the revenue requirement and cost of service for base rate proceedings, providing support for various informational and rate filings, and other duties as assigned. NCSC provides, among other services, accounting and regulatory-related services for the NiSource distribution companies, including Columbia.

Q: What is your educational background and professional experience?

A: I graduated from The Ohio State University in 2003 with a Bachelor of Science degree in Business Administration, with a major in Finance. I have twenty (20) years of experience working in the regulatory and accounting departments supporting the NiSource gas distribution companies, including Columbia Gas of Kentucky, Inc. In August of 2015, I was named as a Manager in the Regulatory Department for NCSC, which is the position I currently hold.

Q: Have you previously testified before any regulatory commissions?

A: Yes, I have provided direct and written testimony on the cost of service and revenue requirements for NiSource gas distribution companies including Columbia Gas of Ohio, Inc.; Columbia Gas of Maryland, Inc.; and former NiSource gas distribution company Bay State Gas Company d/b/a Columbia Gas of Massachusetts. I have also submitted direct and written testimony in Columbia Gas of Massachusetts pension expense factor and targeted infrastructure reinvestment filings.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to present Columbia's revenue requirement and cost of service analysis, including quantification of the Company's existing revenue deficiency based on adjusted test year operating revenues and expenses, or the Financial Summary. As part of the cost of service analysis, my testimony supports the Company's operations and maintenance ("O&M") expenses. Test year actual expenses allocated and billed to Columbia from NCSC are supported by Columbia Witness Kristen King. Additionally, my testimony supports the development of Operating Income Summaries, Summary of Income Adjustments as well as other financial data included in the case. As part of the development of these items, certain sections of the financial data are supported by other Columbia witnesses and identified in my testimony.

Q: What is the test period in this proceeding?

A: Columbia is requesting an adjustment in rates based on a forecasted test period ("FTP"). The FTP is the twelve months ended December 31, 2025. The financial data for the forecasted period is presented in the form of pro forma adjustments to a base period ("BP") which is the twelve months ended August 31, 2024. The BP period includes actual data for the period September 1, 2023, through February 29, 2024, and forecasted data for the period March 1, 2024, through August 31, 2024.

Q: What Filing Requirements and Schedules will you be supporting?

A: I will be supporting Schedules A, C, and H and will share support of D, F, I, and K with other Columbia witnesses. Schedule B providing the computation of Rate Base for the BP and FTP is supported by Columbia Witnesses Gore, Harding, and Johnson. I will sponsor / co-sponsor and support the following Filing Requirements:

Filing Requirement	Description
807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.
807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.
807 KAR 5:001 Section 16(7)(c)	All factors used in preparing the utility's forecast period.
807 KAR 5:001 Section 16(7)(h)	A financial forecasted corresponding to each of the three (3) forecasted years included in the capital construction budget.
807 KAR 5:001 Section 16(7)(h)4	Revenue requirements necessary to support the forecasted rate of return.
807 KAR Section 16(7)(h)10	Labor cost changes.
807 KAR 5:001 Section 16(7)(k)	The most recent FERC Financial Form No. 2
807 KAR 5:001 Section 16(7)(l)	The annual report to shareholders and the statistical supplements covering the most recent two (2) years from the application filing date.
807 KAR 5:001 Section 16(7)(m)	The current chart of accounts if more detailed than the Uniform System of Accounts.
807 KAR 5:001 Section 16(7)(p)	A copy of the utility's annual report on Form 10-K, Form 8-K, and Form 10-Q filed with the SEC in the past two (2) years.
807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report.
807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent five (5) quarters.
807 KAR 5:001 Section 16(7)(t)	A list of all commercially available or in-house developed computer software, programs, or models used in the

	development of the schedules and work papers.
807 KAR 5:001 Section 16(8)(a)	A financial summary for both the base period and the forecasted period that details how the utility derived the amount of the requested revenue increase.
807 KAR 5:001 Section 16(8)(c)	Operating income summary for both the base period and the forecasted period with supporting schedules, which provide breakdowns by major account group and individual account
807 KAR 5:001 Section 16(8)(d)	Summary of adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors
807 KAR 5:001 Section 16(8)(f)	Summary schedules for the base period and forecasted period of organization membership dues, initiation fees, charitable contributions, markets, expenditures, civic and political activity expenditures, expenditures for employee parties and outings, employee gift expenses, and rate case expenses.
807 KAR 5:001 Section 16(8)(g)	Analysis of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.
807 KAR 5:001 Section 16(8)(h)	Computation of the gross revenue conversation factor for the forecasted period.
807 KAR 5:001 Section 16(8)(i)	A cost of capital summary for both the base period and forecasted period with supporting schedules providing detail on the capital structure.
807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the ten (10) most recent

	calendar years, the base period, and the forecasted period.

Q: **For each of the documents included within the Filing Requirements that you are supporting, were they prepared by you or someone working under your supervision and did you review each of the documents included within the Filing Requirements that you are either sponsoring or co-sponsoring?**

A: Yes.

II. SCHEDULE A – FINANCIAL SUMMARY [807 KAR 5:001 Section 16-(8)(a)]

Q: **What information is provided in Schedule A.**

A: Schedule A provides the overall revenue requirement calculation for the BP and FTP based on inputs from Schedules B, C, D, E, H, and J. The overall FTP revenue requirement is $174,130,697, which represents a $23,773,019 increase over revenues generated from existing tariff rates. The Schedule C, D, and H information will be further developed in this testimony. As previously explained, Schedule B – Rate Base was calculated and provided by Columbia Witnesses Gore, Harding, and Johnson as described and supported in their respective testimonies. Schedule E – Income Tax Expenses presents the Kentucky state income tax and federal income tax expenses for the BP and FTP calculated by Columbia Witness Harding and supported in her testimony. Schedule J – Cost of Capital was provided by Columbia Witness Rea and supported in his testimony.

Q: Is Columbia's proposed revenue requirement and revenue increase inclusive of 2023, 2024, and 2025 SMRP Rider investments and related expenses?

A: No, Columbia's BP and FTP revenue requirement and revenue increase is exclusive of 2023, 2024, and 2025 SMRP Rider investments and corresponding expenses (depreciation and property taxes). Removal of SMRP Rider BP and FTP revenues are explained and supported in the testimony of Columbia Witness Wozniak. The testimonies of Columbia Witnesses Gore and Harding provide identification and removal of 2023, 2024, and 2025 SMRP Rider capital investments in the company's calculation of rate base, and rate base related-accumulated deferred income taxes, respectively. Elimination of 2023, 2024, and 2025 SMRP Rider depreciation expense is described in testimony by Columbia Witness Gore. Lastly, Columbia Witness Harding supports the removal of 2023, and 2024 SMRP Rider-related property tax expenses from the company's base rate request.

III. SCHEDULE C – JURISDICTIONAL OPERATING INCOME SUMMARY [807 KAR 5:001 Section 16-(8)(c)]

Q: What information is provided in Schedule C?

A: Schedule C presents Columbia's jurisdictional Operating Income for the BP and FTP and details how Columbia derived the amount of the requested revenue increase, net of 2023, 2024, and 2025 SMRP Rider investments and associated costs. Schedule C-1 – Operating Income Summary demonstrates the proposed base revenue increase and revenue requirement. Schedule C-2 – Adjusted Operating Income Summary presents the adjustments made to the BP to arrive at the adjusted base period return at current rates shown on Schedule C-1, Column 3, and FTP adjustments to arrive at the adjusted forecasted return at current rates shown in Column 5. Schedule C-2.1 represents jurisdictional annual Operating Revenues and Expenses, by Account, and Schedule C-2.2 presents the Schedule C-2.1 Operating Revenues and Expenses information by month.

Q: Please explain Schedule C-1.

A: Schedule C-1 reflects Columbia's BP and FTP Operating Income Summary. This schedule includes the adjusted FTP operating income summarized at both current rates and proposed rates. The adjusted FTP operating income at current rates is presented as pro forma adjustments to the BP. The revenue at proposed rates was developed by adding the revenue increase shown on Schedule A to the current forecasted period operating revenues. The related increase to operating and maintenance expenses and taxes on the proposed revenue increase are subtracted from the current adjusted operating results to determine the forecasted operating income and the corresponding rate of return. The rate base as shown on this schedule is calculated on Schedule B-1.

Q: What is Schedule C-2?

A: The Adjusted Operating Income Summary shown as Schedule C-2 presents the adjustments made to the BP to arrive at the adjusted base period return at current rates that is carried forward to Schedule C-1, Column 3, and FTP adjustments to arrive at the adjusted forecasted return at current rates shown on Schedule C-1, Column 5. Base period adjustments are summarized by account on Schedule D-1A with FTP adjustments summarized on Schedule D-1B.

Q: Please explain Schedules C-2.1A and C-2.1B.

A: Schedules C-2.1A and C-2.1B present a summary of the company's jurisdictional unadjusted annual Operating Revenues and Expenses for the BP and FTP, respectively. The operating results as shown on these schedules are listed by account and are summarized on Schedule C-2.

Q: Please explain Schedules C-2.2A and C-2.2B.

A: Schedules C-2.2A (BP) and C-2.2B (FTP) provide a monthly view of the account level information presented in Schedules C-2.1A and C-2.2B, correspondingly, for the periods.

IV. SCHEDULE D – SUMMARY OF OPERATING INCOME ADJUSTMENTS [807 KAR 5:001 Section 16-(8)(d)]

Q: What information is provided in Schedule D?

A: Schedule D presents a summary of the adjustments made to BP and FTP Operating Income. Schedules D-1A and D-1B summarize the adjustments detailed in Schedule D-2, by account, for the BP and FTP, respectively.

Q: Please explain Schedules D-1A and D-1B.

A: Schedule D-1A for the BP provides a Summary of Utility Jurisdictional Adjustments to Operating Income By Major Accounts to arrive at the Adjusted Base Period operating income. The schedule further depicts the differences, or adjustments, between the Adjusted Base Period and unadjusted FTP operating income. Schedule D-1B for the FTP provides a Summary of Utility Jurisdictional Adjustments to Operating Income By Major Accounts to arrive at the Adjusted Forecasted Test Period operating income, which is carried forward to Schedules C and A in determining the Company's calculated proposed revenue increase.

Q: Please describe the adjustments included in Schedule D-2.

A: The adjustments reflected in Schedule D-2 fall under three categories: 1) adjustments to the Unadjusted Base Period – Schedules D-2.1 and D-2.2; 2) adjustments, or differences, between the Adjusted Base Period and Unadjusted Forecasted Test Period – Schedules D-2.3 through D-2.5; and 3) ratemaking adjustments to forecasted expenses – Schedule D-2.6.

Q: Please describe the adjustments to the Unadjusted Base Period included in Schedules D-2.1 and D-2.2.

A: Schedule D-2.1 contains detailed adjustments supported by Columbia Witness Wozniak to remove SMRP Rider revenues, by account, from BP actuals (September 2023 to February 2024). Schedule D-2.2 supported by Columbia Witness Inscho contains an adjustment to remove misclassified costs recorded electric O&M accounts during the BP, and adjustments to Depreciation and Amortization expense and Taxes Other Than Income, specifically Property Taxes, to remove associated 2023 and 2024 SMRP Rider operating expenses with the latter adjustment supported by Columbia Witness Harding. The adjustments presented in Schedules D-2.1

and 2.2 are applied to derive the Adjusted Base Period operating income displayed in Schedule D-1A, Column 5.

Q: Please describe the adjustments to the Adjusted Base Period included in Schedules D-2.3 through D-2.5.

A: Schedule D-2.3 details the Revenue and Gas Supply Expense accounts differences, or adjustments, between the Adjusted BP and Unadjusted FTP supported by Columbia Witness Wozniak and myself. Schedules D-2.4 and D-2.5 illustrate the BP to FTP adjustments made to O&M, and Depreciation and Amortization and Taxes Other Than Income Taxes accounts, respectively, supported by Columbia Witness Inscho. The adjustments presented in Schedules D-2.3 through D-2.5 are shown in Schedule D-1A to arrive at the Unadjusted Forecasted Test Period operating income in Column 11.

Q: Please describe the Forecasted Test Period ratemaking adjustments included in Schedule D-2.6.

A: Schedule D-2.6 contains ratemaking adjustments to the FTP that are in addition to the BP to FTP adjustments in Schedules D-2.1 through D-2.5. The ratemaking adjustments in Schedule D-2.6 are summarized as follows:

<u>Adjustment 1</u> removes late payment penalties assessed to residential customers included in FTP Other Gas Department Revenues as described

and supported in the testimonies of Columbia Witness Wozniak and Columbia Witness Cooper.

Adjustments 2.1 and 2.2 align the Energy Assistance Program (EAP) and Energy Efficiency Conservation Program (EECP) tracker expenses with the tracker revenues presented in Schedule M supported by Columbia Witness Wozniak.

Adjustment 3 replaces a $0 budget for Statement of Financial Accounting Standards ("SFAS") 112 expense to reflect a normalized level of expense by utilizing a five-year average for the most recent five calendar years (2019 – 2023).

Adjustments 4.1 through 4.3 reflect the change in uncollectible non-gas and gas cost expenses, and uncollectible gas cost revenues, to ensure uncollectible recovery aligns with the proposed normalized uncollectible rate per Workpaper D-2.6.D(2), included herein as Attachment TLS-1. Adjustment 4.3, uncollectible gas cost revenues adjustment, is described and supported in the testimony of Columbia Witness Wozniak.

Adjustment 5 adjusts the budget to reflect the latest known annualized corporate insurance premiums for the Company's property, casualty, workers compensation, medical stop loss and other miscellaneous general insurance for 2023 / 2024 policy periods as described and supported in the testimony of Columbia Witness Inscho.

Adjustment 6 requests amortization treatment of costs associated with this proceeding that are not included in the forecast.

Adjustments 7.1, 7.2, 8.1, and 8.2 remove a 2025 level of expense based on identified non-recoverable items using 2023 actual data, adjusted for inflation, to arrive at a representative proxy included in the FTP budget. Note, Adjustments 8.1 and 8.2 supported by Columbia Witness Bly reflect non-recoverable FTP NCSC management fee expenses allocated to Columbia.

Adjustment 9 adjusts total company FTP budgeted Depreciation and Amortization to remove 2023, 2024, and 2025 SMRP Rider-related expenses, and to reflect the depreciation rates proposed and supported by the testimony of Columbia Witness Spanos and applied in the calculation of Schedule B – Rate Base by Columbia Witness Gore.

Adjustment 10 adjusts total company FTP budgeted Taxes Other Than Income – Property Taxes to remove 2023, 2024, and 2025 SMRP Rider-related expenses, and to adjust for the current assessment values and effective tax rates supported by Columbia Witness Harding.

The Schedule D-2.6 adjustments described above have been applied to the Unadjusted Forecasted Test Period in Schedule D-1B to arrive at the Adjusted Forecasted Test Period operating income in Column 16.

Q: What is the basis used for determining the current uncollectible provisions percentage used in Schedule D-2.6 Adjustments 4.1 through 4.3?

A: Please reference Attachment TLS-1 (Workpaper D-2.6.D(2)) that details the calculation of the uncollectible provision rate of 0.417% used in the uncollectible expense adjustment. This attachment provides the uncollectible provisions for years 2017 through 2023. Note, years 2020 and 2021 uncollectible provisions were impacted due to the COVID-19 pandemic and have not been utilized in the calculation of the proposed normalized uncollectible provision rate. The normalized uncollectible provision rate utilizes a three-year average of the uncollectible provisions for years 2019, 2022 and 2023 are used to calculate the 0.417% proposed in this filing.

Q: How are the income tax effects of the adjustments in Schedule D reflected?

A: State and federal income taxes have been adjusted in Schedule E, which is supported by Columbia Witness Harding, to reflect changes resulting from the adjustments described in my testimony.

V. SCHEDULE F – OTHER EXPENSES [807 KAR 5:001 Section 16-(8)(f)]

Q: What information is provided in Schedule F?

A: Schedule F is a listing of organization membership dues; charitable contributions; expenditures at country clubs; expenditures for employee gatherings and outings; employee gift expenses; marketing, sales, and advertising expenditures; professional service expenses; rate case expenses; and civic and political activity expenses for the base period and forecasted test period. Items that have been removed or excluded from Cost of Service for each of the categories listed have been separately identified within the schedule. In addition, the F Schedules are presented as 1) Total Company; 2) Columbia direct incurred costs; and 3) costs allocated to Columbia from NCSC. Presentation of costs in Schedule F that are allocated to Columbia from NCSC are supported by Columbia Witnesses King and Bly.

VI. <u>SCHEDULE H – GROSS CONVERSION FACTOR [807 KAR 5:001 Section 16-(8)(h)]</u>

Q: What information is provided in Schedule H?

A: Schedule H details the factor used to determine the incremental revenue required to cover income taxes, uncollectible expense, and PSC fees when a change is recommended to operating income. The uncollectible expense factor, as described earlier in this testimony, is calculated in Attachment TLS-1 (Workpaper D-2.6.D(2)).

VII. <u>SCHEDULE I – STATISICAL DATA [807 KAR 5:001 Section 16-(8)(i)]</u>

Q: What information is provided in Schedule I?

A: Schedule I, which is co-sponsored by Columbia Witnesses Inscho and Wozniak, provides comparative income statements, revenue statistics, and sales statistics for the five most recent calendar years from the application filing date, the base period, the forecasted test period, and two projected calendar years beyond the forecast period.

VIII. <u>SCHEDULE K – COMPARATIVE FINANCIAL DATA [807 KAR 5:001 Section 16-(8)(k)]</u>

Q: What information is provided in Schedule K?

A: Schedule K provides comparative financial data and earnings measures for the ten most recent calendar years, the base period, and the forecasted test period. This Schedule is co-sponsored by myself as well as Columbia Witnesses Gore, Inscho, and Rea.

Q: Does this complete your Prepared Direct Testimony?

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

Attachment TS-1

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2024 - 00092
Provision for Bad Debts
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2025

Data:__ Base Period_X_Forecasted Period
Type of Filing: X Original _ Update _ Revised

Workpaper WPD-2.6D-2
WITNESS: SHAEFFER

Line No.	Description	2023	2022	2021	2020	2019	2018	2017
1	Reserve account balance at the beginning of the year	$332,385	$950,590	$2,835,420	$650,967	$800,986	$278,464	$227,382
2	Charges to reserve (accounts charged off)	($1,748,385)	($1,829,965)	($1,829,164)	($586,474)	($996,737)	($633,572)	($862,351)
3	Credits to reserve account	$525,133	$585,682	$572,763	$248,109	$408,606	$416,529	$357,681
4	Current year provision	$1,169,817	$626,079	($628,429)	$2,522,818	$438,111	$739,565	$555,752
5	Reserve account balance at the end of the year	$278,949	$332,385	$950,590	$2,835,420	$650,967	$800,986	$278,464
6	Total Company Revenue (Excludes Unbilled)	192,589,750	197,014,925	147,730,483	127,764,935	134,813,571	142,429,329	126,334,457
7	Percent of provision to total revenue (Line 4/6)	0.6074%	0.3178%	-0.4254%	1.9746%	0.3250%	0.5193%	0.4399%
8	Three Year Average - 2023, 2022 & 2019 (5-Year Adjusted)	0.4170%						

TAB 29

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Craig Inscho

Columbia Exhibit No. 29

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
CRAIG INSCHO
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)	Case No. 2024-00092

VERIFICATION OF CRAIG INSCHO

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Craig Inscho, Financial Planning Manager for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Craig Inscho

The foregoing Verification was signed, acknowledged and sworn to before me this 30 day of April, 2024, by Craig Inscho.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF CRAIG INSCHO

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Craig Inscho and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

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

A: I am employed by NiSource Corporate Services Company ("NCSC") as Financial Planning Manager. I am responsible for analysis and support in the Operations and Maintenance ("O&M") expense budgeting process for NiSource Inc. ("NiSource") gas distribution companies, including Columbia Gas of Kentucky, Inc. ("Columbia"), and coordination with the NCSC financial planning and budgeting processes.

Q: What is your educational background and professional experience?

A: I received a Bachelor of Science in Accounting and a Bachelor of Science in Finance from Ohio Dominican University in 2010. I began my employment with NiSource in March 2011 in the Accounting Department. In June 2015, I accepted a position in Regulatory supporting regulatory filings for Columbia, Columbia Gas of Virginia, Inc., and Columbia Gas of Maryland, Inc. In September 2021, I accepted a Lead Analyst position in the Finance organization supporting Columbia and Columbia Gas of Ohio, Inc. I assumed my current position in November 2023.

Q: Have you previously testified before any regulatory commissions?

A: Yes. I have testified before the Maryland Public Service Commission where I submitted testimony on behalf of Columbia Gas of Maryland, Inc. in support of its rate base calculation.

Q: What is the purpose of your testimony?

A: My testimony supports Columbia's projected financial statements, including O&M expenses for the Forecasted Test Period, that have been incorporated in Columbia Witness Shaeffer's cost of service analysis.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	Description
807 KAR 5:001 Section 16(6)(a)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.
807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.
807 KAR 5:001 Section 16(7)(c)	A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables,

	assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported;
807 KAR 5:001 Section 16(7)(d)	The utility's annual and monthly budget for the twelve (12) months preceding the filing date, the base period, and forecasted period;
807 KAR 5:001 Section 16(7)(h)	A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
807 KAR 5:001 Section 16(7)(h)1	Operating income statement (exclusive of dividends per share or earnings per share);
807 KAR 5:001 Section 16(7)(h)2	Balance Sheet
807 KAR 5:001 Section 16(7)(h)3	Statement of Cash Flows
807 KAR 5:001 Section 16(7)(h)4	Revenue requirements necessary to support the forecasted rate of return
807 KAR 5:001 Section 16(7)(h)8	Mix of Gas Supply (Gas)
807 KAR 5:001 Section 16(7)(h)9	Employee Level
807 KAR 5:001 Section 16(7)(h)10	Labor Cost Changes
807 KAR 5:001 Section 16(7)(n)	The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast

807 KAR 5:001 Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available
807 KAR 5:001 Section 16(8)(d)	A summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors
807 KAR 5:001 Section 16(8)(f)	Summary schedules for both the base period and the forecasted period (the utility may also provide a summary segregating those items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures at country clubs; charitable contributions; marketing, sales, and advertising expenditures; professional service expenses; civic and political activity expenses; expenditures for employee parties and outings; employee gift expenses; and rate case expenses
807 KAR 5:001 Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title
807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for the five (5) most recent calendar years from the application filing date, the

	base period, the forecasted period, and two (2) calendar years beyond the forecast period;
807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the ten (10)most recent calendar years, the base period, and the forecast period.

Q: For each of the documents included within the Filing Requirements that you are supporting, were they prepared by you or someone working under your supervision, and did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

II. TEST PERIOD

Q: What is the test period in this proceeding?

A: Columbia is requesting an adjustment in rates based on a Forecasted Test Period ("Forecasted Test Period") for the twelve months ended December 31, 2025. The financial data for the Forecasted Test Period is presented in the form of pro forma adjustments to a Base Period ("Base Period") which is the twelve months ended August 31, 2024. The Base Period includes actual data for the period September 2023 through February 2024 and forecasted data for the period March 2024 through August 2024.

Q: What is the basis for the forecasted O&M expense included in the Base Period and Forecasted Test Period net operating income?

A: The forecasted O&M expense included in the base and test periods is derived from Columbia's most recent O&M budget and subsequent rate making adjustments, as described by Columbia Witness Shaeffer.

III. PROCESS FOR DETERMINING O&M BUDGETS

Q: Please describe the annual budget development process.

A: The overall NiSource O&M targets, including NCSC, are established using a "top down" approach, as informed by lower levels of management, which facilitates decisions points to ensure the highest and best use of available dollars. Information at various levels and functions are necessary to capture the detailed department level requirements of the business to provide each functional leader (e.g., IT, Legal, Engineering) with an operating budget. Ultimately, the overall NiSource O&M targets are established by the by the Executive Vice President and Chief Financial Officer and Senior Vice President of NiSource's Financial Planning and Analysis ("FP&A"), and approved by the Executive Leadership Team. Operating Company targets for Columbia and departmental O&M are refined and aligned to detailed work plans. The FP&A management team establishes financial goals and planning objectives in conjunction with NiSource Inc.'s senior management team and Board of Directors.

Q: How is O&M expense developed for Columbia's budget?

A: The O&M budget for Columbia is informed by lower levels of management in which individuals who are responsible for approving expenditures are also responsible for budgeting the expenditures. The process generally follows organizational responsibility. Department heads are responsible for overseeing the development of O&M budgets for all cost centers under their control. Columbia's O&M budget is developed by department and by cost element, with the assistance of the FP&A department. This includes a comparison of a series of data points based on most recent experience. Specifically, the proposed O&M budget is compared to the most recent year's O&M budget as well as compared to the prior year's actual, experienced amounts. These comparisons help identify trends and allow for measurement against the Company and parent company management's expectations. Once finalized, the departmental O&M expense budget is incorporated into the business unit's operating plan.

The Field Operations budget originates in operating center locations based on the specific work plan. This budget, as well as other departments representing Columbia's major business functions, are then combined with a corporate-level budget to arrive at a total company budget.

Q: What is meant by the term corporate-level budget?

A: The corporate-level budget represents categories that are budgeted at a NiSource-level, and not at an individual Company or functional department level. This allows for each corporate-level department to focus exclusively on the expenditures for which they are directly responsible. Examples of O&M expenses included at the corporate-level are employee benefits, benefits administration fees, audit fees, financial planning and accounting, in-house legal, human resources, and corporate insurance.

Q: Is the budget reviewed throughout the year?

A: Yes, the current year detailed O&M budget is reviewed against actual results each month throughout the year to determine the reasons for variances and to take appropriate action. If known variances are the result of timing that will be resolved within the year, then those variances are monitored closely but no further action is taken, unless it is deemed, at some point during the year, that the variance will result in a true budget variance at the end of the year. When the review of monthly budget versus actual reveals variances that are expected to last throughout the year, the NCSC FP&A department will work with Columbia management to determine the drivers of the variances and steps to be taken to reduce the variance to the overall budget. In certain cases, budget variances will occur to address or take advantage of unforeseen general or operational conditions. In cases where a variance is driven by unforeseen general or operational conditions, the variance may not be reduced or mitigated, but may result in a departmental overrun or underrun. In this case, documentation of the drivers of the variance is maintained and evaluated in future planning cycles to ensure proper consideration of new and developing forecast items.

Q: Does this review include Columbia Leadership?

A: Yes. They are the audience for the review and it includes the President and members of her team.

IV. <u>BASE PERIOD O&M</u>

Q: Has the process you described above for calculating O&M been used in the development of O&M expense for the Base Period?

A: Yes. Columbia used the same process that we used in our ordinary course of business when developing the O&M expense for the Base Period.

Q: Where can this budgeted O&M be found in the schedules for this proceeding?

A: Please refer to Schedules C-2.2A (Base Period) and C-2.2B (Forecasted Test Period) for O&M expense by account, which are sponsored by Columbia Witness Shaeffer. Please also refer to Workpapers WPD-2.4.A (Base Period) and WPD-2.4.B (Forecasted Test Period) for O&M expense by cost category, which is co-sponsored by Columbia Witness Shaeffer and myself.

V. FORECASTED TEST PERIOD O&M

Q: Has the process you described above for calculating O&M been used in the development of O&M expense for the Forecasted Test Period?

A: Yes. Columbia used the same process that we used in our ordinary course of business when developing the O&M expense for the Forecasted Test Period.

Q: Let's discuss some of the more significant components of the O&M forecast. What are the principal assumptions used in the development of the labor cost element budgets included in the Forecasted Test Period O&M expenses?

A: Labor expense is based on projected headcount and wage increase assumptions. More detailed labor budgets are developed by projecting the year's labor based on a trend analysis. The projection includes estimates for headcount, gross salary, overtime, vacation and sick time, and labor charges in from other departments. This results in a sub-total for total labor dollars available by month, which will then be allocated between O&M accounts, capital, and charges to other departments. That allocation involves developing an estimate for the following year's O&M labor budget based on the projected work by activity, and using the estimate to determine how much of the labor budget should be allocated to O&M accounts. The remaining labor resources are then allocated to capital or charged out to other departments where work may be performed.

Q: Does your budgeting analysis include any projections regarding Columbia headcount?

A: Yes, Columbia is projecting 204 full-time employees for 2025, and an overall wage increase guideline of 3% for exempt and non-exempt employees in 2025. Wages and benefits are described in greater detail in the testimony of Columbia Witness Owens.

Q: Please explain how non-labor expenses are taken into account in the development of the O&M expense budget.

A: All expenses start with the assumption that amounts are to be held relatively flat year to year reflecting normal, ongoing level of expenses and further adjusted for incremental activities or events that are reasonably expected to occur, or adjusted for expenses that are not expected to recur. These expenses are informed by various levels within the Columbia organization.

Q: Please describe the basis for the corporate-level budgets included in Columbia's overall O&M budget.

A: Corporate-level budgets provided to Columbia include several major categories. Employee benefits expenses are based on information provided by NiSource's independent actuaries, Lockton Companies and Aon plc. Corporate insurance expenses are based on estimated property, casualty premium costs, medical stop loss, and general liability costs developed by NCSC's Insurance Department. Audit fees are based on estimates developed by NiSource Accounting. Telecommunications expenses are based on estimates developed by NCSC Information Technology. Corporate Services fee expenses are based on estimates of services to be performed by NCSC for Columbia. Benefits administration fees, and incentive plan expenses are based on estimates developed by NCSC's Human Resources.

Q: Are there any ratemaking adjustments made to the Forecasted Test Period for the Columbia direct O&M?

A: Yes. I am proposing to make one ratemaking adjustment to the Forecasted Test Period related to Columbia's Corporate Insurance, specifically, the property, casualty, workers compensation, medical stop loss and other miscellaneous general insurance for 2023 / 2024 policy periods. The detail for this adjustment is provided in Attachment CI-1. This adjustment will reduce the Forecasted Test Period Corporate Insurance expense by $288,255.

Q: Please describe any O&M efficiencies included in the Forecasted Test Period for Columbia direct O&M.

A: Please refer to the testimony of Columbia Witness Ayers for detail regarding O&M efficiencies.

Q: Please identify the key variances in O&M expense levels between calendar year 2022 and the Forecasted Test Period in the current proceeding.

A: Table 1 below identifies the key variances in O&M expense levels.

Table 1

Category	Actual December 31, 2022 (in 000s)	Budget 2024 Rate Case December 31, 2025 (in 000s)	Variance (in 000s)
Pension & OPEB Non-Service Cost	($164)	$294	$458
Medical Insurance	$952	$1,542	$589
Uncollectible Expense	$281	$707	$426
Outside Services	$9,226	$6,333	($2,892)

Pension & OPEB Non-Service Cost increases in the Forecasted Test Period are based upon updated actuarial assumptions from Aon. The increased level of expense is driven by changes in market conditions.

Medical Insurance costs in the Forecasted Test Period are based on the information provided by NiSource's independent actuary, Lockton. The underlying assumptions for the current study were based upon Lockton's actuarial projections.

Uncollectible Expense in Calendar Year 2022 was uniquely low due to continuing impacts of the COVID-19 pandemic and associated payment plans. The Forecasted Test Period is based on budgeted revenues, excluding gas costs, multiplied by an expected charge-off factor.

Outside Services costs reflect the payments made to consultants and contractors for various services. Usage of contractors for services such as locates, turnback's, and leak repairs have reduced over the period. In addition, Columbia has switched to using internal employees for collections activity.

Q: In your opinion, is the O&M information presented in Columbia's forecasted test year accurate and reliable?

A: Yes.

Q: Does this complete your Prepared Direct Testimony?

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

Attachment CI-1

Columbia Gas of Kentucky, Inc.
Annualization of Corporate Insurance - Accounts 924, 925 and 926
For The T.M.E. August 31, 2024 and Rate Year ending December 31, 2025

Line	Description	Account No.	Forecasted Period	2023/2024 Premium Coverage Period	2023/2024 Total Company Adjustment
	(1)	(2)	(3)	(4)	(5=4-3)
			$	$	$
1	Total Account 924 Property Insurance	**924**	94,887	69,856	(25,032)
2	Total Account 925 Casualty Liability Premiums	**925/926**		1,941,589	
3	Account 925 Casualty Liability Transferred to Capital [1]	**925/926**		(951,379)	
4	Expense Account 925 Casualty Liability	**925/926**	1,122,532	990,211	(132,321)
5	Total Account 925 Other Misc Insurance Premiums	**925**	312,449	225,740	(86,709)
6	Total Account 925 Workers' Compensation Premiums	**925**		180,195	
7	Account 925 Workers' Compensation Transferred to Capital [2]	**925**		(100,639)	
8	Expense Account 925 Workers' Compensation	**925**	106,575	79,556	(27,019)
9	Total Account 926 Medical Stop Loss Premiums	**926**		66,376	
10	Account 926 Medical Stop Loss Transferred to Capital [3]	**926**		(36,800)	
11	Expense Account 926 Medical Stop Loss	**926**	46,751	29,576	(17,175)
12	**Total Corporate Insurance (Line 1 + Line 4 + Line 5 + Line 8 + Line 11)**		**1,683,193**	**1,394,938**	**(288,255)**

Footnote:

[1] Account 925 and 926 Casualty Transferred to Capital %.

	Gross	925 / 926 Expense	107 Capital	Capitalized %
Jan-24	164,386	83,837	80,549	**-49.00%**

[2] Account 925 Workers Comp Transferred to Capital %.

	Gross	Kentucky	I/C	107 Capital	Capitalized %
Jan-24	15,051	5,498	9,554	(8,406)	**-55.85%**

[3] See Attachment CI-1, Page 2 for the Account 926 MSL Transferred to Capital %.

Columbia Gas of Kentucky, Inc.
Annualization of Corporate Insurance - Accounts 924, 925 and 926
For The T.M.E. August 31, 2024 and Rate Year ending December 31, 2025

Gross Payroll Account Allocation TME December 2023

Line No.	Description / Account	Per Books December 2023	Percentage of Gross Payroll	Exclusion Adjustment [1]	Pro Forma December 2023	Pro Forma Percentage of Gross Payroll
	(1)	(2)	(3)	(4)	(5) = (2) + (4)	(6)
		($)		($)	($)	
1	O&M Expense	13,370,913	56.29%	2,005,211	15,376,124	55.44%
2	870	353,804			353,804	
3	871	141,888			141,888	
4	874	1,888,151			1,888,151	
5	875	151,441			151,441	
6	876	73,151			73,151	
7	878	1,286,159			1,286,159	
8	879	2,193,600			2,193,600	
9	880	526,085			526,085	
10	885	76,789			76,789	
11	886	4,268			4,268	
12	887	1,204,289			1,204,289	
13	889	386,934			386,934	
14	890	53,853			53,853	
15	892	402,899			402,899	
16	893	169,391			169,391	
17	894	127,632			127,632	
18	902	108,146			108,146	
19	903	713,058			713,058	
20	920	3,500,974		1,996,810	5,497,784	
21	926	8,401		8,401	16,802	
22	CWIP - 107	8,411,139	35.41%	924,655	9,335,794	33.66%
23	RWIP - 108	782,082	3.29%		782,082	2.82%
24	A/R - Associated Companies - 146	126,532	0.53%	4,723	131,255	0.47%
25	A/P - Associated Companies - 234	533,051	2.24%	578,507	1,111,558	4.01%
26	Stores/Fleet/Other	528,154	2.22%	468,844	996,998	3.59%
27	Other Accounts Receivable - 143	115,888			115,888	
28	Preliminary Surveys - 183	13,925			13,925	
29	Clearing Accounts - 184	228,177			228,177	
30	Miscellaneous Deferred Debits - 186	(885)			(885)	
31	Misc. Current & Accrued - 242	171,049		468,844	639,893	
32	Gross Payroll	23,751,871	100.00%	3,981,940	27,733,811	100.00%

Footnote:

[1] Payroll exclusion adjustment:

a) Incentive Compensation Accrued	2,280,562
b) Spot, Hire and Discretionary Awards	115,373
c) Stock Compensation (LITP)	1,507,508
d) Employee Stock Purchase Plan	78,496
Total Payroll Exclusion Adjustment	3,981,940

TAB 30

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Chrisley Scott

Columbia Exhibit No. 30

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
CHRISLEY SCOTT
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant

May 16, 2024 **COLUMBIA GAS OF KENTUCKY, INC.**

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)	Case No. 2024-00092

VERIFICATION OF CHRISLEY SCOTT

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Chrisley Scott, Director of Capital Program and Support Services for NiSource Inc., being duly sworn, states that she has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Chrisley Scott

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of May, 2024, by Chrisley Scott.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF CHRISLEY SCOTT

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Chrisley Scott and my business address is 240 W. Nationwide Blvd. Columbus, OH 43214.

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

A: I am the Director of Capital Program and Support Services for the Columbia Distribution Companies. In this role, I have oversight over capital projects and programs for each of the Columbia operating companies, including Columbia Gas of Kentucky ("Columbia"); the development, initiation, and planning of major projects; and NiSource Inc.'s ("NiSource") fabrication shop, located in Bangs, OH.

Q: What is your educational background and professional experience?

A: After earning my bachelor's degree in business administration from Ohio University, I began my professional career at a "Big Four" public accounting firm within the audit practice. During my time at the firm, I secured the required professional experience hours per The Ohio State Accountancy Board to be awarded my CPA license. Since leaving public accounting, I have held multiple finance roles throughout NiSource. My career path at NiSource has provided me the opportunity to have experiences in corporate financial planning and forecasting, utilities segment planning and forecasting, and most recently Columbia operating company capital planning and forecasting.

Q: Have you previously testified before any regulatory commissions?

A: I have not.

Q: What is the purpose of your testimony?

A: My testimony provides an overview of the process for setting a capital budget of Columbia, including the method by which capital is allocated to Columbia from NiSource.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirement:

Filing Requirement	**Description**
807 KAR 5:001 Section 16(7)(b)	The utility's most recent capital construction budget containing at a minimum a three (3) year forecast of construction expenditures.
807 KAR 5:001 Section 16(7)(c)	A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.
807 KAR 5:001 Section 16(7)(d)	The utility's annual and monthly budget for the twelve (12) months

	preceding the filing date, the base period, and forecasted period.
807 KAR 5:001 Section 16(7)(f)	For each major construction project that constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast, the following information shall be filed: 1. The date the project was started or estimated starting date; 2. The estimated completion date; 3. The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during construction ("AFUDC") or interest during construction credit; and 4. The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit.
807 KAR 5:001 Section 16(7)(g)	For all construction projects that constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in paragraph (f) 3 and 4 of this subsection.

Q. For the Filing Requirement that you are sponsoring, was it either prepared by you, by someone at your direction, or did you review and concur with the response?

A: Yes.

II. COLUMBIA'S CAPITAL PROGRAM

Q: What kinds of construction projects are included in Columbia's capital program?

A: Columbia's capital expenditures are categorized and allocated across the following four business classes:

1. Growth (also referred to as "New Business"): expenses in this category are used for any assets that are required to serve new customers. Projects to address long-term market growth are also included in this category.

2. Betterment expenses in this category are broken into two different subcategories:

- Capacity or Compliance: assets that are required to improve system reliability or provide additional capacity for existing customers;
- Public Improvement: (also referred to as "Mandatory Relocation"); any assets that must be relocated or altered to meet municipality requirements; and
- Support Services: capital expenditures that are not directly related to the installation of distribution facilities. This includes expenditures for capitalized tools/equipment,

telemetering, remote control, and other distribution communication equipment.

3. <u>Replacement</u> (also referred to as "Age and Condition"): expenses in this category are for any assets that must be replaced due to damage or physical deterioration in situations where repair is not cost effective.

4. <u>Shared Services</u>: expenses in this category include capital investments in information technology, facilities, real estate, and security that is allocated as NiSource corporate expenditures and managed by NiSource Corporate IT with assistance from applicable operating company personnel.

Q: Please describe Columbia's capital planning and allocation process.

A: Columbia's capital planning process is integral to its overall success. In order to ensure the effectiveness of this process, the capital program oversight team, which I lead, serves as the primary administrator for the capital budget. This team facilitates consistent capital planning and allocation across NiSource, optimizes capital spending, monitors and forecasts capital expenditure, and communicates capital information to key internal departments and stakeholders.

The capital budgeting and planning process for NiSource is a continual management process. Columbia's utility capital planning process is a series of collaborative working sessions with the President, other members of the Columbia leadership team, as well as the Finance, Operations, Engineering & Planning Departments. The Columbia leadership team along with Operations, Engineering & Planning are primarily responsible for identifying the capital investment needs for public safety and reliability, compliance requirements, customer service levels, and for identifying capital plan recommendations, which are reviewed with the NiSource Financial Planning Department. The output of these collaborative working sessions is a draft multi-year capital investment plan.

As part of the annual budgeting process, Columbia's formal request for capital is presented to NiSource executive management. Executive management finalizes the capital budget for the next fiscal year and submits it for NiSource Board of Directors for approval. The approval of the annual NiSource capital program constitutes approval of the allocation to Columbia's capital budget.

Q: Does your team also oversee the development of budgets for Safety Modification and Replacement Program ("SMRP") investments?

A: SMRP capital planning and oversight follows the process detailed above. SMRP anticipated capital of $35.7 million is not included in this case, and will instead be reflected in expected annual SMRP update filing in October 2025.

Q: What is Columbia's capital program budget for the forecasted test period ending December 2025?

A: For the forecasted test period ending December 2025, Columbia intends to spend approximately $65.2 million in capital, inclusive of anticipated SMRP spend of $35.7 million. See also Columbia Witness Gore for adjustments that are currently not included in the capital budget.

Q: Can the forecasted capital budget be broken down into the categories listed above?

A: Growth: $11.2 million

Betterment: $12.3 million

IT: $4.6 million

Shared Services: $1.4 million

Anticipated SMRP (to be filed October 2025): $35.7 million

Q: Does this complete your Prepared Direct Testimony?

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

TAB 31

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Nicholas R. Bly

Columbia Exhibit No. 31

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
NICHOLAS R. BLY
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)	Case No. 2024-00092

VERIFICATION OF NICHOLAS R. BLY

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Nicholas R. Bly, Accounting Manager for NiSource Corporate Service Company, a management and services subsidiary of NiSource Inc. for Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Nicholas R. Bly

Nicholas R. Bly

The foregoing Verification was signed, acknowledged and sworn to before me this 30 day of April, 2024, by Nicholas R. Bly.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF NICHOLAS R. BLY

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Nicholas ("Nick") Bly and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

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

A: I am currently the Accounting Manager for NiSource Corporate Services Company ("NCSC"). NCSC is a wholly owned subsidiary of NiSource Inc. ("NiSource"). Previously, I was a manager within Financial Planning & Analysis ("FP&A") focused on budget development and support for Corporate O&M and Indirects (defined later in testimony), of which NCSC is the largest component.

Q: What is your educational background and professional experience?

A: I received a Bachelor of Science degree in Business Administration with a concentration in Accounting and minor in Philosophy and Religious Studies from Winthrop University in Rock Hill, South Carolina in May 2006. My career began in the audit practice of Deloitte & Touche, LLP in Columbus, Ohio, where I first was exposed to the utility industry, as my main client from 2008-2010 was an electric utility. In 2010, I began working for NCSC as a Senior Financial Analyst in a Consolidation Accounting role.

In the following years, I also served as a Lead Analyst in Corporate Development, Lead Analyst in Corporate Budgeting, Manager in Corporate FP&A, as well as the Corporate Finance Manager before leaving NCSC in 2016. From 2017 – 2020, I served in a multifunctional finance and operations role for JadeTrack, Inc., a Software-As-A-Service company that provides Enterprise Energy Management Software. In October 2020, I re-joined NCSC in FP&A. In January 2024, I transferred to my current role.

Q: Have you previously testified before any regulatory commissions?

A: Yes. I previously testified before the Indiana Utility Regulatory Commission on behalf of the Northern Indiana Public Service Company in Cause Numbers 45621, 45772, and 45967. I've also testified before the Pennsylvania Public Utility Commission on behalf of Columbia Gas of Pennsylvania, Inc. in Docket Nos. R-2022-3031211 and R-2024-30465219.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide background on the budgeting process for NCSC and its relation to the specific budget for Columbia Gas of Kentucky, Inc. ("Columbia"). My testimony supports the projected O&M expenses associated with services provided by NCSC to Columbia, and any adjustments to those expenses for the period beginning September 1, 2023 and ending August 31, 2024 (the "Base Period") including 6 months of actuals and 6 months of budget data, and the period beginning January 1, 2025 and ending December 31, 2025 (the "Forecasted Test Period"). Lastly, I will be providing background and budget information on a key IT project known as the Work and Asset Management ("WAM") program that's currently under development.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	Description
807 KAR 5:001 Sections 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.
807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.
807 KAR 5:001 Section 16(7)(c)	A complete description of all factors used in preparing the utility's forecast period.
807 KAR 5:001 Section 16(7)(u)	If the utility had amounts charged or allocated to it by an affiliate or a general or home office or paid monies to an affiliate or a general or home office during the base period or during the previous three (3) calendar years, the utility shall file: 1. A detailed description of the method and amounts allocated or charged to the utility

	by the affiliate or general or home office for each allocation or payment; 2. The method and amounts allocated during the base period and the method and estimated amounts to be allocated during the forecasted test period; 3. An explanation of how the allocator for both the base period and the forecasted test period were determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated, or paid during the base period is reasonable.
807 KAR 5:001 Section 16(8)(d)	A summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors
807 KAR 5:001 Section 16(8)(f)	Summary schedules for both the base period and the forecasted period (the utility may also provide a summary segregating those items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures at country clubs; charitable contributions; marketing, sales, and advertising expenditures; professional service expenses; civic and political activity expenses; expenditures for employee parties and outings; employee

	gift expenses; and rate case expenses.
807 KAR 5:001 Section 16(8)(g)	Analysis of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.

Q: Did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

Q: What comprises the NCSC budget?

A: NCSC is where the majority of Corporate O&M and Overhead Expenses are budgeted, including functions such as but not limited to Information Technology, Finance, Accounting, Legal, Tax, Supply Chain, Treasury, Risk Management, Call Center Operations, Human Resources, Safety Services, and Utility Operation Support. Overhead Expenses are primarily comprised of short and long-term incentive compensation, retirement benefits (e.g., 401k, pension), insurance benefits (e.g., disability), health benefits (e.g., vision, medical), and the use of shared assets.

Q: How is O&M expense developed for the NCSC Budget?

A: The NiSource O&M expense budgeting methodology is a "top down" approach, as informed by lower levels of management, which facilitates decisions points to ensure the highest and best use of available dollars. "Top down" is necessary to ensure NiSource maintains its financial commitments (e.g. credit rating) to ensure capital availability necessary to maintain the infrastructure to deliver safe, reliable energy. Information at various levels and functions are necessary to capture the detailed department level requirements of the business to provide each functional leader (e.g., IT, Legal, Engineering) with an operating budget. Ultimately, the overall NiSource O&M targets are established by the Executive Vice President and Chief Financial Officer and SVP of Financial Planning & Analysis and presented to the Executive Leadership Team for approval. Department budgets are refined and updated as necessary after targets are set. Later in my testimony, I discuss the allocation process for NCSC costs. For a description of Columbia's leadership involvement in the development, allocation, and periodic review of the NCSC budget, please refer to the testimony of Columbia Witness Kima Cole.

Q: What is the high-level process to develop budgets.

A: Budgeted expenses are grounded in a trailing 12-month historical spend with merit increases and inflation adjusted for each year thereafter, delineated by cost categories such as labor, materials, and outside services. Overhead

Expenses are calculated based on labor, assets, or provided to us via actuarial firms (e.g., pension and benefits).

Q: What are the principal assumptions used in the development of the labor cost element for specific department budgets?

A: The starting point for labor costs is the current organizational chart (as of May 31, 2023 as the budget process began on June 1, 2023), which is then reviewed with each functional leader to properly reflect their organization for the upcoming year, including any terminations, additions, or transfers. The annual salary increases for merit are calculated. Additionally, the labor expense is reduced by a capitalization rate consistent with historical results by department, as many departments within the company work on projects that qualify for balance sheet treatment and are not immediately expensed through O&M. The labor expense values by department are compared to the prior year for reasonableness before the budgeting process is finalized.

Q: What are the principal assumptions used in the development of the non-labor cost elements for specific department budgets?

A: Non-labor, non-overhead expenses ("Direct Expenses") are rooted in historical trends to reflect normal ongoing levels of expense and are then adjusted up or down for known activities or events reasonably expected to occur or not recur.

Q: How are the allocation of costs to Columbia determined?

A: Allocations from NCSC to Columbia are based on historical distributions and adjusted as necessary to best represent expense planned to future periods.

Q: Is the budget reviewed throughout the year?

A: Yes. The NiSource Financial Planning and Analysis Department ("FP&A") and all budget owners, including their supervisors and NiSource financial leadership perform budget review on a monthly basis. These activities include analysis comparing budget to actual results, which provides key variance drivers for both monthly and year-to-date results. In addition to monthly variance analysis, updates are conducted with function leaders to update forecasts for the current year and any impact to future years (known as the "Present Estimate"). Documentation of variance drivers is maintained and evaluated in future planning cycles to ensure proper consideration of new and developing forecast items.

Q: How does NiSource's public commitment to flat O&M impact NCSC costs allocated to Columbia?

A: Please refer to later Q&A on specific dollar values; however, the intent of the commitment is to ensure customer affordability via a focused effort on becoming more efficient and effective with every O&M dollar spent. Please note, "Flat O&M" relates to NiSource in total and will not translate directly at lower levels, meaning NiSource companies, departments, or cost categories may be up or down individually.

II. NCSC Projected O&M Expenses in the Base Period and Forecasted Test Period

Q: What is the forecasted test period in this proceeding?

A: Columbia is requesting an adjustment in rates based on a Forecasted Test Period ("Forecasted Test Period") for the 12 months ended December 31, 2025.

Q: What is the basis for the forecasted O&M expense in the Base Period and Forecasted Test Period?

A: The O&M expense included in the Base Period and the Forecasted Test Period is derived from the budget process as previously described.

Q: What is the level of NCSC costs expected to be billed to Columbia during the Base Period and the Forecasted Test Period, before any adjustments?

A: The level of NCSC O&M costs in the Base Period and the Forecasted Test Period to Columbia, before any adjustments, is as shown below in Table NB-1. The Forecasted Test Period billed to Columbia of $19,868,316 is also presented on Attachment NB-1, and in Workpaper WPD-2.4.B, specifically Line 24, sponsored by Columbia Witness Inscho.

Table NB-1		
Costs	**Base Period (TME 8/31/2024)**	**Forecasted Period, adjusted (TME 12/31/2025)**
Actual (9/1/2023 - 2/29/2024)	$ 11,960,710	$ -
Forecast	10,321,783	19,722,579
Grand Total	$ 22,282,493	$ 19,722,579

Q: Were there any adjustments made to the Forecasted Test Period for the NCSC O&M for Columbia?

A: Yes. There is one adjustment made to the Forward Test Period resulting in a decrease to O&M expense in the amount of $145,738 for lobbying and charitable contributions, promotional advertising, employee gifts and entertainment, and other miscellaneous adjustments that Columbia is not seeking to recover. Detail for this adjustment is included in Attachment NB-1 page 3 (Workpaper WPD-2.6.H).

Q: Is the level of O&M expense, net of pro-forma adjustments, in line with inflation from the Forecasted Test Period in the last rate case, Case No. 2021-00183? If not, why not?

A: No, the level of O&M is lower than an inflation adjusted Forecasted Test Period from the prior case. NiSource is committed to maintaining customer affordability through their publicly stated Flat O&M initiative. Using actual Gross Domestic Product Implicit Price Deflator of 3.65% for 2023 and a mere 2.0% for 2024 and 2025, the Forecasted Test Period O&M requested in this case is 5% lower than would be expected as shown on Attachment NB-1 page 2. If 2024 and 2025 inflation were to remain consistent with 2023 at 3.65%, then the current case Forecasted Test Period is 8% lower than would be expected.

Q: Is the Forecasted Test Period level of $19,722,579, after adjustments, on Attachment NB-1, representative of the NCSC O&M expense necessary to provide ongoing safe and reliable service at reasonable rates?

A: Yes. The Forecasted Test Period level of O&M expense is representative of Columbia's ongoing cost of providing sale, reliable service.

Q: What is the WAM program?

A: As defined in Witness Skinner's Testimony, our IT systems will be undergoing a transformation of which the first step is the WAM program.

Q: What is the cost of the WAM program for Columbia?

A: The capital costs associated with the WAM program are outlined in Section VI of the Testimony of Columbia Witness Jeffery Gore. The O&M associated with the WAM program during the FTP will be approximately $700,000.

Q: How are actual WAM capital and O&M expenses being allocated to Columbia?

A: When possible, costs are directly charged to Columbia and NiSource's other operating units. Capital and O&M expenses that support multiple NiSource operating units and therefore are not directly charged costs, will be allocated to the operating companies benefited by the development and implementation of the WAM program. The bases of allocation to the benefitting companies are either (1) the combination of total gross fixed assets and total O&M expense, or (2) the number of retail customers, through the applicable billing pool defined in the affiliate service agreement between Columbia and NCSC.[1]

Q: Is the allocation methodology used by NiSource to allocate the costs of the WAM program to Columbia reasonable?

A: Yes. The basis of allocation to the benefitting companies are consistent with the methodologies described herein for budgeting or consistent with the methodologies prescribed in the Service Agreement for actuals.

Q: Does this complete your Prepared Direct testimony?

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

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[1] Service Agreement between NCSC and Columbia dated January 1, 2015 ("Service Agreement"), which is provided as an attachment to the Testimony of Columbia Witness Kristen King as "Attachment KK-2".

Attachment NB-1

COLUMBIA GAS OF PENNSYLVANIA
Docket No. R-2024-3046519
NCSC prior case to current case comparison

Attachment NB-1
Page 1 of 1

Line No.	Ref	Description		Amount
1	Exhibit 104, Schedule 1, Page 2, Line 22 (1)	Normalized FPFTY Twelve Months Ended December 31, 2023	$	176,340,225
2	Kelley Miller Rebuttal Testimony Table KKM 1-R (1)	O&M Correction	$	2,607,000
3		Total filed in 2022 rate case	$	178,947,225
4				
5	Exhibit 104, Schedule 1, Page 2, Line 21 (2)	Normalized FPFTY Twelve Months Ended December 31, 2025	$	168,723,021
6		Over/(Under) prior case	$	(10,224,204)
7				
8				
9				
10				
11	*Footnotes:*			
12	*(1) Reference to prior rate case Docket No. R-2022-3031211*			
13	*(2) Reference to current case Docket No. R-2024-3046519*			

TAB 32

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Kristen King

Columbia Exhibit No. 32

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
KRISTEN KING
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 16, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC APPLICATION OF COLUMBIA GAS	)	
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF	)	Case No. 2024-00092
RATES; APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND OTHER	)	
RELIEF	)	

VERIFICATION OF KRISTEN KING

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Kristen King, Director of SEC Reporting, Technical Research & SOX Compliance for NiSource Corporate Service Company for Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Kristen King

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of May, 2024, by Kristen King.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF KRISTEN KING

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Kristen King and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

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

A: I am the Director of SEC Reporting, Technical Research & SOX Compliance. As it pertains to my testimony in this proceeding, I am responsible for ensuring the completeness and accuracy of NiSource Corporate Service Company (“NCSC") accounting records and the billing of NCSC shared services to Columbia Gas of Kentucky, Inc (“Columbia”).

Q: What is your educational background and professional experience?

A: I obtained a Master of Science in Accounting graduate degree from the University of Notre Dame and am a Certified Public Accountant. I began my career in the audit practice of KPMG after which I held several roles with notable companies such as Hilton Worldwide and E-Trade gaining experience in financial reporting, technical accounting, derivatives analysis, and general accounting. I joined NCSC in April 2021 in my current role.

Q: Have you previously testified before any regulatory commissions?

A: No.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide background on the relationship between NCSC and Columbia. I also support the O&M expenses associated with services provided by NCSC to Columbia, and any adjustments to those expenses for the actual portion of the Base Period in this case.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	**Description**
807 KAR 5:001 Sections 16-(7)(u)	If the utility had amounts charged or allocated to it by an affiliate or a general or home office or paid monies to an affiliate or a general or home office during the base period or during the previous three (3) calendar years, the utility shall file: 1. A detailed description of the method and amounts allocated or charged to the utility by the affiliate or general or home office for each allocation or payment; 2. The method and amounts allocated during the base period and the method and estimated amounts to be allocated during the forecasted test period; 3. An explanation of how the allocator for both the base period and the forecasted test

	period were determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated, or paid during the base period is reasonable.
807 KAR 5:001 Sections 16-(8)(d)	A summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors
807 KAR 5:001 Sections 16-(8)(f)	Summary schedules for both the base period and the forecasted period (the utility may also provide a summary segregating those items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures at country clubs; charitable contributions; marketing, sales, and advertising expenditures; professional service expenses; civic and political activity expenses; expenditures for employee parties and outings; employee gift expenses; and rate case expenses.
807 KAR 5:001 Sections 16-(8)(g)	Analysis of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.

Q: Did you review each of the documents included within the Filing Requirements that you are co-sponsoring?

A: Yes.

Q: Are you including any attachments to your testimony?

A: Yes. Attachment KK-1 is a list of NCSC associate billing companies, Attachment KK-2 is the service agreement between NCSC and Columbia.

II. <u>Relationship between NCSC and Columbia</u>

Q: Please explain the structure and role of NCSC.

A: NCSC was established to provide centralized services to its affiliates. The rendering of services on a centralized basis enables the affiliates to realize the benefits of personnel with specialized areas of expertise, as well as the use of assets, without bearing the full cost of each individually as the costs are shared amongst the affiliates. Thus, NCSC offers Columbia, as well as the other individual distribution companies, access to the depth and breadth of professional experience that may not otherwise be available, or available from consultants at much higher costs. A list of the NCSC associate billing companies is shown in Attachment KK-1.

Q: How are costs billed to affiliates?

A: There are two types of billings made to affiliates, including Columbia: (1) convenience billing; and (2) contract billing.

Q: Can you please explain contract and convenience billing?

A: Convenience billing reflects payments routinely made on behalf of affiliates, including employee benefits, corporate insurance, leasing, and external audit fees. Each affiliate is billed its portion of the payments made in that respective month. As the name implies, convenience billing is intended as a convenience because it eliminates the need for vendors to separately invoice each affiliate entity receiving the same services. NCSC pays the invoice and directly records the charges on the books of the affiliate.

Contract billings represent NCSC costs billed to the respective affiliates. Contract billed charges may be direct billed to a single affiliate or allocated among several affiliates depending upon the nature of the expense. Of note, all of the charges listed on my attachments are O&M costs generated by contract billings, as described in this section of my testimony.

Q: Is contract billing rendered pursuant to an executed contract?

A: Yes. NCSC has executed an individual Service Agreement with each affiliate, which designates the types of services to be performed and the method of calculating the charges for those services. The Service Agreement is updated from time to time so that all affiliates that receive service from NCSC are subject to similar terms. The current Service

Agreement became effective January 1, 2015 between NCSC and Columbia. A copy of the 2015 Agreement is attached hereto as Attachment KK-2. The services provided to Columbia are described in the 2015 Agreement in Article 1 and in Appendix A (Article 2).

III. NCSC Cost Allocation to Columbia

Q: How does NCSC determine charges applicable to Columbia?

A: NCSC is regulated by the Federal Energy Regulatory Commission ("FERC"). Pursuant to FERC Order No. 684 issued October 19, 2006, centralized service companies (like NCSC) must use a cost accumulation system, provided such system supports the allocation of expenses to the services performed and readily identifies the source of the expense and the basis for the allocation. In compliance with FERC, NCSC uses a billing pool system to collect costs that are applicable and billable to affiliates, including Columbia. Costs are directly charged to a particular affiliate whenever possible. Some projects or services necessarily involve more than one affiliate, and in that case, the billing pool system details how expenses are allocated among the participating affiliates.

Q: What controls are in place to ensure an affiliate is consistently and appropriately billed?

A: NCSC allocates costs for a particular billing pool in accordance with the bases of allocation filed annually with FERC. A description of each of the bases of allocations are provided in the 2015 Agreement. NCSC currently updates the statistical data used in the approved allocation bases, at minimum, on a semi-annual basis; and furthermore, prior to publishing the new allocation percentages, NCSC provides Columbia's leadership team the opportunity to review, discuss, and provide feedback. There are system controls in place that allow certain departments, or groups of departments, to only use billing pools that allocate to companies benefitting from the services being provided. Essentially, a department that supports only the operating affiliates would only be allowed to use billing pools that include the operating affiliates. If an individual would attempt to use a different billing pool, the related accounting systems would prompt an immediate error and not allow data to be input. Additionally, Columbia's Internal Audit group conducts an annual review of cost allocation procedures and makes recommendations related to contract and convenience billing processing.

Q: What are the Bases of Allocation?

A: NCSC allocates costs for a particular billing pool in accordance with the following Bases of Allocation that are filed annually with the FERC:

BASIS 1	Gross Fixed Assets and Total Operating Expenses
BASIS 2	Gross Fixed Assets
BASIS 3	Number of Meters Serviced
BASIS 4	Number of Accounts Payable Invoices Processed
BASIS 7	Gross Depreciable Property & Total Operating Expense
BASIS 8	Gross Depreciable Property
BASIS 9	Automotive Units
BASIS 10	Number of Retail Customers
BASIS 11	Number of Regular Employees
BASIS 13	Fixed Allocation
BASIS 14	Number of Transportation Customers
BASIS 15	Number of Commercial Customers
BASIS 16	Number of Residential Customers
BASIS 17	Number of High Pressure Customers
BASIS 20	Direct Costs (direct and allocated corporate contract bill costs)

A description of each Basis of Allocation is included in Attachment KK-2.

Q: Please provide the breakdown of direct and allocated costs for the past three historical years 2023, 2022 and 2021?

A: Please see Table KK-1 for the breakdown by direct and allocated costs (by Basis of Allocation) for the three past historical calendar years.

Table KK-1			
Basis	**2021**	**2022**	**2023**
Direct Billed	$ 4,968,269	$ 4,036,072	$ 4,891,995
Basis 01	1,988,406	2,148,457	2,334,854
Basis 02	9,462	6,254	3,621
Basis 03	30	9	1,204
Basis 04	61,536	17,503	20,380
Basis 07	81,825	83,677	118,677
Basis 08	675	515	3
Basis 09	2,215	4,543	19,526
Basis 10	3,567,850	3,687,050	3,977,907
Basis 11	1,461,847	1,564,742	1,433,962
Basis 13	1,382,636	1,528,424	1,546,177
Basis 14	430	208	92
Basis 20	5,680,277	5,209,640	5,616,813
Direct NCSC	766,474	1,023,263	1,033,603
Total O&M Billed from NCSC to Columbia	$ 19,971,933	$ 19,310,357	$ 20,998,813
Direct Billed O&M Charges %	29%	26%	28%
Allocated Billed O&M Charges %	71%	74%	72%

Q: Are charges for services rendered to Columbia billed at cost?

A: Yes. In accordance with the 2015 Agreement (Section 2.2) all services are provided at cost, including compensation for use of capital.

Q: Does this complete your Prepared Direct Testimony?

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

Attachment KK-1

NiSource Corporate Services Company

List of Associate Billing Companies

	Company Name	Billing Company No.
	NiSource Insurance Corporation Limited	22
	Energy USA-TPC Corp.	24
	Columbia Gas of Kentucky, Inc.	32
	Columbia Gas of Ohio, Inc.	34
	Columbia Gas of Maryland, Inc.	35
	Columbia Gas of Pennsylvania, Inc.	37
	Columbia Gas of Virginia, Inc.	38
	NiSource Inc.	58
	Northern Indiana Public Service Company	59
	NiSource Development Company, Inc.	60
	NiSource Capital Markets, Inc.	62
	Energy USA, Inc. (IN)	68
	NiSource Retail Services, Inc.	71
	NiSource Finance Corp.	75
	NiSource Energy Technology, Inc.	78
	Columbia Gas of Massachusetts, Inc.	80
*	Columbia Pipeline Group Services	82
	Columbia of Ohio Receivables Corporation	93
	Columbia Gas of Pennsylvania Receivables Corporation	94
	NIPSCO Accounts Receivables Corporation	95

* Servcies performed for Columbia Pipeline Group billed to Business Unit 82.

Attachment KK-2

Service Agreement

BETWEEN

NISOURCE CORPORATE SERVICES COMPANY

AND

COLUMBIA GAS OF KENTUCKY, INC.

Dated January 1, 2015

(To Take Effect Pursuant to Article 3 Hereof)

SERVICE AGREEMENT

This SERVICE AGREEMENT (the "Service Agreement" or "Agreement") is made and entered into effective the 1st day of January, 2015 by and between Columbia Gas of Kentucky, Inc., its subsidiaries, affiliates and associates ("Client", and together with other associate companies that have or may in the future execute this form of Service Agreement, the "Clients") and NiSource Corporate Services Company ("Company").

WITNESSETH:

WHEREAS, each Company and Client is a direct or indirect wholly owned subsidiary of NiSource Inc., a Delaware corporation and a "holding company" as defined in the Public Utility Holding Company Act of 2005 ("Act") that is subject to regulations adopted by the Federal Energy Regulatory Commission ("FERC") pursuant to the Act;

WHEREAS, the Client is an affiliate of the Company; and

WHEREAS, the Company and Client agree to enter into this Service Agreement whereby the Client may seek certain services from the Company and the Company agrees to provide such services upon request and upon the Company's conclusion that it is able to perform such services. Further, the Client agrees to pay for the services as provided herein at cost; and

WHEREAS, the rendition of such services set forth in Article 2 of Appendix A on a centralized basis enables the Clients to realize economic and other benefits through (1) efficient use of personnel and equipment, (2) coordination of analysis and planning, and (3) availability of specialized personnel and equipment which the Clients cannot economically maintain on an individual basis.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Service Agreement covenant and agree as follows:

ARTICLE 1

SERVICES

1.1 The Company shall furnish to Client, as requested by Client, upon the terms and conditions hereinafter set forth, such of the services described in Section 2 of Appendix A hereto (the "Services"), at such times, for such periods and in such manner as Client may from time to time request and that the Company concludes it is able to perform. The Company shall also provide Client with such services, in addition to those services described in Appendix A hereto, as may be requested by Client and that the Company concludes it is able to perform. In supplying such services, the Company may arrange, where it deems appropriate in consultation with Client, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services ("Additional Services").

1.2 Client shall take from the Company such of the Services, and such Additional Services, whether or not now contemplated, as are requested from time to time by Client and that the Company concludes it is able to perform.

1.3 The cost of the Services described herein or contemplated to be performed hereunder shall be allocated to Client in accordance with Exhibit A, which is filed annually with the FERC. Client shall have the right from time to time to amend or alter any activity, project, program or work order provided that (i) Client pays and remunerates the Company the full cost for the services covered by the activity, project, program or work order, including therein any expense incurred by the Company as a direct result of such amendment or alteration of the activity, project, program or work order, and (ii) Client accepts that no amendment or alteration of an activity, project, program or work order shall release Client from liability for all costs already incurred by or contracted for by the Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

1.4 The Company shall hire, train and maintain an experienced staff able to perform the Services, or shall obtain experience through third-party resources, as it shall determine in consultation with Client.

1.5 The Company routinely makes payments on behalf of affiliates on an ongoing basis, including payroll, employee benefits, corporate insurance, leasing, and external audit fees. Each affiliate receives on a monthly basis a Convenience Bill for its proportional share of the payments made in that respective month. As the name implies, convenience billing is intended as a convenience to vendors because it eliminates the need for a separate invoice to be generated for each affiliate entity receiving the same services. Therefore, the Company makes the payment to the vendor and the charges for the services are recorded directly on the books of the affiliate and not by the Company.

ARTICLE 2

COMPENSATION

2.1 As compensation for the Services to be rendered hereunder, Client shall compensate and pay to the Company all costs, reasonably identifiable and related to particular Services performed by the Company for or on Client's behalf. The methods for allocating the Company costs to Client, as well as to other associate companies, are set forth in Appendix A.

2.2 It is the intent of this Service Agreement that charges for Services shall be billed, to the extent reasonably possible, directly to the Client or Clients benefiting from such Service. Any amounts remaining after such direct billing shall be allocated using the methods identified in Appendix A. The methods of allocation of cost shall be subject to review annually, or more frequently if appropriate. Such methods of allocation of costs may be modified or changed by the Company without the necessity of an amendment to this Service Agreement; provided that, in each instance, all services rendered hereunder shall be at actual cost and include compensation for use of capital thereof, fairly and equitably allocated. The Company shall review with the

Client any proposed change in the methods of allocation of costs hereunder and the parties must agree to any such changes before they are implemented.

2.3 The Company shall make available monthly billing information to the Client that shall reflect all information necessary to identify the costs charged and Services rendered for that month. Client shall undertake a review of the charges and identify all questions or concerns regarding the charges reflected within a reasonable period of time. Client shall remit to the Company all charges billed to it within a period of time not exceeding 30 days of receipt of the monthly billing information.

2.4 Client agrees to provide the Company, from time to time, as requested such financial and statistical information as the Company may need to compute the charges payable by Client consistent with the method of allocation set forth on Appendix A.

2.5 It is the intent of this Service Agreement that the payment for services rendered by the Company to Client under this Service Agreement shall cover all the costs of its doing business including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, insurance, injuries and damages, employee and retiree pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and reasonable compensation for use of capital.

ARTICLE 3

TERM

3.1 This Service Agreement shall become effective as of the date first written above, subject only to the receipt of any required regulatory approvals from the State Commissions and federal agencies as needed, and shall continue in force until terminated by the Company or Client, upon not less than one year's prior written notice to the other party. This Service Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Service Agreement may conflict with (1) the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Service Agreement, or (2) any state or federal statute, or any rule, decision, or order of any state or federal regulatory agency having jurisdiction over one or more Clients. Further, this Service Agreement shall be terminated with respect to the Client immediately upon the Client ceasing to be an associate company of the Company. The parties' obligations under this Service Agreement which by their nature are intended to continue beyond the termination or expiration of this Service Agreement shall survive such termination or expiration.

ARTICLE 4

SERVICE REVIEW

4.1 Upon request of the Client, the Company shall meet with the Client to review and assess the quality, costs, and/or allocations of the services being provided pursuant to this

Service Agreement. The Client shall also have the right to amend the scope of services as it determines to be necessary or desirable.

4.2 NiSource maintains an Internal Audit Department that will conduct periodic audits of the Company administration and accounting processes ("Audits"). The Audits will include examinations of Service Agreements, accounting systems, source documents, methods of allocation of costs and billings to ensure all Services are properly accounted for and billed to the appropriate Client. In addition, the Company's policies, operating procedures and controls will be evaluated annually. Copies of the reports generated by the Company as part of the Audits will be provided to Client upon request.

ARTICLE 5

MISCELLANEOUS

5.1 All accounts and records of the Company shall be kept in accordance with the FERC's Uniform System of Accounts ("USofA") for centralized service companies .

5.2 New direct or indirect subsidiaries of NiSource Inc., which may come into existence after the effective date of this Service Agreement, may become additional Clients of the Company and subject to a service agreement with the Company. The parties hereto shall make such changes in the scope and character of the services to be rendered and the method of allocating costs of such services as specified in Appendix A, subject to the requirements of Section 2.2, as may become necessary to achieve a fair and equitable allocation of the Company's costs among all Clients including any new subsidiaries. The parties shall make similar changes if any Client ceases to be associated with the Company.

5.3 The Company shall permit Client reasonable access to its accounts and records including the basis and computation of allocations.

5.4 The Company and Client shall comply with the terms and conditions of all applicable contracts managed by the Company for the Client, individually, or for one or more Clients, collectively, including without limitation terms and conditions preserving the confidentiality and security of proprietary information of vendors.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

NISOURCE CORPORATE SERVICES COMPANY

By: Susanne M Taylor
Name: Susanne M. Taylor
Its: Controller

COLUMBIA GAS OF KENTUCKY, INC.

By: Herbert A. Miller
Name: Herbert A. Miller
Its: President

APPENDIX A

NISOURCE CORPORATE SERVICES COMPANY

Services Available to Clients
Methods of Charging Therefor and
Miscellaneous Terms and Conditions of Service Agreement

ARTICLE 1

DEFINITIONS

1 The term "Company" shall mean NiSource Corporate Services Company and its successors.

2 The term "Service Agreement" shall mean an agreement, of which this Appendix A constitutes a part, for the rendition of services by the Company.

3 The term "Client" shall mean any corporation to which services may be rendered by the Company under a Service Agreement.

ARTICLE 2

DESCRIPTION OF SERVICES

Descriptions of the expected services to be provided by the Company are detailed below. The descriptions are deemed to include services associated with, or related or similar to, the services contained in such descriptions. The details listed under each heading are intended to be illustrative rather than inclusive and are subject to modification from time to time in accordance with the state of the art and the needs of the Clients.

1 *Accounting and Statistical Services.* The Company will advise and assist the Clients in all aspects of accounting, including financial accounting, asset accounting, regulatory accounting, tax accounting, maintenance of books and records, safeguarding of assets, accounts payable, accounts receivable, reconciliations, accounting research, reporting, operations and maintenance analysis, payroll services, business applications support, and other related accounting functions. The Company will also provide services related to developing, analyzing and interpreting financial statements, directors' reports, regulatory reports, operating statistics and other financial reports. The Company will ensure compliance with generally accepted accounting principles and provide guidance on exposure drafts, financial accounting standards, and interpretations issued by the Financial Accounting Standards Board. The Company will advise and assist the Clients in the formulation of accounting practices and policies and will conduct special studies as may be requested by the Clients.

2 *Auditing Services.* The Company will conduct periodic audits of the general records of the Clients, will supervise the auditing of local and field office records of the Client, and will coordinate the audit programs of the Clients with those of the independent accountants

in the annual examination of their accounts. The Company will ensure compliance, monitor business risk, and coordinate internal control structure.

3 *Budget Services.* The Company will advise and assist the Clients in matters involving the preparation and development of forecasts, budgets and budgetary controls, and other financial planning activities.

4 *Business Services.* The Company will advise and assist the Clients in the preparation and use of educational and advertising materials; in the development of processes to increase residential, commercial and industrial customers, as well as maintenance of business in those areas; and providing information to customers regarding Clients' products and services.

5 *Corporate Services.* The Company will advise and assist the Clients in connection with corporate matters including corporate secretary services, business continuity planning, shareholder services, corporate records management, proceedings involving regulatory bodies, and other corporate matters.

6 *Customer Billing, Collection, and Contact Services.* The Company will render calculating, bill exception processing, back office processing, posting, printing, inserting, mailing and related services to Client associated with the preparation and issuance of customer bills, notices, inserts and similar mailings. The Company will provide cash processing, revenue recovery, account reconciliations and adjustments, and related services to Client associated with the collection of revenue and management of accounts receivable. The Company will provide customer contact and related services to Client, including alternative pricing services, customer contact center management, operation and administration; management of key customer relationships; communications associated with the commencement, transfer, maintenance and disconnection of service; sales of optional products and services; the receipt and processing of emergency calls; the handling of customer complaints; and responses to customer billing, credit, collection, order take and inquiry, outage, meter reading, retail choice and other inquiries.

7 *Depreciation Services.* The Company will advise and assist the Clients in matters pertaining to depreciation practices, including (1) the making of studies to determine the estimated service life of various types of plant, annual depreciation accrual rates, salvage experience, and trends in depreciation reserves indicated by such studies; (2) assistance in the organization and training of the depreciation departments of the Clients; and (3) dissemination to the Clients of information concerning current developments in depreciation practices.

8 *Economic Services.* The Company will advise and assist the Clients in matters involving economic research and planning and in the development of specific economic studies.

9 *Electronic Communications Services.* The Company will advise and assist the Clients in connection with the planning, installation and operation of radio networks, remote control and telemetering devices, microwave relay systems and all other applications of electronics to the fields of communication and control.

10 *Employee Services.* The Company will advise and assist the Clients in connection with organizational, leadership, and strategic development, employee relations matters, including recruitment, employee placement and retention, training, compensation, safety, labor relations

and health, welfare and employee benefits. The Company will also advise and assist the Clients in connection with temporary labor matters, including assessment, selection, contract negotiation, administration, service provider relationships, compliance, review and reporting.

11 *Engineering and Research Services.* The Company will advise and assist the Clients in connection with the engineering phases of all construction and operating matters, including estimates of costs of construction, preparation of plans and designs, engineering and supervision of the fabrication of natural gas facilities, standardization of engineering procedures, and supervision and inspection of construction. The Company will also conduct both basic and specific research in fields related to the operations of the Clients.

12 *Facility Services.* The Company will manage and effectively execute facility operations, facility maintenance, provide suitable space in its offices for the use of the Clients and their officers and employees, provide delivery services, security services, print services, and other facility services.

13 *Gas Dispatching Services.* The Company will advise and assist the Clients in the dispatching of the gas supplies available to the Clients, and in determining and effecting the most efficient routing and distribution of such supplies in the light of the respective needs therefor and the applicable laws and regulations of governmental bodies. If requested by the Clients, the Company will provide a central dispatcher or dispatchers to handle the routing and dispatching of gas.

14 *Information Services.* The Company will advise and assist the Clients in matters involving the furnishing of information to customers, employees, investors and other interested groups, and to the public generally, including the preparation of booklets, photographs, motion pictures and other means of presentation, and assistance to Clients in their advertising programs.

15 *Information Technology Services.* The Company will advise and assist Clients in matters involving information technology, including management, operations, control, monitoring, testing, evaluation, data access security, disaster recovery planning, technical research, and support services. The Company will also provide and assist the Client with application development, maintenance, modifications, upgrades and ongoing production support for a portfolio of systems and software that are used by the Clients. In addition, the Company will identify and resolve problems, ensure efficient use of software and hardware, and ensure that timely upgrades are made to meet the demands of the Clients. The Company will also maintain information concerning the disposition and location of Information Technology assets.

16 *Insurance Services.* The Company will advise and assist the Clients in general insurance matters, in obtaining policies, making inspections and settling claims.

17 *Land/Surveying Services.* The Company will provide land asset management, land contract management, and surveying services in connection with Clients' acquisition, leasing, maintenance, and disposal of interests in real property, including the maintenance of land records and the recording of instruments relating to such interests in real property, where necessary.

18 *Legal Services.* The Company will provide Clients with legal services (including legal services, as necessary or advisable, in connection with or in support of any of the other services provided hereunder), including, but not limited to, general corporate matters and internal corporate maintenance, contract drafting and negotiation, litigation, liability and risk assessment, financing, securities offerings, state and federal regulatory compliance, state and federal regulatory support and rule interpretation and advice, including, without limitation, interpretation and advice concerning the regulations or orders of the Securities and Exchange Commission, the Federal Energy Regulatory Commission, the Environmental Protection Agency, and the Pipeline and Hazardous Materials Safety Administration, bankruptcy and collection matters, employment and labor relations investigations, union contracting, Equal Employment Opportunity Commission issues, compliance with state and federal legislative requirements, and all other matters for which Clients require legal services.

19 *Officers.* Any Client may, with the consent of the Company, elect to any office of the Client any officer or employee of the Company whose compensation is paid, in whole or in part, by the Company. Services rendered to the Client by such person as an officer shall be billed by the Company to the Client and paid for as provided in Articles 3 and 4, and the Client shall not be required to pay any compensation directly to any such person.

20 *Operations Support and Planning Services.* The Company will advise and assist the Clients in connection with operations support and planning, including logistics, scheduling & dispatching; workforce planning; corrosion and leakage programs; estimates of gas requirements and gas availability; gas transmission, measurement, storage and distribution; construction requirements; construction management; operating standards and practices; regulatory and environmental compliance; pipeline safety and compliance; employee and system safety programs; sustainability; training; management of transportation and sales programs; negotiation of gas purchase and sale contracts; energy marketing and trading, including off-system sales and capacity release activities contemplated in a Client's revenue sharing mechanism; security services; measurement, regulation and conditioning equipment; meter testing, calibration and repair; hydraulic gas network modeling, facility mapping and GIS technologies; and other operating matters.

21 *Purchasing, Storage and Disposition Services.* The Company will render advice and assistance to the Clients in connection with supply chain activities, including the standardization, purchase, lease, license and acquisition of equipment, materials, supplies, services, software, intellectual property and other assets, as well as shipping, storage and disposition of same. The Company will also render advice and assistance to the Client in connection with the negotiation of the purchase, sale, acquisition or disposition of assets and services and the placing of purchase orders for the account of the Client.

22 *Regulatory Services.* The Company will advise and assist the Clients in all regulatory and rate matters, including the design and preparation of schedules and tariffs, the analysis of rate filings, the preparation and presentation of testimony and exhibits to regulatory authorities, and other regulatory activities.

23 *Tax Services.* The Company will advise and assist the Clients in tax matters, in the preparation of tax returns and in connection with proceedings relating to taxes.

24 *Transportation Services.* The Company will advise and assist the Clients in connection with the purchase, lease, operation and maintenance of motor vehicles and the operation of aircraft owned or leased by the Company or the Clients.

25 *Treasury Services.* The Company provides services such as risk management, cash management, long and short term financing for all Clients, investment of temporarily available cash, retirement of long term debt, investment management oversight of all benefits plans, and special economic studies as requested.

26 *Miscellaneous Services.* The Company will render to any Client such other services, not hereinabove described, , as from time to time the Company may be equipped to render and such Client may desire to have performed.

ARTICLE 3

ALLOCATION METHODS

1 *Specific Direct Salary Charges to Clients.* To the extent that time spent by the officers and employees of the Company rendering services hereunder is related to services rendered to a specific Client, a direct salary charge, computed as provided in Article 4, shall be made to such Client.

2 *Apportioned Direct Salary Charges to Clients.* To the extent that the time spent by such officers and employees is related to services rendered to the Clients generally, or to any specified group of the Clients, a direct salary charge, computed as provided in Article 4, shall be made to the Clients generally, or to such specified group of the Clients, and allocated to each such Client using an allocation method as set forth on Exhibit A hereto.

3 *Direct Salary Charges for Services to the Company.* To the extent that time spent by any officer or employee of the Company is related to services rendered to the Company, a direct salary charge computed as provided in Article 4 shall be allocated among the Clients in the same proportions which the direct salary charges to such Clients made pursuant to Sections 1 and 2 of this Article III, for services of officers and employees, bear to the aggregate of such direct salary charges.

4 *Apportionment of Employee Benefits.* The employee benefit expenses that are related to direct salary charges made pursuant to sub-paragraphs (1), (2) and (3) of Article 3 shall be apportioned among the Clients, as applicable, in the proportions that the respective direct salary charges made pursuant to the rendering of such services to each such Client bear to the aggregate of such direct salary charges.

5 *Other Expenses.* All expenses, other than salaries and employee benefit expenses incurred by the Company in connection with services rendered to a specific Client shall be charged directly to such Client. All such expenses incurred by the Company in connection with services rendered to the Clients generally or to any specified group of Clients shall be apportioned in the manner set forth in Section 2 of this Article 3 for the apportionment of salary charges. All such expenses incurred by the Company in connection with services rendered to the

Company shall be apportioned in the manner set forth in Section 3 of this Article 3 for the apportionment of salary charges.

ARTICLE 4

COMPUTATION OF SALARY CHARGES

Direct Salary Charges The direct salary charge per hour which shall be made for the time of any officer or employee for services rendered in any calendar month shall be computed by dividing his total compensation for such month by the aggregate of (1) the number of scheduled working hours for which he was compensated, including hours paid for but not worked, and (2) hours worked in excess of his regular work schedule, whether or not compensated for.

Exhibit A

DIRECT BILLING AND BASES OF ALLOCATION

The Company will bill charges directly to a Client to the extent possible while any remaining costs are then allocated. When it is impractical or inappropriate to charge a Client directly, the Company allocates costs in accordance with the following Bases of Allocation which are filed annually with the FERC. The Company works cooperatively with department sponsors or project leaders through meetings and discussions to ensure costs are properly allocated to the Clients that will benefit from the service provided. Provided below are the Bases of Allocation for the Company, including a description of each basis and its numerator and denominator.

BASIS 1

GROSS FIXED ASSETS AND TOTAL OPERATING EXPENSES

- Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's gross fixed assets to the total gross fixed assets of all benefited affiliates; the remaining 50% will be allocated on the basis of the relation of the affiliate's total operating expenses to the total operating expenses of all benefited affiliates. All companies may be included in this allocation.

BASIS 2

GROSS FIXED ASSETS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its total gross fixed assets to the sum of the total gross fixed assets of all benefited affiliates. All companies may be included in this allocation.

BASIS 3

NUMBER OF METERS SERVICED

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of meters serviced to the total number of all meters serviced of the benefited affiliates. This allocation may only be used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 4

NUMBER OF ACCOUNTS PAYABLE INVOICES PROCESSED

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of accounts payable invoices processed (interface invoices excluded) to the total number of all accounts payable invoices processed of the benefited affiliates. All companies may be included in this allocation.

BASIS 7

GROSS DEPRECIABLE PROPERTY AND TOTAL OPERATING EXPENSE

- Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's total operating expenses to the total of all the benefited affiliates' total operating expense; the remaining 50% will be allocated on the basis of the relation of the affiliate's gross depreciable property to the gross depreciable property of all benefited affiliates. All companies may be included in this allocation.

BASIS 8

GROSS DEPRECIABLE PROPERTY

- Charges will be allocated to each benefited affiliate on the basis of the relation of its total depreciable property to the sum of the total depreciable property of all benefited affiliates. All companies may be included in this allocation.

BASIS 9

AUTOMOBILE UNITS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of automobile units to the total number of all automobile units of the benefited affiliates. All companies may be included in this allocation.

BASIS 10

NUMBER OF RETAIL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of retail customers to the total number of all retail customers of the benefited affiliates. All companies may be included in this allocation.

BASIS 11

NUMBER OF REGULAR EMPLOYEES

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of regular employees to the total number of all regular employees of the benefited affiliates. All companies may be included in this allocation.

BASIS 13

FIXED ALLOCATION

- Charges will be allocated to each benefited affiliate on the basis of fixed percentages on an individual project basis. All companies may be included in this allocation.

BASIS 14

NUMBER OF TRANSPORTATION CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Transportation Customers to the total of all Transportation Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 15

NUMBER OF COMMERCIAL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Commercial Customers to the total of all Commercial Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 16

NUMBER OF RESIDENTIAL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Residential Customers to the total of all Residential Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 17

NUMBER OF HIGH PRESSURE CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its High Pressure Customers to the total of all High Pressure Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 20

SERVICE COMPANY BILLING (DIRECT AND ALLOCATED) COSTS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Service Corporation billing costs, in total or by functional group (e.g. IT, Legal, HR, Finance, Audit), to the corresponding total of all Service Company billing costs, (i.e. in total or by functional group). The calculation of Basis 20 will include only those billings for services provided to all NiSource affiliates, excluding Business Unit specific shared service functions (i.e. functions that serve only one particular Business Unit). All companies may be included in this allocation.

TAB 33

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Jen Harding

Columbia Exhibit No. 33

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
JENNIFER HARDING
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

L. Allyson Honaker
Brittany Hayes Koenig
Heather S. Temple
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Attorneys for Applicant

May 16, 2024 **COLUMBIA GAS OF KENTUCKY, INC.**

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)	Case No. 2024-00092

VERIFICATION OF JENNIFER HARDING

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Jennifer Harding, Vice-President of Taxation NiSource Corporate Services Company, being duly sworn, states that she has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Jennifer Harding

The foregoing Verification was signed, acknowledged and sworn to before me this 18 day of May, 2024, by Jennifer Harding.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF JENNIFER HARDING

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Jennifer Harding. My business address is 290 W. Nationwide Blvd, Columbus, Ohio 43215.

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

A: I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource"). My current title is Vice President of Taxation. I am responsible for all tax matters for NiSource Inc. and Subsidiaries, including Columbia Gas of Kentucky ("Columbia" or "the Company"). My responsibilities include oversight of the income and indirect tax accounting and reporting, forecasting income and indirect taxes, preparation and filing income and indirect tax returns, technical income tax research, tax planning, income and indirect tax audits and review and implementation of federal and state tax legislation.

Q: What is your educational background and professional experience?

A: I earned a B.A. in Business Administration with a concentration in Accounting in 2007 from the Notre Dame of Maryland University in Baltimore, Maryland. I began my career with KPMG in Baltimore, Maryland in 2005. In 2009, I joined Constellation Energy as a Tax Manager responsible for all aspects of income tax and non-income tax for the generation segment and managed the IRS Federal tax audit Compliance Assurance Process program. Constellation was acquired by Exelon Corporation in 2012 and I served as the Tax Manager of the regulated electric utility in Chicago, Illinois responsible for income tax accounting, forecasting income taxes, and income tax and non-income tax return filings. In 2014, I worked as the Tax Manager for Mead Johnson Nutrition BV for the European region with responsibility for all aspects of income tax and non-income tax accounting, tax research and tax return filings. In 2016, I worked for Cardinal Health in Columbus, Ohio as the Director of International Tax Operations with a responsibility for income tax accounting, forecasting, mergers & acquisitions, tax research, and tax return filings in Cardinal Health's foreign jurisdictions. In 2018, I worked as the Head of Tax for Hyperion Materials & Technologies with full responsibility for all global income and non-income tax accounting, tax return filings, research, mergers & acquisitions, and forecasting. In January 2020, I joined NiSource as the Director of Income Tax Operations and was promoted to VP Tax in February 2023.

Q: Have you previously testified before any regulatory commissions?

A: Yes, testified before the Kentucky Public Service Commission on behalf of Columbia in Case No. 2021-00183. I have also previously testified in proceedings before the Indiana Utility Regulatory Commission, the Pennsylvania Public Service Commission, the Maryland Public Service Commission, the Public Utilities Commission of Ohio, and the Virginia State Corporation Commission.

Q: What is the purpose of your testimony?

A: The primary purpose of my testimony is to present and support Columbia's income tax and other tax expense included in the cost of service for the base period and test period. The filing includes federal and state income tax recovery and reduction of rate base for accumulated deferred income taxes ("ADIT") for the base period and test period.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirements:

Filing Requirement	**Description**
807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period
807 KAR 5:001 Section 16(6)(b)	Forecasted Adjustments shall be limited to the twelve (12) months

	immediately following the suspension period.
807 KAR 5:001 Section 16(8)(d)	A summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional functions
807 KAR 5:001 Section 16(8)(b)	A jurisdictional rate base summary for both the base period and the forecasted period with supporting schedules, which include detailed analyses of each component of the rate base
807 KAR 5:001 Section 16(8)(e)	Federal and State Income Tax Summary for the base period and forecasted test period with supporting schedules

Q: For each of the documents included within the Filing Requirements that you are supporting, were they prepared by you or someone working under your supervision and did you review each of the documents included within the Filing Requirements that you are co-sponsoring ?

A: Yes.

II. <u>TAX CALCUALTIONS INCLUDED IN THE COST OF SERVICE</u>

Q: Will you explain the basis for the income tax calculations included in the cost of service for the base period and test period?

A: Yes, the tax calculations were made under the provisions of the Internal Revenue Code ("IRC") of 1986, effective with the passage of the Tax Re-form Act of 1986 as amended by the Tax Cuts and Jobs Act ("TCJA") and any tax legislation enacted since, and the Kentucky Revised Statutes ("KRS"), Title XI Revenue and Taxation, Chapter 141, Income Taxes.

Q: What federal income tax rate has been utilized for the test period?

A: The IRC provides for a flat tax rate of 21% for corporations which became effective January 1, 2018 with the enactment of the TCJA on December 22, 2017.

Q: What rate was utilized for Kentucky Income taxes?

A: Pursuant to KRS 141.040(2), the applicable Kentucky statutory tax rate for taxable years beginning on or after January 1, 2018 is 5%, which has been used for all test year calculations.

Q: Please explain the Federal income tax calculations shown on Schedule E-1.1.

A: This schedule shows the computation of federal income taxes for the base period ending August 31, 2024 and forecasted test period ending December 31, 2025, including the necessary adjustments to arrive at the pro forma amounts appropriate for inclusion in the calculation of income tax expense for the customer cost of service. The tax calculation begins with operating income before income taxes presented on Schedule E-1.1, Sheet 1, Line 1 adjusted by interest expense for rate purposes presented on Schedule E-1.1, Sheet 1, Line 2 to compute the book net income before income taxes. The calculated interest expense represents the product of rate base multiplied by the weighted average cost of short-term and long-term debt (See computation on Schedule E-1.1, Sheet 1, Footnote 1 for the base period and forecasted period). The book net income before income taxes is adjusted by permanent and temporary statutory tax adjustments on Schedule E-1.1, Sheet 1, Lines 5 and 6, respectfully, and reduced by the State income tax on Schedule E-1.1, Sheet 1, Line 15 to compute the Federal taxable income. The Federal taxable income is tax effected at the Federal income tax rate of 21% to determine Federal income tax expense on Schedule E-1.1, Sheet 1, Line 21. The Provision for deferred Federal income taxes on Schedule E.1-1, Sheet 1, Line 29 is computed by tax effecting the converse of the temporary timing differences on Schedule E-1.1, Sheet 1, Line 6 and Federal net operating loss ("NOL") Schedule E-1.1, Sheet 1, Line 19 multiplied by the Federal income tax rate of 21%. The Federal benefit for the deferred state income tax is depicted on Schedule E-1.1, Sheet 1, Line 30.

Q: Please explain the necessary adjustments to arrive at the pro forma amounts appropriate for inclusion in the calculation of income tax expense for the customer cost of service?

A: The Company has removed non-deductible expenses related to lobbying, fines & penalties, and employee stock purchase plan, and deductible AFUDC equity (See Schedule E-1.1, Sheet 2, Lines 1 through 9).

Additionally, the Company has removed amounts related to certain temporary differences with the exception of the book/tax differences related to plant in service. The Company has also removed the book/tax differences related to SMRP property.

Q: Are there any Federal flow through excess or deficient deferred taxes included in rates?

A: Yes, the federal excess ADIT amortization for the twelve months ended December 31, 2025 of ($461,132) is included in Schedule E-1.1, Sheet 1, Line 31. Additionally, other components of Federal income tax include certain flow through adjustments that reduce Federal income tax expense, including amortization of the Federal investment tax credit of ($1,064) on Schedule E-1.1, Sheet 1, Line 33 and flow through for excess book over tax depreciation of ($71,277) on Schedule E-1.1, Sheet 1, Line 32.

Q: Please explain the state income tax calculations shown on Schedule E-1.1.

A: This schedule shows the computation of state income taxes for the base period ending August 31, 2024 and forecasted test period ending December 31, 2025, including the necessary adjustments to arrive at the pro forma amounts appropriate for inclusion in the calculation of income tax expense for the customer cost of service. The tax calculation begins with operating income before income taxes presented on Schedule E-1.1, Sheet 1, Line 1 adjusted by interest expense for rate purposes presented on Schedule E-1.1, Sheet 1, Line 2 to compute the book net income before income taxes. The book net income before income taxes is adjusted by permanent and temporary statutory tax adjustments and state modification for federal bonus depreciation taken in years prior to 2018 on Schedule E-1.1, Sheet 1, Lines 5 through 7 to compute the state taxable income on Schedule E-1.1, Sheet 1, Line 9. The state taxable income is tax effected at the state income tax rate of 5% to determine state income tax expense on Schedule E-1.1, Sheet 1, Line 15. The Provision for deferred state income taxes on Schedule E.1-1, Sheet 1, Line 37 is computed by tax effecting the converse of the temporary timing differences and state modification for federal bonus depreciation multiplied by the state income tax rate of 5%.

Q: Are there any State flow through excess or deficient deferred taxes included in rates?

A: Yes, the state excess ADIT amortization of ($24,123) for the twelve months ending December 31, 2025 is included in Schedule E-1.1, Sheet 1, Line 38. Additionally, the other component that reduces state income tax expense represents flow through for excess book over tax depreciation of ($17,864) on Schedule E-1.1, Sheet 1, Line 39.

Q: Will you explain the components of ADIT and excess ADIT included in rate base and balance sheet analysis for the base period and forecasted test period included in Schedules B-6?

A: These schedules present the 13-month average of ADIT and excess ADIT for the base period ending August 31, 2024 and forecasted test period ending December 31, 2025, including the necessary adjustments to arrive at the pro forma amounts appropriate for inclusion in the calculation of accumulated deferred income tax expense included in rate base and working capital. The Company's ADIT for the base period and forecasted test period is comprised of various book/tax temporary differences that are depicted on Schedules B-6, Sheets 1 and 2, Lines 29 through 70 and Sheets 3 and 4, Lines 1 through 45, excess ADIT related re-measurement of deferred income taxes as a result of TCJA and House Bill 438 are depicted on Schedules B-6, Sheets 5 and 6, Lines

2 through 26, and the ADIT balance for Federal investment tax credits is depicted on Schedules B-6, Sheets 5 and 6, Line 30.

The ADIT balances that are included in rate base include the Federal NOL carryforward (Schedule B-6, Sheet 1 and 2, Line 30) which is zero as of the forecasted test period ending December 31, 2025, customer advances for construction (Schedule B-6, Sheet 1 and 2, Lines 34 and 35), capitalized inventory (Schedule B-6, Sheet 1 and 2, Lines 36 and 37) and book/tax difference for plant in service (Schedule B-6, Sheet 3 and 4, Lines 2 and 3), including an adjustment to remove the ADIT attributed to SMRP (Schedule B-6, Sheet 3 and 4, Lines 9 through 12). Additionally, the federal and state excess ADIT balances (before gross-up) depicted on Schedules B-6, Sheets 5 and 6, Lines 2 through 7, and 16 through 20, respectively, are also included in rate base.

The ADIT not included in the Company's rate base for the base period and forecasted test period depicted on Schedule B-6, Sheets 1 and 2 include deferred income taxes recorded in Account 190 (detail accounts referenced on Lines 29-70), Schedule B-6, Sheets 3 and 4 deferred income taxes recorded in Account 282 (detail referenced on Lines 1 through 12), and deferred income taxes recorded in Account 283 (detail referenced on Lines 14 through 44).

III. <u>TEMPORARY TAX LEGISLATION TO AMEND KENTUCKY REVISED STATUTUE ("KRS") 131.010</u>

Q: Has Columbia been impacted by any recent Kentucky courts findings and legislative changes to the way utility property is assessed?

A: Yes, The Kentucky Court of Appeals held that Marathon Pipeline, LLC's ("Marathon") underground pipeline is tangible personal property for Kentucky property tax purposes, not real property.[1] The Court affirmed the decision of the Franklin Circuit Court, which had in turn affirmed the decision of the Kentucky Claims Commission. Marathon is a public service corporation, and the pipeline transports crude oil to a refinery for processing and manufacturing into gasoline and other products. The pipeline is located in an activated foreign trade zone, and tangible personal property located in such zones was taxed at a highly favorable rate.

In May 2023, Columbia received a notice from the Kentucky Department of Revenue, Office of State Valuation stating "Beginning in tax year 2023, significant changes to the taxation of transmission pipelines occurred. Previously, the Department of Revenue classified and taxed transmission pipelines as real property; however, pipelines have now been re-classified as tangible personal property in accordance with the judgment

[1] *Department of Revenue v. Marathon Pipeline, LLC*, 653 S.W.3d 104 (Ky. App. May 13, 2022)

in the case styled as Department of Revenue v. Marathon Pipe Line LLC, 653 S.W.3d 104 (Ky. App. 2022) (discretionary review denied by the Kentucky Supreme Court October 12, 2022). Accordingly, taxpayers shall report and classify their transmission pipelines as tangible personal property on their returns, which shall be subject to the applicable state and local rates imposed on tangible personal property. The tax year 2023 state tax rate applicable to pipelines classified as tangible personal property is 45 cents per $100 of assessed value." compared to 11.4 cents per $100 of assessed value for real property.[2]

On April 17, 2024, House Bill 122 was signed by the Governor amending KRS 132.010 Section 3 to define "for a temporary period to define "Real property": as (a) Mean all lands within this state and improvements thereon; and (b) For property assessed on January 1, 2024, and on January 1, 2025, includes but is not limited to mains, pipes, pipelines, and conduits that are: 1. Authorized to be installed in, upon, or under any public or private street or place; and 2. Used or to be used for or in connection with the collection, transmission, distribution, conducting, sale, or furnishing of heat, steam, water, sewage, natural or manufactured gas, or electricity to or for the public.

[2] For a copy of this notice, please refer to Attachment JH-1.

The enacted legislation under House Bill 122 allows Columbia to temporarily classify pipelines as real property for the forecasted test period ending December 31, 2025 subject to a lower state tax rate per $100 of assessed value.

Q: Could property tax assessed by the Kentucky Department of Revenue significantly increase before Columbia's next rate case?

A: Yes, House Bill 122 provides a temporary 2-year period for which Columbia's pipelines are classified as real property for property that is assessed during the calendar years January 1, 2024 and January 1, 2025. For clarification, public service companies submit an annual return which is prepared to cover a period of 12 months ending December 31. Consequently, Columbia has included property tax expense for the forecasted test period ending December 31, 2025 based on the forecasted assessment value as of the December 31, 2024 balance sheet date with pipeline property classified as real property at the published 2023 rate of 11.4 cents per $100 of assessed value.

However, without permanent legislation to define pipeline property as real property, Columbia's property tax expense would significantly increase for the year ending December 31, 2027 based on pipeline property classified as tangible personal property at the published 2023 rate of 45 cents per $100 of assessed value.

Q: Does Columbia propose reinstating the State Tax Adjustment Factor tariff to account for this uncertainty?

A: Yes, Columbia is proposing a mechanism developed for the State Tax Adjustment Factor ("STAF") tariff that is referenced in Columbia Witness Judy Cooper's testimony to apply tax charge or tax (credit) for the recovery or pass back of the impact of a future increase or decrease for the classification of pipeline property at the imposed state tax rate as of the effective date of such change based on the most recent base rates approved by the Commission. This mechanism is narrowly tailored to adjust for the imposed state tax rate on the assessed value based on the property tax classification and will ensure rates are fair, just and reasonable for the cost of services provided in lieu of the burden of a formal rate case.

Q: As proposed, will the STAF have any impact on customer bills?

A: No, this rider is being set at zero as proposed. It will only be populated in the event of a change to the imposed state tax rate on the assessed value based on the property tax classification applicable to the Company are enacted.

IV. UPDATE ON ISSUES FROM THE PREVIOUS RATE CASE

Q: What is the balance of the Federal Net Operating Loss ("NOL") for the forecasted test period ending December 31, 2025?

A: The ADIT balances that are included in rate base include the Federal NOL carryforward (Schedule B-6, Sheet 1 and 2, Line 30) which is zero as of the forecasted test period ending December 31, 2025 (Schedule B-6, Sheets 1 and 2, Line 30.

Q: Has the Company included the impacts of reduction of the federal and state income tax rates pursuant to the TCJA and Kentucky House Bill 487?

A: Yes, Columbia continues to pass back the savings attributed to net excess federal deferred income taxes in accordance with the Commission's Order issued for Case No. 2018-00041 and savings attributed to net excess state deferred income taxes in accordance with the prior rate case filing under Case No. 2021-00183.

Q: Does this complete your Prepared Direct Testimony?

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

Attachment JH-1

From: Carbin, Robert A (DOR) [redacted]
Sent: Wednesday, May 31, 2023 9:55 AM
Subject: Transmission Pipeline Taxation Information
Importance: High

USE CAUTION: This email was sent from an external source. Think before you click links or open attachments. If suspicious, please forward to security@nisource.com for review.

To Whom it May Concern;

We are reaching out to you regarding a change in classification for taxation of pipeline property. Please see the following:

> Beginning in tax year 2023, significant changes to the taxation of transmission pipelines occurred. Previously, the Department of Revenue classified and taxed transmission pipelines as real property; however, pipelines have now been re-classified as tangible personal property in accordance with the judgment in the case styled as *Department of Revenue v. Marathon Pipe Line LLC*, 653 S.W.3d 104 (Ky. App. 2022)(discretionary review denied by the Kentucky Supreme Court October 12, 2022). Accordingly, taxpayers shall report and classify their transmission pipelines as tangible personal property on their returns, which shall be subject to the applicable state and local rates imposed on tangible personal property. The tax year 2023 state tax rate applicable to pipelines classified as tangible personal property is 45 cents per $100 of assessed value.

If you have any questions please feel free to reach out to our office. Thank you and have a great day.

Robert Carbin, Business Appraiser Branch Manager
Office of State Valuation
Department of Revenue
Finance and Administration Cabinet
501 High Street, Station 32
Frankfort, Kentucky 40601
Phone: (502) 564-7148
[redacted]

destroy any copies. It should be expressly understood that the Finance and Administration Cabinet cannot guarantee the security of the transmission and assumes no responsibility for intentional or accidental receipt by a third party.

TAB 34

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Beth Owens

Columbia Exhibit No. 34

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF
BETH OWENS
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Brittany Hayes Koenig
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Attorneys for Applicant

May 16, 2024 **COLUMBIA GAS OF KENTUCKY, INC.**

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; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF	)	Case No. 2024-00092

VERIFICATION OF BETH OWENS

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Beth Owens, Director of Compensation for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Beth Owens

Beth Owens

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of May, 2024, by Beth Owens.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF BETH OWENS

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Beth Owens, and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

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

A: I am employed by NiSource Corporate Service Company ("NCSC") as Director Compensation. I develop and implement strategies for broad based compensation and incentive programs provided to the employees of NiSource Inc. ("NiSource") and its subsidiaries, including Columbia Gas of Kentucky ("Columbia" or the "Company").

Q: What is your educational background and professional experience?

A: I earned a Bachelor of Business Administration degree in Business Management and Psychology from Kent State University in 1991 and a Master of Business Administration degree from the University of Akron in 1993. I have been certified as a Senior Professional in Human Resources ("SPHR") since 2005 and as a Society for Human Resource Management Senior Certified Professional ("SHRM-SCP") since 2015.

Q: What is your employment history?

A: I joined NiSource in June 2023 as Director Compensation. Prior to that, I spent 25+ years in various Director/Manager of Compensation and Human Resource Administration roles at Nationwide Insurance, Huntington National Bank, Big Lots Stores, and GardaWorld U.S. Cash Services.

Q: Have you previously testified before any regulatory commissions?

A: No. I have not testified before any state regulatory commissions.

Q: What is the purpose of your testimony?

A: I am testifying in support of the Company's request for the recovery of employee compensation and benefits costs. My testimony will present details about NCSC's total rewards programs, policies, and philosophies, which encompass multiple types of employee compensation including base compensation/wages, annual merit increases, short- and long-term incentive compensation, profit-sharing, and employee benefits such as healthcare and dental coverage. Also, my testimony puts forth comparative analyses to establish the reasonableness of the wages, salaries, incentive compensation and benefits provided to employees. My testimony will explain how compensation is awarded and why those elements of the total rewards package provide customer benefits and explain why the associated costs should be properly recovered through the Company's rates.

Q: What Filing Requirements will you be supporting?

A: I will sponsor and support the following Filing Requirement:

Filing Requirement	Description
807 KAR 5:001 Sections 16-(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.

Q. For the Filing Requirement that you are co-sponsoring, was it either prepared by you, by someone at your direction, or did you review and concur with the response?

A: Yes.

Q: Have you included any attachments with your testimony?

A: I will sponsor and support the following Attachments:

Attachments	Description
Attachment Columbia BO-1	Columbia Union Wage Analysis
Attachment Columbia BO-2	Columbia Non-Union Salary Analysis
Attachment Columbia BO-3	NCSC Salary Analysis
Attachment Columbia BO-4	Non-Union Merit Increase Market Data

Attachment Columbia BO-5	STI and LTI Metrics
Attachment Columbia BO-6	“2023 Compensation Best Practices Report” from PayScale
Attachment Columbia BO-7	“Long Term Incentives, The Basics” article from Mercer
Attachment Columbia BO-8	“2023-2024 Salary Budget Survey” report from WorldatWork
Attachment Columbia BO-9	“’Healthy’ Pay Raises on Tap for 2024” article from SHRM

Q: How is your testimony organized?

A: The remainder of my testimony is organized as follows:

- Section II discusses the Company’s overall total rewards approach to employee compensation including the importance of base pay (wages and salaries) and incentive compensation as part of total cash compensation.
- Section III presents documentation to support the reasonableness of the Company’s compensation expenses.
- Section IV describes the Company’s union wages.
- Section V describes the Company’s non-union compensation.
- Section VI describes the Company’s incentive compensation and profit-sharing components.

- Section VII provides detailed analysis that demonstrates that the total cash compensation paid to employees by Columbia and NCSC is reasonable in relation to other utilities and general industry employers in the general areas where Columbia operates.
- Section VIII describes the Company's employee benefit plans and associated cost-containment efforts.

II. TOTAL REWARDS

Q: Please describe NiSource's total rewards philosophy.

A: NiSource's total rewards philosophy is to compensate employees and provide benefits that are competitive in comparison to utility industry and general industry employers to attract, retain, and motivate employees who are qualified to perform the functions needed by the Company. This philosophy enables the Company to meet its obligations to provide safe, reliable, and affordable service to its customers. This philosophy is consistent across all NiSource companies.

Q: What are the various elements of a competitive total rewards program?

A: A competitive total rewards program includes market-driven base compensation ("market-driven" is defined as rewarding employees in a manner that is competitive with what other employers pay for similar jobs in the external job market), market-driven performance/merit increases, short- and long-term incentives, profit-sharing, and health and welfare benefits. The weighting and mix of these elements differ across the various levels in the organization and is designed to provide a higher percentage of variable pay or "pay at risk" for higher level positions that make long-term strategic decisions for the Company. For example, total direct compensation for a Vice President of the Company is typically comprised of a smaller percentage of annual base pay and larger percentage of variable short- and long-term incentive. That leader's decisions and actions guide and contribute to the success of the company's vision and strategies surrounding occupational health and safety, operational excellence, customer satisfaction, workforce, sustainability, as well as financial metrics, which are critical for our ability to continue to provide safe and reliable service to our customers. In contrast, total direct compensation for an entry-level position is almost completely annual base pay plus a very small percentage of short-term incentive and profit-sharing. That employee's focus is entirely on executing their daily job functions and taking care of our customers in a safe reliable manner with minimal impact on long-term decisions. For purposes of my testimony, I will focus on our base compensation, merit increases, short-and long-term incentives, profit-sharing, and health and welfare benefits, which are all components of the

NiSource total rewards program. “Total cash compensation” is defined as base compensation plus short-term incentives. “Total direct compensation” is defined as base compensation plus short-term incentives plus long-term incentives.

Q: In defining and implementing the total rewards strategy and programs, does NiSource obtain any assistance from outside human resource experts?

A: Yes. For compensation, NiSource regularly relies on the advice and guidance provided by Mercer, a global consulting leader in talent, health, retirement, and investments. Mercer provides several services to assist NiSource, such as validation of NiSource compensation benchmarking sources; advice and expertise supporting periodic adjustments of our salary ranges to stay competitive; and providing best practice advice on pay and incentive plan design. We rely on Mercer’s guidance to substantiate that our compensation practices are consistent with other employers in the utility and general industries. In addition, Lockton Companies, Aon plc, and Alight Solutions LLC, global human resource consulting firms, assist NiSource with certain health and welfare benefits consulting, actuarial analysis, and administration of pension, health, and welfare benefits.

Q: What is your conclusion about the competitiveness of the Company's compensation and benefits package?

A: The Company's compensation is competitive when compared to the compensation at a similar group of employers in the Southeast and North Central United States. The Company's benefits are also competitive when compared to a similar group of employers. I provide support for these conclusions throughout the remainder of my testimony.

III. <u>REASONABLENESS OF COMPENSATION EXPENSE</u>

Q: What analysis have you conducted that confirms the reasonableness of Columbia's wages, salaries and total compensation?

A: Attachment BO-1 through Attachment BO-4 support the Company's test-year levels for total compensation. Gas utility and general industry data was used to allow for comparison of Columbia and NCSC's compensation to the relevant labor markets. We define "reasonable compensation" as salaries/wages and total cash compensation levels being within +/-10% of market-based salaries/wages and total cash compensation. To provide further detail on our market reasonableness research, we expanded our analysis to provide both national and Southeast Region market data in these Attachments. The Company's supporting attachments are as follows and are explained in more detail throughout the remainder of my testimony:

- Attachment BO-1: Columbia Union Wage Analysis – compares Columbia union average hourly rates and hourly rates including incentive to the average hourly rates and hourly rates including incentive paid by employers nationally and in the Southeast region.
- Attachment BO-2: Columbia Non-Union Salary Analysis - compares Columbia non-union average base salaries and total cash compensation to the average salaries and total cash compensation paid by national and Southeast region utilities, and general industry companies.
- Attachment BO-3: NCSC Salary Analysis - compares NCSC average base salaries and total cash compensation to the average base salaries and total cash compensation of utilities and general industry companies nationally and in the North Central region.
- Attachment BO-4: Non-Union Merit Increase Market Data - provides national, regional, and utility industry actual merit increases for 2023 and projected for 2024, in comparison to Columbia's 2023 and 2024 average merit increase budgets.
- Attachment BO-5: STI and LTI Metrics – provides definitions of the specific metrics utilized in our STI and LTI plans.

IV. UNION WAGES

Q: How many unions represent employees at Columbia?

A: Columbia manages a relationship with one union: United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Worker International Union United Steelworkers of America Local 372. As of March 2024, there were 129 (66.84% of total 193 Columbia Kentucky employees) members in this union.

Q: How are the Company's union wage rates set?

A: Union wage rates are established through the collective-bargaining process. Collective bargaining consists of negotiations between an employer and a union to establish wages, benefits and conditions of employment. The result of the collective-bargaining process is a collective-bargaining agreement ("CBA") that establishes the terms for increases in wages and benefits for affected employees.

Q: How does Columbia determine that its union wages are competitive with the labor market?

A: We periodically compare the negotiated union pay rates against market data to ensure that Columbia is paying within a reasonable range compared to other Southeast employers. Attachment BO-1, discussed later in this testimony, provides the analysis of 2024 Columbia average hourly wage rates compared to other employers in the Southeast, which includes Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia, and Virginia.

Q: How are total compensation and benefits determined for the Company's union employees?

A: The total compensation and benefits for union employees are determined through collective bargaining, in a similar fashion as union wages. During the collective-bargaining process, Columbia assesses changes in the overall compensation packages offered to union employees to ensure that the total compensation and benefits levels remain reasonable and commensurate to other union and non-union employees at similar levels within NiSource. Wherever possible, Columbia encourages its union employees to join in the benefit programs offered to non-union employees to streamline the administration of the benefit programs and provide the most value to the employees and their families at the least cost.

Q: What future wage increases take effect under the collective-bargaining contract?

A: The current union contract provides a 3.0 percent increase effective December 1, 2024 and a 2.5 percent increase effective December 1, 2025. The current union contract will expire November 30, 2026.

V. NON-UNION COMPENSATION

Q: How is base compensation for non-union employees determined?

A: The base compensation for the Company's non-union employees is measured against base compensation for employees in similar positions at other employers. We perform this analysis annually, most recently in the fourth quarter of 2023. More specifically, internal positions have been aligned to an external market position by comparing the positions at Columbia and NCSC to external labor marketplace positions. To establish parity with other employers vying for qualified workers in NiSource's labor markets, base compensation is set within a range that is established around the market median for individual jobs. These ranges are used to establish job grades within which all non-union jobs are assigned. We currently utilize 15 job grades from our lowest level positions through the executive level. Increases to base pay for an individual job may occur through merit increases, promotions from one job grade to the next, progressions within a job grade, and market adjustments if deemed necessary.

Q: How does NCSC establish the range within which non-union base pay can fluctuate around the market median?

A: NiSource salary ranges reflect pay levels from 80 percent to 120 percent of the job grade midpoint, which relates to the market median for our jobs.

This range allows individual leaders to differentiate base pay compensation among employees in similar jobs with varied skills, experiences, and level of responsibility.

Q: How does the Company determine that its compensation is competitive with the labor market?

A: Attachment BO-2 compares Columbia base salaries and total cash compensation to national and Southeast region utility and general industry companies. Attachment BO-3 compares NCSC base salaries and total cash compensation to utility and general industry companies in the national and North Central regions. I will explain in more detail later in my testimony.

Q: How does the Company ensure that its non-union pay levels remain competitive with the labor market?

A: We provide annual merit increases based on both market trends for merit increases in other utility and general industry companies as well as the employee's own performance for the previous year. This is explained in more detail throughout the remainder of my testimony.

Q: Have you compared the Company's non-union merit increases to those of other utility and general industry companies to determine if they are reasonable?

A: Yes. The Company has provided Attachment BO-4, which compares the Company's granted merit increases and the increases projected for employee groups regionally and nationally and for utilities and general industry in 2023 and 2024. The results show that the Company's average exempt and non-exempt non-union salary adjustments are aligned with the actual 2023 and projected 2024 market increases.

VI. INCENTIVE COMPENSATION AND PROFIT-SHARING

Q: Explain the Company's incentive compensation and profit-sharing programs as part of the total rewards program.

A: As part of the total rewards program explained earlier in my testimony, NiSource maintains two incentive compensation programs and one profit-sharing program. The two incentive compensation programs are the Short-Term Incentive Plan (STI) and the Long-Term Incentive Plan (LTI). The company identifies the levels of jobs that are eligible for STI and/or LTI, to align employee rewards with the Company's vision and strategies surrounding occupational health and safety, operational excellence, customer satisfaction, workforce, sustainability, and financial metrics.

Participants are eligible to receive incentive awards based on a blend of their personal performance and the performance of NiSource. The Profit-sharing plan is an element of the Company's Retirement Savings Plan and supports employees saving for retirement.

Q: Is STI an important component of total compensation for Columbia and NCSC to be effective in recruiting and retaining employees?

A: Yes. Our STI program is designed to drive and reinforce the strategies that are most important to the Company and that provide safe, reliable, and affordable distribution service to customers. It is essential that we hold our employees accountable for all costs passed along to the customer. We do this through our financial, safety, and customer goals. Each of the incentive plan metrics stand on their own, are not interconnected, and are paid out based on performance in each specific metric. All three elements are key and critical to support customer costs. Allowing our ability to drive daily the message of financial, safety and customer focus to our employees and rewarding them for meeting those goals is essential.

To do this, specific metrics are established each year and are included in eligible employees' incentive plan. Secondly, incentive compensation is an element of competitive total rewards in the labor market both within the utility industry and within the broader general industry. This is evidenced by the "2023 Compensation Best Practices Report" released by PayScale. The following is an excerpt from the Variable Pay and Benefits section of this report (attached to my testimony as Attachment Columbia BO-6, page 37):

> According to our survey, 78 percent of organizations offer variable pay. This is about where it was last year, having increased only one percentage point. However, variable pay has gone up compared to several years ago, where it was 8-9 percentage points lower than it is now. When it comes to the types of variable pay or bonuses offered, individual performance bonuses remain the most popular type, which has been true year over year.

To remain competitive in the labor market and to retain high performing employees, it is important to provide STI compensation as part of total compensation. If the Company maintains a competitive base compensation but does not provide incentive compensation, it follows that total compensation will lag the competition and employees will have larger total compensation opportunities at other employers providing competitive compensation inclusive of incentives.

Q: What are the specific STI metrics utilized?

A: Our STI metrics include operational excellence, safety, customer satisfaction, and financial goals. See Attachment Columbia BO-5: STI and LTI Metrics for definitions of these metrics.

Q: Is individual employee performance a factor for STI?

A: Yes for exempt (salaried) employees. Under the terms of the incentive plan, the exempt employee's supervisor is provided with an incentive award dollar range based on the employee's performance rating. The manager then has discretion to award the final incentive amount based on the employee's individual performance. I describe the employee incentive level and performance evaluation process below.

Q: How are incentive levels and incentive ranges determined?

A: Every employee is placed in a job title that reflects the role's level of responsibility within the organization. Each job title has an associated target incentive level and incentive opportunity range, beginning at a threshold or "trigger" level, which typically provides an incentive of 50 percent of a "target." The incentive opportunity range increases through the "target" level up to the "stretch" level, which provides an incentive of 200 percent of the "target." For example, Field Leaders are in a job title that provides a target incentive opportunity of 12 percent of base pay. The trigger and stretch levels are 50 percent below and 200 percent above the target percentage, respectively. Therefore, the incentive range for a Field Leader is:

Trigger	Target	Stretch
6%	12%	24%

As noted above, the employee's leader will consider the employee's performance when deciding on the incentive amount to be awarded, with stronger performers typically receiving an incentive between the target and stretch levels. In all cases, each STI metric will only pay out if it meets or exceeds the Trigger level of performance. Employees must perform safely, must provide a positive customer experience, and must operate with financial efficiency for these metrics to be achieved and paid. Having STI as part of Columbia and NCSC employees' compensation plan incents them to demonstrate the behaviors that support the Company's goals of providing safe and reliable service to our customers.

Q: How does the incentive level factor into the appropriate level of total cash compensation for each employee?

A: The incentive opportunity is one component of an employee's total cash compensation, along with base pay, and therefore affects the potential value of total cash compensation. The sum of the value of base pay and incentive compensation determines the overall total cash compensation opportunity available to employees.

Q: How does Columbia ensure that employees are committed to meeting the needs of customers, such as service quality and service reliability, and how does this impact the incentive program?

A: As described above, the discretionary portion of the incentive program is based on individual performance. Each employee's performance positively or negatively impacts the Company's goals in occupational health and safety, operational excellence, customer satisfaction, workforce, sustainability, and financial metrics categories. Each employee has written Objectives and is measured against those Objectives, resulting in a performance rating that is factored into the employee's incentive award calculation.

Q: How does the performance management process operate?

A: Performance management is executed through the annual performance review process using an Objectives Form and resulting in a performance rating. A Company employee's Objectives Form contains annual performance objectives and articulates the means of measuring the employee's progress in relation to the established objectives. Each employee is actively involved in the development of his or her objectives, with input from his or her supervisor, and the employee's progress is reviewed and discussed with the employee periodically throughout the year. The final performance rating is used to calculate the proposed amount of the merit increase and the incentive award for non-union employees. Managers have discretion to adjust the final merit increase amount for exempt and non-exempt non-union employees, and to adjust the final incentive award for exempt non-union employees.

The use of the objectives process to establish goals to measure employees' performance against these goals is important in reinforcing the proper focus on key initiatives and goals designed to continuously remain focused on customer service, safety, operational excellence, and expense control.

Examples of goals that support improved customer service include (for example):

- improvement in customer satisfaction scores;
- increasing the percentage of appointments met; and
- supporting Columbia payment assistance programs and outreach.

Examples of safety goals include:

- achieving Preventable Vehicle Collisions ("PVC"), Days Away Restricted or Transferred ("DART") and Occupational Safety Health Administration ("OSHA") goals of zero incidents;
- increasing the number of safety field observations; and
- improving the overall safety culture with a goal of achieving a top decile ranking by 2026 compared to industry peers.

Examples of operational excellence goals include:

- improving productivity and work efficiency;
- timely responding to customer complaints;
- timely restorations with no justified PSC complaints;
- phishing exercise failure rate less than 1 percent; and
- completing compliance coursework timely.

Examples of expense control goals include:

- ensuring employee time and projects are properly recorded;
- making prudent purchasing decisions for parts and materials; and
- paying invoices promptly.

Q: In general, how is incentive compensation awarded?

A: If respective incentive plan metrics (regardless if they are financial or non-financial metrics) are individually met, an incentive pool is established. Each of the incentive plan metrics stand on their own, are not interconnected, and are paid out based on performance in each specific metric even if the Company does not meet any of the other metrics. For example, if the metrics for safety are met then the safety metric will be paid out regardless of the financial performance of the Company. The percentage of an individual employee's base pay that is available for the cash incentive is dependent upon their job title, as described above. For exempt employees, the employee's individual performance and achievement of predetermined goals as determined by his or her supervisor is also factored into the amount of the incentive awarded. Incentive payments are made in February or March of the year following the year for which performance is measured, *e.g.*, the 2023 incentive was paid in the first quarter of 2024.

Q: Has Columbia included incentive plan costs in the budget?

A: Yes. As it is an important piece to overall compensation earned by Columbia employees, incentive compensation is included in the forecasted test year expenses. Columbia Witnesses Nicholas Bly and Craig Inscho support Columbia's proposed test year expense for incentive compensation.

Q: Are STI costs included in the cost of service?

A: Yes. Columbia requests approval for complete recovery of incentive compensation, including all financial and non-financial metrics, including those resulting from both financial and non-financial metrics. As described above, STI enables Columbia and NCSC to attract and retain talented employees, and to motivate and reward employees to operate the company more efficiently, keep customer and employee safety high, keep turnover and O&M costs low, and ultimately provide safe and reliable service to our customers in Kentucky.

Q: Is LTI an important component of total compensation for Columbia and NCSC to be effective in recruiting and retaining employees?

A: Yes. As mentioned earlier in this section, LTI is a form of incentive compensation that is designed to attract and retain executive and director-level talent within Columbia and NCSC. LTI awards are a common element of compensation at key management levels of organizations throughout the United States, including major utilities and, as such, the costs should be allowed for ratemaking purposes. It would be difficult for NiSource to attract and retain these leaders without this element of compensation. As described by Mercer in the article "Long Term Incentives, The Basics" (see Attachment Columbia BO-7, page 1):

> Long-term incentives…are a valuable part of a total compensation package both for delivering rewards and focusing employees on desired future outcomes and objectives. LTI also serves as a retention tool because the value of the reward is usually not realized until some future point in time, therefore encouraging the employee to stay engaged and focused on desired results as well as employed with the organization.

Q: Please explain how NiSource awards LTI.

A: LTI is part of the Company's total rewards package. LTI was in place during the base period and will be during the future test year. Generally, LTI vests over a three-year period. LTI is granted in the form of Performance Share Units (PSUs) and Restricted Stock Units (RSUs) to employees at the level of Director and above. PSUs vest after achieving specific performance goals that vary by year over a three-year period. RSUs vest based upon achievement of individual conditions as outlined in an award agreement, which is primarily a restriction based upon the continued service of the employee over a three-year period. Eligible employees earn LTI only if the metrics meet or exceed Trigger level of performance. Because LTI awards vest at the end of the three-year period, having LTI as part of Columbia and NCSC leaders' compensation plan incents them to continue the behaviors that support the Company's goals of providing safe and reliable service to our customers.

Q: What are the specific LTI metrics utilized?

A: Our PSUs are awarded based upon our LTI metrics which include operational excellence, safety, employee engagement, environmental, and financial goals. See Attachment BO-5: STI and LTI Metrics for definitions of these metrics. As noted above, our RSUs are awarded based upon continued service over a multi-year period of time.

Q: Are RSUs tied to any financial or any other performance metric in order to be paid to employees?

A: RSUs are made available to the employee when they vest, in this case after a multi-year period of time. The time restriction acts as a retention tool to keep qualified employees in roles servicing our customers. RSUs are awarded to Director-level and above leaders as part of their total compensation package.

Q: Do the Company's LTI awards provide customer benefits?

A: Yes. For the reasons I have previously described, LTI is a key component of the Company's total rewards program. PSUs motivate our leaders to achieve critical operational, safety, sustainability, workforce, and financial goals. RSUs reward long-term service over a multi-year period. If the Company is to provide high-quality service to its customers, it is imperative that it be able to attract and retain high quality talent, and to do so, all aspects of the total rewards package, including LTI for Director and executive level employees, must be competitive with other industry employers. If not, the Company places itself at high risk of losing talent to competitors. This would create a loss of valuable skills and would have a significant financial impact in the form of turnover costs, which would ultimately be borne by the Company's customers. It also could have an impact on safety and customer service goals, as less experienced leaders could be brought into the organization.

Q: Has Columbia included long-term incentive plan costs in the budget?

A: Yes. As it is an important piece to overall compensation earned by Columbia employees, long-term incentive compensation is included in the test year expenses. Columbia Witnesses Nicholas Bly and Craig Inscho support Columbia's proposed test year expense for long-term incentive compensation.

Q: Are LTI costs included in the cost of service?

A: Yes. As described above, LTI enables Columbia and NCSC to attract and retain talented leaders, which makes the Company operate efficiently, keep customer and employee safety high, keep turnover and O&M costs low, and ultimately provide the best safe and reliable care for our customers in Kentucky.

Q: Does the Company have a Profit-sharing Plan?

A: Yes. As part of the total rewards package, the profit-sharing plan is an element of the Company's Retirement Savings Plan and, as such, supports employees' saving for retirement. Company contributions for Profit-sharing are deposited into employees' Retirement Savings Plan accounts, which provide an important element of employee savings. The Profit-sharing Plan supplements employees' contributions to their retirement accounts. These contributions to the Retirement Savings Plan have become even more important as more traditional elements of retirement savings, including defined benefit plans, are no longer offered to exempt new hires on or after January 1, 2010, and non-exempt new hires on or after January 1, 2013. Absent these contributions, the Company would have to make other adjustments to its compensation package, such as increases to base pay, to remain competitive in the market for quality employees. As an element of a balanced competitive benefits program, the cost of profit-sharing contributions into the Retirement Savings Plan should be allowed for ratemaking purposes.

Q: Has Columbia included profit-sharing plan costs in the budget?

A: Yes. As it is an important piece to overall compensation earned by Columbia employees, profit-sharing is included in test year expenses. Columbia Witnesses Nicholas Bly and Craig Inscho support Columbia's proposed test year expense for profit-sharing costs.

VII. DETAIL OF COMPARATIVE COMPENSATION ANALYSES

Q: Has Columbia performed a comparative analysis to demonstrate the reasonableness of its salaries/ wages and total cash compensation levels?

A: Yes. As mentioned previously, gas utility and general industry data was used to allow for comparison between Columbia and NCSC's compensation in the relevant labor markets. Reasonable compensation is defined as salaries/wages and total cash compensation levels being within +/-10% of market-based salaries/wages and total cash compensation. The following analyses show that compensation levels for Columbia and NCSC are reasonable when compared with other regional utilities and general industry employers.

Q: What source material did you rely upon preparing these analyses?

A: I used utility and general industry surveys that provided survey job descriptions, a list of participating organizations, a variety of levels in multiple functional areas, clearly defined data elements (base salary, total cash) and appropriate scope data (geographic location, industry, etc.). The survey data, as outlined below, is relied upon by the Company to establish market-driven base pay on an ongoing basis.

A. <u>Comparative Analysis for Union Employee Wages</u>

Q: Please review the comparative analysis that was performed in relation to union total cash compensation.

A: Attachment BO-1, Columbia Union Wage Analysis, provides the Company's average hourly rates and hourly rates including cash incentive compensation compared to the average hourly rates and average hourly rate including cash incentive compensation paid by employers nationally and in the Southeast.

Q: What source material was used in creating Attachment BO-1?

A: Willis Towers Watson General Industry, Energy Services, and American Gas Association ("AGA") Compensation salary surveys were used for the analysis shown in Attachment BO-1. These surveys provide salary information nationally and by region for comparable jobs and reasonably represent the labor market for which Columbia competes for skilled employees.

Q: Is this the type of material generally relied upon by compensation professionals?

A: Yes. These surveys are regarded as reliable survey sources that provide salary information for comparable Company jobs.

Q: How did you determine which Company jobs to include in the analysis in Attachment BO-1?

A: The criteria of the analysis was that each Company job had to have multiple (two or more) incumbents and had to have a valid survey match to a Southeast job included within the survey data. All jobs that met the criteria of the analysis were included.

Q: What were the results of your analysis contained in Attachment BO-1?

A: Attachment BO-1 demonstrates that the average hourly rate paid by the Company to these union positions is $41.22, with the average hourly rate including cash incentive compensation at $42.86, as compared to an average hourly rate of $37.64 or $39.04 including incentives paid by employers nationally. In the Southeast the average hourly rate is $33.54 or $35.66 including cash incentives. When compared based upon the average hourly rate, the Company's union wages are 9.5 percent higher than what national employers pay and 22.9 percent higher than what Southeast employers pay. When including incentives, the Company is paying 9.8 percent higher than what national employers pay and 20.2 percent higher than in the Southeast. In conclusion, Attachment BO-1 demonstrates that Columbia's union wages and cash compensation are higher than national and Southeast union pay rates.

B. <u>Comparative Analysis for Non-Union Compensation</u>

Q: What source material was used in creating Attachment BO-2 and Attachment BO-3?

A: I relied on the 2023 Mercer Total Compensation Survey (MTCS) General Benchmark for the Energy Sector survey, the 2023 Willis Towers Watson Energy Services Middle Management Professional & Support (MMPS) survey, the 2023 Willis Towers Watson General Industry MMPS survey, the 2023 Willis Towers Watson American Gas Association (AGA) survey, and the 2023 Aon Radford Global Compensation Database (RGCD) Independent Energy Human Resources Association (IEHRA) Energy Industry survey to develop Attachment BO-2 and Attachment BO-3. The surveys provide salary information nationally and by region for jobs within the gas utility industry and the general industry. These surveys include national salary information as well as from the Southeast and North Central regions.

Q: Is this the type of material generally relied upon by compensation professionals?

A: Yes. These surveys are regarded as reliable survey sources that provide salary information for comparable Company jobs.

Q: How did you determine which Company jobs to include in the analysis in Attachment BO-2 and BO-3?

A: The criteria of the analysis was that each Company job had to have multiple incumbents (two or more in BO-2 and ten or more in BO-3) and had to have a valid survey match to a Southeast or North Central job included within the survey data. All jobs that met the criteria of the analysis were included.

Q: Please review the comparative analyses performed in relation to non-union total cash compensation.

A: Attachment BO-2, titled Columbia Non-Union Salary Analysis, provides a comparison of Columbia's average non-union base salaries and total cash compensation to the average base salaries and total cash compensation of utility and general industry employers nationally and in the Southeast United States.

Q: What were the results of your analysis?

A: Attachment BO-2, reflecting both exempt and non-exempt positions, shows that the average annual base salary paid by the Company for multi-incumbent Columbia non-union positions in this study is $101,362, with total cash compensation of $110,145, as compared to an average base salary of $103,961 paid by employers nationally and $103,842 in the Southeast, with average total cash compensation of $113,981 nationally and $115,087 in the Southeast. When compared based on base salary and total cash compensation (including STI), the Company is paying below market levels for utilities and general industries both nationally and in the Southeast. Specifically, the Company is 2.4-2.5 percent lower than the market in base pay and 3.4-4.3 percent lower than the market in total cash compensation.

Q: Please describe Attachment BO-3, titled NCSC Salary Analysis.

A: Attachment BO-3 compares average NCSC staff base salaries and total cash compensation to the average salaries and total cash compensation of North Central utility and general industry companies.

Q: Why did you include the North Central region in your analysis?

A: The reason for the comparison to the North Central region is that NCSC positions are primarily staffed in Merrillville, Indiana or Columbus, Ohio, which are both included in the North Central region data.

Q: What conclusions can be drawn from Attachment BO-3?

A: Attachment BO-3, reflecting both exempt and non-exempt positions, shows that the average annual base salary paid for multi-incumbent NCSC positions in this study is $89,758, with total cash compensation of $97,775, as compared to an average base salary of $98,988 paid by employers nationally and $97,903 in the North Central region, with average total cash compensation of $108,573 nationally and $106,543 in the North Central region. When compared based on base salary and total cash compensation (including STI), we pay below market compared to utilities and general industries, both nationally and in the North Central region. Specifically, we are 8.3-9.3 percent lower than the market in base pay and 8.2-9.9 percent lower than the market in total cash compensation.

C. <u>Performance Adjustments (Merit Increases)</u>

Q: Have the Company and NCSC granted or planned to grant merit increases to non-union employees in 2023 and 2024, and are merit increases included in the cost of service for the 2025 future test year?

A: As demonstrated in Attachment BO-4 (Non-Union Merit Increase Market Data), exempt and non-exempt non-union employees of the Company received an average annual merit increase of 3.0 percent effective March 1, 2023. This budget slightly lagged the average 4.0 percent national, regional, and industry merit increases for 2023. Research performed on 2024 merit increase projections regionally, nationally, and from every industry to be 3.9 percent on average. The Company's exempt and non-exempt non-union employees received an overall 4.0 percent merit increase effective March 1, 2024. Merit increases are a common element of compensation at organizations throughout the United States, including major utilities, and as such, the costs should be allowed for ratemaking purposes.

Q: Please explain Attachment BO-4 (Non-Union Merit Increase Market Data).

A: Attachment BO-4 provides national, regional, and utility industry actual merit increases for 2023 and projected for 2024, in comparison to Columbia's 2023 and 2024 merit increase budgets. As summarized by WorldatWork in the release of their 2023-2024 Salary Budget Survey (see Attachment Columbia BO-8, page 24):

> The actual national total salary budget increase average is up in 2023, at 4.4% the highest level in our survey since 2001, when the average increase budget was 4.5% and surpassing last year's 4.1%, the previous post-2001 high. Predicted average increase budgets for 2024 are slightly lower, at 4.1%,

> suggesting that total rewards professionals anticipate an easing of salary pressures next year.

Also, as stated by the Society for Human Resource Management (SHRM) December 2023 article "'Healthy' Pay Raises on Tap for 2024" (see Attachment Columbia BO-9, page 2):

> "We are seeing healthy salary increases forecasted for 2024," said Hatti Johannsson, research director of reward, data and intelligence at Willis Towers Watson (WTW). "Though economic uncertainty looms, employers are looking to remain competitive for talent, and pay is a key factor."
>
> "Competition for talent remains high, so [the 2024 forecasts are] indicative of how employers are feeling about the current labor market," said Lauren Mason, senior principal in Mercer's career practice.

Projected national and regional 2025 merit data is not yet available at the time of writing this testimony, however longer term historical data prior to 2023 indicates 3% is the typical budget for merit increases which supports the 3% merit increase budget we have established for the future test year.

Q: What data sources did you rely upon in creating Attachment BO-4?

A: I relied upon five well-known compensation survey sources that reflect hundreds of companies within the utility and general industry sectors, that provided data for the Midwest and Eastern regions, and that provided median merit increase information. These surveys were the Mercer August 2023 US Compensation Planning Survey-Energy Cut, the WorldatWork 2023-2024 Salary Budget Survey, the Aon 2023 Salary Increase and Turnover Study, the Willis Towers Watson 2023-2024 Salary Budget Planning Report July Edition, and the Payscale 2023-2024 Salary Budget Survey. The data was divided into industry groups and regions where available.

Q: What results are demonstrated by Attachment BO-4?

A: Attachment BO-4 states that the Company's merit increase effective March 1, 2024 was 4.0 percent for exempt employees and non-exempt non-union employees, including employees from Columbia. These increases are aligned with market trends and other companies within the region and the utility industry. The Company's merit increases have held steady at 3% for the past several years. The 4% merit increase in 2024 helps us to remain competitive and continue our goal of attracting and retaining the talent to support the Company's customers.

VIII. <u>EMPLOYEE BENEFITS</u>

Q: What are the benefits offered by the Company to attract and retain qualified employees?

A: Benefits are an important component of any compensation structure and are necessary to ensure that the Company can attract and retain qualified employees. The Company's benefit plans correspond to the plans offered throughout the NiSource system, including health and welfare plans (health care coverage, dental coverage, vision care, term life insurance and disability insurance), retirement savings plans, and paid time off (vacation, holiday, and sick pay).

Q: Is it necessary to provide health care and dental coverage to employees?

A: Yes. Health care coverage, including dental care coverage, is important to Company employees and their families. The Company's experience has demonstrated that quality health care and dental coverage helps to attract and retain employees and encourages longevity with the Company. Therefore, health care and dental coverage plans are offered to all employees of the Company.

Q: Does the Company incur its own health care and dental care costs or are these costs incurred by NCSC on behalf of the Company?

A: NCSC provides health care coverage for Company employees and retirees.

Q: How does NCSC obtain such coverage?

A: Benefit coverage is competitively bid through a request-for-proposal process. Proposals are solicited from insurance carriers and/or third-party administrators. These proposals are reviewed, and finalists are selected based upon the financial stability of the carrier or third-party administrator, the breadth of its provider network, network provider discounts, administrative capabilities, and price. Finalists are interviewed and further negotiations take place regarding pricing for the services offered. Carriers and third-party administrators are selected based upon their ability to provide quality service in the most cost-efficient manner.

Q: How has the Company attempted to reduce and control its health care costs?

A: NCSC, on behalf of the Company, has undertaken many initiatives to limit the cost of providing health and dental care to Company employees. NCSC continues to review plan coverage and to search for more efficient ways to offer and administer plan coverage. The Company self-insures its plans, which reduces underwriting margins, and offers plans with preferred provider organization ("PPO") and "High Deductible ("HD") plans to take advantage of provider discounts. Opt-out credits are paid to those employees who have alternative health care coverage and elect not to participate in the plans. These credits are offered at a fraction of the cost that would otherwise be required to provide coverage for the employees who opt-out. Such programs have been offered to both union and non-union employees.

As with other parts of its business, the Company enjoys some purchasing power due to its affiliation with NiSource in order to ensure competitive rates from its carriers. In addition, corporate-wide programs offer a larger pool of covered participants, which provides for a larger spread of risk. The larger risk pool helps contain increases in health and dental care costs.

Q: How are costs of the health care plans determined?

A: NCSC engages a consultant to help determine the estimated cost of health care plans for the upcoming year. NCSC is self-insured, which means that the Company's actual plan experience is used to determine estimates of future costs.

The standard methodology used by the Company's consultant when projecting self-funded plan costs is described below. The consultant's methods represent general underwriting techniques, and adjustments to methodology may be made in certain situations. Examples of situations that may result in an adjustment include changes to plan design, significant increases or decreases in the covered population due to acquisitions or divestitures, or when specific language is negotiated into a union collective bargaining agreement.

The Company's consultant uses underwriting techniques, based on actuarial guidelines, to project the future costs for the self-funded plans. The key factor in projecting future results is the prior experience of a group, especially when the group consists of a large population. This experience is specific to NiSource's entire covered population. The process of forecasting past claims experience into the future takes into account plan designs, trends and group credibility. These processes are widely accepted within the insurance market as the standard to establishing budget and premium levels that are appropriate to cover future risks.

As a starting point to developing the projection period working rates, the Company's consultant collects monthly paid claims and enrollment for NiSource's medical and pharmacy self-funded plans from the appropriate vendors. They utilize the information provided by NiSource and/or the vendors to develop these budget projections. The average cost per enrolled employee is then calculated by dividing the total claims paid by the average number of enrolled employees in each plan offered by the Company.

Once the average claims costs per employee is calculated, claims costs are projected to the projection period by application of trend factors. The trend factors used in the projections fall within the framework established by the Actuarial Standards Board of the American Academy of Actuaries, which has responsibility for the development of actuarial standards of practice used by all professional organizations. The primary components of medical trend include the following:

- Inflation in unit prices for the same services
- Changes in utilization of the same services
- Out-of-pocket leveraging
- New technology/services (increases or decreases depending on the mix and cost of services)
- Cost shifting from public payors (Medicare and Medicaid) to private plan payors
- Population aging

Credibility provides a degree of confidence and accuracy in using the past group's specific information in projecting future costs. A mixture of the size of the group and the period of time the data reflects determines a group's credibility. Generally, the larger the group and/or the longer the period of available historical information, the greater the degree of confidence and accuracy of using a past group's specific data to project the future costs. NiSource working rates are projected using experience based on over 3,000 member life years. This amount of experience is fully credible based on generally accepted actuarial guidelines. Higher margin levels are required for smaller groups since it is designed to cover the potential variation and volatility in actual cost relative to the projected costs.

The last step is the addition of the administrative fees to the projected claims costs. Administrative fees are typically paid on a per employee per month basis to the claims administrator and covers services such as claims processing, claims invoicing, and member services. This fee may also include a component for network access which allows NiSource to access the discount pricing that the claims administrator has negotiated with the various providers in the provider network. Minor additional fees may also be paid to other vendors for items including, but not limited to, case management and utilization management, government fees such as Transitional Reinsurance which sunset in 2017, other vendor fees for additional programs/services, and consulting services.

The combination of the administrative fees and trended claims costs allows for the establishment of rigorously estimated funding levels that are appropriate to cover the Company’s future risks. These calculations are prepared using generally accepted actuarial methods and procedures and in accordance with the relevant Actuarial Standards of Practice.

Company employees share in a percentage-of-cost basis in the cost of the health plans made available to them. The percentage cost share for the PPO and HDPPO 1 plans for non-exempt non-union employees is 25 percent, while exempt employees pay 30 percent of the costs. For employees in the bargaining units, their percentage cost share is 25 percent and is subject to collective bargaining. Additionally, for employees that want to assume greater claims risk through a leaner plan design with a higher deductible and out of pocket maximum, there is an HDPPO 2 plan offered for a reduced cost share of 15 percent to all employees. For employees in bargaining units this percentage cost share is also subject to collective bargaining.

Q: How does the Company assess how its employee benefit programs compare to other companies and ensure the reasonableness of its offerings?

A: On behalf of the Company, NCSC through Aon performs a benefit index study to assess the reasonableness of benefits at a program level and as a package by comparing against the benefit programs of a market basket of similar offerings at other employers. The standard Company benefit offerings are compared to the benefits offered at other energy companies, including investor-owned utilities, and against general industry companies. The total value and the employer-paid portion of each benefit program's design is rated on a standardized value scale that reflects the deviation of the NiSource primary benefit offerings from the average offered by other employers' comparative program designs. The most recent study was conducted in January 2024 by Aon.

Q: What were the results of the latest Aon study regarding NiSource and the Company's benefits offerings?

A: The study shows that the overall employer-paid value of NiSource's benefits plans is 3.9 percent below the median of the selected energy industry cohort. The Company has concluded from the results of the study that its benefits are reasonable as compared with the offerings from other employers in the labor markets.

Q: Has the Company pursued any healthcare benefit cost containment measures?

A: The Company has pursued a number of cost containment measures. The Company has also increased PPO medical plan deductibles, co-pays and co-insurance and has actively promoted and increased enrollment in high deductible medical plans. The Company uses Anthem's, the company's benefits administrator, medical provider network for the PPO and HDPPO self-insured plans. Anthem provides competitive medical provider discounts compared to other national carriers. The Company has also introduced an Anthem Integrated Health Management system that provides registered nurse counseling to employees and dependents for the most cost efficient and effective medical treatment options.

Q: Has the Company pursued any retirement benefit cost containment measures?

A: Yes. The Company converted from a Final Average Pay pension formula to a less costly Account Balance pension formula and closed pension, post-retiree medical and life insurance benefits to new hires. This conversion for nonexempt, non-union and union employees was effective January 1, 2013. Exempt employees were converted on January 1, 2010.

Q: Is it reasonable to continue to offer retirement savings benefits that include a pension benefit for certain employees?

A: The Company maintains a pension program and 401k match for a declining number of employees (exempt employees hired before 2010 and nonexempt before 2013). When the pension program was closed to new hires, to retain the institutional knowledge and operational experience of our longer tenured workforce and to acknowledge reliance on these retirement benefit programs by mid and late career employees, the Company maintained existing employees in both plans. This allows this group of employees to retain their earned pension and provide the ability to have a 401(k) account to manage and fund their additional retirement needs. Also, many of these same employees had already experienced a reduction to their overall retirement benefits as a result of previously executed design changes.

Q: What is your conclusion about the competitiveness of the Company's compensation and benefits package?

A: As supported throughout my testimony and attachments, the Company's compensation and benefits are competitive when compared to the compensation at a similar group of employers.

Q: Does this complete your Prepared Direct Testimony?

A: Yes, however, I reserve the right to file rebuttal testimony or any other testimony permitted in this case.

Attachment BO-1

Columbia Gas of Kentucky Union Wage Analysis[1]
Comparison of Columbia Union Hourly Rates & Incentives Paid to Utilities in the Southeast

	Columbia		Surveys: Total Sample		Surveys: Southeast Region	
Row Labels	Annual Base Salary (Average)[3]	Annual Total Cash Compensation (Average)[3,4]	Annual Base Salary (Average)[5,6]	Annual Total Cash Compensation (Average)[5,6]	Annual Base Salary (Average)[5,7]	Annual Total Cash Compensation (Average)[5,7]
Construction Coordinator-C11	$43.39	$45.13	$42.03	$44.57	Not Available	Not Available
Construct-Regulator Oper-C11	$43.67	$45.42	$37.29	$39.40	$36.04	$40.67
Customer Service A-C11	$40.86	$42.50	$39.85	$40.92	$35.43	$37.50
Customer Service B-C11	$39.22	$40.79	$34.81	$36.36	$25.58	$26.79
Customer Service Sr-C11	$45.74	$47.57	$37.59	$38.61	$35.43	$37.50
Inspector A-C11	$39.55	$41.13	$37.97	$39.60	$36.58	$38.18
M&R Tech 1-C11	$45.41	$47.22	$43.16	$44.86	$40.06	$42.76
M&R Tech 2-C11	$42.58	$44.28	$39.41	$40.29	$38.47	$40.97
Plant/Service Combination-C11	$43.38	$45.12	$39.79	$40.32	$34.53	$36.77
Street Service A-C11	$40.57	$42.20	$37.68	$39.03	$29.18	$30.47
Utility A-C11	$29.00	$30.16	$24.51	$25.49	$24.14	$25.00
Overall Average	**$41.22**	**$42.86**	**$37.64**	**$39.04**	**$33.54**	**$35.66**
% Above/(Below) Market			**9.5%**	**9.8%**	**22.9%**	**20.2%**

Footnotes

(1) Columbia Gas of Kentucky data as of 2/14/2024.

(2) These jobs are included in this analysis because the Company had multiple (two or more) incumbents matched to the NiSource job title on 2/14/2024.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all Columbia employees matched to the NiSource job title and dividing it by the number of Columbia employees matched to the title.

(4) Total Cash Compensation equals base salary plus target annual incentive for 2023, paid in 1Q 2024.

(5) Survey data shown is from the 2023 Willis Towers Watson Energy Services Middle Management Professional & Support survey, the 2023 Willis Towers Watson General Industry Middle Management Professional & Support survey, and the 2023 Willis Towers Watson American Gas Association (AGA) survey, All survey data is aged to June 1, 2024.

(6) "Surveys: Total Sample" data reflects the national market data used by the Company to determine pay levels for each job.

(7) "Surveys: Southeast Region" data reflects the regional market data from other employers with similar roles. Survey vendors require a minimum of five companies to report pay data for each title, before they will publish the data. If fewer than five companies reported, the field will be shown as "Not Available" and not factored into the Overall Average calculation.

Attachment BO-2

Columbia Gas of Kentucky Non-Union Salary Analysis[1]
Comparison of CKY Non-Union Base Salaries & Total Cash Compensation to Survey Data in the Southeast

	Columbia		Surveys: Total Sample		Surveys: Southeast Region	
Job Title[2]	Annual Base Salary (Average)[3]	Annual Total Cash Compensation (Average)[3,4]	Annual Base Salary (Average)[5,6]	Annual Total Cash Compensation (Average)[5,6]	Annual Base Salary (Average)[5,7]	Annual Total Cash Compensation (Average)[5,7]
Assoc Field Eng 1	$79,308	$85,652	$79,228	$83,995	$76,987	$81,088
Coach On-The-Job Training Sr	$117,370	$129,107	$122,661	$138,840	$121,663	$133,584
Corrosion Tech CKY	$94,224	$97,993	$97,514	$104,116	$85,197	$91,067
Crossbore Restoration Spec	$94,536	$98,317	$94,723	$101,360	$92,553	$101,739
Field Leader Construction	$113,509	$127,130	$111,617	$121,673	$106,527	$118,510
Field Leader Gas Operations	$113,275	$126,868	$114,107	$126,314	$105,311	$120,909
Field Leader M&R	$117,263	$131,335	$114,107	$126,314	$105,311	$120,909
Sr Field Engineer	$120,463	$130,100	$136,470	$149,899	$137,186	$152,887
Sr Work Coordinator	$62,306	$64,799	$65,221	$73,322	Not Available	Not Available
Overall Average	**$101,362**	**$110,145**	**$103,961**	**$113,981**	**$103,842**	**$115,087**
% Above/(Below) Market			**-2.5%**	**-3.4%**	**-2.4%**	**-4.3%**

Footnotes

(1) Columbia Gas of Kentucky data as of 2/14/2024.

(2) These jobs are included in this analysis because the Company had multiple (two or more) incumbents matched to the NiSource job title on 2/14/2024.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all Columbia employees matched to the NiSource job title and dividing it by the number of Columbia employees matched to the title.

(4) Total Cash Compensation equals base salary plus target annual incentive for 2023, paid in 1Q 2024.

(5) Survey data shown is from the 2023 Mercer Total Compensation Survey (MTCS) General Benchmark for the Energy Sector, the 2023 Willis Towers Watson Energy Services Middle Management Professional & Support survey, the 2023 Willis Towers Watson General Industry Middle Management Professional & Support survey, the 2023 Willis Towers Watson American Gas Association (AGA) survey, and the 2023 Aon Radford Global Compensation Database (RGCD) Independent Energy Human Resources Association (IEHRA) Energy Industry surveys. All survey data is aged to June 1, 2024.

(6) "Surveys: Total Sample" data reflects the national market data used by the Company to determine pay levels for each job.

(7) "Surveys: Southeast Region" data reflects the regional market data from other employers with similar roles. Survey vendors require a minimum of five companies to report pay data for each title, before they will publish the data. If fewer than five companies reported, the field will be shown as "Not Available" and not factored into the Overall Average calculation.

Attachment BO-3

NiSource Corporate Service Company (NCSC) Salary Analysis[1]

Comparison of NCSC Base Salaries & Total Cash Compensation to Survey Data in the North Central Region

	NCSC		Surveys: Total Sample		Surveys: North Central Region	
Job Title[2]	Annual Base Salary (Average)[3]	Annual Total Cash Compensation (Average)[3,4]	Annual Base Salary (Average)[5,6]	Annual Total Cash Compensation (Average)[5,6]	Annual Base Salary (Average)[5,7]	Annual Total Cash Compensation (Average)[5,7]
Asset Program Owner	$139,289	$160,182	$154,635	$172,013	Not Available	Not Available
Assigner 1	$53,543	$55,685	$57,935	$60,707	$67,850	$70,447
Assigner 2	$65,421	$68,038	$66,635	$69,740	$58,446	$61,525
Category Lead	$110,617	$121,678	$112,748	$122,932	$115,085	$121,945
Communications Mgr	$105,955	$116,550	$126,162	$134,911	$122,322	$134,042
Customer Service Representative 1	$38,241	$39,771	$43,821	$44,707	$43,489	$44,185
Customer Service Representative 2	$43,727	$45,476	$48,101	$49,193	$47,145	$48,266
Customer Service Representative 4	$51,771	$53,842	$62,182	$67,277	$55,645	$58,255
Damage Prevention Screener	$51,963	$54,041	$57,935	$60,707	$67,850	$70,447
Environmental Coordinator 2	$81,290	$87,793	$89,653	$96,867	$86,615	$93,184
Environmental Coordinator 3	$95,497	$103,136	$107,251	$121,259	$107,413	$117,998
Environmental Inspector 2	$64,693	$69,868	$86,364	$90,780	$80,888	$85,081
Environmental Principal	$126,182	$138,800	$120,710	$138,604	Not Available	Not Available
Executive Admin Assistant	$78,772	$81,923	$78,163	$84,828	$78,492	$82,559
Gas Controller	$80,118	$86,528	$89,475	$95,978	$87,144	$93,139
Gas Qualification Specialist	$93,290	$97,021	$74,461	$76,673	$71,530	$77,463
GIS Technician 1	$55,388	$57,603	$67,318	$68,838	Not Available	Not Available
GIS Technician 2	$64,056	$66,619	$70,451	$73,995	$67,664	$69,196
Lead Architect	$146,025	$161,494	$164,310	$188,980	$154,100	$182,516
Lead Financial Analyst	$105,062	$115,568	$125,636	$142,307	$120,919	$134,552
Lead New Business Specialist	$80,065	$88,071	$111,451	$120,325	$114,503	$119,527
Lead Regulatory Analyst	$106,532	$117,185	$126,306	$143,789	$122,468	$138,012
New Business Specialist	$60,153	$64,965	$70,706	$75,824	$75,611	$78,785
Operational Excellence Specialist Senior	$93,169	$100,623	$105,246	$116,076	$103,084	$114,296
Principal Engineer	$136,069	$149,675	$136,470	$149,899	$132,699	$147,247
Project Management Manager	$117,862	$135,542	$125,429	$141,119	Not Available	Not Available
Project Manager	$130,632	$143,696	$132,853	$147,589	$135,776	$150,385
Quality Assurance Specialist	$58,670	$61,017	$67,830	$71,350	$68,210	$71,411
Safety Specialist	$82,484	$89,083	$103,465	$114,534	$98,428	$107,779
Scheduling Leader	$80,671	$88,738	$100,926	$110,076	$97,147	$100,299
Senior Customer Service Representative	$58,406	$60,743	$61,775	$65,967	$58,145	$62,866
Sr Business Analyst	$116,250	$125,550	$111,040	$122,513	$113,889	$126,859
Sr Counsel	$174,302	$201,739	$196,506	$226,014	$197,570	$225,806
Sr Financial Analyst	$84,630	$91,401	$103,599	$114,900	$92,394	$102,671
Sr Gas Sys Design Eng	$119,383	$128,933	$136,470	$149,899	$132,699	$147,247
Sr IT Systems Analyst	$105,075	$113,806	$120,154	$130,383	$115,981	$126,697
Sr New Business Specialist	$68,498	$73,978	$86,903	$93,360	$92,120	$96,846
Sr Project Manager New Business	$88,760	$97,636	$115,583	$125,311	$120,944	$131,719
Sr Technical Suppt Specialist	$109,484	$118,243	$88,157	$95,206	$83,420	$88,109
Sr Work Coordinator	$59,270	$61,640	$65,221	$73,322	Not Available	Not Available
Team Ldr Gas Operations	$108,700	$121,744	$116,123	$130,296	$109,961	$119,504
Team Leader CCC	$72,542	$81,247	$84,792	$93,007	$85,202	$94,213
Technical Support Specialist 2	$99,359	$107,307	$116,104	$129,416	$110,969	$121,140
Technical Trainer 2	$93,618	$101,107	$90,571	$96,289	$94,245	$101,771
Technical Trainer 3	$106,001	$114,481	$109,371	$119,830	$107,779	$117,325
Work Coordinator	$46,226	$48,075	$47,146	$48,492	Not Available	Not Available
Work Planning and Forecasting Manager	$110,931	$127,571	$118,278	$136,861	$118,188	$132,938
Overall Average	**$89,758**	**$97,775**	**$98,988**	**$108,573**	**$97,903**	**$106,543**
% Above/(Below) Market - North Central			**-9.3%**	**-9.9%**	**-8.3%**	**-8.2%**

Footnotes

(1) Columbia Gas of Kentucky data as of 2/14/2024.

(2) These jobs are included in this analysis because the Company had multiple (ten or more) incumbents matched to the NiSource job title on 2/14/2024.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NCSC employees matched to the NiSource job title and dividing it by the number of NCSC employees matched to the title.

(4) Total Cash Compensation equals base salary plus target annual incentive for 2023, paid in 1Q 2024.

(5) Survey data shown is from the 2023 Mercer Total Compensation Survey (MTCS) General Benchmark for the Energy Sector, the 2023 Willis Towers Watson Energy Services Middle Management Professional & Support survey, the 2023 Willis Towers Watson General Industry Middle Management Professional & Support survey, the 2023 Willis Towers Watson American Gas Association (AGA) survey, and the 2023 Aon Radford Global Compensation Database (RGCD) Independent Energy Human Resources Association (IEHRA) Energy Industry surveys. All survey data is aged to June 1, 2024.

(6) "Surveys: Total Sample" data reflects the national market data used by the Company to determine pay levels for each job.

(7) "Surveys: North Central Region" data reflects the regional market data from other employers with similar roles. Survey vendors require a minimum of five companies to report pay data for each title, before they will publish the data. If fewer than five companies reported, the field will be shown as "Not Available" and not factored into the Overall Average calculation.

Attachment BO-4

Columbia Gas of Kentucky Non-Union Merit Increase Market Data

	Actual 2023 % Merit Increase (Median)	Projected 2024 % Merit Increase (Median)
Mercer Aug 2023 US Comp Planning Survey-Energy Cut	(Excluding Zeros)	
Energy	3.2%	4.0%
By Energy Sector		
Fully Integrated and Exploration & Production	4.4%	4.0%
Utilities	3.0%	4.0%
By Organization Ownership		
Publicly Traded on a Stock Exchange	3.1%	4.0%
Privately Owned Organization	2.6%	4.0%
2023-2024 WorldatWork Salary Budget Survey		
National		
Officers & Executives (OE)	4.0%	4.0%
Exempt Salaried (ES)	4.0%	4.0%
Non-Exempt Salaried (NS)	4.0%	4.0%
Non-Exempt Hourly Nonunion (NHN)	4.0%	4.0%
Utilities		
Officers & Executives	4.0%	3.9%
Exempt Salaried	4.0%	3.8%
Non-Exempt Salaried	3.9%	3.6%
Non-Exempt Hourly Nonunion	4.1%	3.8%
Eastern Region (Includes CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT, VA, WV, Washington DC)		
Officers & Executives	4.0%	4.0%
Exempt Salaried	4.0%	4.0%
Non-Exempt Salaried	4.0%	4.0%
Non-Exempt Hourly Nonunion	4.0%	4.0%
Central Region (Includes IL, IN, IA, KS, KY, MI, MN, MO, NE, ND, OH, SD, WI)		
Officers & Executives	4.0%	4.0%
Exempt Salaried	4.0%	4.0%
Non-Exempt Salaried	4.0%	4.0%
Non-Exempt Hourly Nonunion	4.0%	4.0%
2023 AON Salary Increase and Turnover Study - Second Edition Refresh Results U.S.		
National	(Excluding Zeros)	
Executives	4.0%	4.0%
Management	4.0%	3.8%
Professional- Individual Contributor	4.0%	4.0%
Support - Individual Contributor	4.0%	4.0%
Hourly	4.0%	3.8%
Energy		
Executives	4.0%	4.0%
Management	4.0%	4.0%
Professional- Individual Contributor	4.0%	4.0%
Support - Individual Contributor	4.0%	4.0%
Hourly	4.0%	4.0%
Central/Midwest States (Includes OH, IN, MI, IL, MO, IA, MIN, WI, KS, NE)		
Executives	4.0%	4.0%
Management	4.0%	3.6%
Professional- Individual Contributor	4.0%	3.5%
Support - Individual Contributor	3.9%	3.5%
Hourly	3.9%	3.5%
Mid-Atlantic States (Includes PA, NJ, MD, VA, Washngton DC)		
Executives	4.0%	4.0%
Management	4.0%	4.0%
Professional- Individual Contributor	4.0%	4.0%
Support - Individual Contributor	4.0%	4.0%
Hourly	4.0%	4.0%
Southeast States (Includes KY, TN, NC, SC, GA, FL, AR)		
Executives	3.9%	4.0%
Management	3.8%	4.0%
Professional- Individual Contributor	3.8%	4.0%
Support - Individual Contributor	3.6%	4.0%
Hourly	3.8%	4.0%
2023-2024 Willis Towers Watson Salary Budget Planning Report July Edition		
Overall Merit Increase	4.0%	3.5%
Executive	4.0%	3.5%
Middle Management and Professionals	4.0%	3.5%
Support Staff	4.0%	3.5%
Production and Manual Labor	3.9%	3.5%
Electric, Gas and Sanitary Services		
Overall Merit Increases	4.0%	4.0%
Executives	4.0%	4.0%
Middle Management and Professional	4.0%	4.0%
Support Staff	4.0%	4.0%
Production and Manual Labor	4.0%	3.8%
2023-2024 Payscale Salary Budget Survey		
US Total Sample		
Officers & Executives	3.1%	3.0%
Managers	3.4%	3.2%
Exempt (non-mgmt)	3.4%	3.2%
Non-Exempt	3.4%	3.2%
US Energy & Utilities		
Officers & Executives	3.8%	3.8%
Managers	4.0%	3.9%
Exempt (non-mgmt)	4.0%	3.9%
Non-Exempt	4.0%	3.9%
US Midwest Region		
Officers & Executives	3.1%	3.1%
Managers	3.5%	3.3%
Exempt (non-mgmt)	3.5%	3.3%
Non-Exempt	3.4%	3.3%
NiSource		
Exempt & Executive	3.0%	4.0%
Non-Exempt & Nonunion Hourly	3.0%	4.0%
	(effective March 1, 2023)	(effective March 1, 2024)

Attachment BO-5

NiSource Corporate Service Company (NCSC)
2024 Short-Term Incentive "STI" and Long-Term Incentive "LTI" Metrics

2024 STI Metrics- Measures	Definitions	Metric Weight
Financial		
Net Operating Earnings Per Share	The definition of NOEPS is income from continuing operations determined in accordance with GAAP, including, without limitation, the impact of incentive payouts and adjusted for certain items, such as fluctuations in weather and other significant unusual events disclosed in our earnings reports (examples of which may include transaction-related costs, debt extinguishment costs or certain income tax items): aligns with financial commitments and annual financial plan for 2024.	70%
Operational Excellence		
Operations or Process Failure	No significant injuries or fatalities (SIF) or PHMSA reportable incidents due to operations or process failures (employees).	10%
Safety	**NiSource's long-term target is to be top decile in safety performance by 2026 when compared to our AGA peers (combo utilities). 2024 targets will be established by building a year-over-year improvement glidepath using 2023 YTD actuals and our 2026 target top decile projection.**	
DART	Days Away, Restricted or Transferred (DART) incident rate for all injuries meeting OSHA reportability that require an employee to not report to work, to restrict their duties or transfer to another role as a result of the injury.	5%
PVC	Preventable Vehicle Collisions (PVC) rate for all vehicle crashed deemed to be the responsibility of the company-employed driver.	5%
Customer Experience	**NiSource's long-term target is to improve "top box" (very satisfied/5 on scale of 1-5) to 75% by 2027; 2024 goal reflects steady state from 2023 results due to budget challenges and technology upgrade needs.**	
Customer Satisfaction	Post-transactional/customer relationship satisfaction survey: score comprises five post-transactional customer channels (CSR, Field Service, IVR, Online, and Project Work/Site Restoration) and one customer relationship measure which will survey customers' overall satisfaction with Columbia Gas companies and NIPSCO.	10%
	TOTAL WEIGHT=	100%

2024 LTI Metrics- Measures	Definitions	Metric Weight
Financial		
NOEPS: 3 Year Cumulative	Range represents 6.3 to 7.9% Combined Annual Growth Rate (CAGR) and aligns with financial commitments of 6-8% CAGR from 2024-2026	55%
Relative TSR	Benchmarked practice and in alignment with 2023 program design	25%
Operational Excellence & Safety		
Annual Operational Index Scorecard: 3 Year Average	The Index provides visibility to long-term, critical metrics that support our strategy for proactively mitigating risk. These measures are recognized as top-tier industry risk-reduction programs. Scorecard metrics and targets will be estabished each year.	10%
People and Culture; Sustainability		
Employee Engagement Index Score	Create an enviable employee experience: strive toward incremental path forward to increase engagement above benchmarked median over long term horizon.	5%
Environmental	Keep NiSource on-track to achieve its publicly announced GHG reduction targets	5%
	TOTAL WEIGHT=	100%

Attachment BO-6

2023 Compensation Best Practices Report

Rebalancing in a precarious economy and the age of pay transparency

The storm of the last few years is subsiding and the labor market is calming down, but a recession may be on the way and compensation strategy and transparency are only becoming more important. Payscale's 14th annual flagship report for compensation professionals, HR leaders, and business executives distills data and insights from the largest known survey focused on compensation management best practices.

payscale

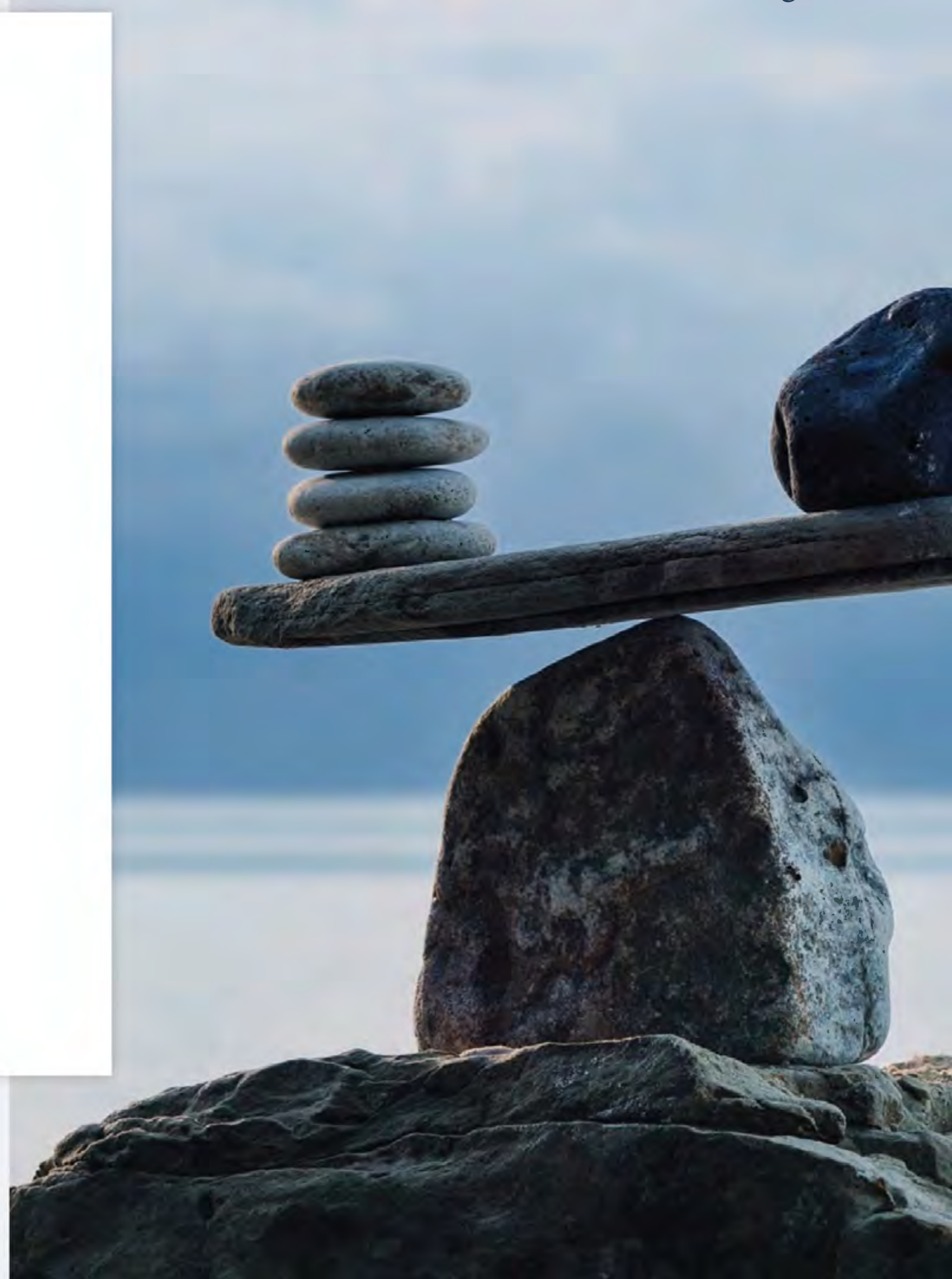


Table of contents

Executive Summary

The 2023 Compensation Best Practices survey gathered 4,933 responses from October 2022 through December 2022. The completion rate (55 percent) was the highest of any CBPR in recent history and contains more international responses, enterprise responses, and responses from executives than previous years.

Why compensation strategy will be critical in 2023

Interest rates are climbing, job openings are falling, and voluntary turnover is decreasing — down 11 percent compared to last year. The labor market is cooling, but don't be fooled: It's still tight. In fact, 60 percent of organizations say they are still experiencing labor challenges greater than previous years. This perception is supported by data from the Bureau of Labor Statistics showing that unemployment at the end of 2022 was 3.5 percent, which is what it was before the COVID-19 recession of 2020 — and it dropped further in January.

Although we may enter a recession in 2023, attracting and retaining talent looks like it will remain a top challenge for organizations. Hiring freezes and layoffs should cool the wildest aspects of the labor market but retaining top talent and improving employee experiences will be central to operational excellence and realizing business goals.

In fact, 2023 might just be the year of employee retention and engagement.

Employee bargaining power has increased, and workers are demanding more from employers — more humane treatment, more autonomy to choose where and how they work, more transparency, and fair pay. The COVID-19 layoffs and the challenging times that followed motivated employees to reprioritize their values and especially their physical and mental wellbeing. Trends like "quiet quitting" and "act your wage" are unlikely to evaporate even if economic pressures intensify.

The challenge for employers is how to create better work experiences.

It's not all about pay, but compensation and pay progression are key factors in the employee experience and will take center stage in 2023. In fact, 35 percent of organizations cite compensation as being most to blame for labor challenges. Unsurprisingly, given the hot job market, most organizations (55 percent) view compensation as being among the top challenges for HR in 2023, and 49 percent say compensation will be a higher-priority investment.

Correspondingly, 55 percent of organizations say they have a compensation strategy, which has increased 7 percent since last year, and another 29 percent say they're working on one. This is critical because a compensation strategy is required for building formal pay structures and complying with pay transparency legislation, which looks to expand in the year ahead.

With pay ranges being made public in job postings, inflation eroding pay increases, and pay compression threatening pay equity, organizations really need to be strategic to get pay right.

That means investing in salary data and modernizing pay practices to reward the workforce of the future.

2023

Compensation Best Practices Report

Highlights

Participate in next year's Compensation Best Practices Survey

For the past 14 years, Payscale's Compensation Best Practices survey has collected data from compensation and HR professionals. By participating, you'll receive an early copy of the results and will support peers and help democratize data for all. Sign up to participate next year.

Sign up to participate next year.

Put me on the list for 2024 →

The labor economy

25% is the org-reported average voluntary turnover rate, down from 36 percent in 2021

35% of orgs cite compensation as most to blame for labor challenges in 2022

55% of orgs view quiet quitting as work/life balance and are not concerned about it

Strategy and preparedness

55% of orgs have a compensation strategy/philosophy, up 7% YOY, and 29% are working on one

63% of orgs have a person or team dedicated to the function of comp — a key differentiator in compensation management maturity and readiness for comp strategy

Pay increases

56% of orgs are giving pay increases over 3 percent in 2023; 26 percent between 4–5%

58% of orgs are addressing the impact of inflation with base pay increases

86% of orgs will give pay increases out of cycle, either frequently or occasionally as needed

55% of orgs are worried about pay compression but only 42% are actively addressing it

Variable pay and benefits

78% of orgs offer variable pay, and market premium bonuses doubled to 6% in 2022

Job management and pay structures

65% of orgs have formal pay structures and 64% say they plan to adjust them in 2023

Salary data and market pricing

60% of orgs made changes to market data sources to account for rapidly changing markets

Skills-based workforce

50% of orgs compensate for competitive skills

Remote work and geographic pay strategy

51% of orgs are experiencing resistance from employees around returning to offices

66% of orgs do not consider working from home to be a compensable benefit

48% of orgs are interested in geo-differentials for distributed workforces

Pay equity, diversity, and ESG

63% of orgs say pay equity analysis is a planned or current initiative

Pay transparency and communications

45% of orgs already include pay ranges in job postings

19% of orgs are posting salary ranges without confidence in how current employees will react

48% of orgs say that pay transparency legislation is driving change

49% of orgs train managers on pay communications

57% of orgs provide employees with a total rewards statement

HR and comp management predictions

55% of orgs think compensation will be more challenging in 2023

49% of orgs say compensation and retention will be a higher priority investment in 2023

11% of orgs will be purchasing compensation management software for the first time in 2023, up from 7 percent in 2022, demonstrating growth in adoption

Chapter one

Spotlight on the economy

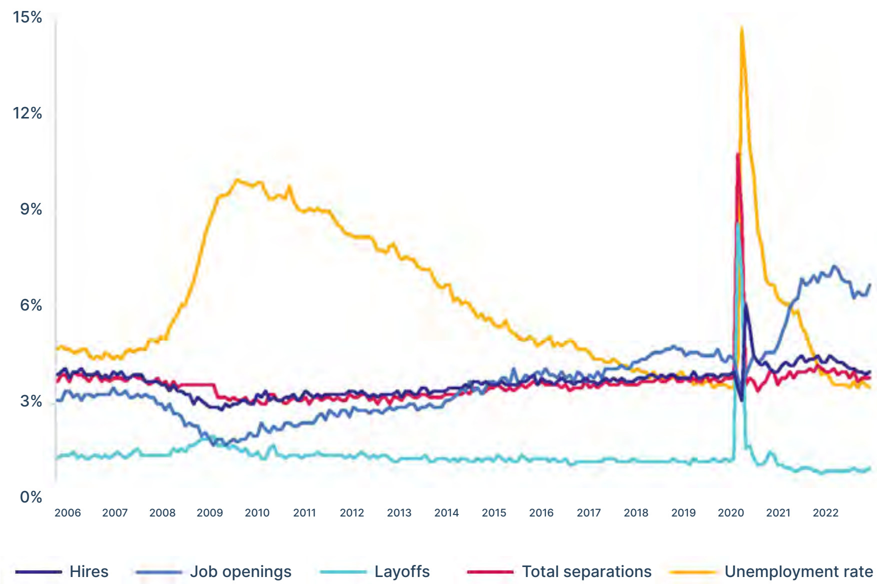
The state of the economy is weighing heavily on the minds of executives. Layoffs in late 2022 and early 2023 — especially in the technology sector — have dominated the news and earned backlash from employees still traumatized by the layoffs of 2020. The state of the economy in 2023 is as uncertain now as it was then, but for different reasons.

Countries around the world are increasing interest rates in an attempt to tame inflation, and some businesses saw revenue fall short of projected growth targets as spending receded. However, Black Friday sales were strong, **consumer spending** rebounded in December, and despite layoffs, the unemployment rate overall decreased to 3.5 percent by the end of the year — which is back where it was in 2019 before the 2020 layoffs. In fact, layoffs were at **1.5 million** in December, or 1 percent of the US workforce, which is a lower layoffs rate than in 2019. In addition, although the job market is cooling from the hyper state of 2021 and 2022, job openings remain elevated, as do quits rates, suggesting that we are still in a hotly competitive talent market — although it varies by industry.

These mixed signals mean that organizations need to tread carefully. Data-driven decisions need to be combined with compassionate communications as layoffs, pay raise reductions, and delayed promotions are likely to decrease morale and invigorate trends like “quiet quitting” and “act your wage.”

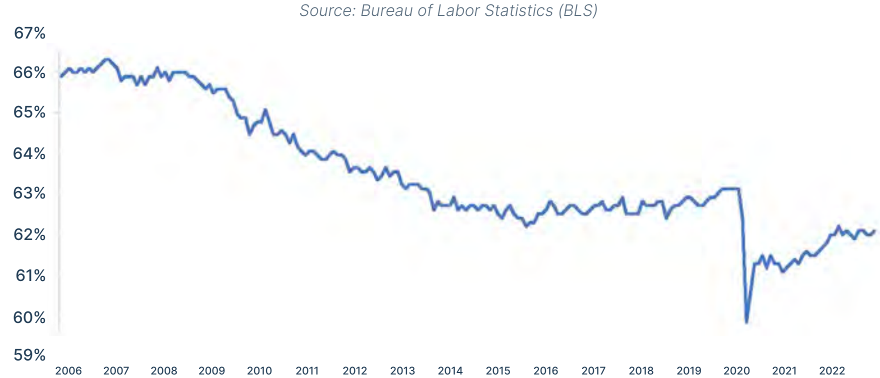
For this reason, people strategy, compensation strategy, and transparency should be focal points of business operations in 2023. Regardless of whether a recession ends up being deep, mild, or nonexistent, all organizations need to rebalance on the employee experience.

Job openings and labor turnover survey (JOLTS) and unemployment rate



Labor force participation over time

Source: Bureau of Labor Statistics (BLS)



Turnover in 2022

Experts agree that a desirable turnover rate is somewhere around 10 percent, although it varies by industry as some occupations are more prone to turnover than others.

During the Great Resignation, turnover increased to a dizzying degree across all industries as employees reevaluated what they wanted out of work and took advantage of higher-than-average job openings and declining workforce participation to bargain for better work experiences. The constant churn created a red-hot, employee-driven labor market that also drove up wages.

In 2022, voluntary turnover remained high at an average of 25 percent, but it has gone down significantly from a year ago when the average was 36 percent.

What was your overall
employee turnover rate in 2022?

Average total turnover rate

Last year
24%

This year
26%

What was your voluntary
employee turnover rate in 2022?

Average voluntary turnover rate

Last year
36%

This year
25%

By industry, voluntary turnover has gotten worse only in Construction and Energy & Utilities. In every other industry, voluntary turnover has dropped since last year — and by double digits for most industries. Voluntary turnover has dropped the most for Education, Nonprofits, Manufacturing, and Technology.

Reported turnover rates by industry

Industry	Total turnover rate	Voluntary turnover rate	Voluntary turnover rate YOY +/-
Food, Beverage, & Hospitality	37%	34%	-13%
Retail & Customer Service	37%	44%	-5%
Healthcare & Social Assistance	29%	30%	-13%
Construction	28%	40%	6%
Nonprofit	28%	24%	-16%
Manufacturing	27%	20%	-15%
Other Industries	25%	20%	-11%
Engineering & Science	22%	19%	-12%
Finance & Insurance	22%	26%	-12%
Energy & Utilities	21%	22%	4%
Technology (including software)	21%	19%	-15%
Agencies & Consultancies	20%	24%	-12%
Education	19%	24%	-17%

**The following industries did not have enough answers to be included for this question: Arts, Entertainment, Recreation, and Government.*

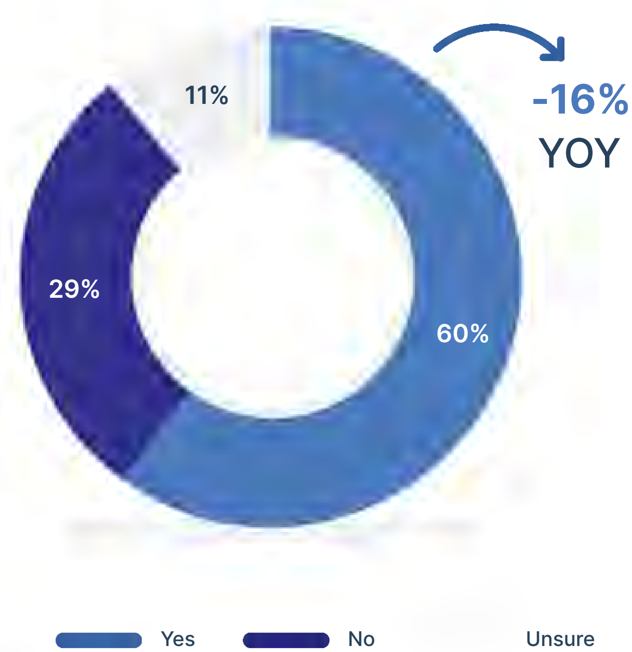
Perception of labor challenges has decreased but remains high

Overall, **60 percent of organizations** say that they have experienced more voluntary turnover, labor shortages, or trouble attracting and retaining talent in 2022 compared to previous years.

This is **down from 76 percent** when we asked this question last year. This shows that the perception of a challenging labor market has decreased. However, the numbers are still high, with most organizations feeling that they are struggling when it comes to competition for talent.

Perception of labor challenges in 2022

Have you experienced higher voluntary turnover, labor shortages, or trouble attracting and retaining talent in 2022 that is greater than previous years?



Perception of labor challenges in 2022 by industry

Have you experienced higher voluntary turnover, labor shortages, or trouble attracting and retaining talent in 2022 that is greater than previous years?

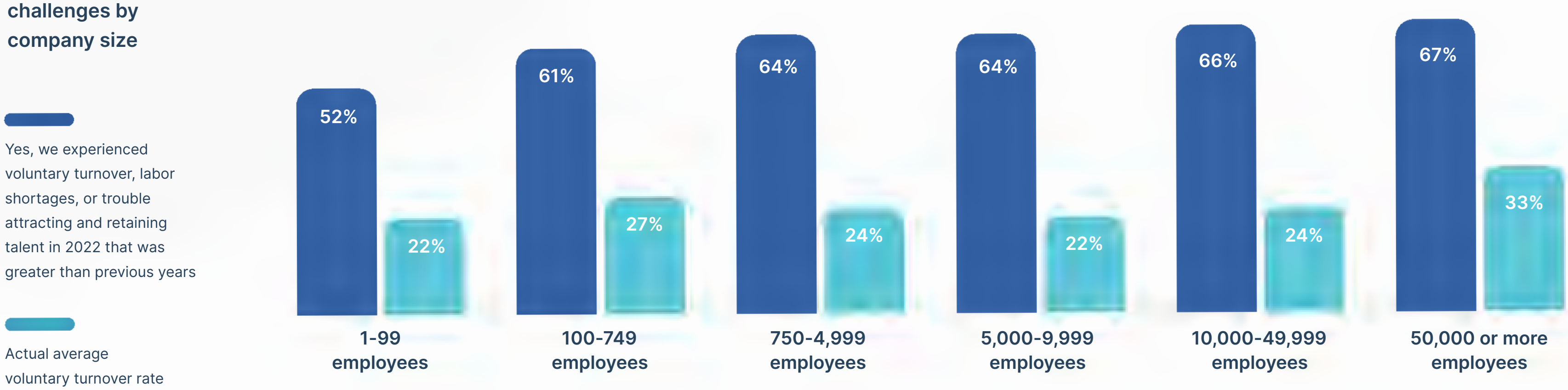
Industry	Industries that answered "yes" this year	YOY change
Food, Beverage, & Hospitality	61%	-27%
Retail & Customer Service	63%	-26%
Construction	56%	-23%
Technology (including software)	49%	-21%
Healthcare & Social Assistance	67%	-20%
Manufacturing	67%	-20%
Other Industries	54%	-19%
Government	53%	-16%
Real Estate, Rental, & Leasing	54%	-15%
Engineering & Science	62%	-10%
Nonprofit	53%	-10%
Education	67%	-8%
Finance & Insurance	67%	-7%
Agencies & Consultancies	64%	-5%
Energy & Utilities	68%	-2%
Arts, Entertainment, & Recreation	58%	N/A

When we break the perception of labor challenges down by industry, we can see that the only one where less than a majority perceives that the labor market is tough is Technology (49 percent). This might explain why layoffs in this sector have been more prominent than in other sectors as the Technology sector boomed during the COVID-19 pandemic and is now right-sizing in a post-pandemic world. While every industry perceives that the labor market is less tight than a year ago, most organizations in all sectors except Technology are still worried about competition for talent, especially Energy & Utilities, Education, Finance & Insurance, Healthcare & Social Assistance, and Manufacturing.

Perception of labor challenges increases with company size

We also see larger organizations express more pessimism about attracting and retaining talent than smaller organizations. However, only very large enterprises with 50,000 or more employees showed high voluntary turnover rates, and the average (33 percent) is still lower than the overall average from last year (36 percent).

Perception of labor challenges by company size



Holistically, what this means is that although the labor market has cooled from last year, organizations can't take their foot off the gas when it comes to the competition for talent. Workers still have the advantage, hiring is still going to be tough, and retaining and engaging top performers is going to be more important than ever. If predictions of a short recession are correct, continuing investment in talent programs is going to be critical. And even if a recession is deeper, investment in people strategy will be needed to prepare for the expansion that will take place after an economic slowdown.

How to respond to labor challenges

Where specifically do organizations need to invest to address labor challenges? To get this information, we asked participants to report what they suspect is most to blame for voluntary turnover in their organizations, selecting up to three answer choices in priority of first-, second-, and third-largest impact.

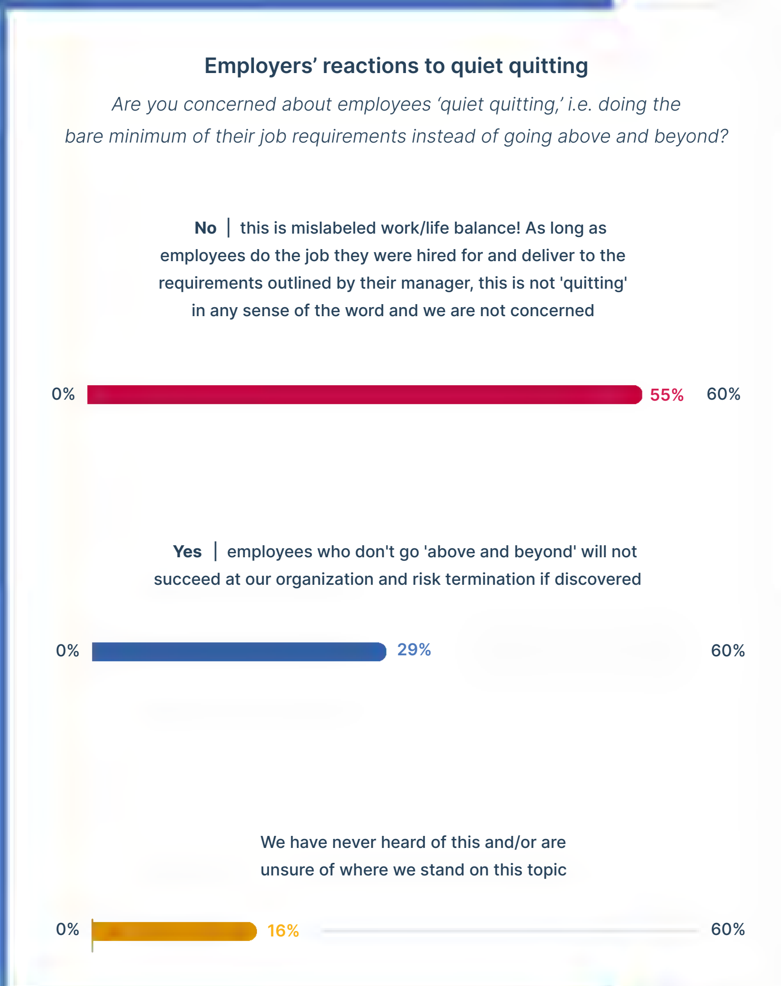
The data shows that, overwhelmingly, organizations feel compensation is the most crucial factor impacting voluntary turnover, with limited advancement opportunities also coming up high on the list.

Other notable causes of voluntary turnover are employee entitlement / “grass-is-greener” syndrome and burnout due to being understaffed and overworked. Both are within an employer’s control. Grass-is-greener syndrome can result from a lack of manager training on pay communications to explain differentiating rewards and benefits. Burnout is also controllable through workforce planning and company culture.

What is most to blame for voluntary turnover?

What do you suspect is MOST to blame for higher voluntary turnover at your organization?

	First	Second	Third
Compensation	35%	18%	10%
Limited advancement opportunities	11%	17%	14%
Employee entitlement/grass-is-greener syndrome	11%	9%	12%
Burnout due to being understaffed/overworked	10%	11%	13%
Management skills	8%	7%	7%
Desire for greater workplace flexibility/remote work	7%	10%	10%
Important benefits are missing or not competitive	4%	13%	7%
Interpersonal conflicts within teams	4%	4%	6%
Arduous or unpleasant work conditions	3%	4%	4%
Company culture and values	3%	3%	7%
Unsure	2%	2%	4%
Outdated or underserviced technology that inhibits productivity	1%	2%	5%



Quiet quitting isn't going away

In 2022, trends like "quiet quitting" and "act your wage" became popular on TikTok and exploded into a debate all over the media. Due to its label, **quiet quitting is frequently misunderstood**, especially by employers. Quiet quitting is neither quitting nor slacking off. Instead, it's about employees choosing to prioritize their mental and physical wellbeing over going "above and beyond" for a job where the pay doesn't match the expectation, or where burnout is not worth the sacrifice.

We asked employers to tell us whether they are concerned about employees quiet quitting and intentionally used inflammatory language and split answer choices to force a perspective. The data show that most employers (55 percent) understand that quiet quitting is not a new concept but a new way of framing work/life balance. However, 29 percent of employers say that employees who don't go "above and beyond" are at risk for termination, while another 16 percent have never heard of the controversy or don't know where they stand on the topic.

Sentiment around trends like quiet quitting are unlikely to go away in 2023, especially if there is a recession that causes more layoffs and increased burnout for people who manage to hang onto their jobs without pay increases or promotions. However, the labels may change. "Act your wage" has risen behind quiet quitting to illustrate the role that employers have in solving this issue. In essence, "quiet quitting" can be circumvented if employers get better about comp strategy, pay increases, career pathing, and other forms of recognition and rewards that incentivize engagement.

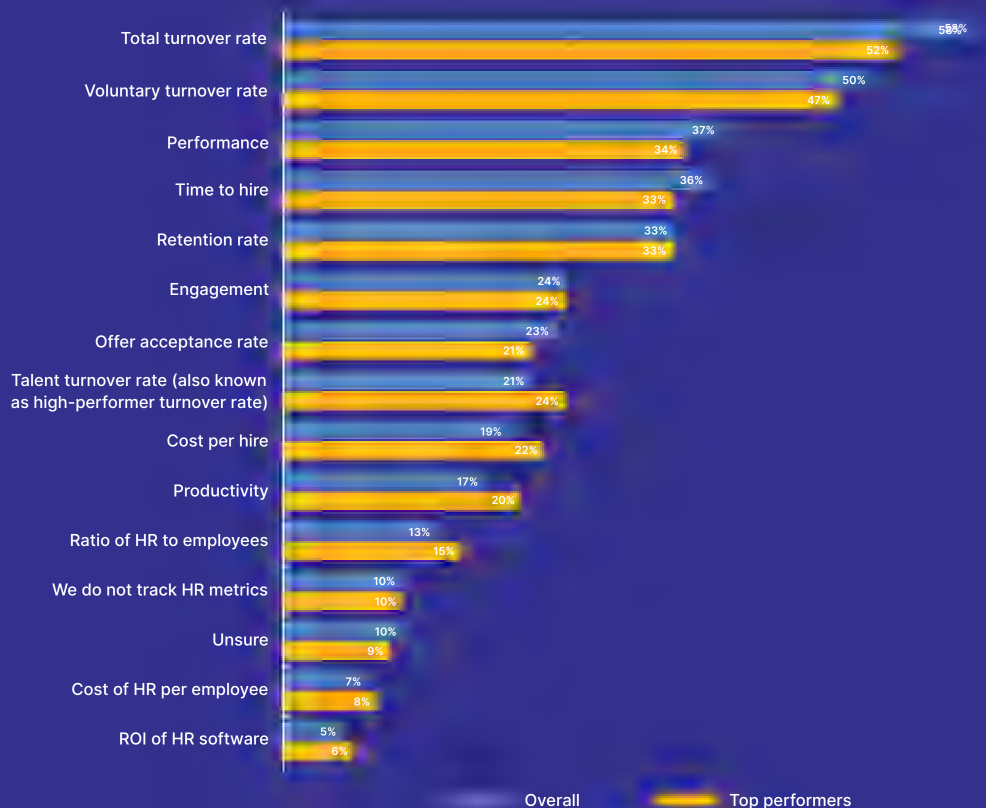
Chapter two

Strategy and preparedness for comp challenges

To meet the challenges ahead, organizations need to invest in people strategy, which includes compensation — the most cited cause of voluntary employee turnover — as well as how compensation integrates into the broader function of human resources.

Percent of organizations that track HR metrics

Which of the following HR metrics does your organization track?



HR metrics

Responding to labor challenges requires metrics for what specifically is happening in your organization when it comes to attracting and retaining talent. Unfortunately, many organizations are behind in this area. In fact, only 58 percent of organizations track turnover.

Unsurprisingly, the likelihood of tracking HR metrics increases with company size as larger organizations tend to have more resources, but it never reaches a majority of organizations (besides the tracking of turnover metrics). Interestingly, our analysis shows that the metrics most associated with "top-performing organizations" (meaning organizations that self-reported exceeding revenue goals — see methodology) include talent turnover rate, productivity, cost-per-hire, ratio of HR to employees, and cost of HR per employee.

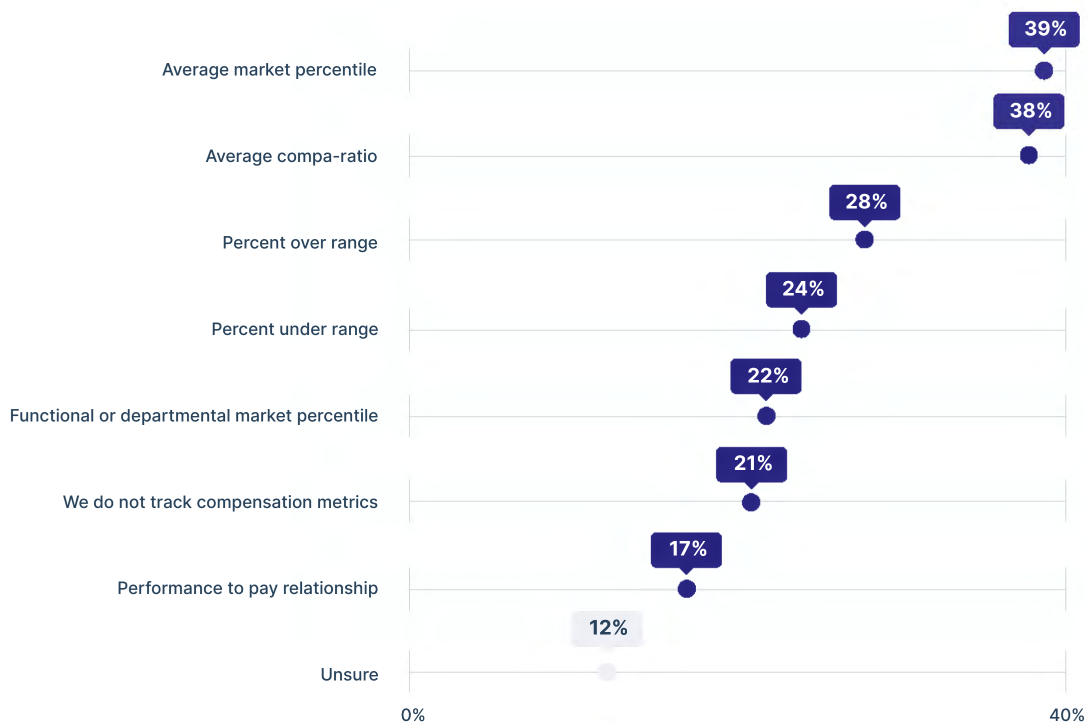
Compensation metrics

As previously noted, organizations believe that ***compensation is the leading reason*** for why they are experiencing labor challenges that are higher than previous years. When it comes to compensation, you don't want to pay unfairly — but you also don't want to overpay and cause challenges for your business down the road, like pay compression or pay inequity.

But how do you know if pay is fair at your organization? To answer this question, your organization should be investing in **pay analysis** to calculate measurements like compa-ratio, which tells you how close pay is to market averages both for individual employees and groups of employees. There are a variety of other metrics you can track too, and you might need different ones from those listed here. Or, you may need ways to compare them to other metrics, like employee experience or job levels. Whatever it may take, you should be able to *quantitatively* show that compensation at your organization is fair and why — and Payscale can support you in this endeavor.

Percent of organizations that track compensation metrics

Which of the following compensation metrics does your organization track?



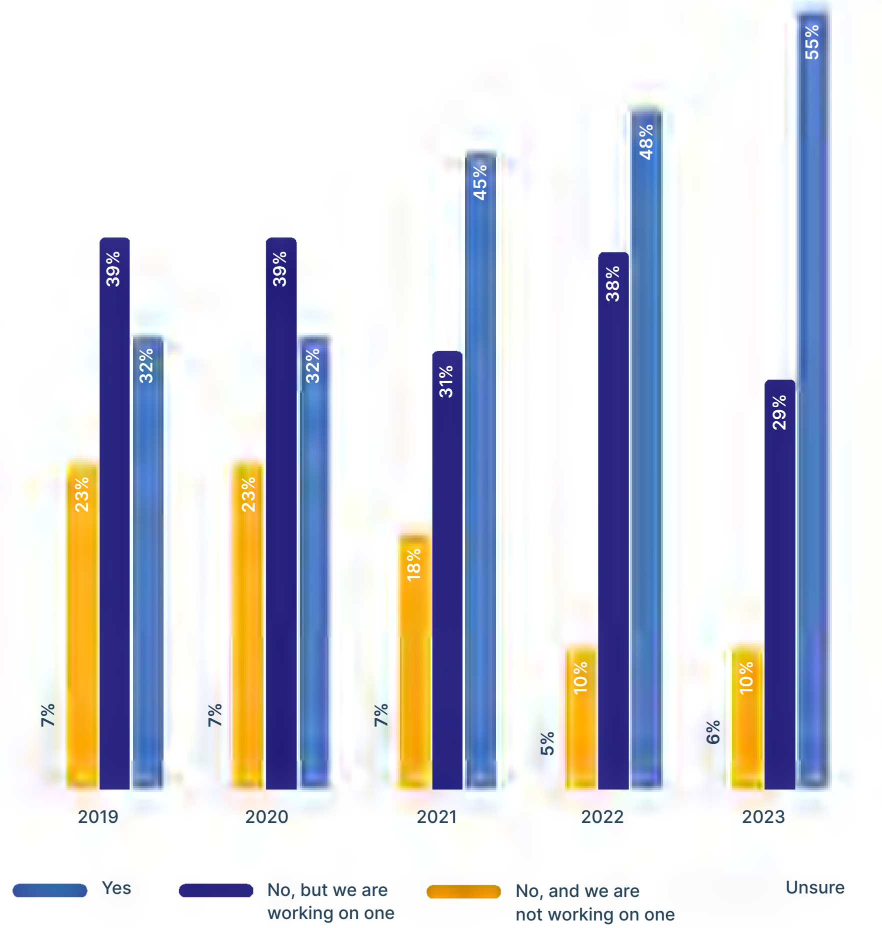
Whitepaper | The basics of pay analysis

Learn more about pay analysis and how Payscale can help you determine if what you are paying is fair.

Get the report

Compensation strategy/philosophy

Does your company have a formal compensation strategy/philosophy?



**totals are not exactly 100% due to rounding*

Compensation strategy and philosophy

Of course, it is impossible to conduct pay analysis if you don't first have a compensation philosophy and compensation strategy. These are essential for setting market percentile targets and determining your approach to pay holistically, which is also necessary for measuring pay fairness.

Many organizations reduce compensation management to market pricing — the process of determining what salary to offer during the hiring process. But this is changing. With all the challenges introduced in the last few years, organizations are waking up to the importance of compensation strategy.

Before COVID-19, the percentage of organizations that either had a compensation strategy or were working on one remained static at around 70 percent, but in recent years, it has shot up to the mid-80s.

> **In 2023, 84 percent of orgs have or are working on a comp strategy. The rate of orgs saying they have a comp strategy (55 percent) is higher than previous years.**

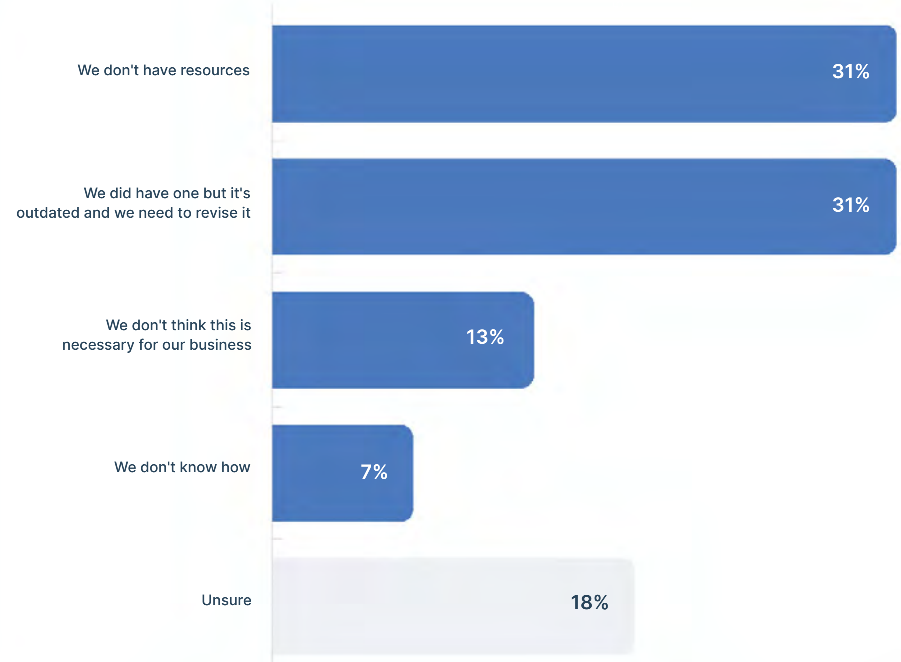
In addition, Payscale customers are more likely to have a compensation strategy (61 percent) than non-Payscale customers. Globally distributed organizations are also more likely to have one (65 percent) to be able to handle complexity.

Notably, still only around half of organizations say they have a compensation strategy — barely a majority.

When we asked organizations who answered 'No' or 'Unsure' to this question why they don't have one, the reason was split between their previous strategy being outdated (31 percent) and not having the resources to create one (31 percent).

Reason employers don't have a compensation strategy

What's the primary reason you don't have a formal comp philosophy/strategy?



Changing compensation strategy

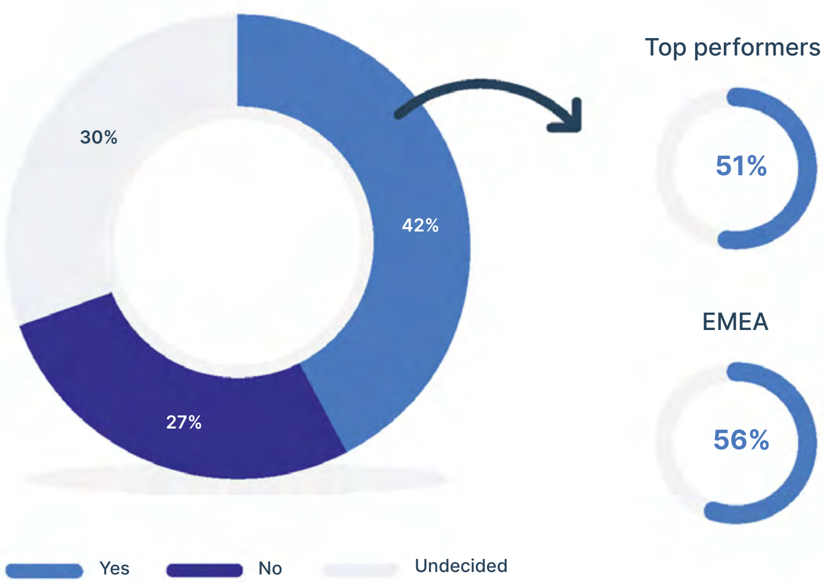
Many organizations found it necessary to pivot on compensation strategy in 2022 due to challenges like labor shortages and pay transparency legislation.

> **When asked whether they will adjust their compensation strategy for 2023, 42 percent of organizations said yes, 27 percent said no, and 30 percent were undecided.**

However, top-performing organizations are more likely to adjust their compensation strategy in 2023 (51 percent). The likelihood of an org changing their compensation strategy in 2023 is also higher in EMEA countries (56 percent).

Adjusting compensation strategy for 2023

Have you or will you adjust your compensation strategy for 2023?



**totals are not exactly 100% due to rounding*

When it comes to industries, those most likely to make changes to their compensation strategy include Agencies & Consultancies, Arts, Entertainment, & Recreation, Construction, Energy & Utilities, Engineering & Science, and Food, Beverage, & Hospitality. Those least likely to change course include Healthcare & Social Assistance, Nonprofits, Technology, and Real Estate, Rental, & Leasing.

Adjusting compensation strategy for 2023 by industry

Industry	Yes, we will adjust our compensation strategy in 2023
Arts, Entertainment, & Recreation	61%
Construction	55%
Agencies & Consultancies	55%
Food, Beverage, & Hospitality	54%
Engineering & Science	52%
Energy & Utilities	51%
Education	46%
Government	45%
Retail & Customer Service	44%
Finance & Insurance	42%
Manufacturing	40%
Real Estate, Rental, & Leasing	39%
Technology (including software)	39%
Healthcare and Social Assistance	36%
Nonprofit	36%
Other Industries	31%

Compensation maturity

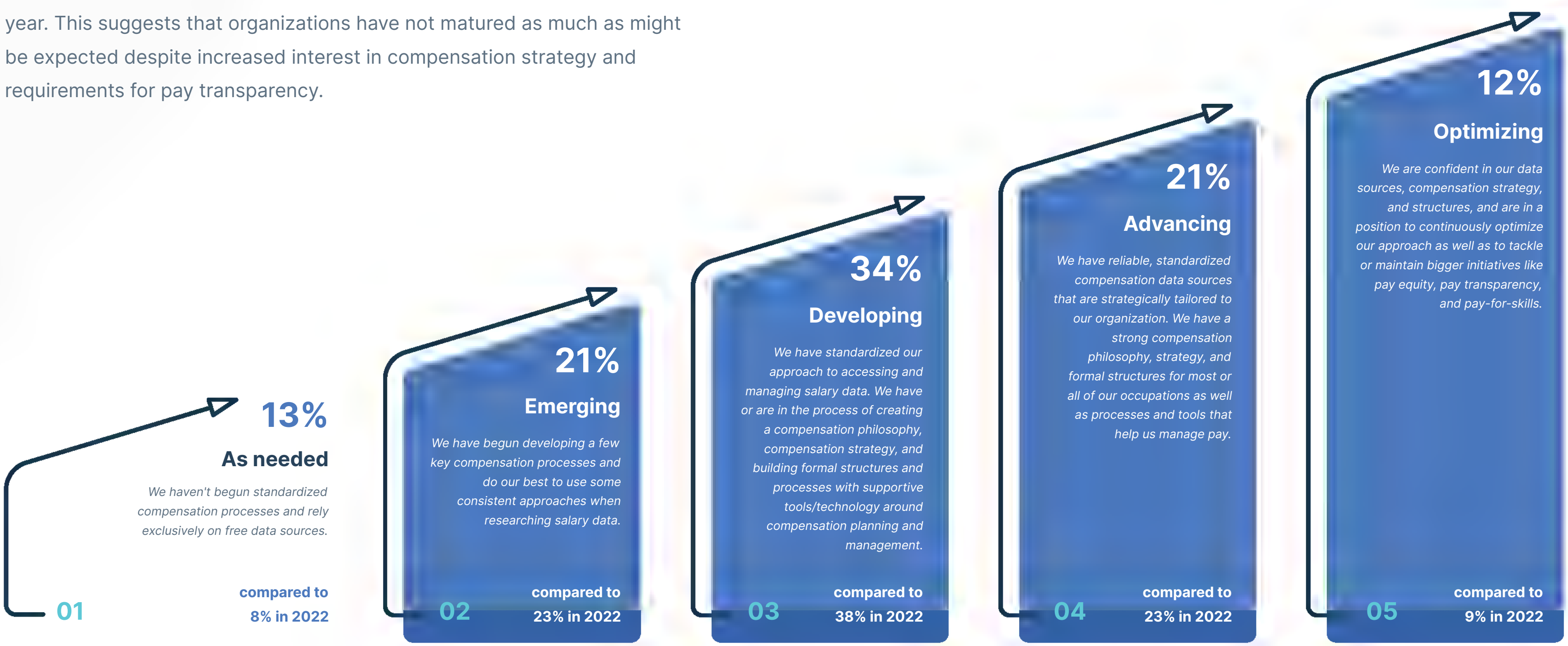
A useful tool for improving your approach to compensation is to identify your "current state" of maturity and what you need to do to move to a "future state." A maturity model — whether you create your own or use one of ours — can help HR communicate with executive leaders and business partners about the investments needed to achieve certain goals as well as the outcome of doing so. For example, in order to "get salary ranges on all job ads," you first need to be above a "3" in comp maturity.

Only 33 percent of organizations are either Advancing or Optimizing in 2023 (mature) compared to 32 percent when we asked this question last year. This suggests that organizations have not matured as much as might be expected despite increased interest in compensation strategy and requirements for pay transparency.

Organizations are more likely to be advancing or optimizing their pay practices if they have a dedicated compensation function or are a Payscale customer, according to the survey.

Advancing or optimizing

Overall	Dedicated comp function	Payscale customers
33%	41%	36%



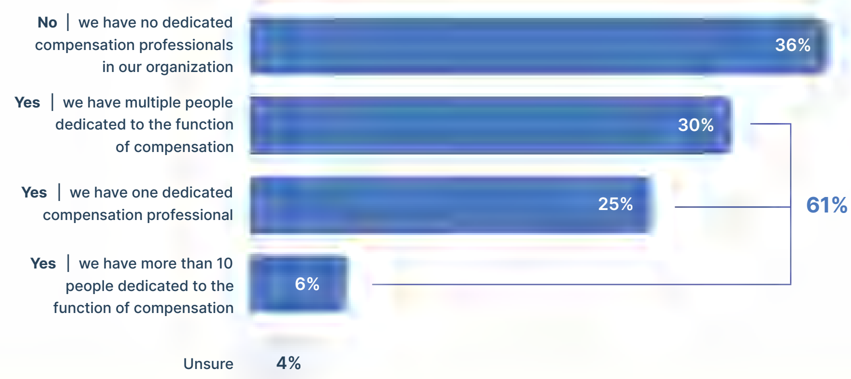
*totals are not exactly 100% due to rounding

Dedicated compensation function

Most organizations (61 percent) have a person or team dedicated to compensation. As mentioned, having a compensation person or team is a key differentiator when it comes to compensation maturity. Although the likelihood of having a dedicated compensation function increases with company size, any size organization can make this a priority — or outsource to get the skilled expertise they need.

Dedicated compensation function

Does your organization have a person or team solely dedicated to the function of compensation (rather than an HR generalist that occasionally supports comp)?



Dedicated compensation function by company size

*totals are not exactly 100% due to rounding

Chapter three

Compensation planning and pay increases

Compensation planning has never been more challenging than it was in 2022. Base pay increases always take a lot of effort for compensation professionals, from submitting salary data to surveys to determining budgeting based on updated market data. But the last couple of years have brought additional challenges with trying to retain talent in a white-hot labor market, keeping up with explosive inflation, planning for minimum wage increases, managing pay compression, and responding to pay transparency legislation — just to name a few.

All of that is a lot, but fears of an impending recession darkened the doorway in the latter half of the year, suppressing growth projections and slashing budgets that would have been used to address these problems. Organizations that expect to be impacted by a recession are being more cautious with pay increases, so spreadsheets and budget approvals for pay increases keep changing as the economy shifts. The result is a very mixed landscape that is difficult to compare to previous years.

Pro-Tip

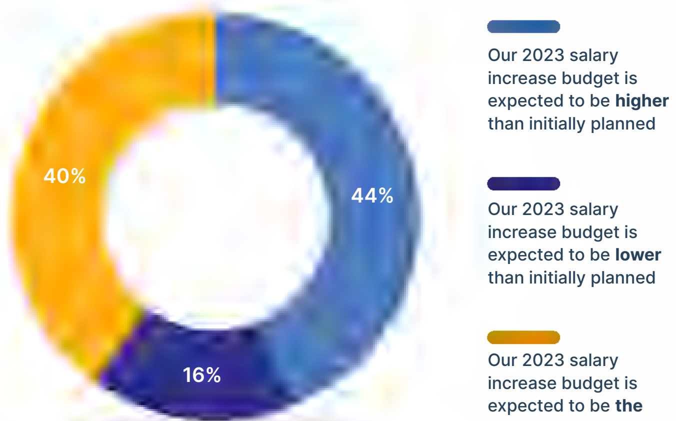
Payscale compensation software provides easy-to-use tools for compensation planning around base pay increases and analysis of the effect on budgets and pay equity.

Learn more

Pay increase budgeting

According to our survey, 44 percent of organizations expected that their salary budgets would be higher than planned earlier in the year while another 40 percent expected their budget to be unchanged and 16 percent expected their budget to be lower. Those expecting salary budgets to be higher are more likely to be top-performing organizations. The 16 percent expecting a lower budget were more likely to miss their revenue targets. These organizations are split fairly evenly across company sizes.

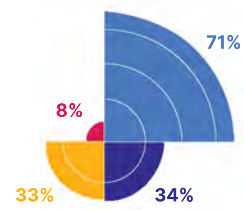
How does your expected 2023 salary increase budget compare to your plans from earlier this year?



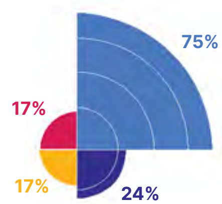
Reasons for budget changes

We asked organizations that expect salary budgets to increase why they think they will be higher than initially planned. The most cited reason at 71 percent is increased competition for labor, emphasizing that talent attraction and retention are still top of mind.

Why is your 2023 salary increase budget expected to be higher than initially planned?



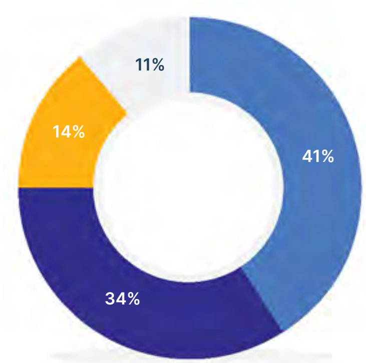
Why is your 2023 salary increase budget expected to be lower than initially planned?



Of organizations that expect their salary increase budget to be lower than initially planned, 75 percent cite concern about future economic conditions.

When asked whether insufficient pay increases are a leading reason for losing talent, 41 percent of organizations said yes, which is only a slight reduction from last year (44 percent), and 34 percent said no, which is several percentage points above last year (29 percent).

Do you think you are losing more talent than prior years due to insufficient pay increases?

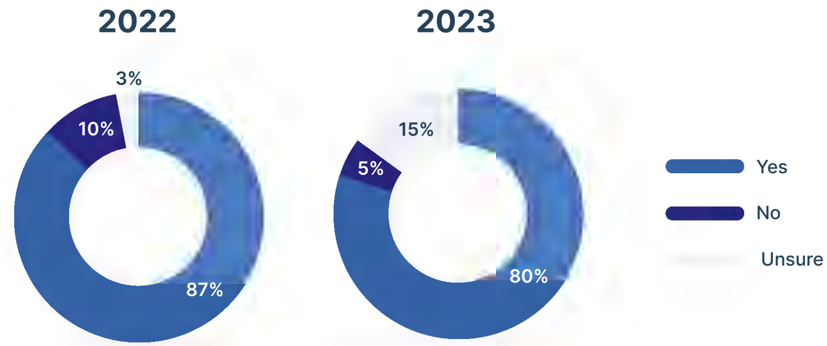


Base pay increases

Fewer organizations plan to give base pay increases in 2023 compared to 2022, with 80 percent of organizations saying they will and a whopping 15 percent saying they are unsure. This is a reflection of last year's white-hot labor market cooling, the risk of a recession increasing, and organizations reflecting that perhaps they spent too much on pay in 2021 and 2022 to compete for talent.

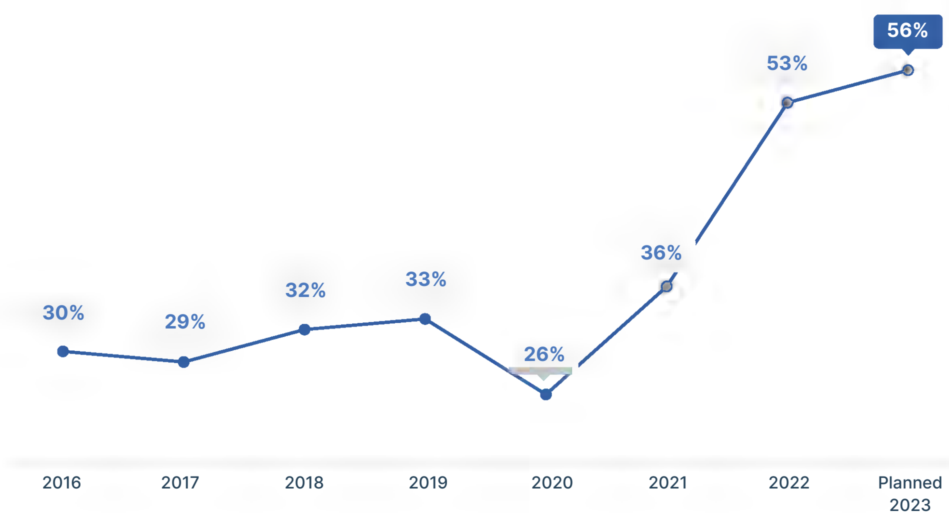
Percent of organizations giving base pay increases

Did you/do you plan to give base pay increases?



Overall, pay increases look to be higher in 2023 compared to years prior, with 56 percent of organizations planning to give base pay increases over 3 percent compared to 2022, when 53 percent of organizations gave over 3 percent. The number of organizations that gave more than 3 percent in 2022 was also higher than predicted in last year's CBPR, when it was 44 percent.

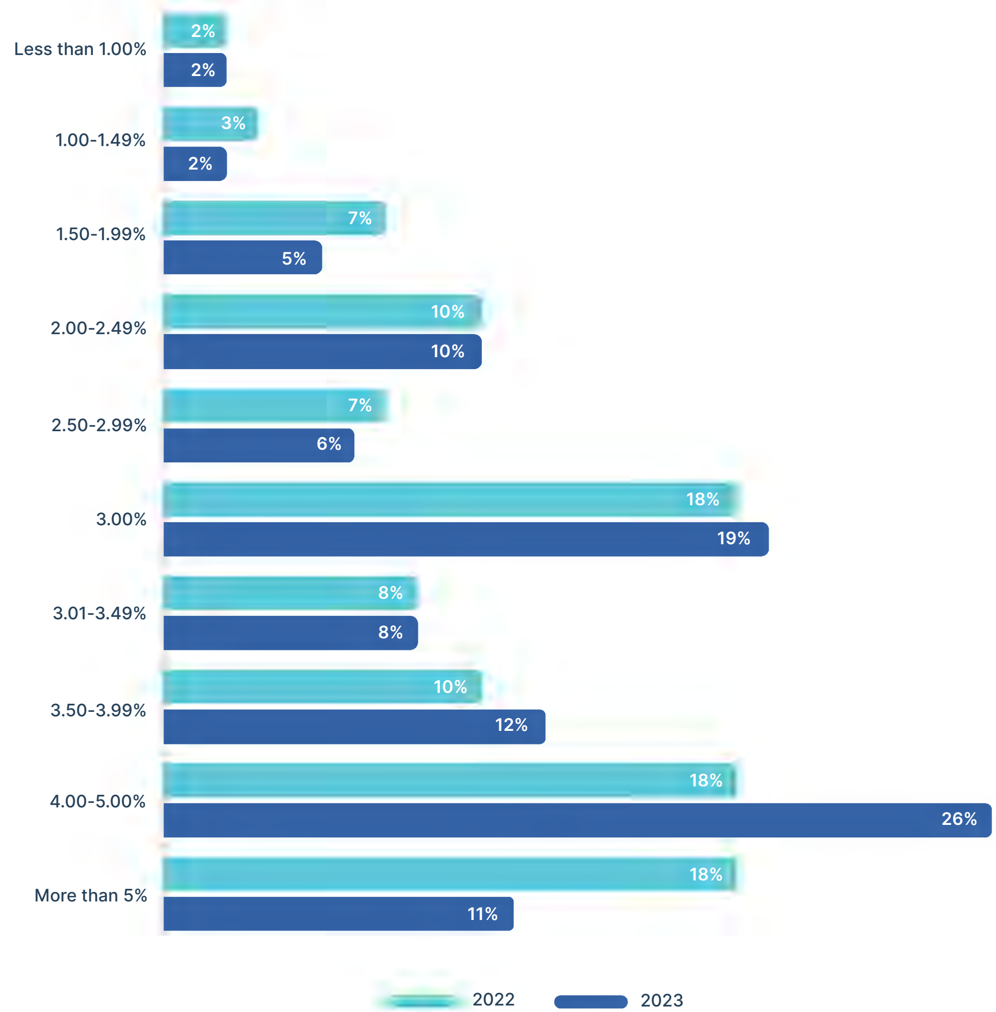
Percent of organizations giving base pay increases over 3 percent



However, the planned distribution of average base pay increases looks to be concentrated between 4 and 5 percent in 2023 (26 percent of organizations) rather than pushing above 5 percent.

Distribution of average base pay increases

What do you expect will be the average pay increase given to employees?



Note: 3.01-3.49% through More than 5% rounded by hand is 57 percent, but using the full sequence of the number in our master data sheet it is actually 56.4 percent which rounds down to 56 percent.

Factors that contribute to pay increases

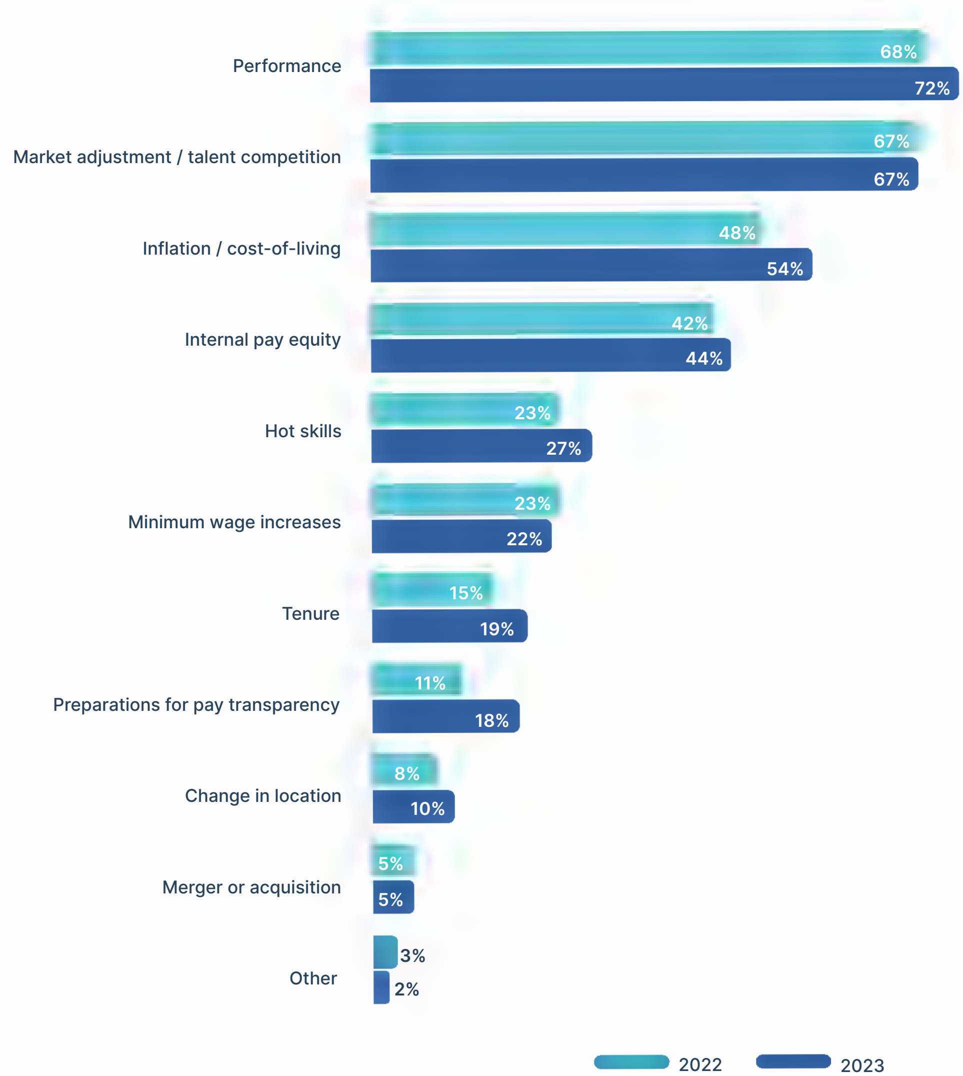
As mentioned, there is a lot that goes into determining base pay increases, and that has never been truer than in 2022 when inflation was through the roof, pay compression seemed to be impacting nearly every employee, and pay transparency legislation was demanding greater commitment to pay equity.

> **Although base pay increases are typically called "merit increases," the average is usually tied more closely to the economy than to performance.**

However, many considerations can go into determining appropriate base pay increases. In recent years, inflation/cost of living was unsurprisingly closer in importance to performance than it has been in previous years.

What goes into base pay increases?

Which of the following will be factored into base pay increases in 2023?

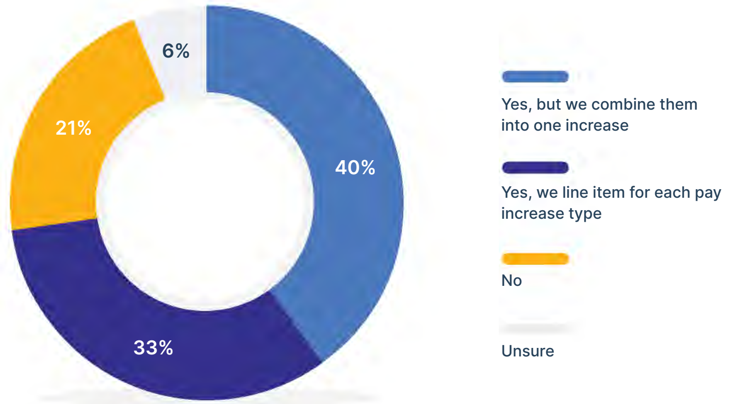


Communicating the "why" of pay increases

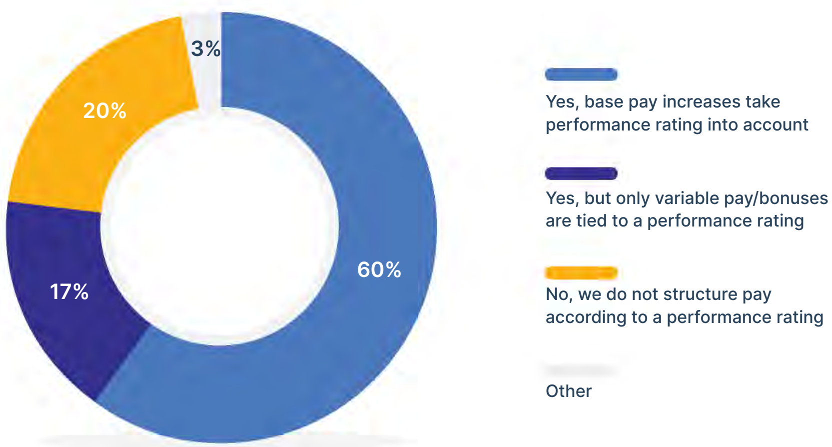
When communicating pay increases, 33 percent of organizations do not line-item the individual elements that led to the increase — even if they factor them into the increases (73 percent). Depending on the level of manager knowledge or training about compensation, this means that employees may not know or understand what factors went into pay increases and may assume that none were considered.

Delineating pay increase factors

When providing pay increases, do you make a distinction between merit increases, market adjustments, increases for inflation, minimum wage, pay compression, or internal equity?



Do you use performance ratings to inform compensation increases?



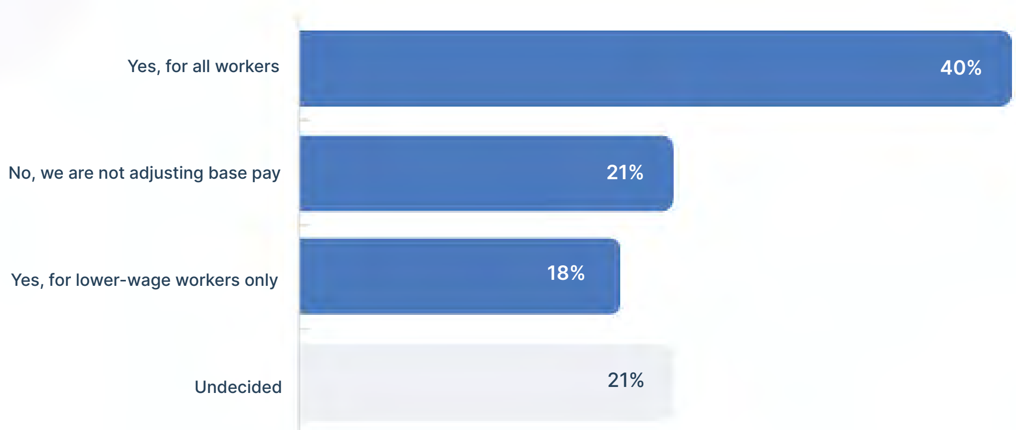
When it comes to determining pay increases, most organizations (60 percent) take performance ratings into account, but 17 percent do so only in relation to variable pay, and 20 percent do not structure pay according to a performance rating. Again, this is an area where employees should be informed about what impacts pay increases and to what degree.

Inflation

2022 was a year of record inflation, with rates reaching a 40-year high in the U.S and double or even triple digits elsewhere in the world. Employees know that rising inflation erodes the value of their wages, which results in demands for wage increases. However, wage increases also have the potential to drive inflation up higher. Salaries tend to be determined according to cost of labor rather than cost of living, but organizations still must adjust pay to retain workers when rising inflation impacts competition for labor — which is especially common for lower-wage workers.

According to our survey, most organizations (58 percent) are addressing the impact of inflation on wages for at least some of their workforce, with 40 percent focusing on the whole workforce, 18 percent focusing on lower-wage workers only, and another 21 percent undecided.

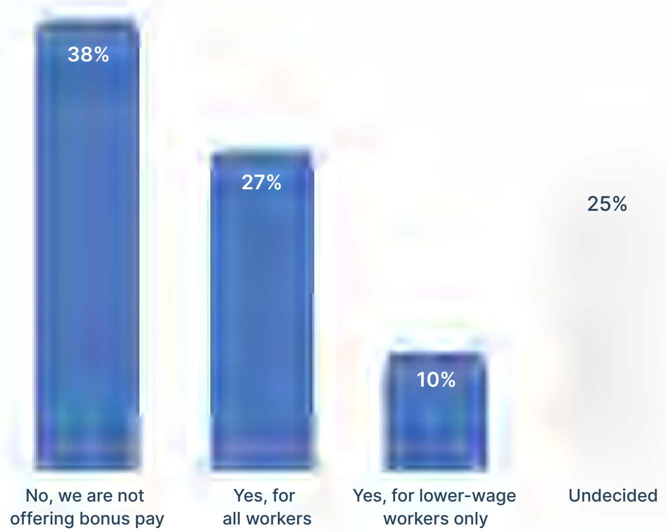
Are you addressing the impact of inflation on wages by increasing base pay to retain workers?



We also asked organizations if they are addressing inflation through bonuses. A lower percentage of organizations (37 percent) said that they were offering bonuses to address inflation, which can sometimes be a better solution.

Bonuses

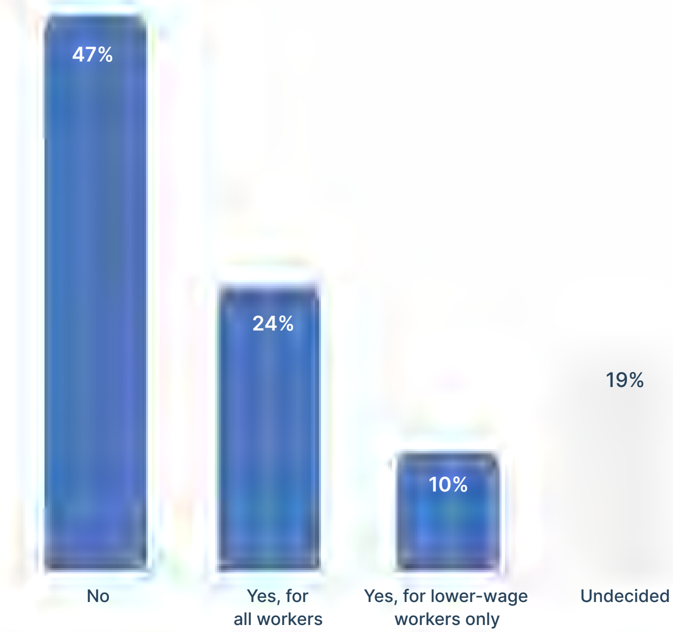
Are you addressing the impact of inflation on wages by offering bonuses to retain workers?



Finally, we asked organizations if they were addressing the impact of inflation on wages with creative solutions like stipends or allowances to offset increased costs. Only 34 percent of organizations said that they offer this kind of offset for workers of any type.

Stipends

Are you addressing the impact of inflation on wages with creative solutions such as stipends or allowances?



In all cases, organizations who gave *something* to employees for inflation had a higher association with **top-performing organizations** (those that exceeded revenue goals) than non-top performing organizations.

Should the U.S. federal minimum wage be increased?

Overall

Yes	No	Unsure
72%	9%	19%

United States

Yes	No	Unsure
75%	9%	15%

International perspective

Yes	No	Unsure
64%	15%	21%

**totals are not exactly 100% due to rounding*

Minimum wage increases

Minimum wage is a contentious topic in the United States, with the last federal minimum wage increase having taken place in 2009 — almost 14 years ago, which is the longest it's been without an increase since the inception of a minimum wage in 1938. One of the reasons cited for denying a minimum wage increase at the federal level is that it would be too hard on organizations to have to hike pay for all their workers. So, we asked our audience of compensation professionals for their input.

According to our survey, 72 percent of organizations believe that the federal minimum wage should be increased in the United States.

When we look at just U.S.-based responses, this percentage rises to 75 percent. Among internationally based participants, the percentage drops fractionally to 64 percent but is still a strong majority.

States and metro areas have different policies when it comes to raising the minimum wage, which can make compensation management difficult due to the wide disparity in the minimum wage in different areas. In addition, some areas automatically raise the minimum wage each year to keep pace with the rising cost of living. We asked organizations if this methodology should be adopted at the federal level.

Most organizations (64 percent) feel that this would be advantageous.

Should the U.S. federal minimum wage be automatically increased each year?

Overall

Yes	No	Unsure
64%	14%	22%

United States

Yes	No	Unsure
66%	15%	19%

International perspective

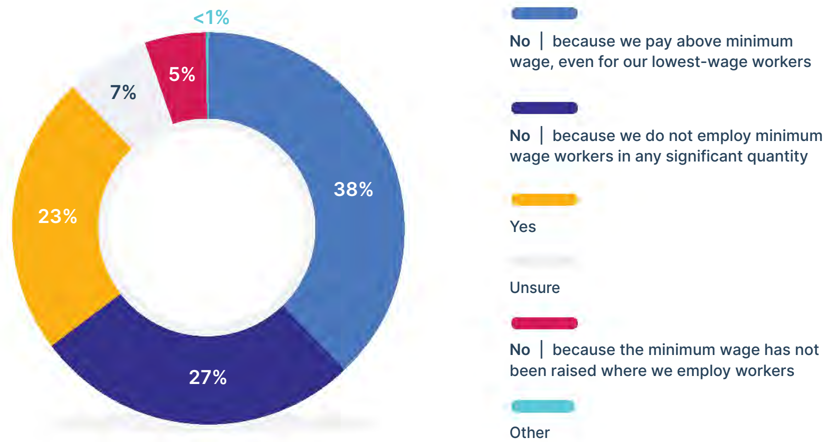
Yes	No	Unsure
62%	16%	21%

**totals are not exactly 100% due to rounding*

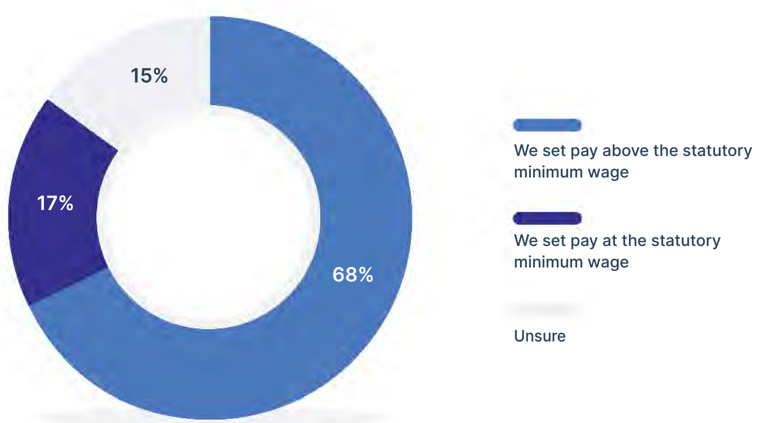
Impact of minimum wage increases on compensation management

When legislation is passed to raise the minimum wage, it does impact compensation strategy — but it depends on where the minimum wage is raised and how many minimum-wage workers the organization has. According to our survey, 70 percent of organizations say that when minimum wage is raised, it doesn't impact their compensation strategy because they do not employ minimum-wage workers or because they pay above minimum wage even for their lowest-wage workers.

Have recent minimum wage increases and/or proposed legislation to increase the minimum wage impacted your compensation strategy?



What is your philosophy around pay increases when the minimum wage is raised in locations where you have workers?

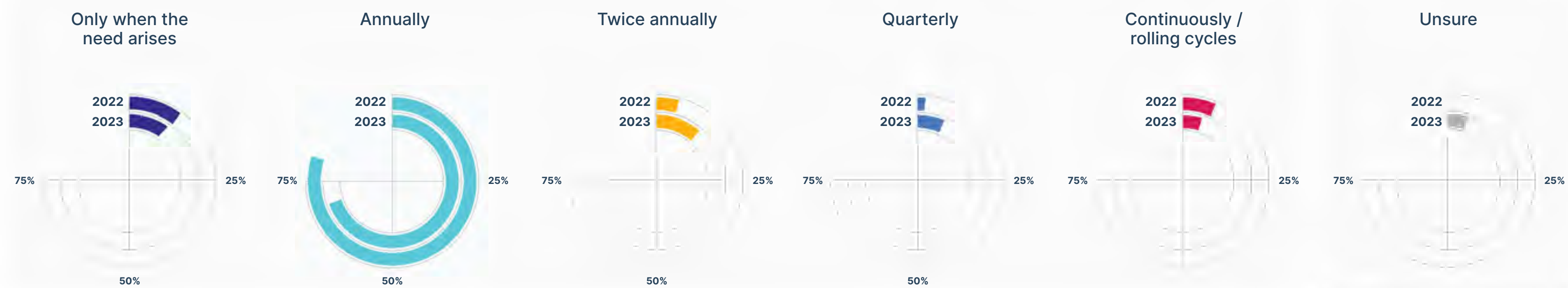


When minimum wage is raised, most organizations (68 percent) will raise their statutory wage above the required minimum. This practice ensures competitiveness for labor but does also introduce a higher risk of pay compression.

Frequency of pay increases

Often, organizations discover that annual pay increases are too infrequent to retain talent, especially if they underestimate what employees expect around performance reviews or if employees don't want to wait for them to catch up with a fast-moving market. Although 69 percent of organizations still give base pay increases annually, the percent that give formal pay increases twice annually has more than doubled since last year. Other frequencies (except for continuous or rolling cycles) are also up several percentage points.

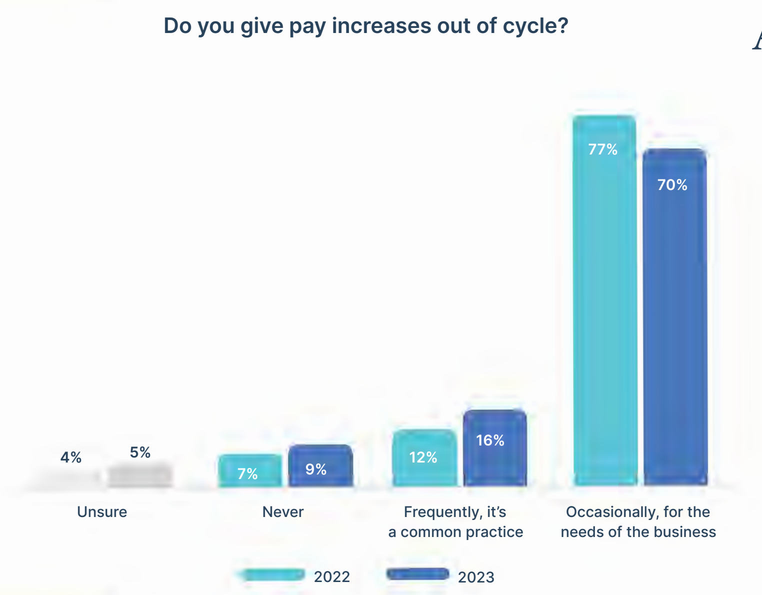
How often does your organization formally give pay increases?

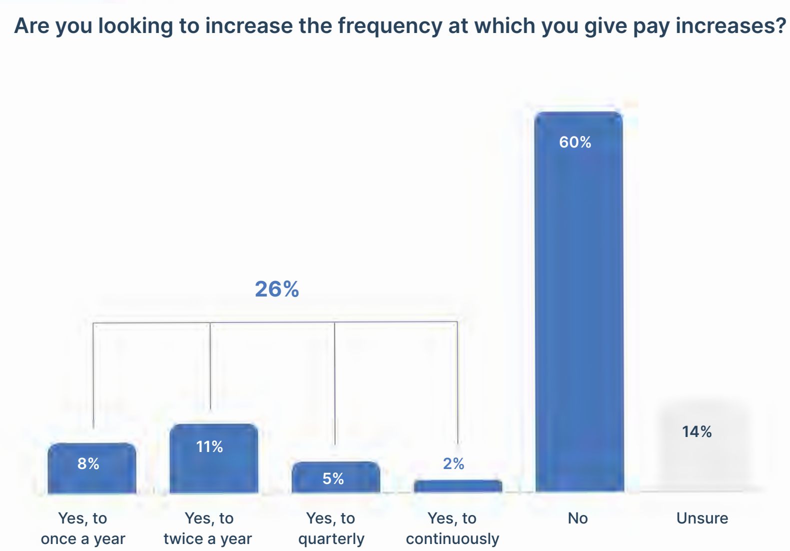


Only when the need arises		Annually		Twice annually		Quarterly		Continuously / rolling cycles		Unsure	
2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
11%	9%	79%	69%	4%	11%	1%	5%	5%	3%	N/A	3%

Eighty-six percent of organizations will give pay increases out of cycle, and more organizations are doing so frequently rather than just occasionally in 2023 compared to 2022. Frequently giving pay increases out of cycle is also more likely in larger organizations, increasing to 28 percent for organizations with 50,000 or more employees.

In asking if organizations are looking to increase the frequency of giving pay increases, 26 percent said yes to some degree. This is more likely for top-performing organizations (31 percent) and for Payscale customers (32 percent).





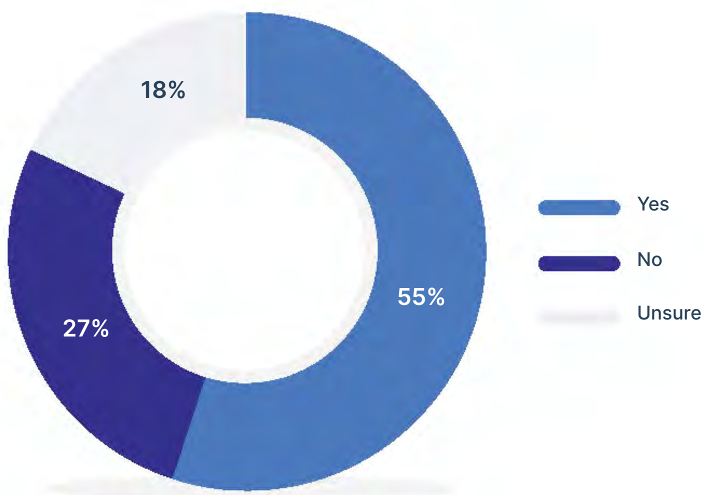
Pay compression

Pay, wage, or salary compression occurs when the pay of one or more employees is very close to the pay of more experienced employees in the same job. It can also refer to when employees in lower-level jobs are paid almost as much as their colleagues in higher-level jobs, such as with managers and direct reports. Salary inversion is when newer staff make more than experienced staff. Expectedly, most organizations (55 percent) are concerned about pay compression going into 2023.

> **Inflation is still high and the labor market is still strong, which are two factors that contribute to rising wages and pay compression.**

Even if there is a recession, wages for current staff are not likely to come down. Some organizations seek short-term benefits in lowering salary offers for new hires when the labor market is less competitive, but this is not a recommended strategy as it is likely to cause pay inequities when the market turns around.

Are you concerned about pay compression going into 2023?



Pro-Tip

Payscale compensation management software enables both simple and complex pay analysis and monitoring, including pay compression analysis.

Ask for a demo

As far as what organizations are doing to address pay compression, the most common answer is simply to monitor the situation (33 percent). Organizations who responded this way may give out-of-cycle pay increases on a case-by-case basis or if employees become aware of changes in the market and demand them, but they may not undergo preemptive pay increases for the whole workforce.

However, 41 percent of organizations are doing something to address pay compression, and 10 percent do so by avoiding it with frequent market adjustments. This approach is more common with very small businesses than larger organizations.

What are you doing to address pay compression?

- 33% — We are **monitoring** pay compression but haven't made any decisions yet
- 21% — We are **giving base pay increases** to impacted employees to adjust pay to market
- 10% — **Nothing**; we don't have the resources to address pay compression
- 10% — We avoid pay compression by **proactively and frequently** adjusting pay
- 5% — We are **combining** modest base pay increases with other incentives such as bonuses, stipends, or stock/equity to impacted employees
- 5% — We are **giving bonuses or other incentives** to impacted employees because we are unwilling or unable to adjust base pay
- 2% — Other
- 13% — Unsure

Chapter four

Variable pay and benefits

Base pay isn't the only tool in the toolbox for attracting and retaining talent — and it shouldn't be. Differentiating the employee experience comes down to the total rewards package.

In our survey, we asked participants on a scale of 1–5 how confident they are in their current total rewards package being effective at attracting and retaining talent. Just under half (48 percent) selected either "fairly confident" or "very confident," which is a decrease from last year (53 percent). Unsurprisingly, top-performing organizations are more confident in their total rewards packages (53 percent). However, this has also dropped since last year (61 percent).

On a scale of 1–5, how confident are you in your current total rewards package being effective at attracting and retaining talent?

	Overall	Top performers
1 - Not at all confident	4%	5%
2 - Not confident	12%	10%
3 - Neutral	35%	32%
4 - Fairly confident	39%	39%
5- Very confident	9%	14%

Overall

48% are fairly confident or very confident

compared to 53% last year.

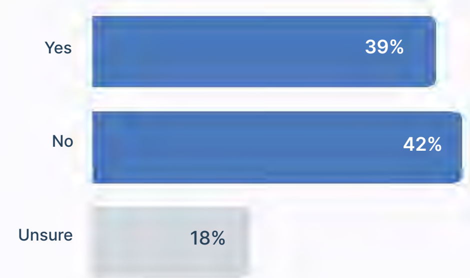
Top performers

53% are fairly confident or very confident

compared to 61% last year.

We asked participants if they changed their total rewards strategy due to the challenging labor market in the last couple of years. Surprisingly, only 39 percent of organizations said yes. This was more likely with top-performing organizations (48 percent) as well as with organizations that have 50,000 or more employees (52 percent). Industries that answered "yes" to changing their total rewards strategy in the majority include Agencies & Consultancies (59 percent), Arts, Entertainment & Recreation (55 percent), Engineering & Science (50 percent), and Retail & Customer Service (50 percent). Every other industry answered "yes" in the minority. However, there may be strategies beyond pay that these industries use to attract and retain talent.

Did you or are you changing your total rewards strategy as a result of associated changes in the 2021–2022 labor market?

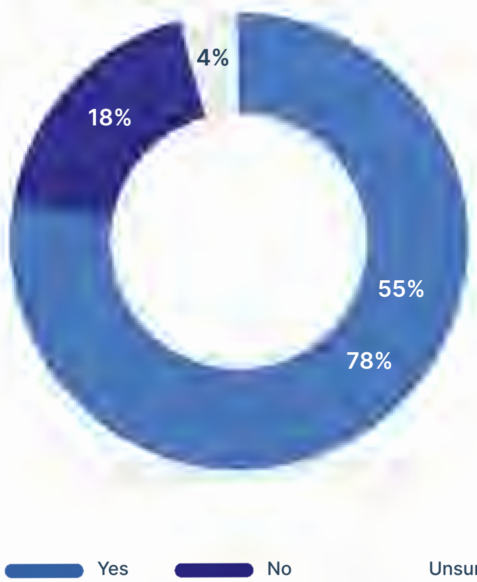


**totals are not exactly 100% due to rounding*

Bonus offerings

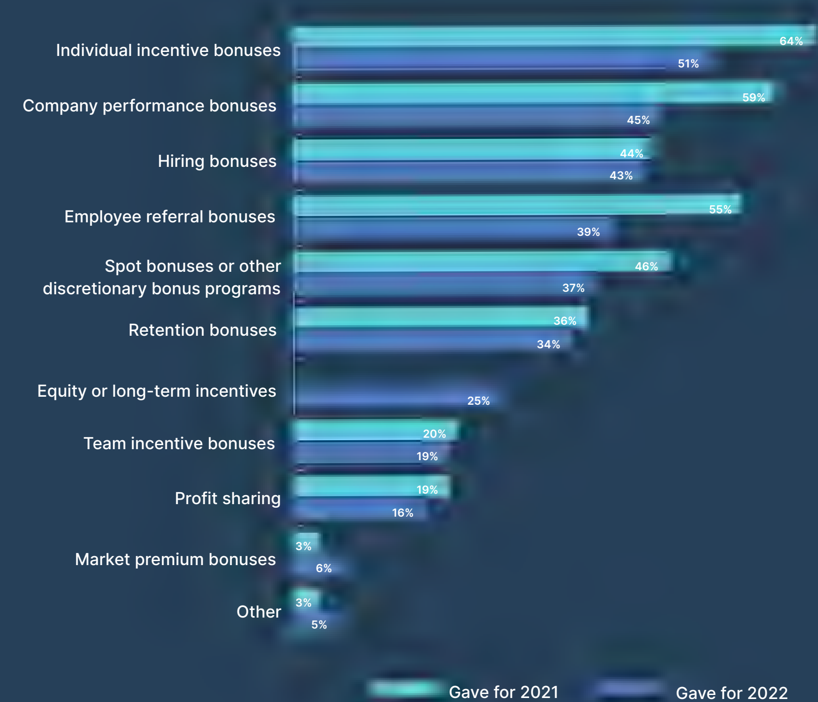
According to our survey, 78 percent of organizations offer variable pay. This is about where it was last year, having increased only one percentage point. However, variable pay has gone up compared to several years ago, where it was 8–9 percentage points lower than it is now.

Percentage of organizations offering variable pay



When it comes to the types of variable pay or bonuses offered, individual performance bonuses remain the most popular type, which has been true year over year — although it has dropped notably from last year. Market premium bonuses are one type that has increased in popularity. This is likely a reflection of needed market adjustments for combating pay compression that cannot be met with base pay increases. It is a little surprising that other types of bonuses experimented with during the Great Resignation have fallen off, but this may reflect the ability to award bonuses in a shifting economy.

What type of bonuses or incentives did your organization use to reward top performers in 2022?



2021 not available for equity or long-term incentives response

Benefits offered

When it comes to benefits, not every organization offers everything — which is why benefits can be a differentiator in attracting and retaining talent. When comparing benefits offered in 2023 versus 2022, we are seeing small increases in mental health or wellness programs, paid sabbaticals, and extended family leave. We are also seeing small increases in student loan repayments, financial/debt services, travel benefits, and the four-day workweek.

The four-day workweek is seeing more traction in EMEA countries (12 percent) than in the United States (9 percent) for 2023. It is most popular in Nonprofits (14 percent), Healthcare & Social Services (13 percent), and Retail & Customer Service (13 percent) — all industries that work long hours in people-centric positions that may lead to higher burnout without adequate time to recuperate.

Benefit, perk, or reward	2022	2023	Growth from 2022
Dental insurance	75%	73%	▼ -2.0%
Life insurance	71%	71%	▼ -0.1%
Vision insurance	72%	70%	▼ -2.3%
Employer-paid medical insurance	67%	67%	▼ -0.6%
Long-term disability	67%	66%	▼ -0.9%
Short-term disability	63%	63%	▼ -0.5%
401k, 403b, or other retirement contributions	64%	63%	▼ -1.1%
Employee assistance	62%	61%	▼ -0.5%
Accrued or granted PTO	59%	57%	▼ -1.3%
Fixed holiday schedule	60%	54%	▼ -5.8%
Mental health or total wellness program	52%	54%	▲ 1.5%
Ability to work from home	55%	54%	▼ -1.7%
Accrued or granted sick days	43%	42%	▼ -0.7%
Education or tuition reimbursement	42%	40%	▼ -1.8%
Ability to work fully remote	33%	32%	▼ -1.6%
Paid vacation (reimbursed)	29%	28%	▼ -0.7%
Flex-time	29%	26%	▼ -2.5%
Gym membership or reimbursement	20%	20%	▲ 0.2%
Extended family leave (beyond legal requirements)	20%	20%	▼ -0.4%
Extended paid family leave (beyond legal requirements)	19%	20%	▲ 0.8%
Stock/equity	18%	19%	▲ 0.2%
Financial advisor/debt services	17%	17%	▲ 0.4%
Pension	15%	15%	▲ 0.1%
Paid lunch, snacks, or food allowance	15%	14%	▼ -0.7%
Unlimited PTO	14%	13%	▼ -0.6%
Charitable contribution matching	13%	12%	▼ -1.0%
Work-from-home stipend	11%	10%	▼ -1.1%
Four-day work week	9%	10%	▲ 0.6%
Commuter allowance	9%	8%	▼ -1.4%
Paid sabbatical	6%	8%	▲ 1.9%
Travel benefits/perks for frequent travelers	7%	7%	▲ 0.3%
Student loan repayment	7%	7%	▲ 0.3%
Unpaid sabbatical	7%	6%	▼ -1.0%
Paid or subsidized childcare	7%	6%	▼ -0.5%
Other	4%	4%	▲ 0.3%

How has your organization responded to the overturning of Roe v. Wade?
(select all that apply)

	Overall	Top performers
We have taken no direct action as an organization and probably will not	52%	51%
We are making sure our healthcare package covers procedures and surgeries that may need to be obtained out of state, including abortion	20%	25%
We are reimbursing employees for travel and other expenses related to abortion up to a specified amount	15%	20%
We are considering options, but have yet to decide	11%	10%
We have made a public statement about what benefits we are offering employees	8%	8%
We are covering legal expenses for employees who are targeted by anti-abortion legislation	7%	11%
Other	7%	6%
We are offering relocation packages to employees who want to move out of a state with anti-abortion laws	6%	7%
Not applicable. No one in our workforce is based in the U.S.	3%	2%

Benefits related to abortion assistance

Due to the prominence of women's rights in the news during 2022, we asked organizations how they responded to the overturning of Roe v. Wade in the United States.

We found that 56 percent of organizations are offering assistance or taking action of some kind.

Globally distributed companies were even more likely to say they are doing something (75 percent).

We also found that top-performing organizations (those that state they will exceed revenue goals) were more likely to offer healthcare packages covering abortion, reimburse employees for travel and expenses related to abortion, cover legal expenses related to abortion, or make a public statement about abortion benefits (72 percent combined).

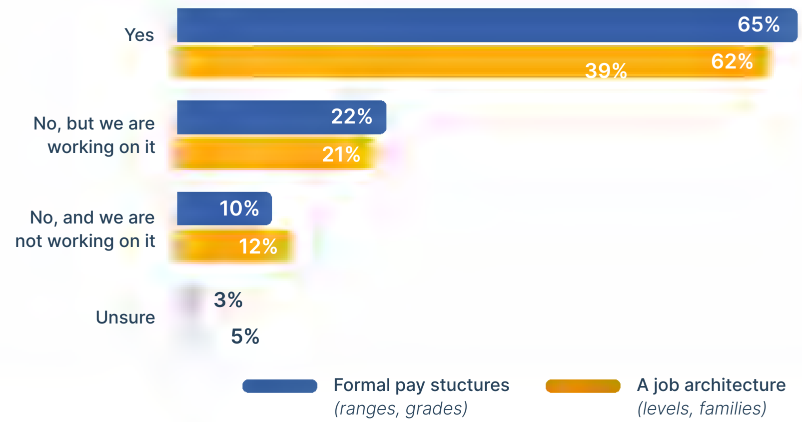
Chapter five

Job management and comp structure

A job architecture offers a framework for job functions, job families, and job levels in your organization. Having this framework in place provides the basis for consistent and fair pay decisions and can show employees how their career and salary can progress at a company.

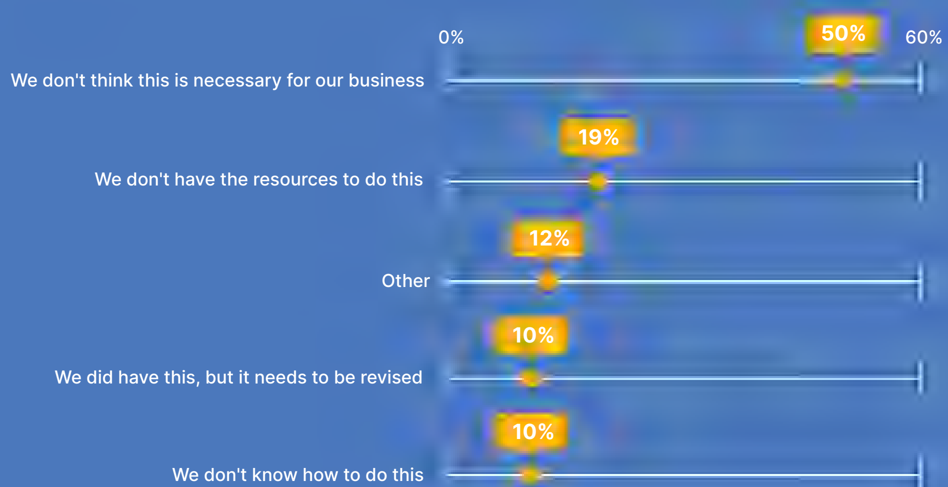
Most organizations (65 percent) have formal pay structures for 85 percent of their jobs on average, but fewer have a formal job architecture (62 percent). Both are associated with top-performing organizations and are much more likely to exist in organizations with a dedicated compensation function or team.

Percent of organizations with formal pay ranges and a job architecture



Percent of organizations with formal pay ranges and job architecture

What's the primary reason you don't have formal pay structures?



*totals are not exactly 100% due to rounding

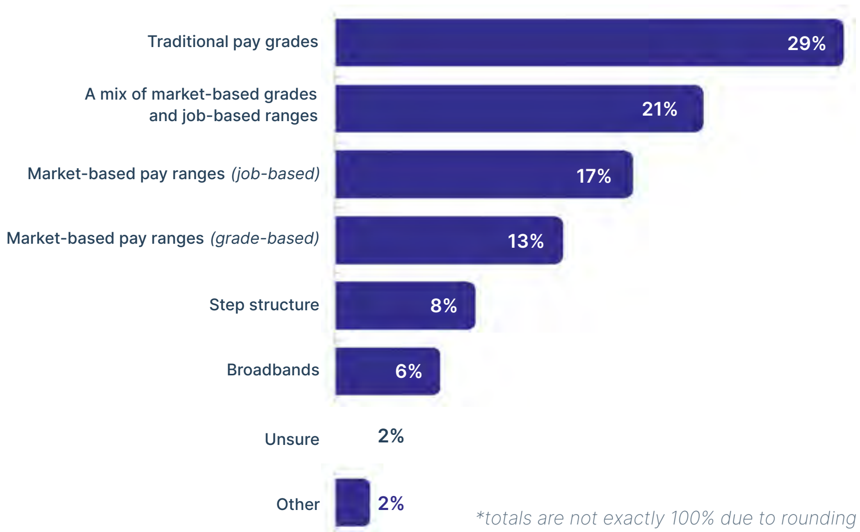
For organizations that don't have a formal pay structure, 19 percent said it was because they don't have the resources (no dedicated compensation function) — but 50 percent said they didn't think it was necessary for their business. However, this was almost exclusively small businesses, as large organizations did not answer this question in statistically viable numbers.

Types of pay structures

There are many ways to build formal pay structures. Which approach is best depends on the industry and location of the business as well as how they compete for talent. According to our surveys, traditional pay grades are still the most popular type of pay structure with 29 percent of respondents utilizing this type. However, market-based pay ranges still come in first place at 52 percent when combining job-based and grade-based approaches to setting pay using market data.

Conversely, broadbands have low popularity, representing only 6 percent of organizations. Step structures are only slightly higher at 8 percent.

How does your organization structure pay?



*totals are not exactly 100% due to rounding

Definitions

Traditional pay grades

A group(s) of comparable jobs (e.g., same level and job family) with one pay range that may or may not have been created using market data

Broadbands

A wide group of jobs (e.g., more than one level and/or job family) with one pay range that has been created predominately using market data

Step structure

A pay rate for a job with pre-defined increases with experience or tenure

Market-based pay ranges *(job-based)*

A range created using market data that only applies to one job. Each job has its own range

Market-based pay ranges *(grade-based)*

A group(s) of comparable jobs (e.g., same level and job family) with one pay range that has been created predominately using market data

Strategic approach to comp structures

We asked organizations to define their strategy when it comes to target percentiles. Just over half of organizations (52 percent) target the middle of the market while 9 percent pay below market, 17 percent pay above market, and 19 percent have different targets for different job families.

Organizations that pay at or above market are associated more with top performance. Small organizations were more likely to say they pay above market than larger organizations. Organizations *without* a dedicated compensation function were also more likely to pay above market.

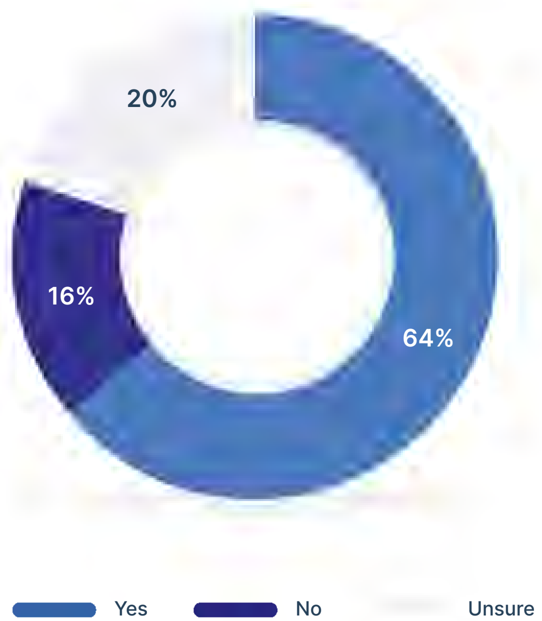
The industry with the highest percentage of respondents that say they **pay above market** is the Food, Beverage, and Hospitality industry (33 percent).

The industry with the highest percentage of respondents that say they **pay below market** is Government (21 percent).

Which of the following best describes your strategic approach to pay?

When we asked if they plan to adjust their compensation structures for 2023, 64 percent of organizations said yes. Although this could just be indicative of annual market updates, high attention to compensation structures in a changing market is a best practice. Unsurprisingly, the intention to adjust compensation increases with organization size. It is also higher for top-performing organizations (71 percent) and those with a dedicated compensation function or team (71 percent).

Have you or will you adjust your compensation structures for 2023?

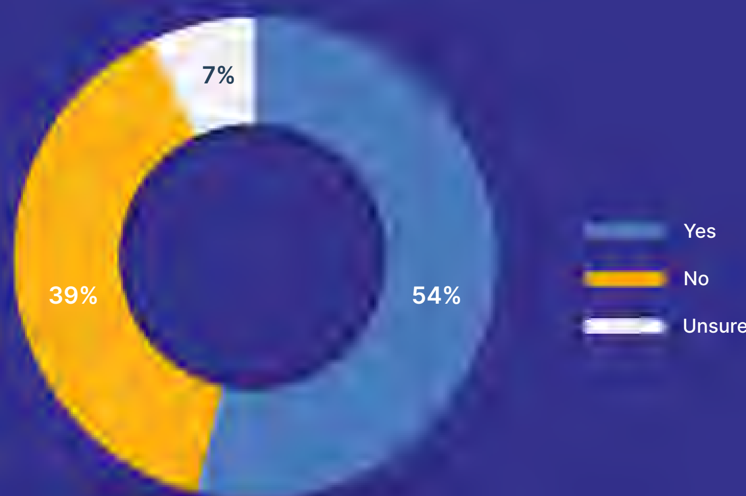


Job description management

An important part of job management is writing and maintaining job descriptions. Job descriptions are used to create and advertise open jobs. They are also used to set and manage fair pay for all employees.

Job descriptions are far too often stored in personal folders and shared in emails rather than organized and maintained in a central system. In our survey, we asked participants if they have a centralized management system for job descriptions and 54 percent said yes — a slim majority. However, 39 percent said that they do not. The likelihood of having a centralized system increases with company size — up to 71 percent for organizations with 50,000 or more employees.

Do you have a centralized management system for creating, approving, and maintaining job descriptions?



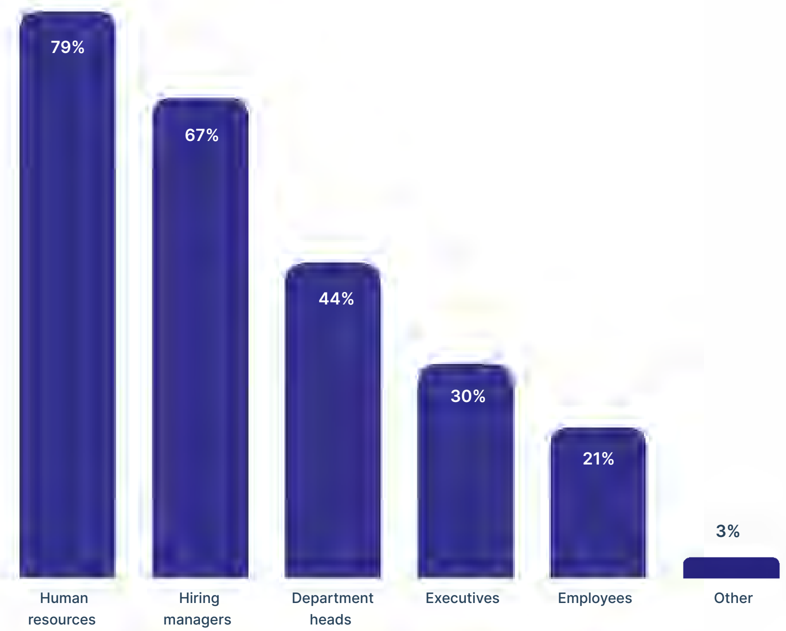
When it comes to who contributes to the creation, approval, and maintenance of job descriptions, human resources is the most likely at 79 percent, followed by hiring managers at 68 percent. Having **tools for HR to collaborate with hiring managers** on job descriptions is helpful in ensuring that the descriptions are accurate, especially given that this is essential for ensuring fair pay.

Pro-Tip

Payscale compensation management software provides collaboration tools for building job descriptions and working across teams to keep them maintained.

Learn more

Who contributes to the creation, approval, and maintenance of job descriptions?



Career pathing

Part of job management is making sure that you are thinking about what positions are needed by the organization for growth, and another is having career pathsfor your employees to increase their value. However, less than a quarter (24 percent) of organizations have a fully integrated approach and less than the majority have any approach or plan on integrating one in the next 12 months.

Does your organization integrate job management into workforce planning and internal career pathing?

No	30%
No, but we are focused on integrating these disciplines in the next 12 months	24%
Yes, we have a fully integrated approach	24%
Unsure	21%

**totals are not exactly 100% due to rounding*

Industry	Yes, we have a fully integrated approach to job management for workforce planning and career pathing
Agencies & Consultancies	58%
Arts, Entertainment, & Recreation	35%
Energy & Utilities	31%
Food, Beverage, & Hospitality	31%
Construction	30%
Retail & Customer Service	30%
Finance & Insurance	25%
Government	23%
Healthcare & Social Assistance	22%
Engineering & Science	21%
Real Estate, Rental, & Leasing	21%
Technology (including software)	20%
Education	19%
Manufacturing	19%
Nonprofit	16%
Other industries	16%

Organizations that integrate job management into workforce planning and career pathing vary a lot by industry, with Agencies & Consultancies at 58 percent and Nonprofits at 16 percent. This is a differentiator for the employee experience. Employees are more likely to remain with organizations where the upward trajectory is clear. Employees are also more likely to remain at organizations that balance workloads by investing properly in headcount so that they don't burn out.

Salary data and market pricing

The backbone of compensation management is salary data. Most organizations rely on multiple data sources when it comes to market pricing a job. It is common for organizations to participate in salary surveys for this information.

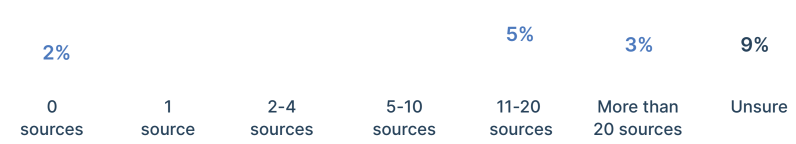
However, there are newer types of salary data sources, from online salary surveys taken by employees and job seekers to aggregated employer-reported data from users of compensation management software like Payscale.

Variety of compensation data sources

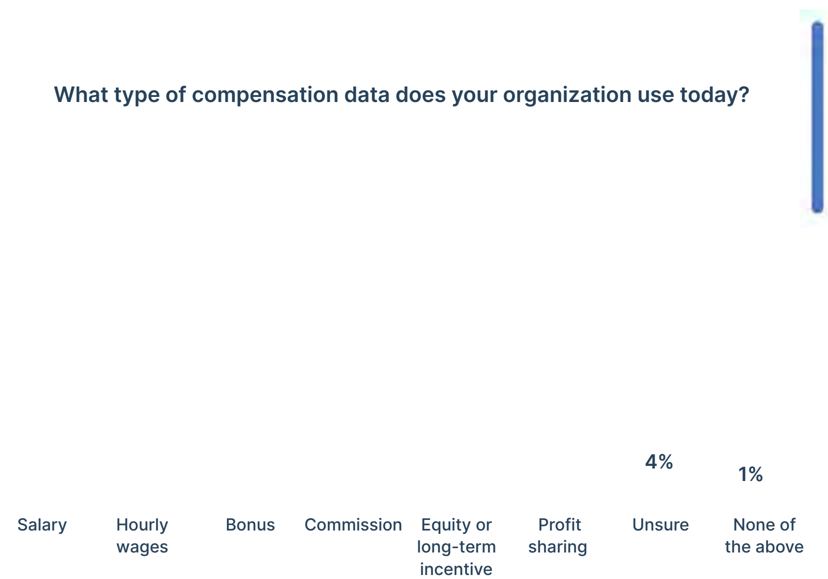
Most organizations (53 percent) use between two and four distinct data sources to inform market pricing for salaries. This is expected as a minimum of three sources is recommended to triangulate pricing. Multiple "sources" of data could include several salary surveys or different types of salary data combined with traditional salary surveys. The use of more than five sources is associated with larger organizations as well as with being a top-performing organization. This is more common for organizations that need data for location-specific or niche industry roles.

When it comes to the types of compensation data sources organizations need, the most popular is for salaries (85 percent), but other types of compensation data are also important and contribute to total cash compensation and total rewards packages.

How many distinct sources of market data do you use?



What type of compensation data does your organization use today?



Most popular types of compensation data

When it comes to which data sources organizations use the most, the clear winner is free or open online data (50 percent) followed closely by salary survey data from traditional publishers (47 percent) and HR-reported aggregate market data in compensation software (37 percent).

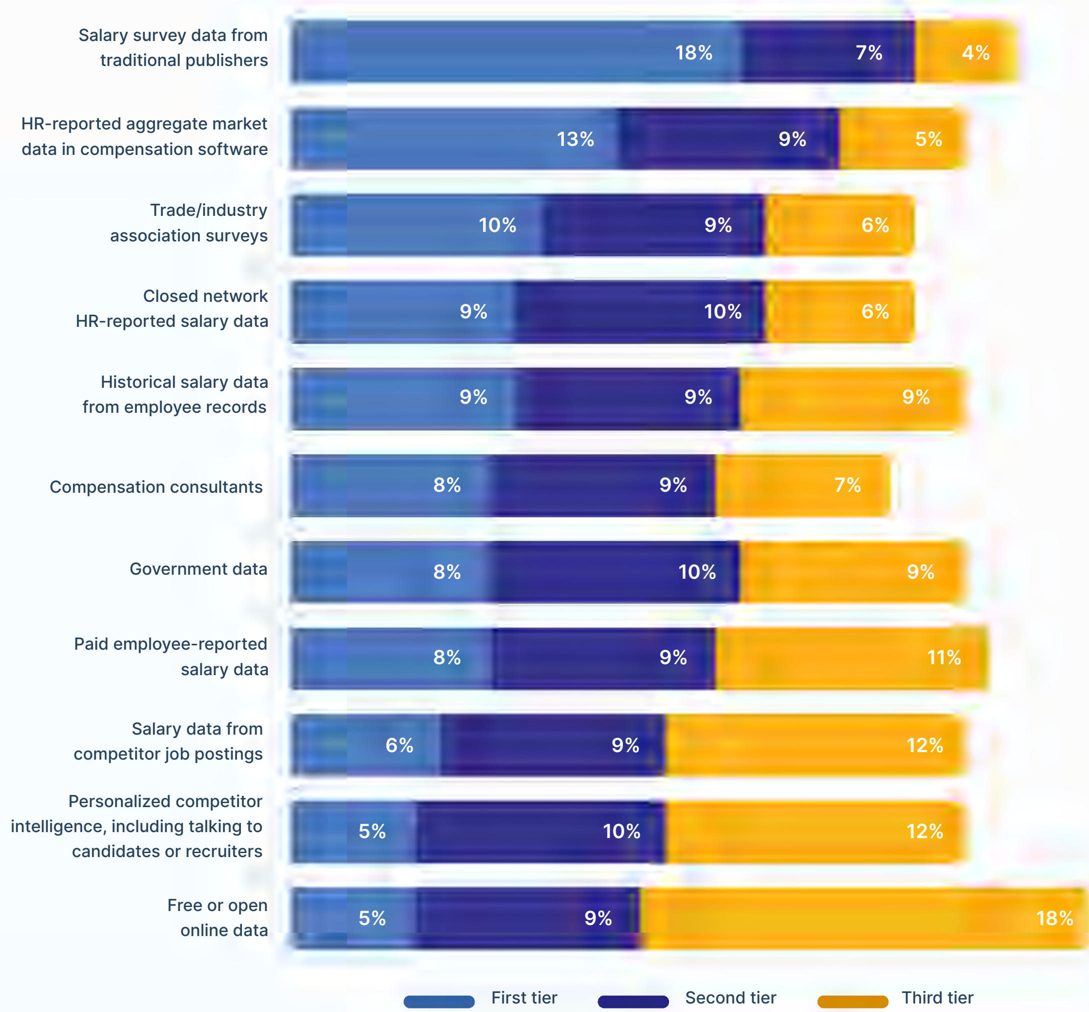
Which sources do you use to obtain market data?

	Overall
Free or open online data	50%
Salary survey data from traditional publishers	47%
HR-reported aggregate market data in compensation software	37%
Salary data from competitor job postings	32%
Historical salary data from employee records	25%
Trade/Industry association surveys	22%
Government data	22%
Closed network HR-reported salary data	21%
Paid employee-reported salary data	16%
Compensation consultants	15%
Personalized competitor intelligence, including talking to candidates or recruiters	13%
Unsure	5%
Other	3%
We don't compare our jobs to market	1%

Most trusted types of compensation data sources

It's important to note that when it comes to which data sources are *trusted* the most, free or open online salary data falls to the bottom of the list. The most trusted data source continues to be salary survey data from traditional publishers followed by HR-reported aggregate market data in compensation software.

Which data sources are trusted the most?



**totals are not exactly 100% due to rounding*

Changes to compensation data sources

We asked if organizations made significant changes to their data strategy in 2022 and 43 percent said yes. Making changes to data strategy was associated more with top-performing organizations. It was also more common in small organizations.

More organizations (60 percent) said they needed to adjust market data sources to account for rapid changes in the market. This was associated strongly with top-performing organizations. It was also more pronounced in certain industries, such as Agencies & Consultancies (75 percent).

Pro-Tip

Payscale offers multiple types of trusted **salary data** within our compensation management software.

Ask for a demo

Did you make significant changes to your compensation data strategy in 2022?

Yes	No	Unsure
43%	49%	8%

51% Top performers

Did you find you had to make more adjustments to your market data sources to account for the rapidly changing pay markets?

Yes	No	Unsure
60%	30%	10%

69% Top performers

Compensation data available from Payscale includes:

Survey data from publishers

Traditional survey data that is submitted by HR professionals that you purchase and upload into Payscale's compensation management software or purchase more conveniently through our partnerships.

HR-reported aggregate market data

An analysis of aggregated salary survey data that comprises market ranges for thousands of benchmarked jobs to fill data gaps. Payscale HR Market Analysis would fall into this category.

Closed network HR-reported salary data

Option to join a peer-based data network and drill down into timely and continuously updated data from select leading companies or direct competitors for talent in your industry or location. This data is submitted by HR professionals and is incredibly customizable. Payscale Peer leads this category.

Employee-reported data

Validated compensation market data collected through salary profiles submitted by more than 100 million employees on granular skills and geo-data that's refreshed continuously so you can keep a finger on the pulse of the market. Payscale Employee-Reported data leads this category.

Free or open online data

This type of data is available to the public online and is often used by consumers and companies. Salary data available on the Payscale website is representative of our mission to democratize data for the benefit of employees as well as employers. Any data Payscale provides to employers is meticulously validated with a variety of statistical steps.

One trusted data platform

Payscale offers validated, continually refreshed salary data directly from employers, employees, and trusted survey publishers, allowing organizations to choose the data that drives confident decisions. Furthermore, Payscale's compensation management platform empowers HR leaders and compensation professionals to combine and analyze multiple streams of data in one trusted platform.

Learn more about salary data from Payscale

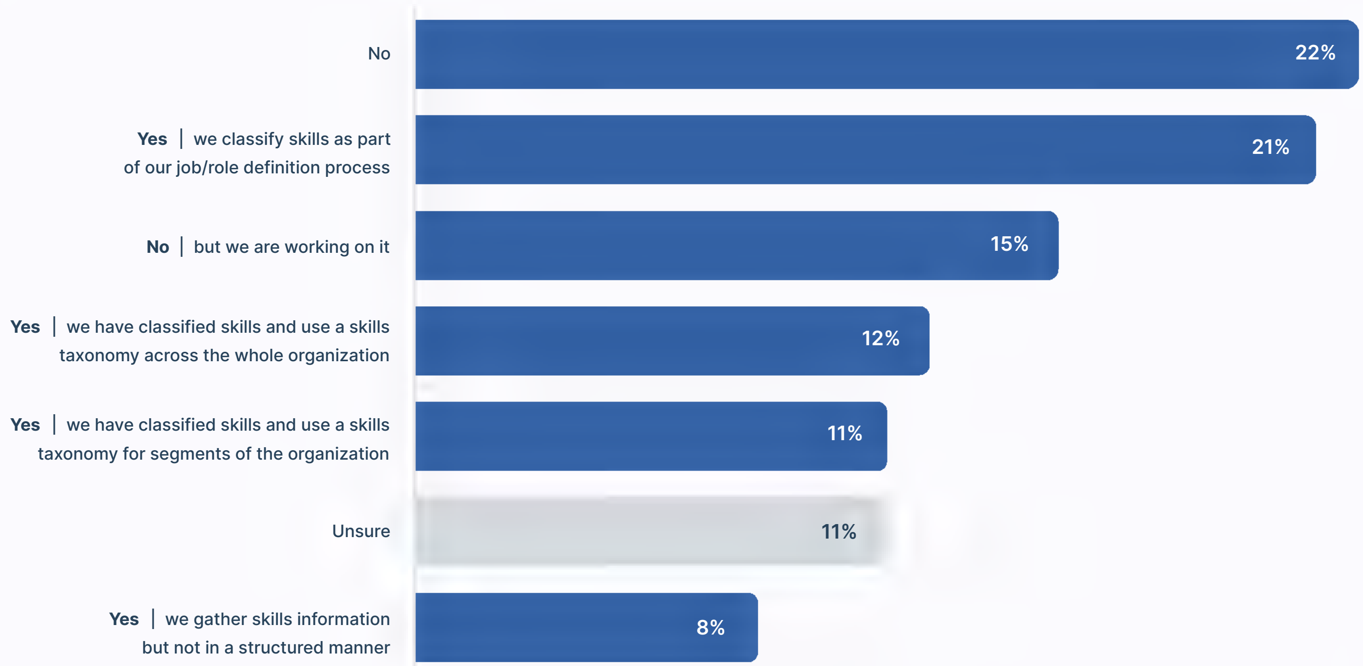
Learn more →

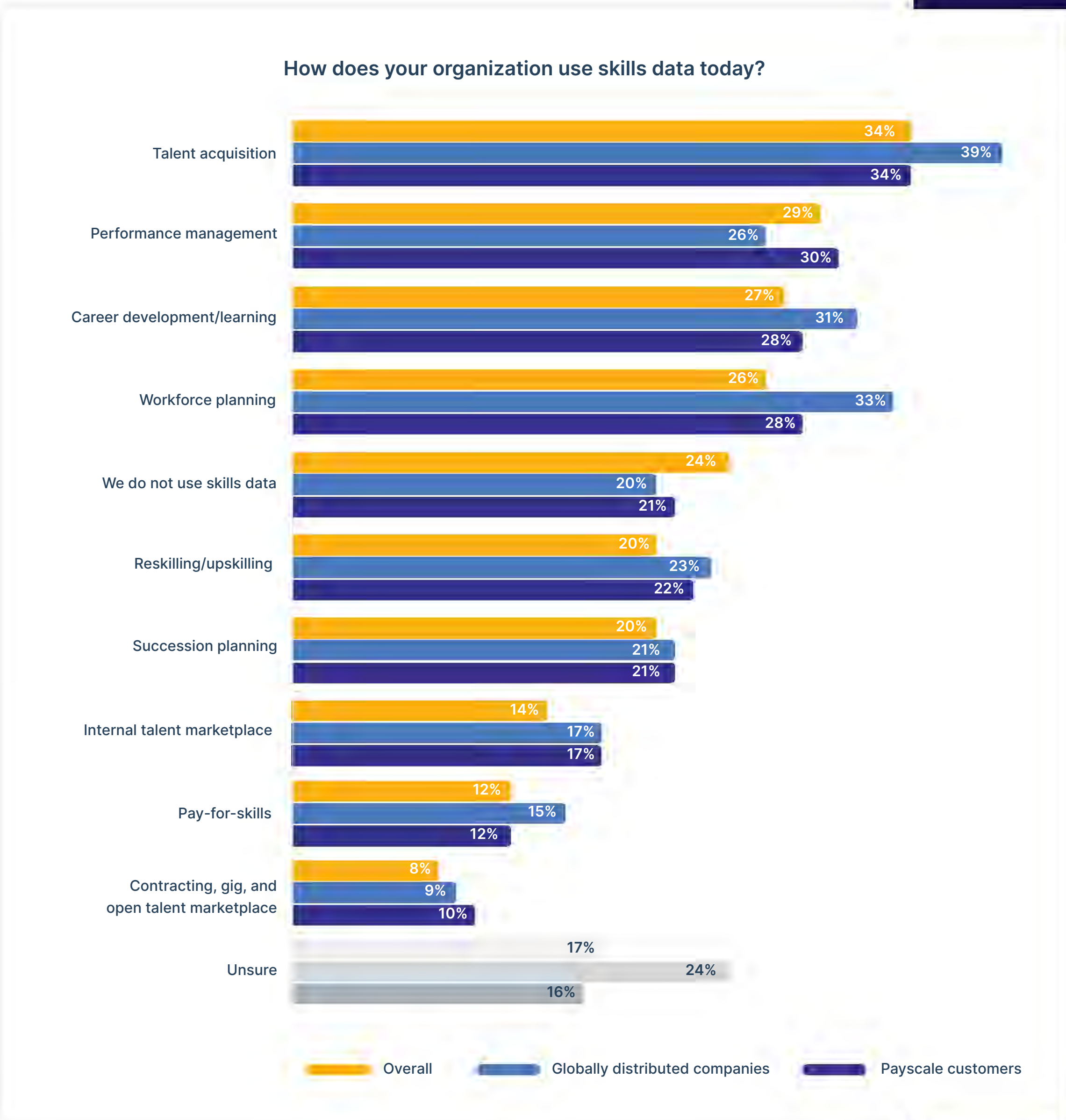
Skills-based workforce

Changing technologies and new ways of working are disrupting jobs and the skills employees need to do them. Employees with hot skills are in high demand as organizations plan for current and future skills gaps. However, many organizations have yet to understand the benefits of quantifying work in this way and may lack the skills data and skill-based salary data they need to perform this analysis.

When we asked organizations whether they have an approach to classifying skills, most (53 percent) said yes — but they were divided on how they go about it, with the largest portion of this group classifying skills as part of the job/role definition (21 percent). Only 13 percent have classified skills and use a skills taxonomy across the whole organization.

Does your organization have an approach to classifying skills?





Purpose of skills data

The most popular way for organizations to use skills data is for talent acquisition at 34 percent. Using skills data to identify opportunities or support initiatives to reskill/upskill the workforce is only prevalent in 20 percent of organizations. Globally distributed organizations are more likely to use skills data in most categories, and so are Payscale customers.

Compensating for skills

When it comes to tying skills to pay, barely half of organizations (50 percent) say they compensate for competitive skills while 20 percent are unsure. This may indicate that some don't feel confident in their understanding of how to appropriately implement skills-based pay.

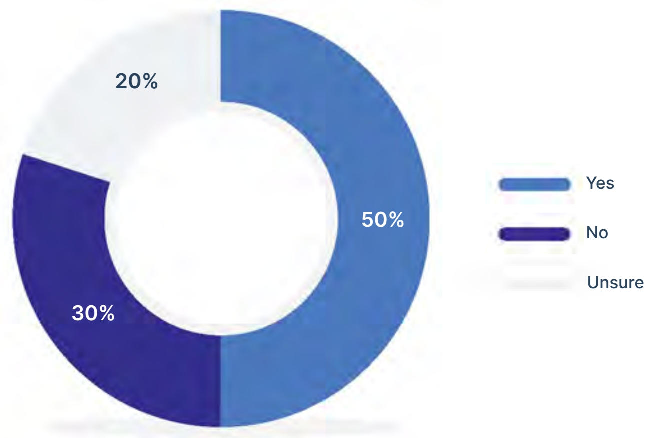
When asked how organizations compensate for critical, hard-to-find skills, the largest group said they apply a premium to base pay (43 percent), followed by using a higher target percentile (41 percent). Less popular approaches are to provide a bonus to the employee with the skill, either once or periodically while the skill remains competitive. Some organizations award skills in more than one way.

Pro-Tip

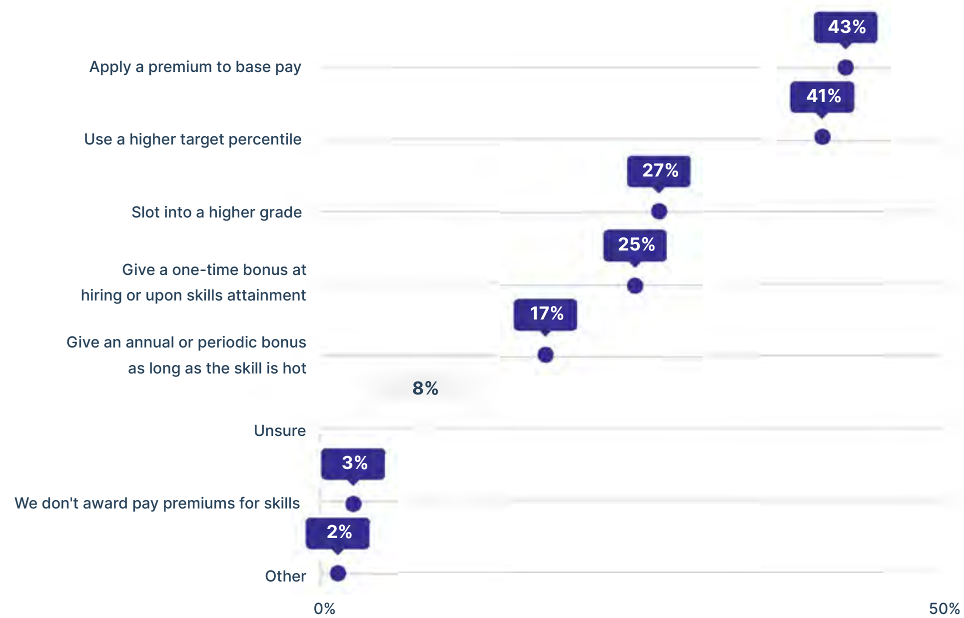
Speak with a representative at Payscale to learn more about skills differentials available from our employee-sourced salary data.

Request a demo

Do you compensate for competitive skills?



How do you compensate for critical, hard-to-find skills?



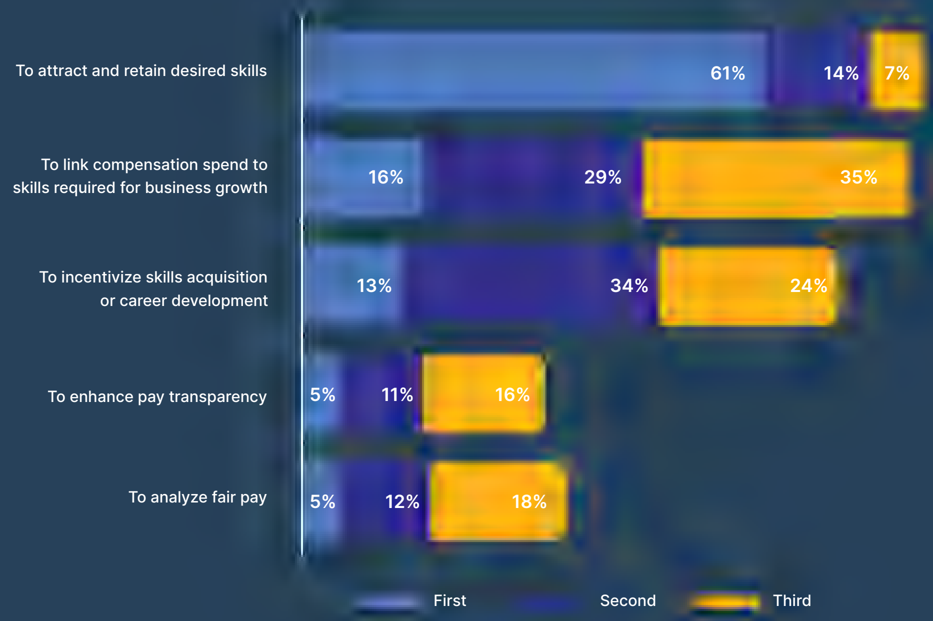
Objective of compensating for skills

When it comes to why organizations compensate for skills, the most popular reason is to attract and retain desired skills. The second most popular reason is to link compensation spend to skills required for business growth.

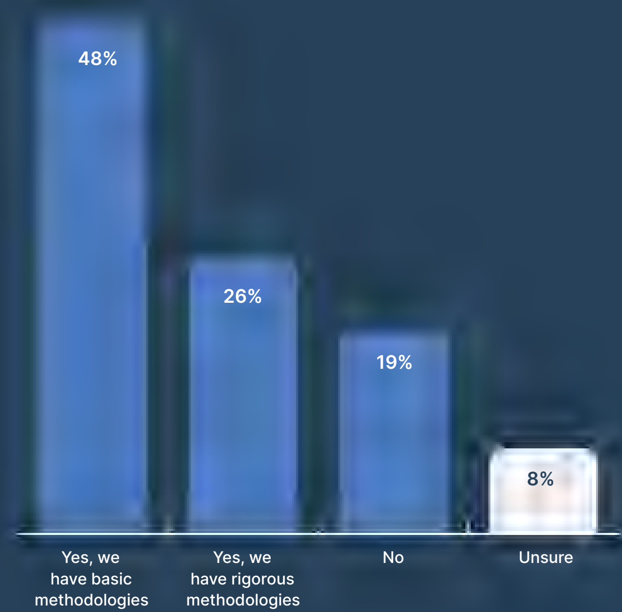
Pay transparency and pay analysis were more distant priorities when compensating for skills. These may become more critical for talent acquisition and retention with pay transparency legislation and the resulting need to justify why some job postings list higher pay than others, or why some employees make more than other employees with similar job titles.

When asking whether organizations have the data or tools needed to determine appropriate compensation for competitive skills, almost three-quarters (74 percent) say that they have something, but only a little over a quarter (26 percent) say that these methodologies are rigorous.

What are your top three objectives when compensating for skills?



Do you have the data or tools you need to determine appropriate compensation for competitive skills?

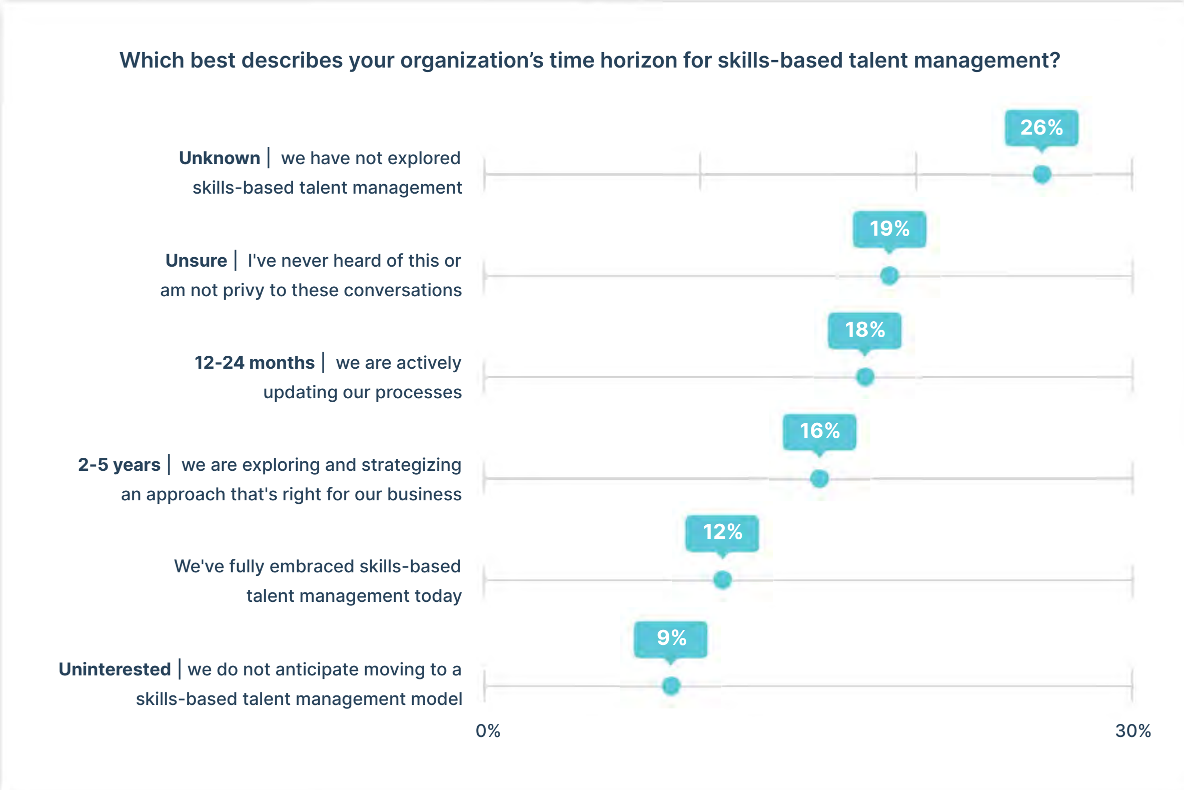


Preparing for a skills-based workforce

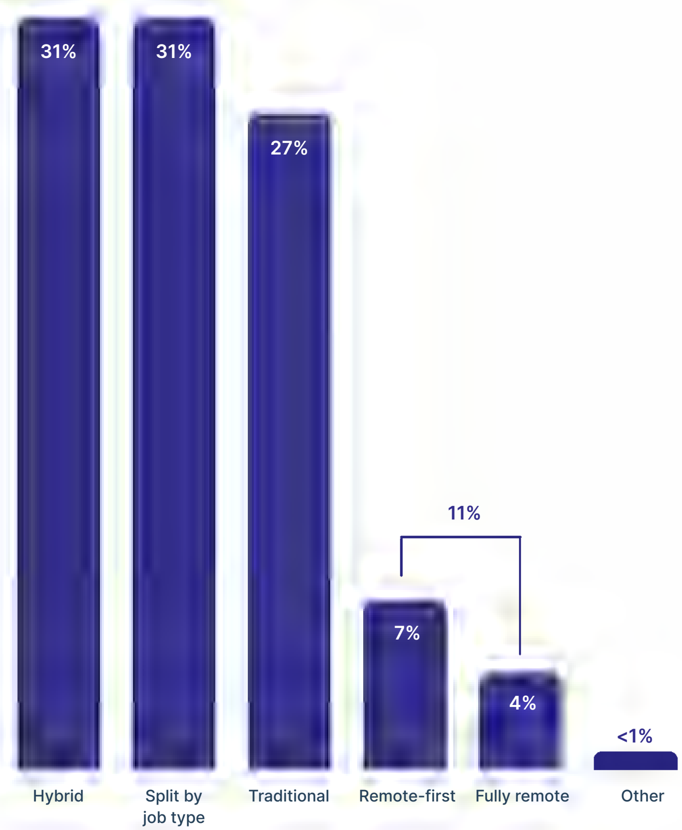
Skills are often referred to as the future of workforce planning and compensation management. However, when we asked organizations about their time horizon for skills-based talent management, most (55 percent) answered that they didn't know due to lack of exploration on the topic, were uninterested, or were unsure due to not having information about their organization's strategy.

> **Conversely, only 12 percent of organizations have fully embraced skill-based talent management.**

This does not notably increase with company size excepting organizations with more than 50,000 employees (22 percent), but it is associated with top-performing organizations and certain industries like Arts, Entertainment, & Recreation (25 percent) and Construction (23 percent).



Which of the following best describes your organization's workforce?



*totals are not exactly 100% due to rounding

Chapter eight

Remote work and geographic pay strategy

The COVID-19 pandemic forced organizations to adopt remote work and work from home (WFH) policies. Now that vaccines are available and the threat of the pandemic is winding down, organizations with traditional or hybrid workspaces are trying to figure out how to get employees back in offices. However, there are numerous indications — from job board application data to surveys — that employees don't want or are not ready to return.

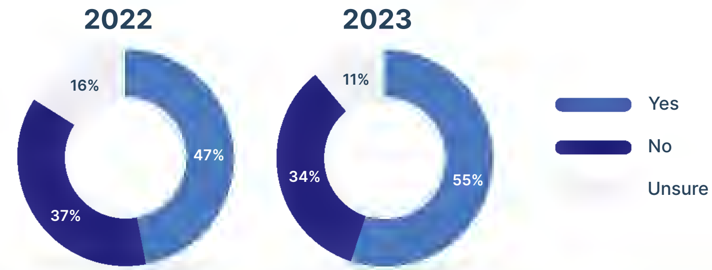
This is particularly important to get right in the talent acquisition process. Only 11 percent of organizations "truly" offer remote work experiences, meaning remote-first (7 percent) or fully remote (4 percent), which is a mismatch with what job seekers are looking for when they search for remote opportunities.

In our survey, we asked organizations to describe their current workforce. Most (58 percent) describe their office environment as either traditional or hybrid, which means that all or most employees would need to live within a commutable distance to an office even if they work from home some of the time. If you add "split by job type" to this grouping, then 89 percent of organizations in 2023 expect all or most of their employees to continue to live within a commutable distance of an office location.

Impact on talent search

A majority of organizations (55 percent) believe that remote work is impacting how they compete for talent. This is an increase from last year when 47 percent of organizations felt that remote work was impacting their talent strategy. The number of respondents who said yes also increases with company size. However, there still might be a disconnect when compared with numerous studies that show that nearly half of workers want to choose where they work and may decline job offers where workplace flexibility is not an option. Compared to the average, industries that are seeing the most impact from remote work expectations are Agencies & Consultancies, Finance & Insurance, and Engineering & Science.

Is remote work impacting how you compete for talent?



Is remote work impacting how you compete for talent in 2023?

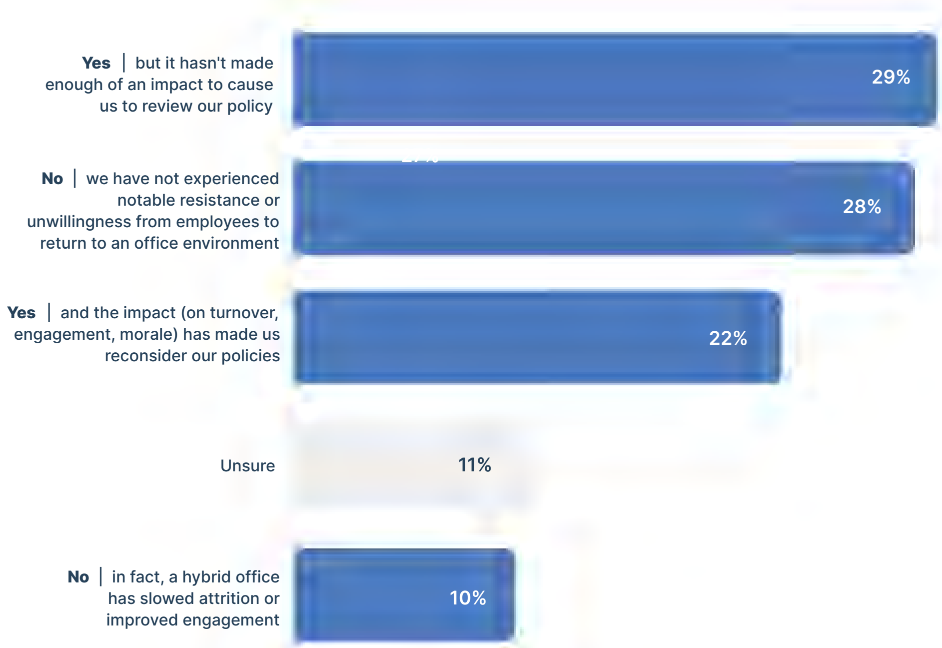
Industry	Yes
Energy & Utilities	72%
Agencies & Consultancies	68%
Finance & Insurance	67%
Engineering & Science	62%
Real Estate, Rental, & Leasing	60%
Retail & Customer Service	60%
Arts, Entertainment, & Recreation	58%
Education	57%
Technology (including software)	56%
Government	54%
Healthcare & Social Assistance	52%
Manufacturing	48%
Other Industries	48%
Construction	47%
Food, Beverage, & Hospitality	47%
Nonprofit	44%

Return to offices and WFH preferences

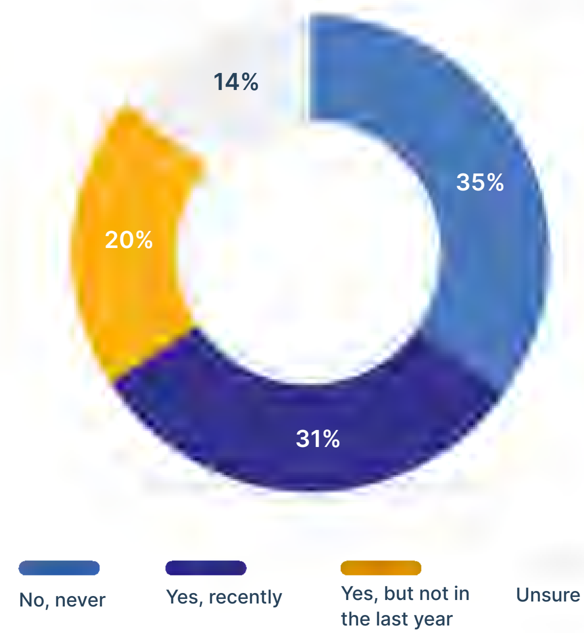
Given the controversy suggested by news coverage of remote work and mandates on employees to return to traditional or hybrid offices, we asked whether organizations have experienced resistance or unwillingness from employees to return to in-person work environments. Most organizations (51 percent) said that they are experiencing resistance, but only 22 percent feel that the impact is great enough to consider a policy change. Meanwhile, 28 percent of organizations have not experienced resistance and 10 percent believe that hybrid offices have slowed attrition or improved engagement.

One way to know for sure whether in-office work expectations are having an impact on retention or morale is to survey employees about their work-from-home preferences. However, most organizations (55 percent) have not done so or have not done so in the last year. Only 31 percent of organizations have surveyed their employees on their work-from-home preferences recently.

Have you experienced resistance or unwillingness from employees to return to either traditional or hybrid offices?



Have you surveyed employees on their remote or WFH preferences?



Employee monitoring

Given that organizations seem skeptical of employees working from home, possibly due to fears that it will impact productivity or lead to disengagement, we asked if they monitor employees using surveillance software. Half (50 percent) responded that they do not and are not considering it. Twenty-six percent do (all yes answers combined) but are split regarding what they do with the information.

Survey responses indicate that some industries use employee monitoring software more than others, and some also are more interested in using the information to inform compensation or promotion eligibility.

Do you monitor employees for productivity using employee surveillance software?

No | and we are not considering it	50%
Yes | casually, but it hasn't impacted decisions on talent management	9%
Yes | and we use the data to inform compensation or promotions	9%
Yes | but only for certain employees we suspect of shirking their work	8%
No | but we are considering it for the future	6%
Unsure	18%

totals are not exactly 100% due to rounding

Industry	Yes, we monitor employees *(Combined yes answers)*	Yes, and we use the data to inform compensation or promotions
Arts, Entertainment, & Recreation	53%	23%
Construction	49%	14%
Agencies & Consultancies	44%	25%
Energy & Utilities	42%	20%
Engineering & Science	36%	14%
Government	35%	12%
Retail & Customer Service	35%	14%
Education	31%	12%
Food, Beverage, & Hospitality	30%	8%
Finance & Insurance	28%	10%
Real Estate, Rental, & Leasing	28%	6%
Healthcare & Social Assistance	26%	6%
Manufacturing	18%	5%
Technology (including software)	16%	5%
Nonprofit	13%	3%
Other Industries	13%	3%

Remote work pay strategy

How is compensation decided for remote employees? Compensation is typically based on market data. "Remote" is not a location. All employees work from *somewhere*.

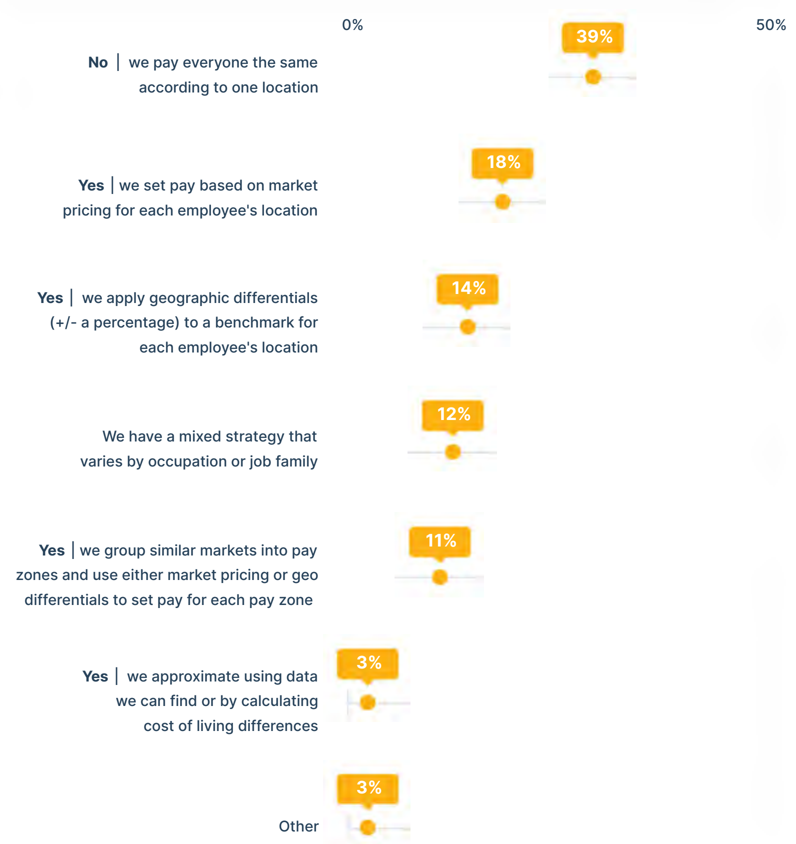
Therefore, an organization's remote work pay strategy is really about how pay is determined for employees who work in different locations.

Is pay based on the company's address or where the employee lives and works? Organizations with heavily distributed workforces have an advantage here because they already manage compensation for multiple locations.

According to our survey, 59 percent of organizations said "yes," they have a pay strategy for a remote or distributed workforce. However, the largest single answer group (39 percent) came from employers who say they pay everyone according to one location, such as where the company is headquartered. Note that this answer choice includes organizations that may not have any remote workers or not very many of them. This percentage also shrinks as organizations get larger.

Setting pay based on market pricing for an employee's location is the next most popular answer choice, but it is also the most time consuming if organizations have a lot of employees. Grouping similar markets into pay zones using market pricing or geographic differentials is one of the most manageable and consistent options for ensuring fair pay, though currently only 11 percent of organizations are taking this approach.

Do you have a pay strategy that encompasses a remote or distributed workforce?

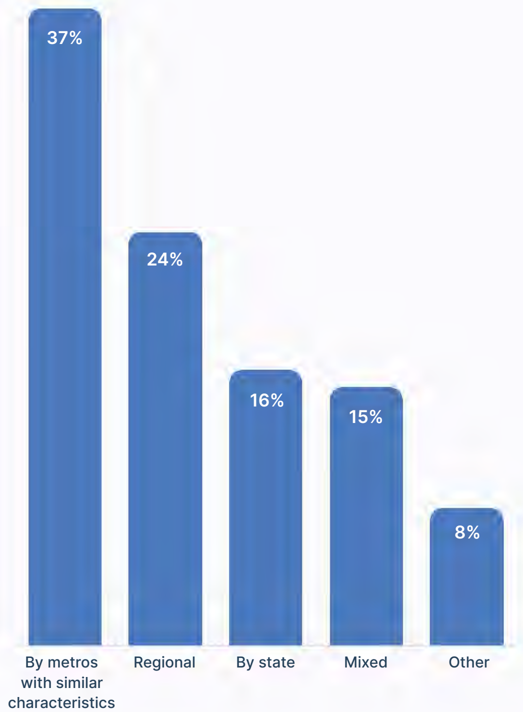


Pay zones and geographic differentials

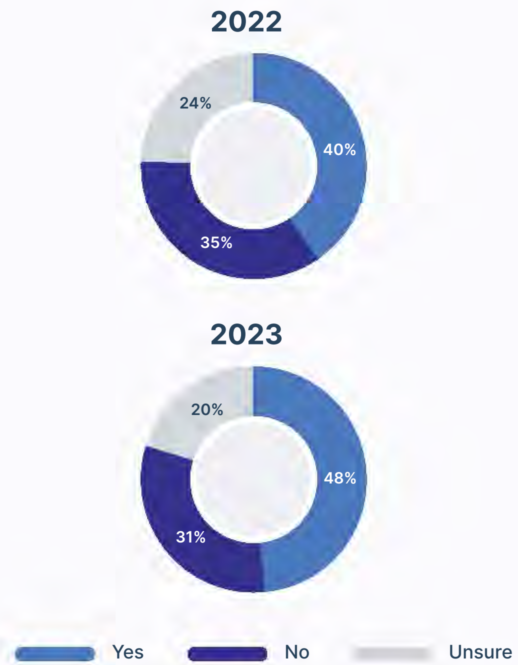
For organizations that use pay zones to simplify compensation management for a distributed workforce, the most common way to group them in the United States is by metro areas with similar characteristics (37 percent), followed by a regional approach (24 percent).

To manage pay for distributed workforces using modern methods, many organizations are turning to geographic differentials. Using this methodology, they don't have to market price all their jobs for every location where they have workers. Instead, they can use salary data in compensation management software to calculate the percent increase or decrease from a benchmarked location to another location. This methodology is seeing increased interest year over year, with an 8 percent increase from 2022 to 2023. It is also higher for Payscale customers (54 percent).

How do you group areas into pay zones for the United States?



Are you interested in using geographic differentials as part of your future pay strategy?



Looking for an example?

Learn how Vista developed a team member location-based pay strategy with geo-differentials using **Payscale compensation management software.**

Read the case study →

Pro-Tip

Speak with a representative at Payscale to learn more about geographic differentials or check out our whitepaper on location-based pay strategies.

Get whitepaper →

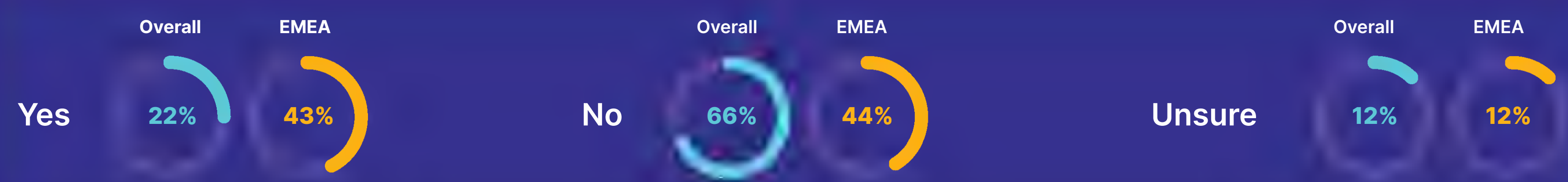
Lowering pay for remote work

Some organizations believe that remote work is a compensable benefit, meaning they will lower pay for employees who don't want to come into an office. This perception may be especially pervasive in organizations where coming into a work site is unavoidable for most occupations but where exceptions are made to accommodate specific employees with special needs.

According to our survey, only 22 percent of organizations consider pay to be a compensable benefit. 66 percent do not lower pay for remote work, at least in the United States — an approach that's less likely in organizations with a high degree of pay transparency (19 percent). This suggests that lowering pay for employees who work from home becomes harder to justify when this policy is made public rather than handled on a case-by-case basis.

In EMEA countries, the number of organizations that view working from home as a compensable benefit increases to 43 percent. It is also notably higher for Agencies & Consultancies (43 percent) and Arts, Recreation, and Entertainment (47 percent) industries compared to others. It is least likely for Nonprofits (14 percent) and Technology companies (15 percent).

Do you consider working from home to be a compensable benefit, meaning you have lowered or plan to lower pay for employees who don't want to come into the office even if they live within a commutable distance?



Industry	Yes, WFH is a compensable benefit that can incur lower pay
Arts, Entertainment, & Recreation	47%
Agencies & Consultancies	43%
Construction	37%
Retail & Customer Service	30%
Education	27%
Engineering & Science	27%
Finance & Insurance	26%
Energy & Utilities	24%

Industry	Yes, WFH is a compensable benefit that can incur lower pay
Food, Beverage, & Hospitality	20%
Government	20%
Manufacturing	20%
Healthcare & Social Assistance	19%
Real Estate, Rental, & Leasing	17%
Technology (including software)	15%
Nonprofit	14%
Other Industries	11%

Adjusting pay for employees who move

What about when employees move to another location? Whether remote or not, organizations need strategies that maintain fair and equitable pay for employees who move. According to our survey, most employers either don't adjust pay when employees move (25 percent) or they have a mixed approach (25 percent) depending on specific factors.

How do you adjust pay for employees who move to another location or pay zone?

	Overall
We have a mixed approach to pay adjustments when employees move depending on their occupation, where they are moving, and their reason for moving	25%
We do not adjust pay when employees move to another location	25%
Undecided	14%
We increase pay when employees elect to move to align to the more expensive area or pay zone	13%
We increase pay when employees move to a more expensive area or pay zone but ONLY if part of a relocation package demanded by the business	12%
We have an inconsistent approach to pay adjustments when employees move that is not centered on an established policy	6%
We lower pay when employees elect to move to align to the new area or pay zone	5%

When do you adjust pay for employees who move to another location?

*totals are not exactly 100% due to rounding

For employers who adjust pay when employees move to another location, it is most common to do so immediately when they move. However, 13 percent of organizations reserve pay adjustments for the next pay raise cycle.

Remote work benefits

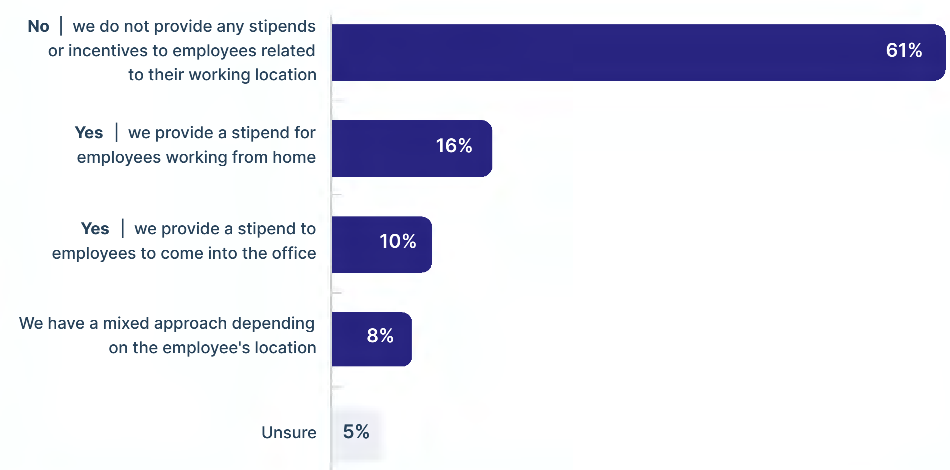
In addition to pay strategies, organizations are also trying to work out whether there should be fringe benefits associated with remote work.

According to our survey, most organizations (61 percent) do not offer any kind of stipend or incentive for employees related to their working location.

However, 10 percent offer stipends to encourage employees to come into the office and 16 percent provide a stipend for employees working from home.

Stipends provided to workers

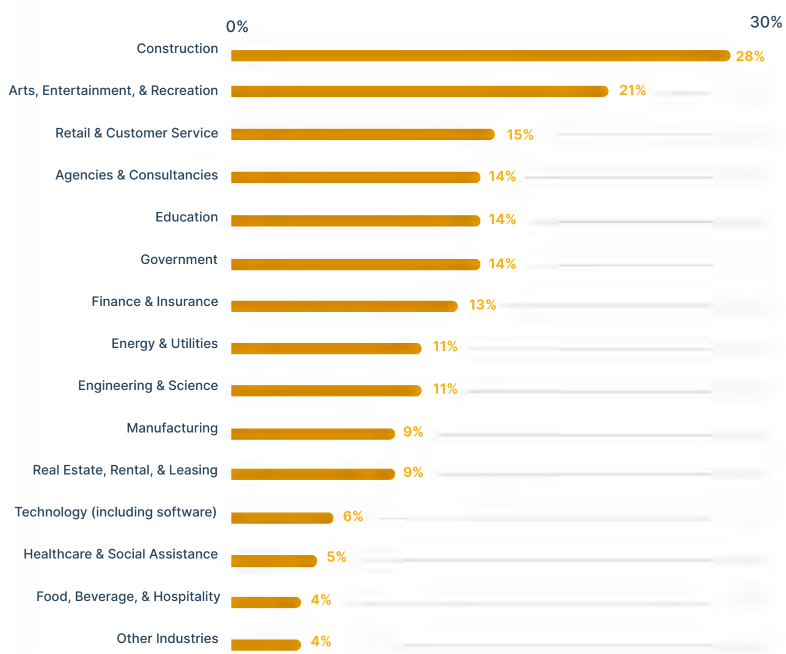
Do you provide a stipend to employees to either work from home or commute to an office?



Providing stipends to employees varies by industry as well as by type of stipend. For example, companies in the Technology industry are some of the most likely to provide a stipend to work from home and some of the least likely to provide a stipend to commute to work.

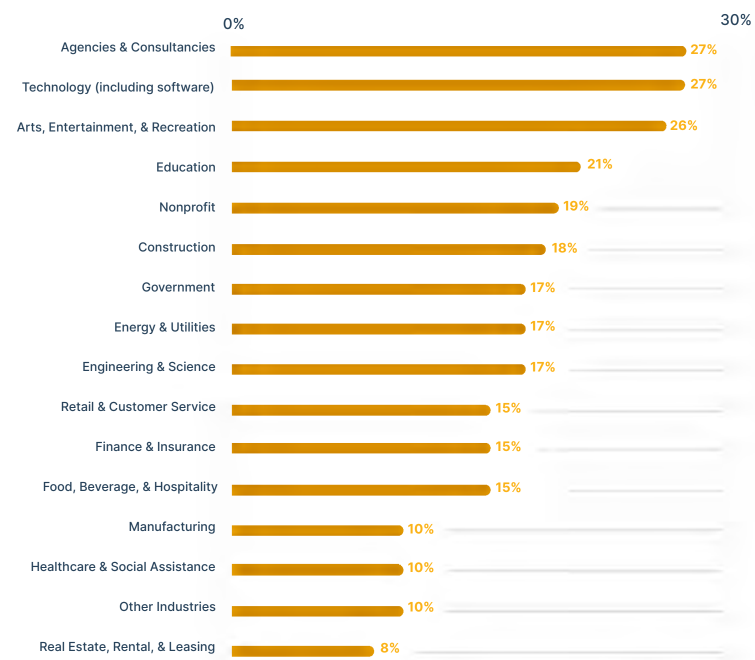
Yes, we provide a stipend to

employees commuting to the office



Yes, we provide a stipend to

employees working from home



Chapter nine

Pay equity, diversity, and ESG

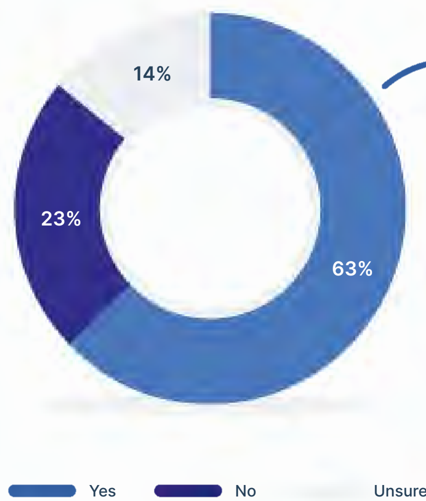
Pay equity is fast becoming an indispensable pillar of compensation management. It has lost some traction compared to last year when news coverage of social injustice brought inequity into broad public discourse. However, since ensuring pay equity is an essential step toward adopting pay transparency, we are likely to see more emphasis in the future.

Commitment to pay equity

According to our survey, 63 percent of organizations say that pay equity is a planned or current initiative — which is down from 66 percent in 2022, but still much higher than in previous years when it was just below a majority.

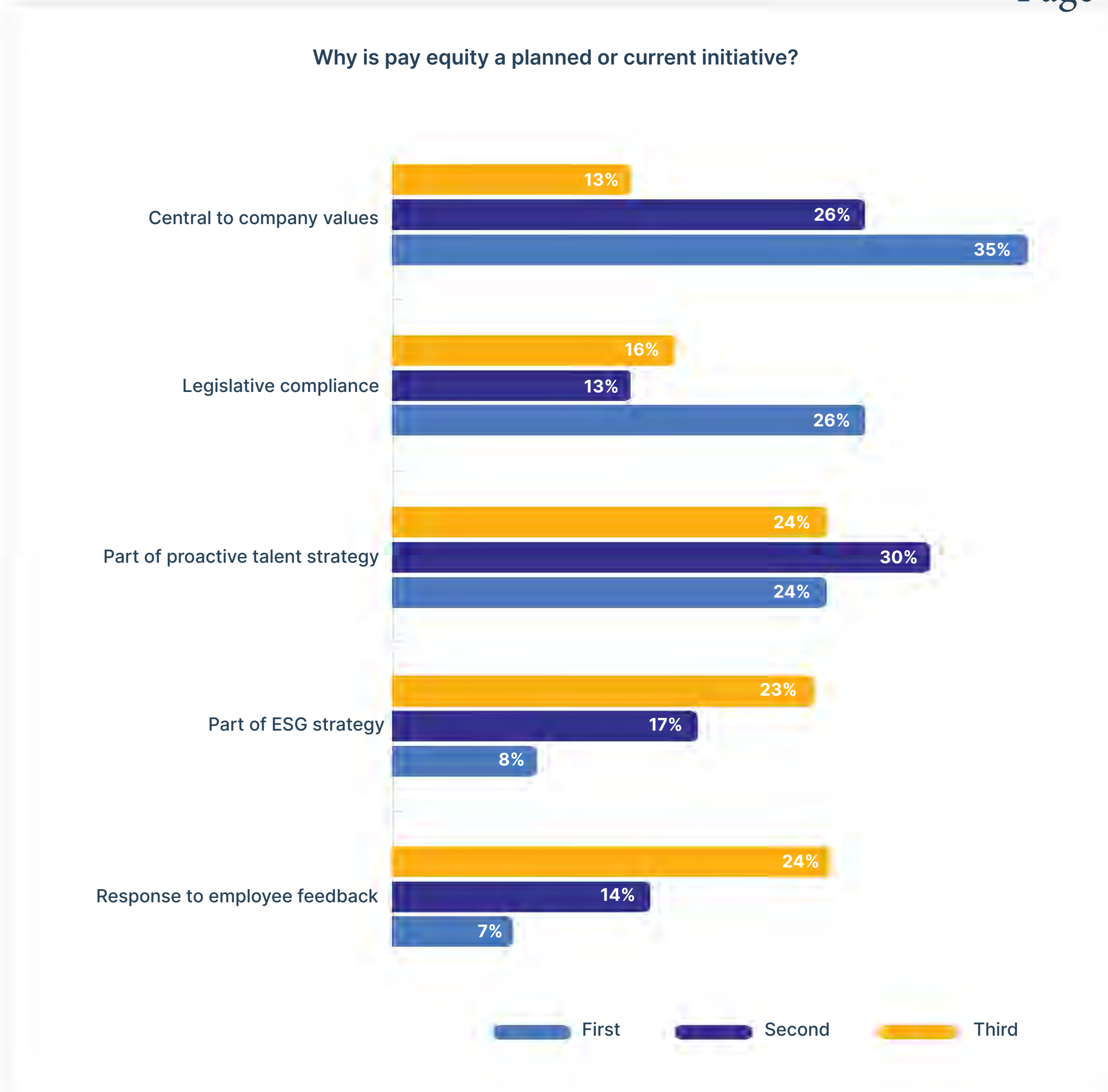
Commitment to doing pay equity analysis is associated most strongly with top-performing organizations (69 percent), Payscale customers (69 percent), having a dedicated comp team (72 percent), and having a comp maturity over level 3 (72 percent) according to our model.

Is pay equity analysis a planned or current initiative at your organization?



Top performers	69%
Payscale customers	69%
Dedicated comp function	72%
Comp maturity of 4 or above	72%

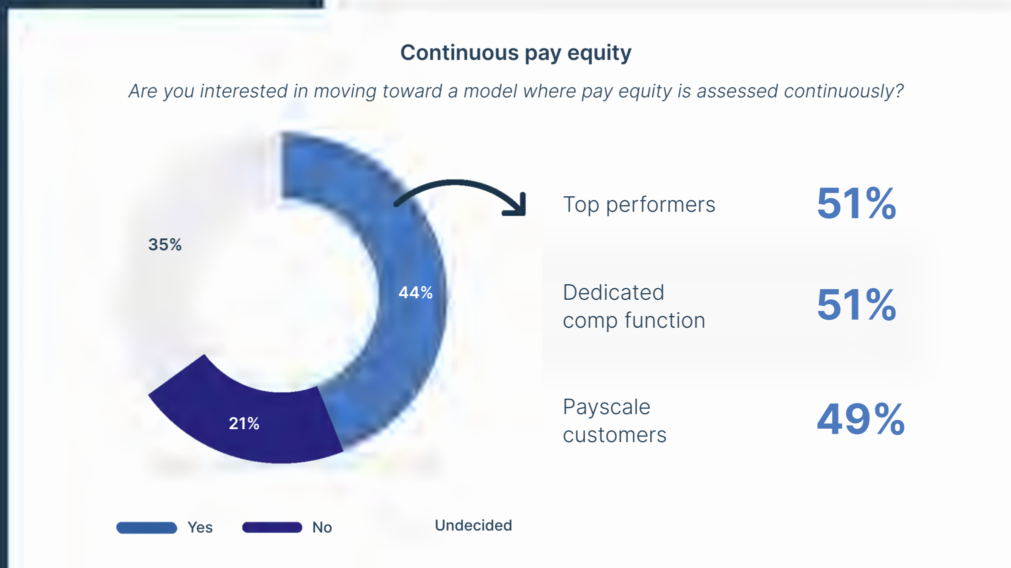
Pay equity used to be driven by fear of legal reprisal but has become increasingly tied more to company values and talent strategy. Over time, we expect to see commitment to ESG (environmental, social, and corporate governance) gain traction.



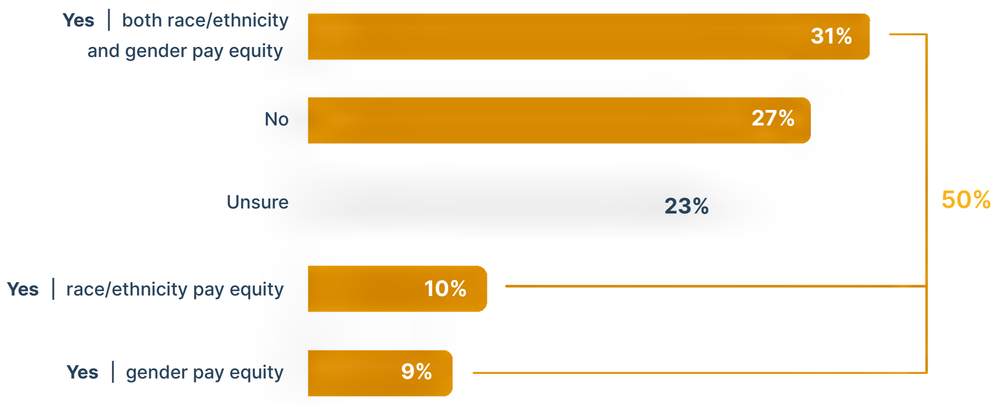
Timing of pay equity analysis

We wanted to know how frequently organizations conduct pay equity analysis. Rather than a one-off audit or occasional project with the legal team, pay equity is shifting into an evergreen program that supports ongoing people operations. According to our survey, 13 percent of organizations say they conduct pay equity analysis on a continuous basis. Although this hasn't changed much from the past year, it does increase with company size. It is also most common in the Healthcare industry (18 percent).

Just to be sure, we asked organizations if they are planning to shift to a continuous model for pay equity analysis and 44 percent said yes (a strong showing) with another 35 percent undecided. Top performers were more likely to answer yes to this question (51 percent) as were organizations with a dedicated comp team or function (51 percent) and Payscale customers (49 percent).



Does your organization plan on performing a race or gender pay equity analysis by the end of 2023?



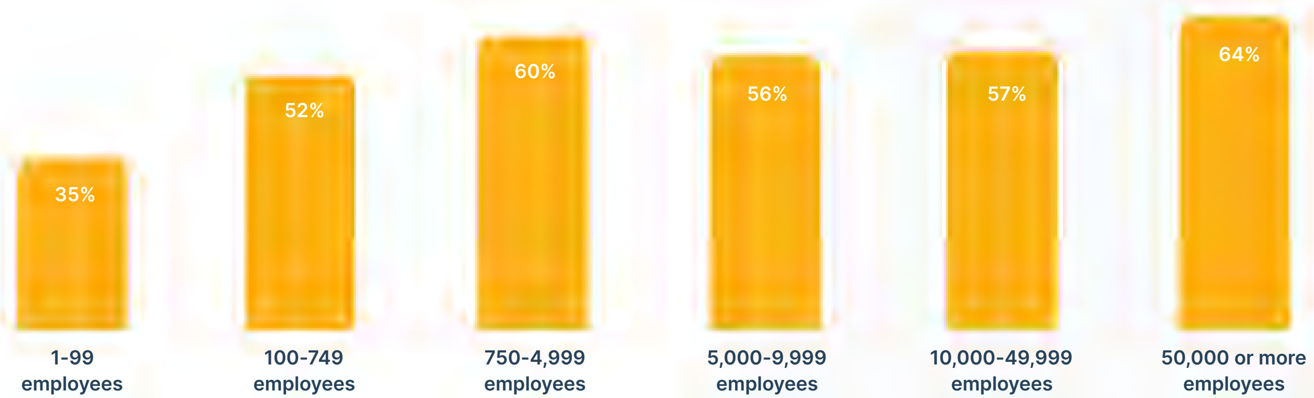
Analysis planned for 2023

Immediacy is important. We wanted to know which organizations have a bias toward action in the next year versus an aspiration for pay equity analysis "eventually." According to our survey, half of organizations (50 percent) are planning on performing a gender pay gap analysis, racial pay gap analysis, or both by the end of 2023. Payscale customers are also more likely to perform gender or racial pay equity analysis (57 percent).

Unsurprisingly, intent to perform pay equity analysis on gender, race, or both by the end of 2023 is higher for very large organizations compared to very small ones.

Does your organization plan on performing a race or gender pay equity analysis by the end of 2023?

(Yes responses)



When we look at responses to this question by industry, we find that those most intent on performing pay equity analysis in 2023 include Energy & Utilities, Agencies & Consultancies, and Arts, Entertainment, & Recreation.

Does your organization plan on performing a race or gender pay equity analysis by the end of 2023?

Industry	Yes all answers combined
Energy & Utilities	64%
Agencies & Consultancies	63%
Arts, Entertainment, & Recreation	62%
Construction	59%
Engineering & Science	59%
Finance & Insurance	58%
Retail & Customer Service	58%
Education	56%
Technology (including software)	50%
Food, Beverage & Hospitality	48%
Government	45%
Manufacturing	44%
Real Estate, Rental, & Leasing	44%
Other Industries	42%
Healthcare & Social Assistance	41%
Nonprofit	39%

How do you perform pay equity analysis?

Pay equity is determined through statistical analysis using a range of methods and typically requires preparation of data as well as interpretation of the results. Although gender pay gap analysis is the most well-known type of pay equity analysis, pay gaps can be analyzed for any protected class, any job where some employees might make more than others, or using any other data point.

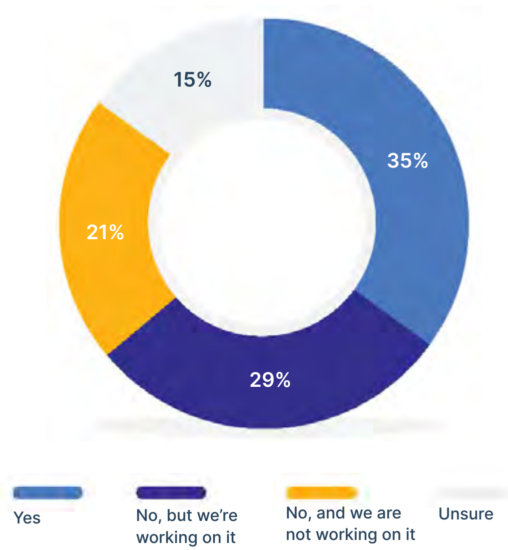
In our survey, we asked organizations if they have formalized how to group jobs for pay equity analysis — one of the preparations required — and only 35 percent said yes, while another 29 percent said no, but that they are working on it. Combined, this brings those ready for pay equity analysis up to 64 percent. When asked if they are concerned about new legislation related to pay equity reporting, only 32 percent said no because they are prepared.

Are you concerned about new legislation related to pay equity or pay equity reporting?

No | because we are prepared	32%
Yes	29%
No | because it doesn't apply to us yet	17%
No | because we haven't heard about any new legislation	13%
No | we're aware of new legislation, but regulatory requirements aren't clear	10%

**totals are not exactly 100% due to rounding*

Have you formalized how you group jobs for a pay equity analysis?



Pro-Tip

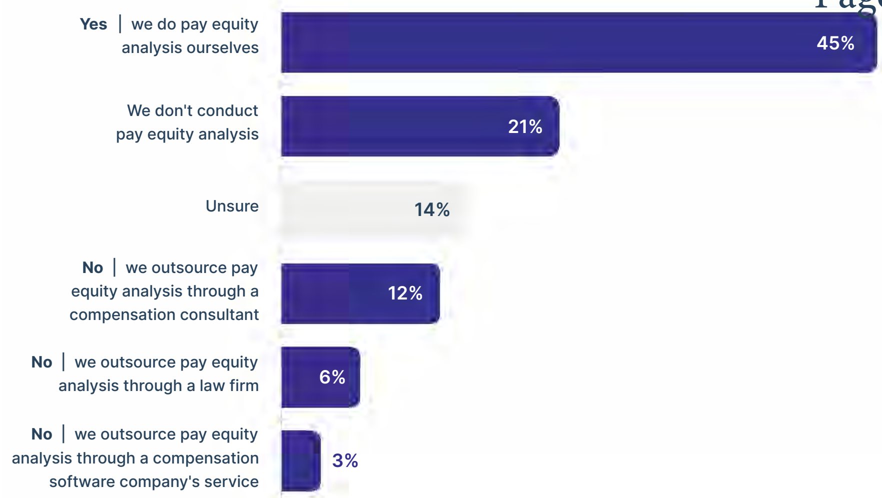
Payscale can assist with both simple and complex pay equity analysis and monitoring, from custom reports to monitoring inequity during the compensation planning process or evaluating at time of hire.

Learn more →

According to our survey, most organizations do not conduct pay equity analysis themselves internally, but it's close to half (45 percent). The rest (21 percent) outsource pay equity analysis through a compensation consultant, law firm, or compensation software's professional services team (like Payscale's).

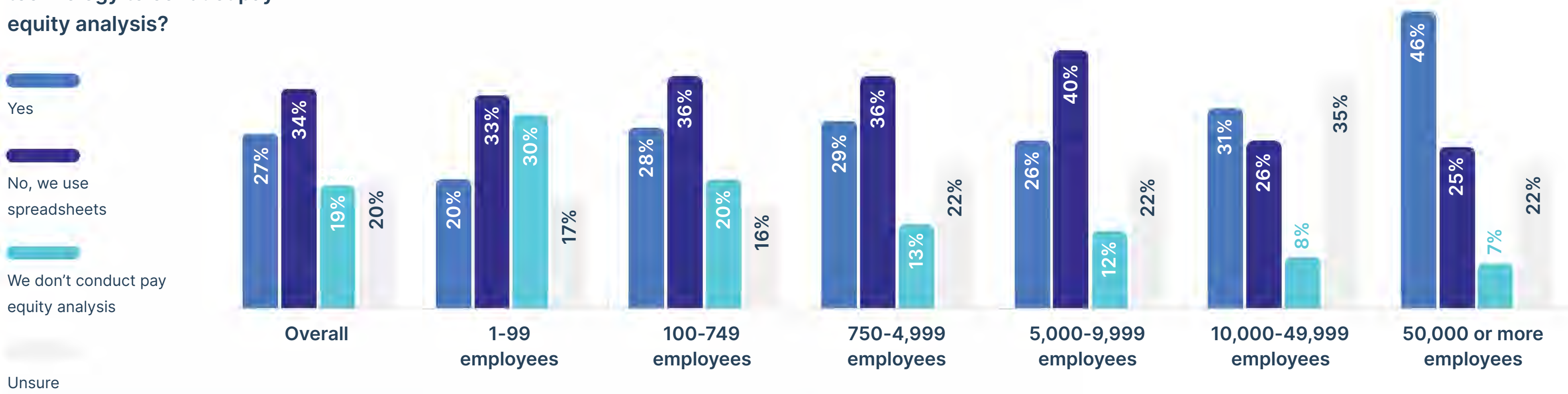
When it comes to tools, the largest group of respondents to our survey said that they use spreadsheets (34 percent), while only 27 percent said they use compensation technology to assist with the process or to make it more easily repeatable with refreshable templates and dashboards. Top performers were more likely to use compensation software (35 percent), as were countries in EMEA (42 percent) and large organizations.

Do you conduct pay equity analysis internally?



*totals are not exactly 100% due to rounding

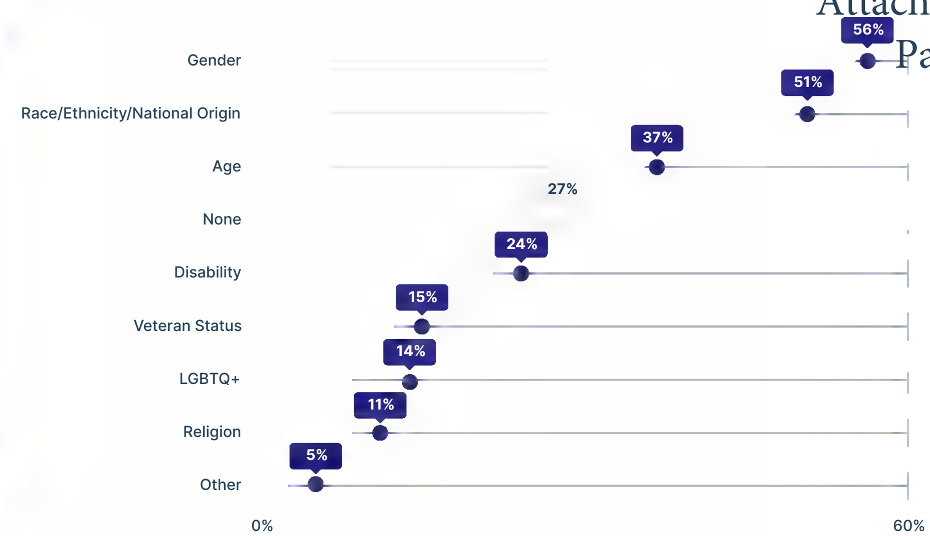
Do you or your external partners use compensation technology to conduct pay equity analysis?



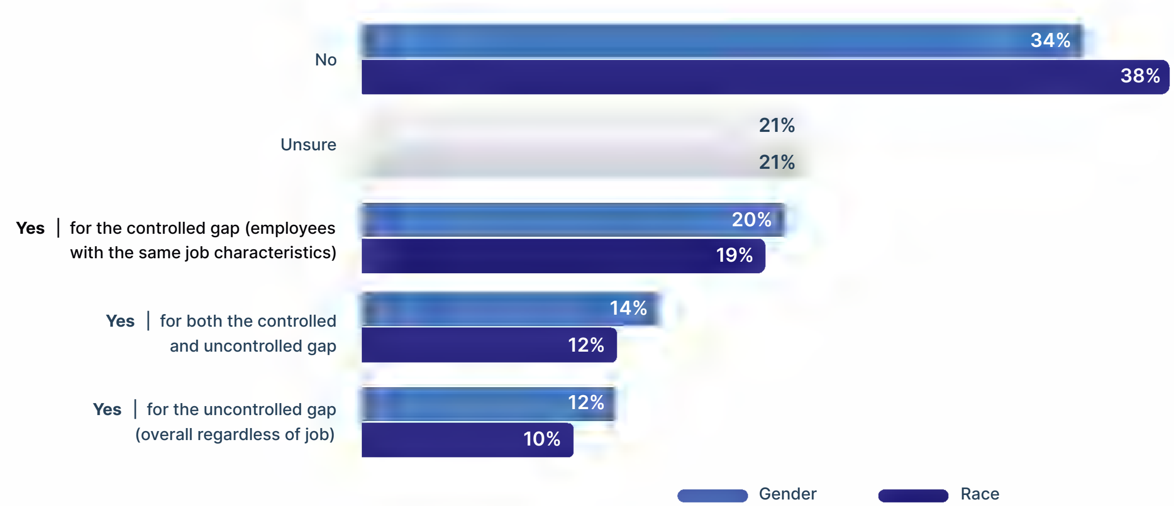
Which pay gaps do you analyze?

When it comes to protected classes, most organizations analyze the gender pay gap (56 percent), followed by the racial pay gap (51 percent). However, all the lesser- analyzed categories are notably associated with top-performing organizations.

Which protected classes do you analyze for pay equity?



Do you know what your pay gaps are?



**totals are not exactly 100% due to rounding*

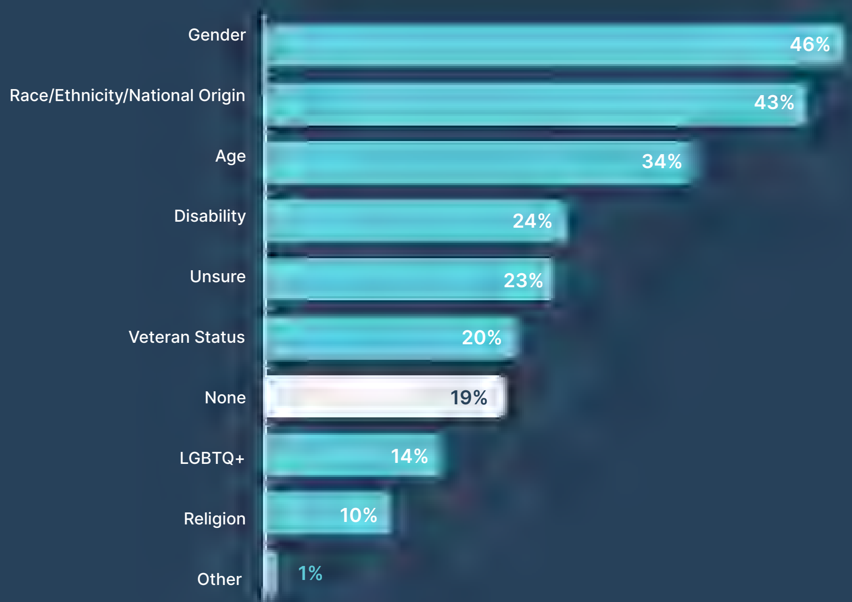
To determine whether organizations have really conducted pay equity analysis rather than simply aspiring to do so or assuming that they do, we asked respondents if they know what their pay gaps are. When framed this way, the percentage of organizations who perform gender pay gap analysis (controlled, uncontrolled, or both) drops to 46 percent and those that perform a racial pay gap analysis drops to 41 percent.

Diversity metrics

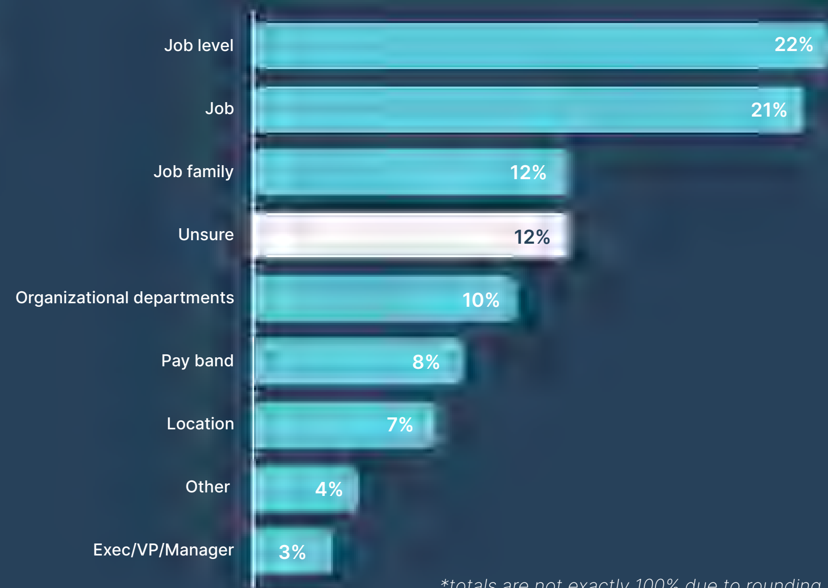
Data that is critically related to pay equity is demographic data. According to our survey, the top diversity dimensions that organizations collect and measure include gender (46 percent), race/ethnicity/national origin (43 percent), and age (33 percent), which correspond to the pay gaps that organizations most often analyze. After all, organizations cannot measure pay gaps for data they do not collect.

We also asked organizations at what levels they are measuring diversity, such as job level (22 percent) or job position (21 percent), so they can understand diversity in their workforce more deeply and particularly when it comes to representation, opportunity, and pay equity.

Along what dimensions are you measuring diversity among your current employee group?



If you are measuring diversity among your current employees, at what levels are you measuring?



**totals are not exactly 100% due to rounding*

Taking action on inequity

Ideally, pay equity analysis should be used to address an organization's inequities. According to our survey, 46 percent of organizations are doing something to address pay gaps, which is the same as the percentage of organizations in aggregate that know what their pay gaps are.

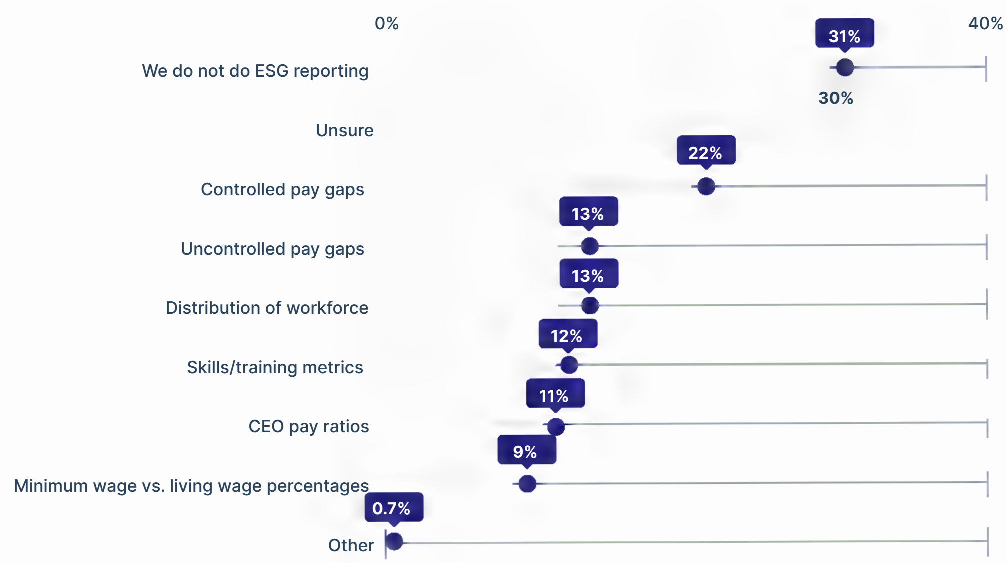
Pay equity is often undertaken as part of other ESG reporting initiatives. Controlled pay gaps are the most common type of ESG reporting we asked about (22 percent), with the next largest being uncontrolled pay gaps and distribution of the workforce (13 percent).

Are you doing something to address your pay gaps?

No | we are not addressing at this time	27%
Unsure	26%
Yes | for the controlled gap (employees with the same job characteristics)	23%
Yes | for the controlled and uncontrolled gap	14%
Yes | for the uncontrolled gap (overall regardless of job)	9%

**totals are not exactly 100% due to rounding*

Which of the following are you reporting on as part of your ESG reporting?



How far does your organization intend to take pay equity in the next year or two?

	Overall
We will make a commitment to understanding pay equity	41%
We will work to get internal alignment on how to approach pay equity	38%
We will measure our pay gaps (conduct pay equity analyses)	38%
We will establish procedures to maintain pay equity	30%
We will remediate to close pay gaps	27%
We will do a remediation analysis to budget for closing pay gaps	25%
We will set goals to actively solve inequalities within the workplace	24%
We will investigate systemic reasons for inequality within the workplace	21%
We are not interested in doing this or don't feel we need to	13%
Other	6%

Why is your organization not interested in pay equity analysis in the next year or two?

	Overall
Our org isn't prepared to do this	25%
Our org is too small for pay equity analysis to be statistically meaningful	24%
Our org measures pay equity and we know we don't have a problem	23%
Other	20%
Our org can't afford to do this right now	18%
Our org doesn't measure pay equity but we believe we don't have a problem	18%
Decision makers in our org believe pay gaps are nonsense	6%

How far pay equity is taken

Acting on inequity can mean different things to different organizations. When we asked what organizations do to take pay equity to the next level, most do not take it beyond measuring pay gaps and only 21 percent investigate systemic reasons for inequality in the workplace. Thirteen percent of organizations are not interested in taking action on pay equity at all.

For organizations not interested in taking action, we asked why. The largest reason was unpreparedness, such as a lack of pay structures (25 percent). This reason was followed closely by organizations that say they are too small for pay equity analysis to be statistically meaningful (24 percent) or don't think they need to do anything because they measure pay equity and don't have a problem (23 percent). More concerning are organizations that believe they don't have a problem despite not measuring pay equity (18 percent) or those that say decision makers in their organizations believe that pay gaps are nonsense (6 percent).

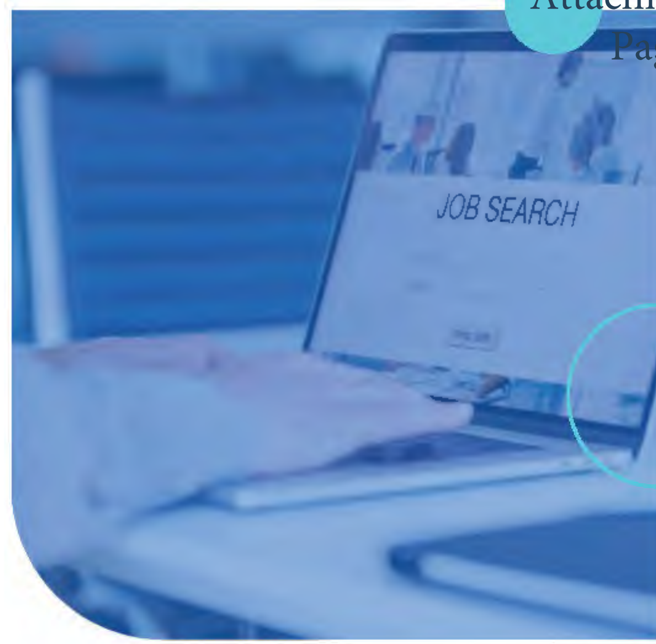
Chapter ten

Pay transparency and communications

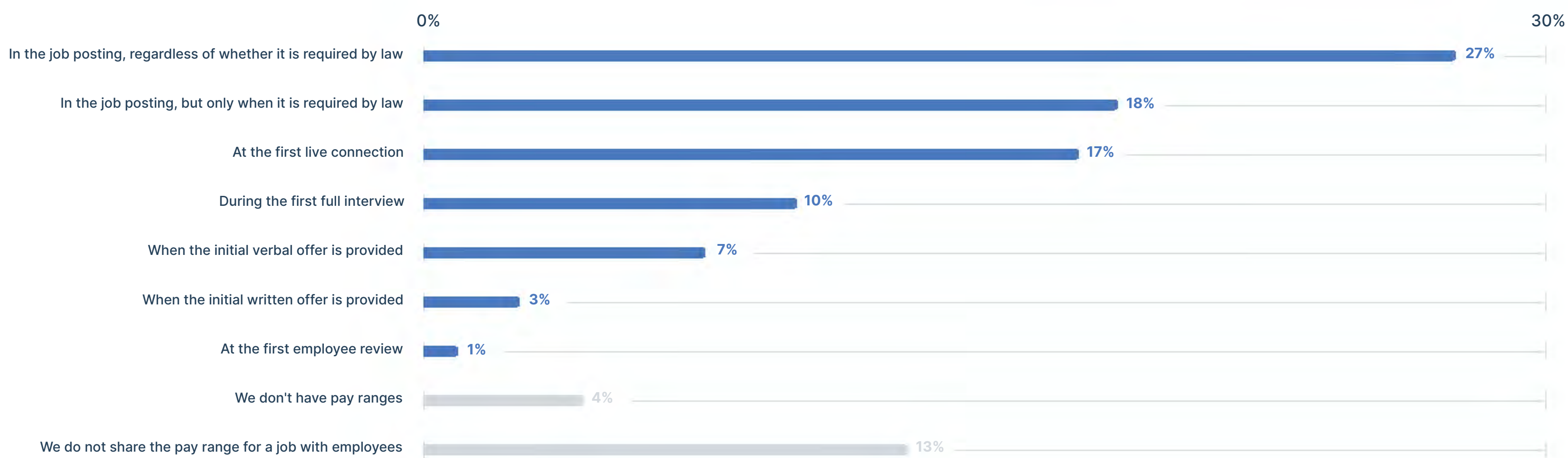
2022 was an important year for pay transparency as many states and metro areas either passed **legislation** or proposed bills to require organizations to publish pay ranges in job ads. Although the nuances of these laws vary by area, any organization looking to advertise jobs that can potentially be done in any of these locations needs to take the requirements seriously. The trend towards transparency only looks to expand in 2023.

This is a big deal for most organizations because only a minority (45 percent) include pay ranges in job postings at present, and 18 percent of those only do it when it is required by law. This is up from 22 percent of orgs last year who said they first shared pay ranges in job postings.

However, 13 percent of organizations don't share pay ranges with employees at all, at any point in the employment process. Although the percentage of organizations that don't share pay ranges has dropped compared to last year (24 percent), the overall takeaway is that most do not appear to be ready for pay transparency laws. However, adopting pay transparency is a best practice, regardless of the law — especially as remote work becomes more common and published pay ranges become increasingly expected by job seekers.



When do you first share the organization's pay range for a job with prospective employees?



Reaction to pay transparency legislation

We asked organizations about their reaction to recent pay transparency legislation and got mixed responses. The largest response group (19 percent) say they are posting pay ranges without confidence in how they will be received by employees. When combining answer choices, 42 percent of organizations expressed confidence in posting pay ranges in job ads — which is great, but still less than a majority. Another 10 percent of organizations haven't heard about pay transparency legislation and may not be in compliance with new or upcoming laws.

Legislation driving change in pay practices

Compliance with pay transparency legislation is focused on talent acquisition in that it is about posting pay ranges for job seekers. But what about current employees? Many organizations fear adding pay ranges to job ads because they suspect it will lead to discontent in the current workforce. Employees might discover these posts and find that they are paid lower on the advertised range — or below the range — than they might expect or feel entitled to. Often, the hang-up around pay transparency is a lack of internal pay equity or a lack of confidence in salary data or pay structures.

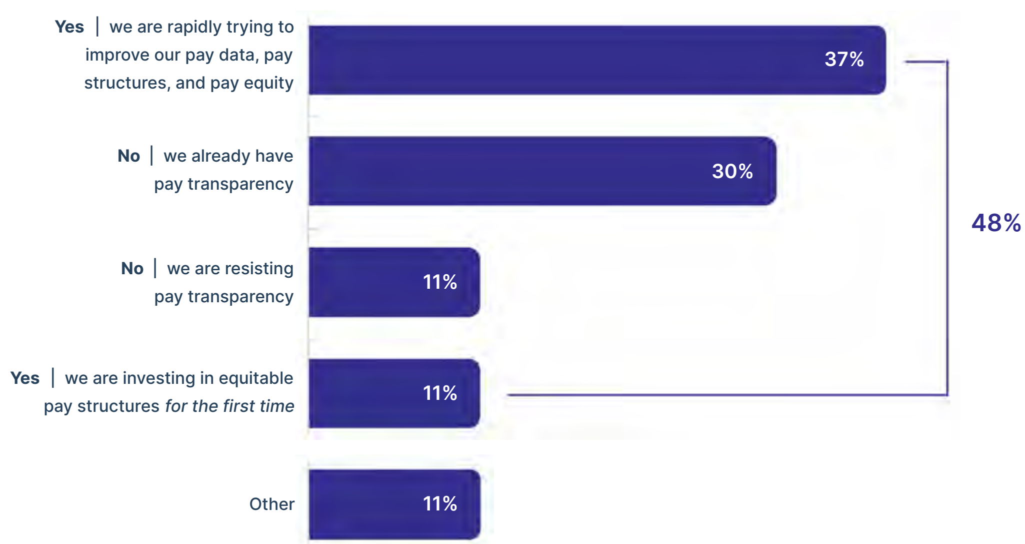
When we asked if pay transparency legislation is driving change, 48 percent of organizations said yes, but they're split between investing in equitable pay structures for the first time (11 percent) and improving pay data and equity in the pay structures they already have (37 percent). However, 11 percent of organizations say they are resisting pay transparency altogether.

What has been your reaction to recent pay transparency legislation requiring pay ranges in job postings for certain areas?

We are posting pay ranges for jobs in these locations without confidence in how it will be received by current employees	19%
We already have confidence in our pay so it is easy to add pay ranges to these posts	17%
We already included pay ranges in all or most of our job postings	17%
We are choosing not to post or advertise jobs in these locations right now	15%
We have refrained from posting jobs in these locations while we work on our pay structures and pay transparency internally	11%
We haven't heard about this and may not be in compliance	10%
We now adopt this as best practice across all locations, irrespective of legal requirements	8%
This is not applicable to our country or region	2%

totals are not exactly 100% due to rounding

Has recent pay transparency legislation driven your organization to change or improve your compensation practices?



Pay communications

It is important to not only pay employees fairly, but to explain why their pay is fair. According to past Payscale research, **employees don't know if they are paid fairly**. In fact, employees are likely to assume that they are underpaid even if they are not and are more likely to seek another job based on that perception.

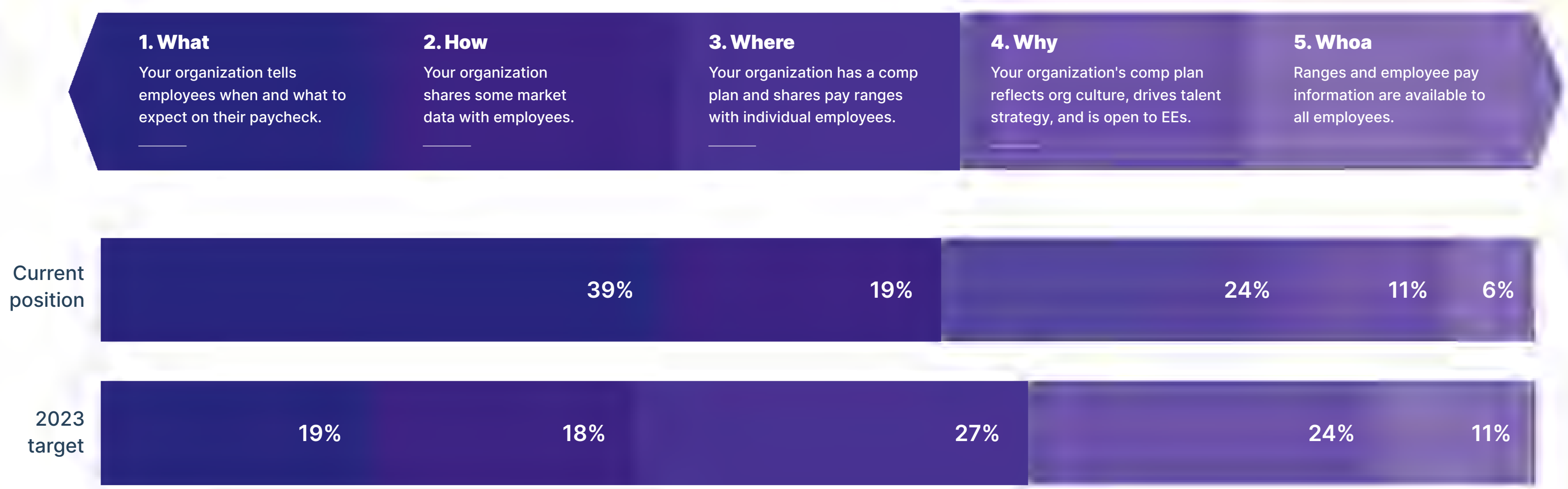
The solution is pay communications. Every year, Payscale asks employers where they fall on a spectrum when it comes to communications about pay. Most organizations want to be more transparent than they are, usually at least a 3 ("Where"), but pay transparency legislation is pushing for 5 ("Whoa").

Most years, we see employers stating their intention to move up the spectrum, but the numbers do not significantly change year over year.

However, this year, 39 percent of organizations rated themselves at a 1 on the spectrum, which is reduced from last year when it was 46 percent. In addition, 41 percent of organizations say they are now a 3 or above on the spectrum, which is an increase over last year (36 percent).

When it comes to 2023 targets, 62 percent want to be at least a 3 on the spectrum, which is also higher than last year (59 percent) and 2021 (55 percent). This shows that pay transparency is becoming more prioritized. With full pay transparency increasingly being made law, we hope to see a dramatic shift up the spectrum as organizations make improvements to become more transparent.

The pay transparency spectrum



What is preventing your organization from reaching at least level 3 on the pay transparency spectrum?

Obstructions to pay transparency

The reasons that organizations fail to become more transparent vary. When we asked, the most common response (33 percent) was that they don't have organized pay structures. Another 18 percent lack confidence in their pay strategy or structures, and 15 percent are concerned about pay inequity issues, which would follow from these other concerns.

However, a whopping 27 percent say that leadership is unconvinced of the merits of pay transparency and 19 percent say they don't want to be transparent. Reasons for this might include wanting to maintain power over workers or a desire to avoid their competitors finding out what they pay. Combined, this indicates that 46 percent of organizations are obstructing pay transparency.

This resistance is unfortunate, as studies show that job seekers overwhelmingly want pay transparency. Pay transparency has also been shown to **close the gender pay gap** as it forces organizations to first improve their pay practices.

Pro-Tip

Payscale offers services to help customers build a pay communications plan and train managers on how to have conversations about pay with employees.

Learn more

Salary history and expectations

Before pay transparency legislation, employers had more power when it came to salary negotiations — and that is one reason why organizations may resist the movement toward pay transparency. Before salary data became more available through the internet, job seekers had no way to know what a position paid without asking — and it was considered bad manners to ask. However, during the interview process, hiring managers and recruiters were instructed to ask job seekers about their current salary and/or their desired salary for the position in question.

Asking job seekers about their salary history is problematic for many reasons. It can unfairly disadvantage someone who has grown out of their current position. It also disproportionately affects women and racial minorities who may be paid below their worth due to systemic or unconscious discrimination. In reaction to this, over half of U.S. states and many countries have passed salary history bans forbidding employers from asking this question, and it has become an HR best practice, regardless of state.

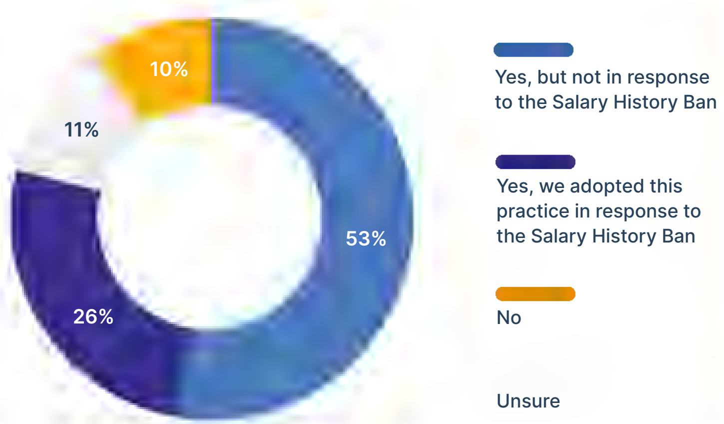
Nevertheless, 11 percent of organizations say they ask prospective employees about their salary history, even where it may be illegal. Another 20 percent will do so unless it is explicitly illegal. Only 42 percent of organizations (less than a majority) do not ask as a best practice.

Do you ask prospective employees about their salary history?

No | we do not do this across any location	42%
Yes | but only where it is legal to do so	20%
No | that's not legal in one or more locations where we do business	17%
Yes | regardless of location	11%
Unsure	11%

**totals are not exactly 100% due to rounding*

Do you ask prospective employees about their salary expectations?

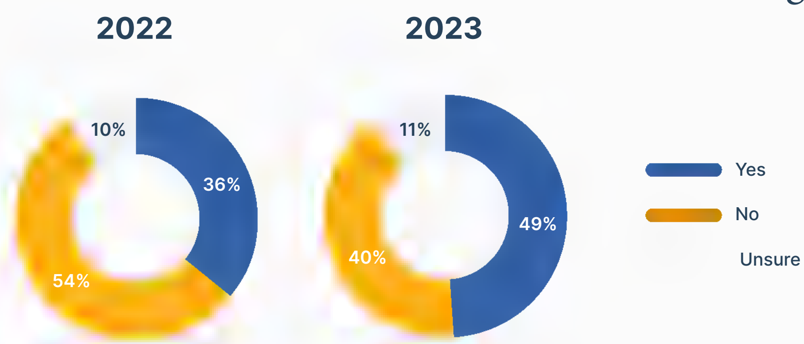


To understand what job seekers expect when it comes to compensation, 79 percent of organizations ask about salary expectations, although 53 percent do not do so in response to salary history bans. Although it's not illegal to ask this, posting pay ranges and discussing them with candidates would **remove the need for this uncomfortable conversation.** Arguably, what employees "expect" should be the last consideration when determining fair pay, as salary ought to be based on measurable, compensable factors.

Manager training

In order to improve pay communications, organizations need to invest in manager training so that people leaders understand the organization's approach to compensation and can have effective conversations with their employees. Only 49 percent of organizations train managers on pay communications, which is less than a majority, but a marked increase from last year when it was only 36 percent. Manager training on pay communications is also associated with top-performing organizations, increasing to 57 percent. Unsurprisingly, there is also an association with having a dedicated comp function (60 percent), being a 4–5 on the comp maturity model (62 percent), or being a 4–5 on the pay transparency spectrum (64 percent).

Does your organization train managers on pay communications?



Does your organization train managers on how to have pay conversations with employees?

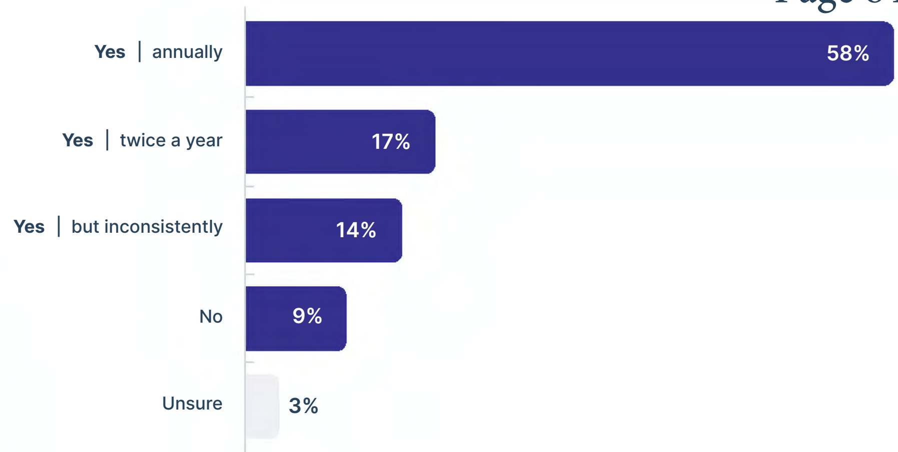
(Yes responses)

Obviously, in order to train managers on pay communications, organizations must invest more in compensation strategy and other best practices, so an increase in association with higher maturity and pay transparency is not surprising. The likelihood of manager training on pay communications also increases with company size.

Pay communications can happen at any time of year but often take place in concordance with pay increases, which most companies still do only once a year. Some organizations couple pay increases with annual performance reviews, especially if pay is tied to performance (either bonus pay or base pay increases).

However, it is a best practice to not limit giving performance feedback only to an employee's annual review. Performance feedback should be provided to employees throughout the year, and it should never be a surprise when pay increases or bonus payouts are awarded.

Does your organization conduct documented or formal performance reviews for employees?



**totals are not exactly 100% due to rounding*

According to our survey, 75 percent of organizations conduct formal performance reviews once or twice a year. However, 9 percent do not conduct them at all, and 14 percent do them inconsistently.

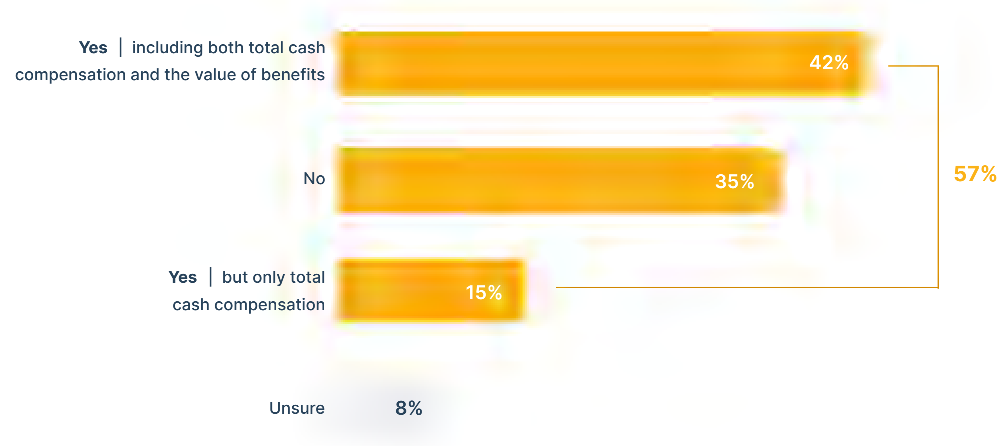
Total rewards statements

When conducting pay reviews, a total rewards statement (TRS) is an incredibly useful tool for managers. The information on a total rewards statement varies by organization and can often be customized for different jobs. The statement essentially lays out for the employee their base pay, bonuses, other types of incentives, and sometimes the monetary value of benefits. It might also include the employee's pay range as well as their position on the pay range to help facilitate career conversations and increase trust in the organization.

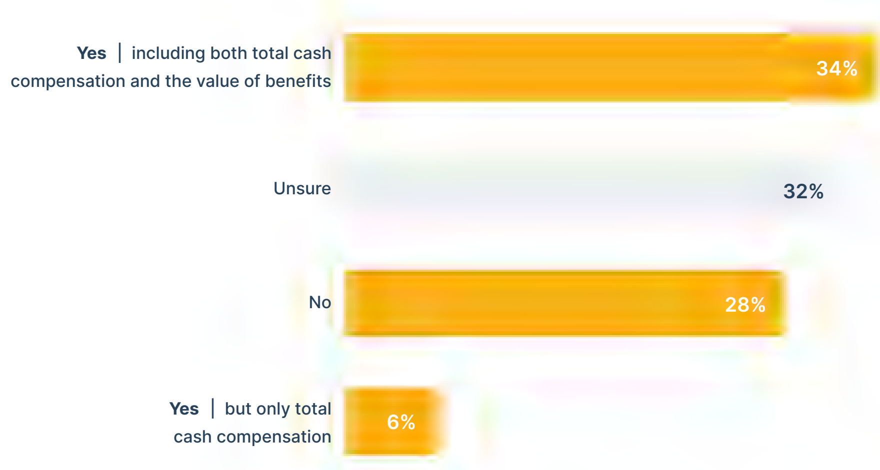
According to our survey, 57 percent of organizations provide a total rewards statement to employees, although 15 percent only include total cash compensation on the statement.

Employers that provide a total rewards statement

A total rewards statement outlines all of an employee's rewards and often applies a monetary value to non-cash items. Does your organization provide this kind of statement to employees?



If you do not provide a total rewards statement, do you plan to in the near future?



When we asked organizations that do not provide a total rewards statement if they plan to do so in the future, 28 percent said no and 32 percent were unsure, but 40 percent said yes. This would add approximately 14 percent to the total of organizations that currently offer a TRS in the previous question, bringing the **total up to 71 percent of organizations that want to provide this information to employees.**

Pro-Tip

Payscale compensation management software provides tools to generate employee compensation statements to assist managers with pay communications.

Learn more →

Chapter eleven

HR and comp management predictions

It's important to know where to invest your energy. That means understanding the biggest challenges facing your organization and where you need to invest to meet those challenges.

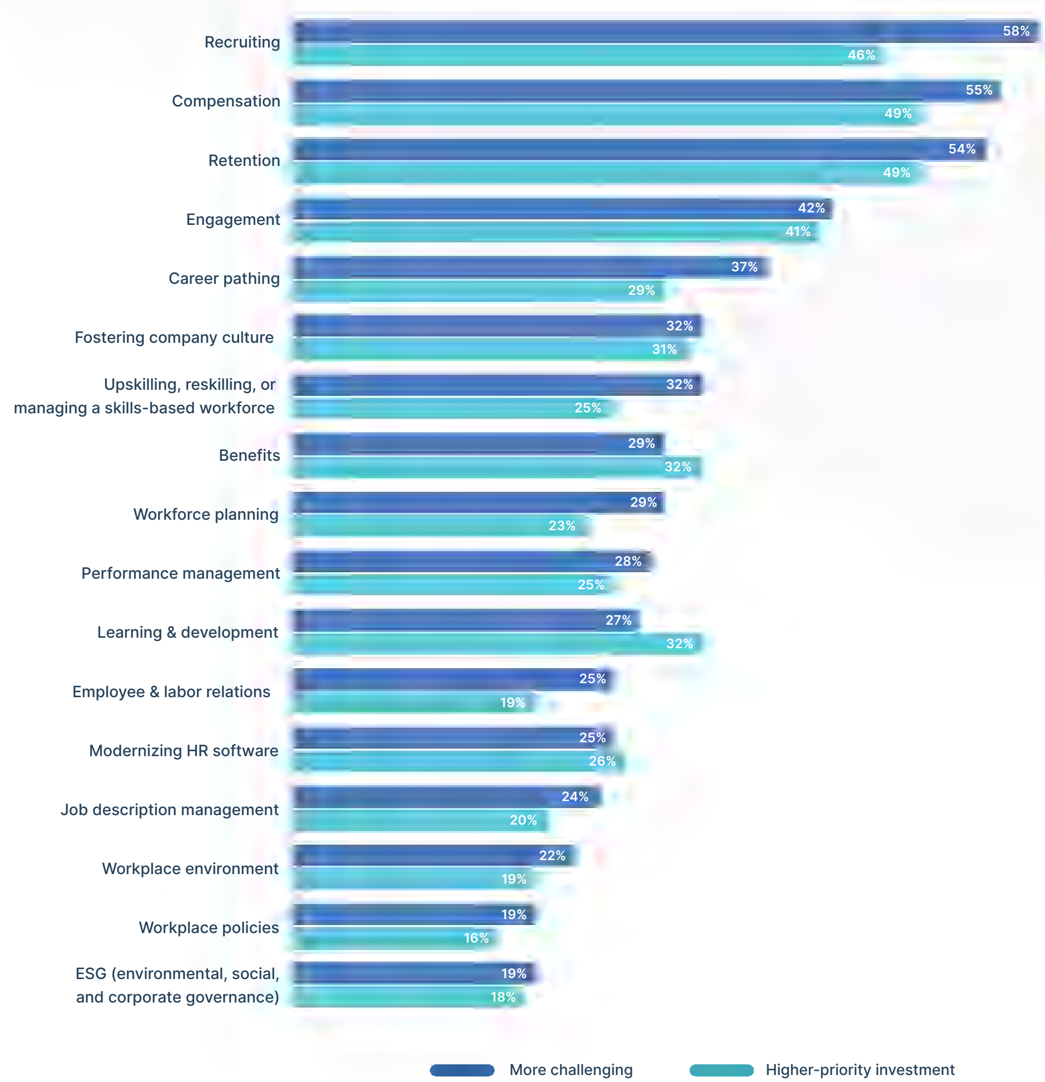
When we asked survey respondents to tell us which HR activities they suspect will be more challenging, less challenging, or unchanged compared to previous years,

→ **recruiting,**
→ **compensation,**
→ **retention,**
→ **and engagement**

topped the list for "more challenging." This has also been true in previous years, although the percentages fluctuate based on shifting answer choices. **Compensation** also remains the highest priority investment going into 2023, which was also true last year.

Most challenging and highest-priority investments for HR

What will be the greatest challenges and investment priorities in 2023 compared to previous years?



Compensation priorities in 2023

How will you prioritize the following compensation activities in 2023 compared to previous years?

**totals are not exactly 100% due to rounding*

Compensation priorities

Since compensation is so important, we also asked what compensation activities would receive higher priority in 2023 compared to 2022.

At the top of the list are creating or revising comp structures, developing or revising comp strategy, and budgeting and getting approval for pay increases.

We also found preparing or increasing pay transparency to be among the top five, which is expected given the pay transparency legislation proposed or passed in 2022 and continuing into 2023. Creating and managing job architecture and job leveling were top five as well, which supportive of an actionable and more equitable compensation strategy.

Compensation management software

Finally, we wanted to know if organizations would be purchasing, changing, or planning not to use compensation management software in 2023. Unsurprisingly, the use of compensation management software is more common in larger organizations but can be found in all organization sizes. We also find that the use of compensation software is more closely associated with top-performing organizations compared to non-top performing organizations.

Pro-Tip

If you are interested in progressing your compensation maturity, we recommend that you check out Payscale's salary data, compensation management software, consulting services, and solutions.

Ask for a demo

Use of compensation management software

Will you be purchasing or evaluating compensation management software in 2023?

	Overall	1-99 employees	100-749 employees	750-4,999 employees	5,000-9,999 employees	10,000-49,999 employees	50,000 or more employees
We will **continue to use** the compensation management software we have in place today	30%	15%	27%	42%	45%	46%	22%
No, **we do not plan** to use compensation management software in 2023	26%	44%	25%	17%	16%	12%	11%
We will be **evaluating** the compensation management software we use today against alternative providers	18%	13%	24%	17%	16%	15%	27%
We will be **purchasing** compensation management software for the first time	11%	13%	11%	9%	10%	10%	23%
Unsure	15%	14%	14%	15%	13%	18%	16%

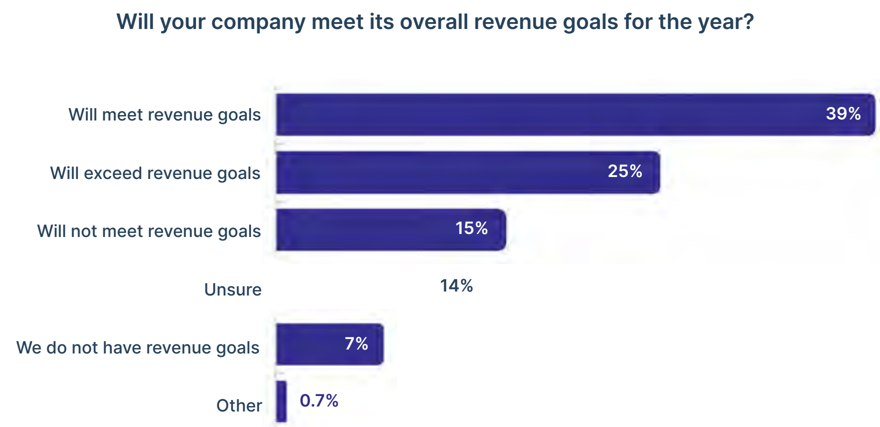
Chapter twelve

Methodology

The 2023 Compensation Best Practices survey gathered 4,933 responses from October 2022 through December 2022. The completion rate (55 percent) was the highest of any CBPR in recent history and contains more international responses, enterprise responses, and responses from executives than previous years.

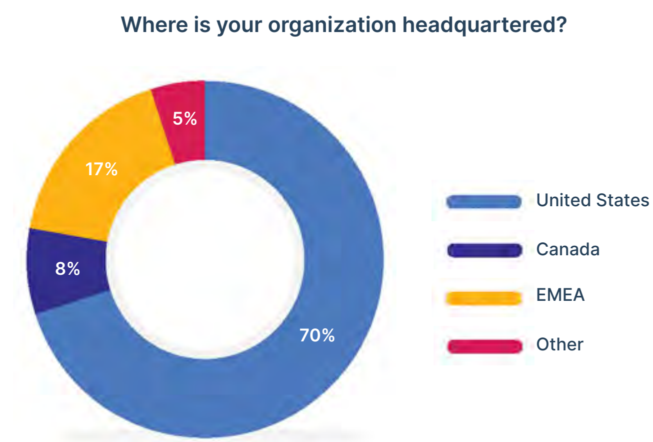
Top-performing organizations

Top-performing organizations are defined as those who exceeded their revenue goals in 2022 based on a self-selected answer choice in the survey. In this year's study, a quarter of respondents (25 percent) fit this criterion, which is unchanged from last year.

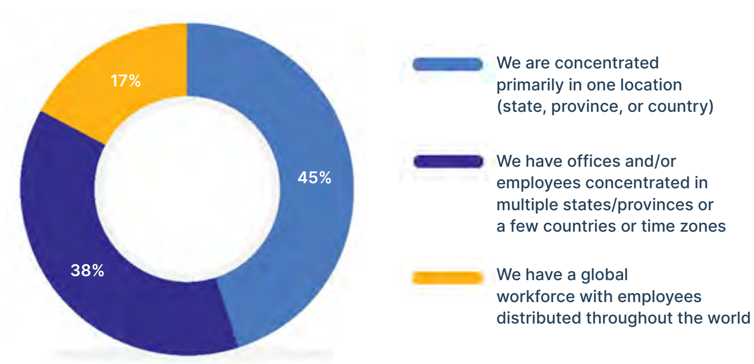


Location headquarters

Respondents spanned the globe, including 3,347 respondents (70 percent) headquartered in the United States, 406 respondents (8 percent) headquartered in Canada, and 845 respondents (17 percent) headquartered in EMEA (Europe, Middle East, Africa), with concentrations notably strongest in France, Germany, and the United Kingdom.



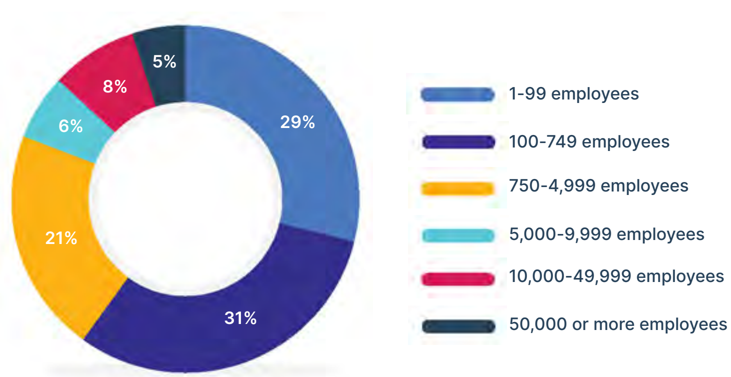
Which of the following best describes your workforce?



Geographic distribution

This year, we asked participants to define their geographic distribution in terms of how their workforce is concentrated or distributed across locations. Forty-five percent of organizations were concentrated in one location, 38 percent were spread out across a few locations, and 17 percent were global organizations with employees located across the world.

Which of the following best describes your workforce?

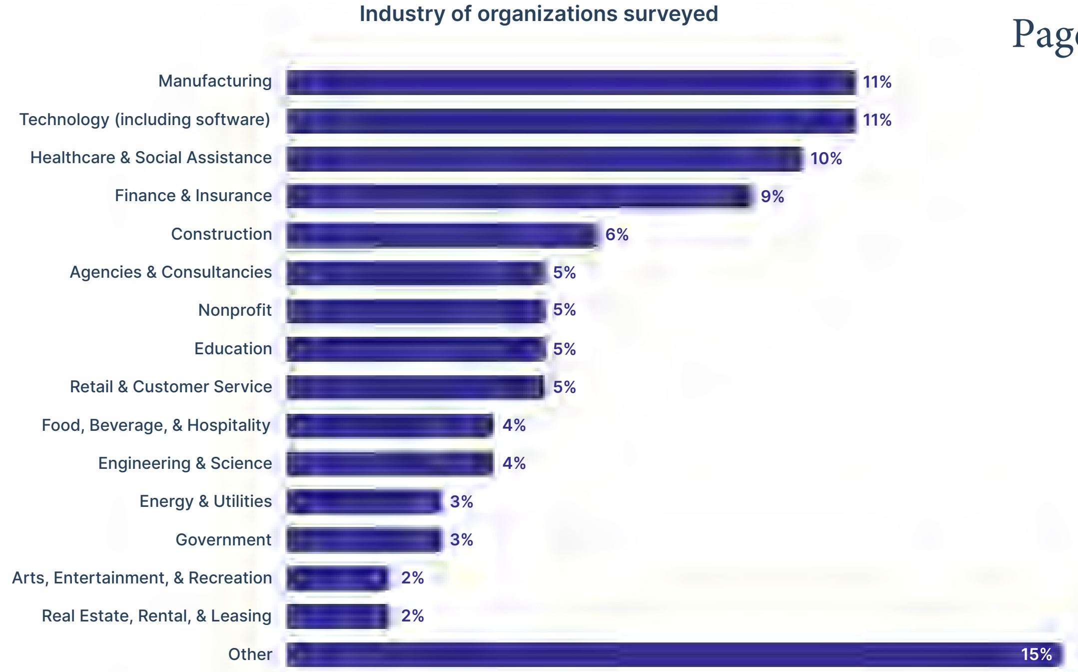


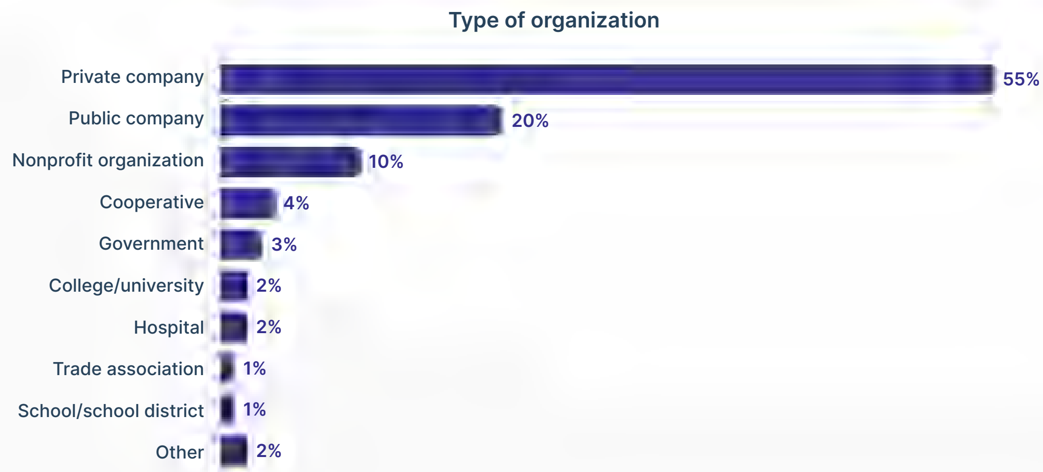
Organization size

We separate out six organizational sizes for comparison. About 29 percent of respondents reflect organizations with fewer than 100 employees; 31 percent of respondents reflect mid-sized organizations with between 100 and 749 employees; 21 percent of respondents reflect organizations with between 750 and 4,999 employees; 6 percent reflect organizations with between 5,000 and 9,999 employees; 8 percent reflect organizations with 10,000 to 49,999 employees; and 5 percent reflect organizations with more than 50,000 employees.

Industry and organization type

The top industries represented in the survey were Manufacturing, Technology (including software), Healthcare & Social Assistance, and Finance & Insurance.
In terms of organization type, most respondents were either from a private company, public company, or nonprofit, but we also had respondents from government, schools, colleges/universities, hospitals, cooperatives, and trade associations.





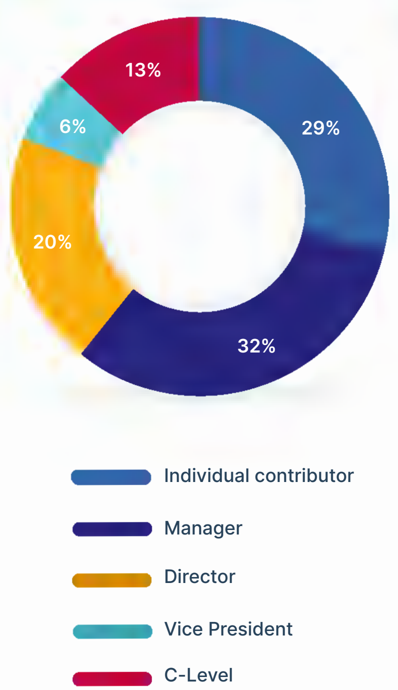
Job level

Respondents were a mix of job levels this year. Managers or directors made up a majority of respondents at 52 percent combined. Executives made up 20 percent of respondents with VPs and C-suite positions combined. Individual contributors made up 29 percent of respondents.

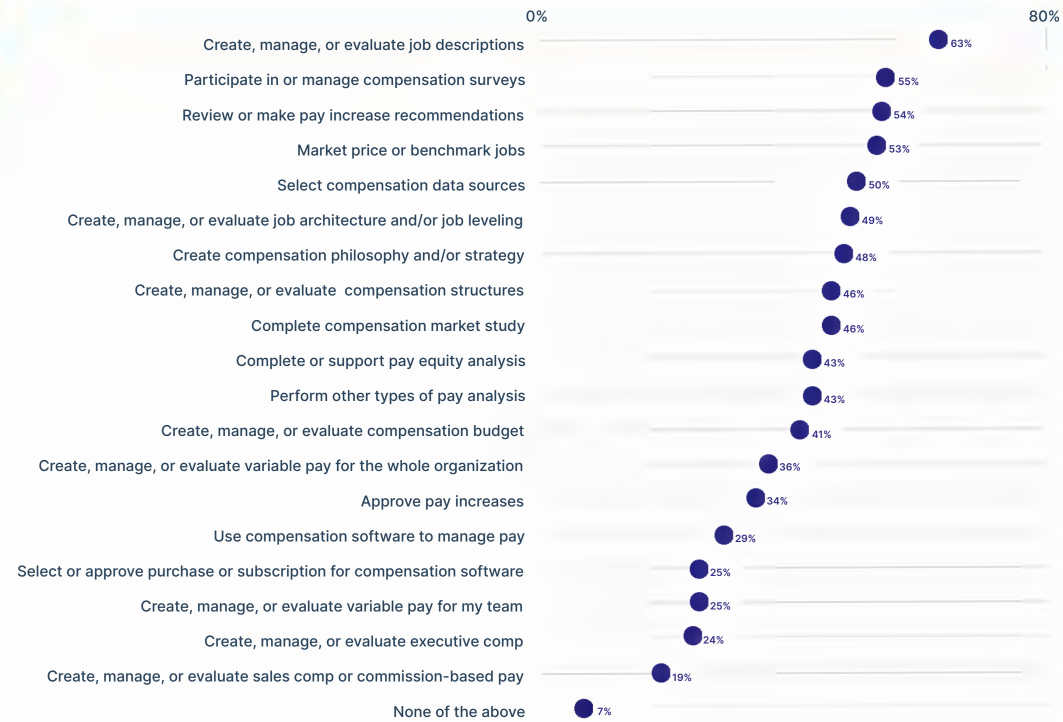
Roles

Our respondents play a variety of roles in the compensation process including reviewing and making pay increase recommendations (54 percent), completing comp market studies (46 percent), creating or managing job descriptions (63 percent), selecting data sources (50 percent), using compensation software to manage pay (30 percent), and more.

What is your job level?



What role(s) do you play in compensation?



About Payscale

As the industry leader in compensation management, Payscale is on a mission to help job seekers, employees, and businesses get pay right and make sustainable fair pay a reality. Empowering more than 50% of the Fortune 500 in 198 countries, Payscale provides a combination of diverse and dynamic data sources, experienced compensation services, and scalable software to enable organizations such as Angel City Football Club, Perry Ellis International, United Healthcare, Vista, and The Washington Post to make fair and appropriate pay decisions.

To learn more, visit payscale.com.

Pay is powerful™

Attachment BO-7

Long-term incentives, the basics

The what, how, and why of LTI

March 01, 2022

Blog Home

Long-term incentives, or LTI as they're often called, are a valuable part of a total compensation package both for delivering rewards and focusing employees on desired future outcomes and objectives. LTI also serves as a retention tool because the value of the reward is usually not realized until some future point in time, therefore encouraging the employee to stay engaged and focused on desired results as well as employed with the organization. However, because LTI are typically part of the reward strategy for only a subset of the employee population, not all human resources personnel or compensation practitioners are familiar with various LTI vehicles, their pros and cons, and the value they deliver. If you're in that position, or are in need of a refresher, read on for a primer on LTI.

Overview

A long-term incentive, as the name suggests, is a vehicle that has an extended time horizon (generally greater than one year) and that can be a strategic compensation vehicle to promote long-term retention and alignment with company goals. LTI can be a win-win for all participants:

- For employers, LTI present an opportunity to reward the achievement of long-term plans, promoting buy-in to corporate performance.
- For employees, LTI can be a reward for outstanding performance and are a vehicle for capital accumulation.
- For shareholders, LTI are a vehicle that aligns employees with the performance of shares (for market-based equity vehicles) and the long-term vision of the company. When employees become shareholders themselves, they have incentive to increase company value as the performance of the shares directly affects their own compensation.

What are the types of LTI?

LTI can generally be broken down into following three types:

1. **Appreciation-based:** Value is delivered based on the increase in the company's underlying value, which in the case of a public company, is reflected in share price. Per unit, employees will receive the difference between the value of the underlying unit at some point in the future, and the underlying value when the stock options/stock appreciation rights (SARs) were granted.
2. **Stock-based:** Value is delivered in shares of the company stock. Payout may be tied to achievement of performance goals, but ultimately, employees will receive a share of the company stock. Note that some companies may grant "phantom shares," which track the movement of the value of the underlying shares but pay out in cash.
3. **Cash-based:** Value is delivered in cash and is not tied to the performance of shares; employees will receive a cash payout, based on service, achievement of predefined performance goals, or both.

What are common LTI vehicles?

Stock options

A stock option entitles the grantee the right to purchase shares of a company at a fixed price (known as the exercise price) in the future. Generally, the option's exercise price will be the stock's closing price on the date of the grant. Once a stock option vests (see "What is Vesting?" below), the grantee can exercise the right to purchase stock at the exercise price. For example, if a share is trading at $10, and the exercise price is $5, the grantee can purchase a share at $5 and sell at $10 in the open market, resulting in a $5 profit per unit.

The window of time that a grantee can exercise the option is referred to as the term. Most companies grant options with 10-year terms. An option has no value if in the future the share of the company is below the exercise price (since the grantee would be paying above-market price, and there would be no impetus to exercise the option). These options are referred to as being "underwater."

Stock appreciation rights

Stock Appreciation Rights, or SARs, function very similarly to a stock option in that a recipient of an SAR will receive the value of the increase in stock price in cash (though sometimes it is received in stock). The major distinction between an SAR and a stock option is that an SAR does not require the actual purchase of shares.

Time-based restricted stock/restricted stock units

Time-based restricted stock/units vest based on a predetermined length of time. A company can choose to grant equity based on a predefined value on the grant date or predefined number of shares (the former is more popular). Unlike an appreciation-based award, a restricted stock will still have value upon vesting even if the per-stock value decreases.

Performance shares/units

These are also full-value shares; however, the vesting of these types of shares is contingent upon meeting predetermined performance goals. These goals can be internal or external, and can be measured on a relative basis (compared to other companies), absolute basis (compared to predefined achievement levels), or both. These have grown in popularity over recent years due to the ease of linking payout to long-term performance. Metrics used by companies differ but are generally consistent within each industry, since the metrics that define good performance tend to be similar. One of the most popular metrics is total shareholder return (TSR), which measures the increase in share price over a predefined period (most commonly three years).

Companies will generally grant 100% of shares at a target level and give the shares both downward and upward leverage (meaning shares can vest at less than 100% for poor performance, and shares can vest at greater than 100% for outstanding performance).

Long-term cash units

These are non-equity-based long-term grants that pay out in cash. The grantee will receive a cash payout after the vesting period.

Performance cash units

These are cash-based long-term grants that vest based on performance achievement. These are more common at private companies, due to the difficulty of share valuation.

What are pros and cons of different incentive strategies?

Incentive strategy	Pros	Cons
Appreciation-based awards	• Offers significant upside in the case of share price appreciation	• Units can potentially be worthless
Time-based full-value share awards	• Extended vesting period promotes retention and ties to company value • Guaranteed to have value at vesting, even if underlying value decreases	• Not tied to any metrics; may encourage employees to “put in time” until vesting period lapses
Performance-based awards	• Can be tied to desired company performance in order to increase alignment with corporate strategy	• Requires diligent goal-setting • Potential for zero payout; could cause discontent among employees who expect to receive a certain amount of compensation on an annual basis
Cash-based awards	• Can be granted in cases where share valuation is difficult	• Less ideal for companies trying to manage cash flow • Employees may not feel as invested in the company

What is vesting?

LTI are typically granted with what is known as a vesting period. What this means is that grantees are conditionally granted equity, but they do not actually own it until the vesting period expires. This is the retentive feature of LTI; unless the grantee fulfils the applicable vesting requirement (e.g., staying with the company for three years after grant or meeting a performance goal), they forfeit the grant.

There are two types of vesting: cliff and ratable. Awards that cliff vest are paid out all at once, at the conclusion of a predetermined time period. Awards that vest ratably vest a portion at a time (e.g., an award that vests 25% each year for four years). If an employee terminates prior to the end of the final vesting period, the employee still owns the portion that has vested.

Who receives LTI?

Commonly, LTI are more prevalent for employees at higher levels of an organization because the value of the company is predominately affected by those with line-of-sight into the long-term strategic vision of the company. Let’s say a company grants performance shares that are contingent on achieving a net income target. Would the CEO be able to influence corporate profitability? Yes (at least we hope so). But an entry-level accountant? Probably not. There is less value in administering performance-based LTI to lower-level positions, since these roles do not have the impact to effect that type of change. For this reason, LTI for lower-level employees typically focus more on retention. Incorporating ESG incentives into your LTI plans, for example, is one of the emerging ways that these plans can help to improve retention.

LTI are more prevalent at public companies because of their liquidity and ease of valuation (i.e., a share of a public company is valued by and can be sold on the open market, whereas the value of a share at a private company can differ widely based on valuation methodology).

Conclusion

The appropriateness of an LTI vehicle ultimately varies from company to company. No one LTI vehicle is superior to another, and it typically requires an overall assessment of culture, company strategy, and goals to select the right mix, amounts, and vesting mechanics. Mercer consultants have experience in every industry and can help you determine the right approach when it comes to utilizing long-term incentives as part of the total rewards package for your employees.

To help you consider the best long-term incentive solutions for your employees check out the Mercer Benchmark Database: Long-term Incentive and Equity Report for the United States or Canada.

If you're interested in learning about competitive short-term incentives as well as long-term ones, Mercer also offers short-term reports for the United States or Canada.

About the author

Taiki Miki consults on executive and broad-based compensation strategies for both public and private companies.

Attachment BO-8

WorldatWork
Total Rewards Association

50TH ANNUAL

SALARY BUDGET SURVEY 2023–2024

EXECUTIVE REPORT & ANALYSIS

50

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About WorldatWork®

WorldatWork® brings together the best professionals from around the world to provide the foremost education, leadership and community dedicated to elevating employee experiences and organizational performance. For over 65 years, WorldatWork has set the standard in rewards best practices, professional development and human capital leadership. Over 90% of the Global 500 companies trust and rely on WorldatWork education and certified professionals to power their employee rewards, engagement and retention efforts.

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Salary Increase Budgets

The “WorldatWork 2023-2024 Salary Budget Survey” consists of two components: this “Executive Report & Analysis” and the customizable “Online Reporting Tool.” The “Executive Report & Analysis” includes an executive summary and data highlights for the United States, Canada, India, United Kingdom and 14 other countries. A list of definitions of terms in the survey are printed in this book. The list of participating organizations and a copy of the complete questionnaire are available in the “Online Reporting Tool.”

More detailed U.S. and Canadian results from the salary budget survey are available through the “Online Reporting Tool”, giving users the ability to customize reports by geographic region, industry, state and other ways that are relevant to organizations. Users may run an unlimited number of reports during the 18-month subscription period, as well as save or print the reports.

Get Started Now

Go to www.worldatwork.org/salary-budget and log in with your email address and password. If you do not know your login information, you may:

- Click “Forgot your Password?” to get a reset link.
- Contact the WorldatWork Customer Experience Team by calling 877-951-9191 or 480-922-2020, or emailing customerexperience@worldatwork.org.

After you have logged in, select “My Profile,” then select the “2023-2024 Salary Budget Survey” subscription. After reviewing and accepting the terms and conditions, you will be redirected to the “Online Reporting Tool.”

- Choose the type(s) of data to be included in the report (e.g., salary budget increases, salary structure adjustments, promotions and/or variable pay).
- Choose one statistical method of calculation. Separate reports need to be run to compare various statistics (e.g., mean/average, median/50th percentile, 25th percentile or 75th percentile).
- Choose the layers that define the demographic slice of data (e.g., country, industry, number of employees, revenue).
- Select the regions, states, provinces and/or major metropolitan areas of interest.
- Click “Generate Report.”

If you wish, you may download by clicking on a column in the table, then right-clicking (or ctrl-click on a mac) on the elipses (...) and selecting “download to Excel”. To look at different or additional data, repeat the steps as needed.

Though users have access to unlimited customized online reports, the “Online Reporting Tool” is subscription-based. Remember to run and download/print any reports that may be needed prior to the subscription’s 18-month expiration.

CONFIDENTIALITY STATEMENT

To ensure the anonymity and protection of participating organizations, WorldatWork does not publish or otherwise make available data points in which fewer than five survey participants responded. In addition, the data are not presented in a way, nor are they intended, to provide a competitive advantage for any participating organization.

Although WorldatWork believes participant responses to the survey are honest and complete, the data presented in this report are provided without warranty of any kind for accuracy, omission, completion or timeliness.

Except for the purposes intended by this publication, participants and purchasers of the salary budget survey may not reproduce, display, rent, lend, resell, commercially exploit, adapt or redistribute the data contained herein without the permission of WorldatWork.

The data presented in this report were collected from May to June 2023 for publication in August 2023, a two-month duration between data collection and publication.

On May 2, 2023, all WorldatWork members were invited to participate in the "WorldatWork 2023-2024 Salary Budget Survey" through direct email, e-newsletters and the WorldatWork website. Members were asked to respond for the United States (U.S.), Canada and 17 other countries: Australia, Belgium, Brazil, China, France, Germany, India, Italy, Japan, Mexico, the Netherlands, Russia, Singapore, Spain, Sweden, Switzerland and the United Kingdom (UK). Respondents were asked to respond for any of these countries in which they have operations. The survey officially closed on June 12, 2023. If an organization reported fewer than 10 employees in a specific country, the response for that country was removed from the data set. Also, duplicate submissions for the same country within the same organization were eliminated from the data set. The final data contain responses, covering employees worldwide. Each country was analyzed separately by statistical software.

Data for all countries is broken down by type of increase and employee category. Additional breakdowns are available for the U.S., Canada, India and the UK. Because of sample size limitations, only high-level data is reported for countries outside the U.S., Canada, India and the UK.

Data is broken into four employment categories. U.S. data uses exemption status as defined by the Fair Labor Standards Act of 1938 (FLSA):

- Nonexempt hourly nonunion
- Nonexempt salaried
- Exempt salaried
- Officers/executives

India:

- Technical/individual contributors/support roles
- Junior management
- Middle management
- Top and senior management

All other non-U.S. data are broken into four employment categories:

- Nonmanagement hourly
- Nonmanagement salaried
- Management salaried
- Officers/executives

Survey instructions and post-survey data cleaning and verification help ensure accurate recording of a "zero-percent" response versus a response that has been left blank. A response of zero percent to any given question was interpreted (and verified when possible) as a conscious decision on the part of the organization to not budget for an increase that typically was given. Survey instructions specifically ask respondents to leave a questionnaire item blank if the organization either does not have that plan item, or does not typically budget or pay out for that item based on the plan. Thus, a zero-percent response reflects a decision to specifically not budget funds for the period in question. As a result of feedback from survey users, this report includes total salary budget increases by employee category with and without zero-percent responses for each country, as indicated in Figures 2 (page 28), C2 (page 55), I2 (page 74), UK2 (page 89) and G2B (pages 116-117).

Not all organizations provide every type of base pay increase, and not every organization reports data for every employee category. In findings for which a composite number of all types of increases or all employee categories are presented, the n equate to the total number of responses. This may include multiple responses from each respondent if the respondent is reporting for more than one type of increase or employee category.

The frequencies or response distributions listed in the report show the number of times or percent of times a value appears in a data set. Due to rounding, frequencies of data responses provided in this survey may not total 100 percent.

FIGURE A Total Number of Responses

	2022-2023	2023-2024
United States	1,953	2,023
Canada	448	621
United Kingdom	271	401
Germany	185	304
China	182	260
India	183	278
Mexico	177	263
France	158	267
Australia	158	241
Singapore	132	253
Japan	134	226
Netherlands	126	239
Italy	114	211
Spain	121	223
Brazil	131	196
Belgium	89	169
Switzerland	81	170
Sweden	67	168
Russia	49	57
Total	**4,759**	**6,570**

FIGURE B U.S. Responses, by Region

Eastern	1,156
Central	1,136
Western	1,125
Southern	1,121

FIGURE C Canadian Responses, by Province

Ontario	503
Alberta	258
British Columbia	250
Manitoba	132
Saskatchewan	116
Nova Scotia	115
New Brunswick	104
Newfoundland	77
Prince Edward Island	56
Northwest Territories	41
Yukon	33
Nunavut	31

FIGURE D Indian Responses, by Region

South	133
North	75
West	49
Central	39
East	27
Northeast	27

FIGURE E UK Responses, by Region

Greater London	288
North West	83
South East	80
Scotland	63
East Midlands	59
East Of England	56
South West	56
North East	55
West Midlands	55
Wales	47
Northern Ireland	45
Yorkshire	45

Note: The combined responses in Figures B through E add to greater than the total U.S., Canadian, Indian and United Kingdom responses. Some participants answered for multiple regions or nationally; thus, their responses reflect multiple regions.

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FIGURE F **U.S. Responses, by State**

Texas	491
California	490
Illinois	387
New York	381
Florida	363
Pennsylvania	359
Massachusetts	338
Ohio	330
Colorado	327
Washington	326
Georgia	322
Minnesota	314
North Carolina	313
Virginia	312
Michigan	299
New Jersey	298
Tennessee	274
Wisconsin	269
Maryland	265
Missouri	264
Indiana	255
South Carolina	253
Connecticut	251
Oregon	251
Alabama	241
Kentucky	227
Utah	227
Nevada	223
Louisiana	218
Arizona	217
Kansas	216
Oklahoma	214
Iowa	213
Nebraska	192
Arkansas	190
New Hampshire	189
Idaho	188
New Mexico	187
Mississippi	180
Delaware	176
Rhode Island	176
West Virginia	174
Maine	167
Montana	163
South Dakota	155
North Dakota	154
Hawaii	147
Wyoming	137
Vermont	134
Alaska	127

FIGURE G **U.S. Responses, by Major Metropolitan Area**

Chicago	312
Dallas	305
Houston	303
New York City	285
Los Angeles	285
Denver	269
Boston	267
San Francisco	263
Washington D.C.	254
Minneapolis	245
Atlanta	245
Seattle	244
Phoenix	243
Austin	242
San Diego	233
San Jose	224
Miami	219
Philadelphia	214
Portland	204
Tampa	201
Pittsburgh	199
St. Louis	199
Detroit	197
Baltimore	196
Cincinnati	187
Cleveland	181

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FIGURE H **Canadian Responses, by Major Metropolitan Area**

Toronto	368
Montreal	206
Vancouver	201
Calgary	200
Edmonton	146
Ottawa	146
Quebec	139
Winnipeg	110
Hamilton	101

FIGURE I **Indian Responses, by Major Metropolitan Area**

Bangalore	133
Mumbai	92
Delhi	75
Pune	66
Chennai	63
Hyderabad	60
Kolkata	26

FIGURE J **U.S. Responses, by Organization Size**

1-499	323	16%
500-2,499	625	31%
2,500-9,999	540	27%
10,000-19,999	224	11%
20,000+	304	15%

FIGURE K **Canadian Responses, by Organization Size**

1-499	48	8%
500-2,499	159	26%
2,500-9,999	190	31%
10,000-19,999	85	14%
20,000+	137	22%

FIGURE L **Indian Responses, by Organization Size**

1-499	15	5%
500-2,499	57	21%
2,500-9,999	94	34%
10,000-19,999	48	17%
20,000+	63	23%

FIGURE M **UK Responses, by Organization Size**

1-499	24	6%
500-2,499	105	26%
2,500-9,999	129	32%
10,000-19,999	64	16%
20,000+	78	20%

FIGURE N **U.S. Responses, by 2022 Revenue**

Up to $10 million	127	6%
More than $10 million to $30 million	62	3%
More than $30 million to $100 million	101	5%
More than $100 million to $300 million	191	10%
More than $300 million to $600 million	219	11%
More than $600 million to $1 billion	175	9%
More than $1 billion to $3 billion	397	20%
More than $3 billion to $5 billion	200	10%
More than $5 billion to $8 billion	148	8%
More than $8 billion to $10 billion	67	3%
More than $10 billion	278	14%

FIGURE O **Canadian Responses, by 2022 Revenue (Reported in U.S. Dollars)**

Up to $10 million	18	3%
More than $10 million to $30 million	15	2%
More than $30 million to $100 million	20	3%
More than $100 million to $300 million	38	6%
More than $300 million to $600 million	55	9%
More than $600 million to $1 billion	58	10%
More than $1 billion to $3 billion	130	21%
More than $3 billion to $5 billion	82	14%
More than $5 billion to $8 billion	59	10%
More than $8 billion to $10 billion	28	5%
More than $10 billion	104	17%

FIGURE P **Indian Responses, by 2022 Revenue (Reported in U.S. Dollars)**

Up to $10 million	5	2%
More than $10 million to $30 million	4	1%
More than $30 million to $100 million	12	4%
More than $100 million to $300 million	18	7%
More than $300 million to $600 million	23	8%
More than $600 million to $1 billion	26	10%
More than $1 billion to $3 billion	62	23%
More than $3 billion to $5 billion	36	13%
More than $5 billion to $8 billion	30	11%
More than $8 billion to $10 billion	10	4%
More than $10 billion	46	17%

FIGURE Q **UK Responses, by 2022 Revenue (Reported in U.S. Dollars)**

Up to $10 million	8	2%
More than $10 million to $30 million	8	2%
More than $30 million to $100 million	14	4%
More than $100 million to $300 million	26	7%
More than $300 million to $600 million	42	11%
More than $600 million to $1 billion	36	9%
More than $1 billion to $3 billion	88	22%
More than $3 billion to $5 billion	53	13%
More than $5 billion to $8 billion	47	12%
More than $8 billion to $10 billion	15	4%
More than $10 billion	57	14%

The main industry categories report data for all respondents within the category, regardless of whether they are reported in a subcategory. Therefore, the sum of all subcategories may not equal the main industry category's sample size.

FIGURE R U.S. Responses, by Industry Classifications

Industry	Frequency	Percent of Respondents
Accommodation and Food Services	**24**	**1.2%**
Administrative and Support and Waste Management and Remediation Services	**17**	**0.8%**
Agriculture, Forestry, Fishing and Hunting	**13**	**0.6%**
Arts, Entertainment, and Recreation	**21**	**1.0%**
Construction	**45**	**2.2%**
Educational Services	**61**	**3.0%**
Finance and Insurance	**285**	**14.1%**
Monetary Authorities - Central Bank	55	2.7%
Credit Intermediation and Related Activities	39	1.9%
Funds, Trusts and Other Financial Vehicles	21	1.0%
Insurance Carriers and Related Activities	141	7.0%
Securities, Commodity Contracts and Other Financial Investments	29	1.4%
Health Care and Social Assistance	**188**	**9.3%**
Hospitals	97	4.8%
Ambulatory Health Care, Nursing and Residential Care and Social Assistance	91	4.5%
Information	**157**	**7.8%**
Data Processing, Hosting and Related Services	145	7.2%
Publishing Industries (except Internet)	8	0.4%
Motion Picture, Sound Recording, Broadcasting (except Internet) and Other Information Services	4	0.2%
Management of Companies and Enterprises	**12**	**0.6%**
Manufacturing	**430**	**21.3%**
Chemical Manufacturing	73	3.6%
Computer and Electronic Product Manufacturing	27	1.3%
Electrical Equipment, Appliance and Component Manufacturing	54	2.7%
Food, Beverage and Tobacco Product Manufacturing	60	3.0%
Machinery Manufacturing	31	1.5%
Metal Manufacturing	18	0.9%
Paper Manufacturing, Printing and Related Support Activities	22	1.1%
Plastics and Rubber Products Manufacturing	15	0.7%
Textile Mills, Apparel, Leather and Allied Product Manufacturing	4	0.2%
Transportation Equipment Manufacturing	62	3.1%
Other Miscellaneous	64	3.2%
Mining, Quarrying, and Oil and Gas Extraction	**46**	**2.3%**
Professional, Scientific, and Technical Services (includes Consulting)	**252**	**12.5%**

FIGURE R U.S. Responses, by Industry Classifications (continued)

Industry	Frequency	Percent of Respondents
Public Administration	**62**	**3.1%**
Real Estate, Rental and Leasing	**39**	**1.9%**
Retail Trade	**66**	**3.3%**
Telecommunications	**34**	**1.7%**
Transportation and Warehousing	**57**	**2.8%**
Air Transportation	9	0.4%
All Other Transportation	39	1.9%
Utilities	**111**	**5.5%**
Wholesale Trade	**45**	**2.2%**
Other Services (except Public Administration)	**57**	**2.8%**

FIGURE S Canadian Responses, by Industry Classifications

Industry	Frequency	Percent of Respondents
Accommodation and Food Services	**2**	**0.3%**
Administrative and Support and Waste Management and Remediation Services	**4**	**0.6%**
Agriculture, Forestry, Fishing and Hunting	**7**	**1.1%**
Arts, Entertainment & Recreation	**9**	**1.4%**
Construction	**16**	**2.6%**
Educational Services	**7**	**1.1%**
Finance and Insurance	**54**	**8.7%**
Monetary Authorities - Central Bank	2	0.3%
Credit Intermediation and Related Activities	12	1.9%
Insurance Carriers and Related Activities	6	1.0%
Funds, Trusts and Other Financial Vehicles	23	3.7%
Securities, Commodity Contracts and Other Financial Investments	11	1.8%
Health Care and Social Assistance	**13**	**2.1%**
Hospitals	1	0.2%
Ambulatory Health Care, Nursing and Residential Care and Social Assistance	12	1.9%
Information	**89**	**14.3%**
Data Processing, Hosting and Related Services	87	14.0%
Publishing Industries (except Internet)	1	0.2%
Motion Picture, Sound Recording, Broadcasting (except Internet) and Other Information Services	1	0.2%
Management of Companies and Enterprises	**1**	**0.2%**
Manufacturing	**199**	**32.0%**
Chemical Manufacturing	36	5.8%
Computer and Electronic Product Manufacturing	9	1.4%
Electrical Equipment, Appliance and Component Manufacturing	31	5.0%
Food, Beverage and Tobacco Product Manufacturing	19	3.1%
Machinery Manufacturing	16	2.6%
Metal Manufacturing	11	1.8%
Paper Manufacturing, Printing and Related Support Activities	8	1.3%
Plastics and Rubber Products Manufacturing	7	1.1%
Textile, Apparel, Leather & Allied Product Manufacturing	4	0.6%
Transportation Equipment Manufacturing	17	2.7%
Other Miscellaneous	41	6.6%
Mining, Quarrying, and Oil and Gas Extraction	**19**	**3.1%**
Professional, Scientific, and Technical Services (includes Consulting)	**76**	**12.2%**
Public Administration	**4**	**0.6%**
Real Estate, Rental and Leasing	**17**	**2.7%**

FIGURE S Canadian Responses, by Industry Classifications (continued)

Industry	Frequency	Percent of Respondents
Retail Trade	**27**	**4.3%**
Telecommunications	**6**	**1.0%**
Transportation and Warehousing	**20**	**3.2%**
Air Transportation	5	0.8%
All Other Transportation	12	1.9%
Utilities	**21**	**3.4%**
Wholesale Trade	**17**	**2.7%**
Other Services (except Public Administration)	**13**	**2.1%**

FIGURE T Indian Responses, by Industry Classifications

Industry	Frequency	Percent of Respondents
Accommodation and Food Services	**0**	**0.0%**
Administrative and Support and Waste Management and Remediation Services	**1**	**0.4%**
Agriculture, Forestry, Fishing and Hunting	**0**	**0.0%**
Arts, Entertainment & Recreation	**5**	**1.8%**
Construction	**2**	**0.7%**
Educational Services	**1**	**0.4%**
Finance and Insurance	**17**	**6.1%**
Monetary Authorities - Central Bank	0	0.0%
Credit Intermediation and Related Activities	6	2.2%
Insurance Carriers and Related Activities	2	0.7%
Funds, Trusts and Other Financial Vehicles	1	0.4%
Securities, Commodity Contracts and Other Financial Investments	8	2.9%
Health Care and Social Assistance	**4**	**1.4%**
Hospitals	0	0.0%
Ambulatory Health Care, Nursing and Residential Care and Social Assistance	4	1.4%
Information	**59**	**21.2%**
Data Processing, Hosting and Related Services	59	21.2%
Publishing Industries (except Internet)	0	0.0%
Motion Picture, Sound Recording, Broadcasting (except Internet) and Other Information Services	0	0.0%
Management of Companies and Enterprises	**1**	**0.4%**
Manufacturing	**98**	**35.3%**
Chemical Manufacturing	17	6.1%
Computer and Electronic Product Manufacturing	10	3.6%
Electrical Equipment, Appliance and Component Manufacturing	20	7.2%
Food, Beverage and Tobacco Product Manufacturing	3	1.1%
Machinery Manufacturing	15	5.4%
Metal Manufacturing	4	1.4%
Paper Manufacturing, Printing and Related Support Activities	3	1.1%
Plastics and Rubber Products Manufacturing	2	0.7%
Textile, Apparel, Leather & Allied Product Manufacturing	1	0.4%
Transportation Equipment Manufacturing	14	5.0%
Other Miscellaneous	9	3.2%
Mining, Quarrying, and Oil and Gas Extraction	**4**	**1.4%**
Professional, Scientific, and Technical Services (includes Consulting)	**51**	**18.3%**

FIGURE T **Indian Responses, by Industry Classifications** (continued)

Industry	Frequency	Percent of Respondents
Public Administration	**0**	**0.0%**
Real Estate, Rental and Leasing	**1**	**0.4%**
Retail Trade	**12**	**4.3%**
Telecommunications	**6**	**2.2%**
Transportation and Warehousing	**3**	**1.1%**
Air Transportation	1	0.4%
All Other Transportation	2	0.7%
Utilities	**2**	**0.7%**
Wholesale Trade	**4**	**1.4%**
Other Services (except Public Administration)	**7**	**2.5%**

FIGURE U UK Responses, by Industry Classifications

Industry	Frequency	Percent of Respondents
Accommodation and Food Services	**3**	**0.7%**
Administrative and Support and Waste Management and Remediation Services	**2**	**0.5%**
Agriculture, Forestry, Fishing and Hunting	**2**	**0.5%**
Arts, Entertainment & Recreation	**5**	**1.2%**
Construction	**5**	**1.2%**
Educational Services	**3**	**0.7%**
Finance and Insurance	**28**	**7.0%**
Monetary Authorities - Central Bank	0	0.0%
Credit Intermediation and Related Activities	4	1.0%
Insurance Carriers and Related Activities	4	1.0%
Funds, Trusts and Other Financial Vehicles	10	2.5%
Securities, Commodity Contracts and Other Financial Investments	10	2.5%
Health Care and Social Assistance	**7**	**1.7%**
Hospitals	1	0.2%
Ambulatory Health Care, Nursing and Residential Care and Social Assistance	6	1.5%
Information	**91**	**22.7%**
Data Processing, Hosting and Related Services	88	21.9%
Publishing Industries (except Internet)	1	0.2%
Motion Picture, Sound Recording, Broadcasting (except Internet) and Other Information Services	2	0.5%
Management of Companies and Enterprises	**2**	**0.5%**
Manufacturing	**133**	**33.2%**
Chemical Manufacturing	22	5.5%
Computer and Electronic Product Manufacturing	13	3.2%
Electrical Equipment, Appliance and Component Manufacturing	26	6.5%
Food, Beverage and Tobacco Product Manufacturing	9	2.2%
Machinery Manufacturing	14	3.5%
Metal Manufacturing	5	1.2%
Paper Manufacturing, Printing and Related Support Activities	5	1.2%
Plastics and Rubber Products Manufacturing	2	0.5%
Textile, Apparel, Leather & Allied Product Manufacturing	1	0.2%
Transportation Equipment Manufacturing	17	4.2%
Other Miscellaneous	19	4.7%
Mining, Quarrying, and Oil and Gas Extraction	**7**	**1.7%**
Professional, Scientific, and Technical Services (includes Consulting)	**61**	**15.2%**
Public Administration	**1**	**0.2%**
Real Estate, Rental and Leasing	**4**	**1.0%**

FIGURE U **UK Responses, by Industry Classifications** (continued)

Industry	Frequency	Percent of Respondents
Retail Trade	**15**	**3.7%**
Telecommunications	**9**	**2.2%**
Transportation and Warehousing	**5**	**1.2%**
Air Transportation	1	0.2%
All Other Transportation	3	0.7%
Utilities	**4**	**1.0%**
Wholesale Trade	**7**	**1.7%**
Other Services (except Public Administration)	**7**	**1.7%**

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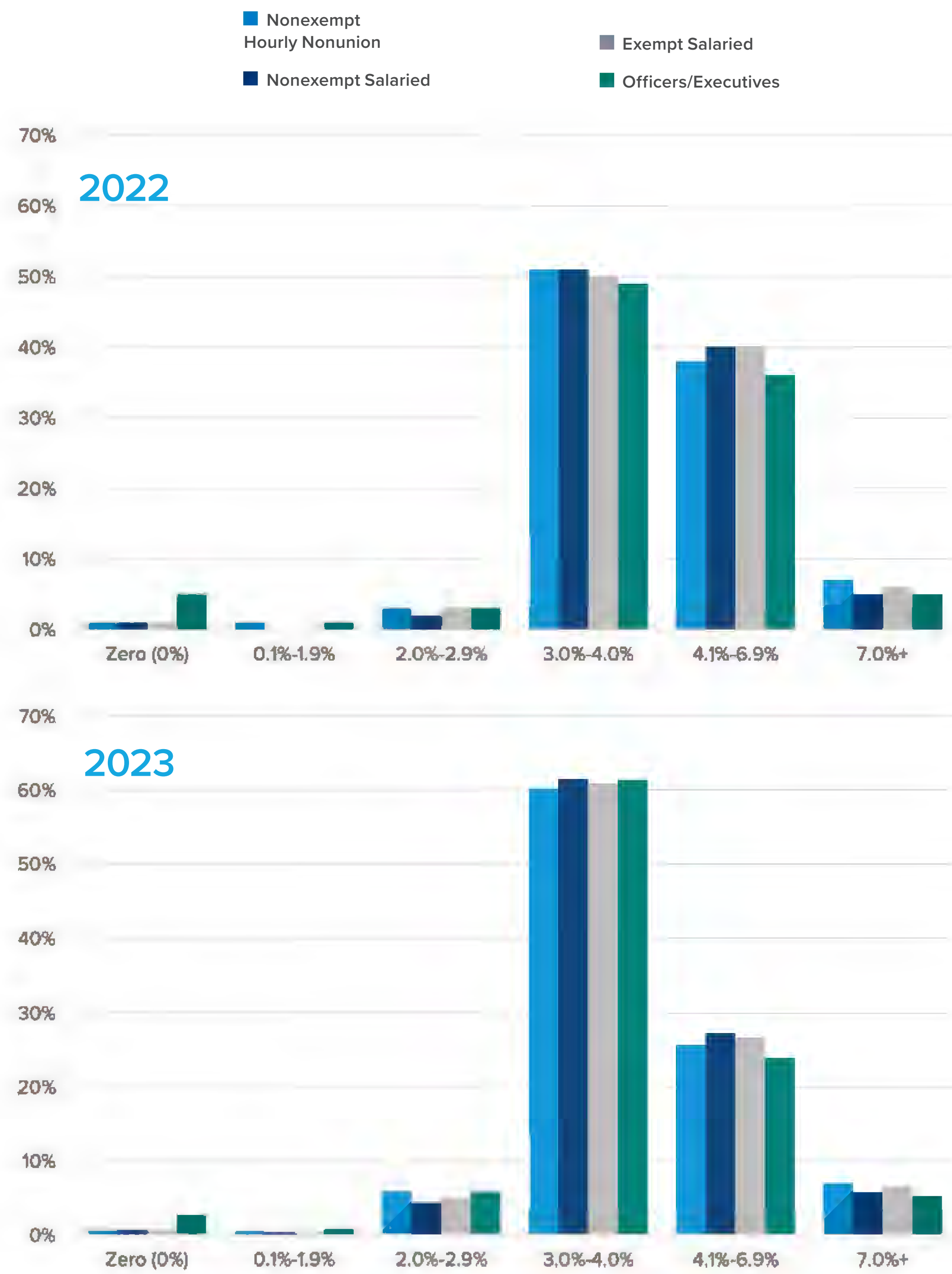
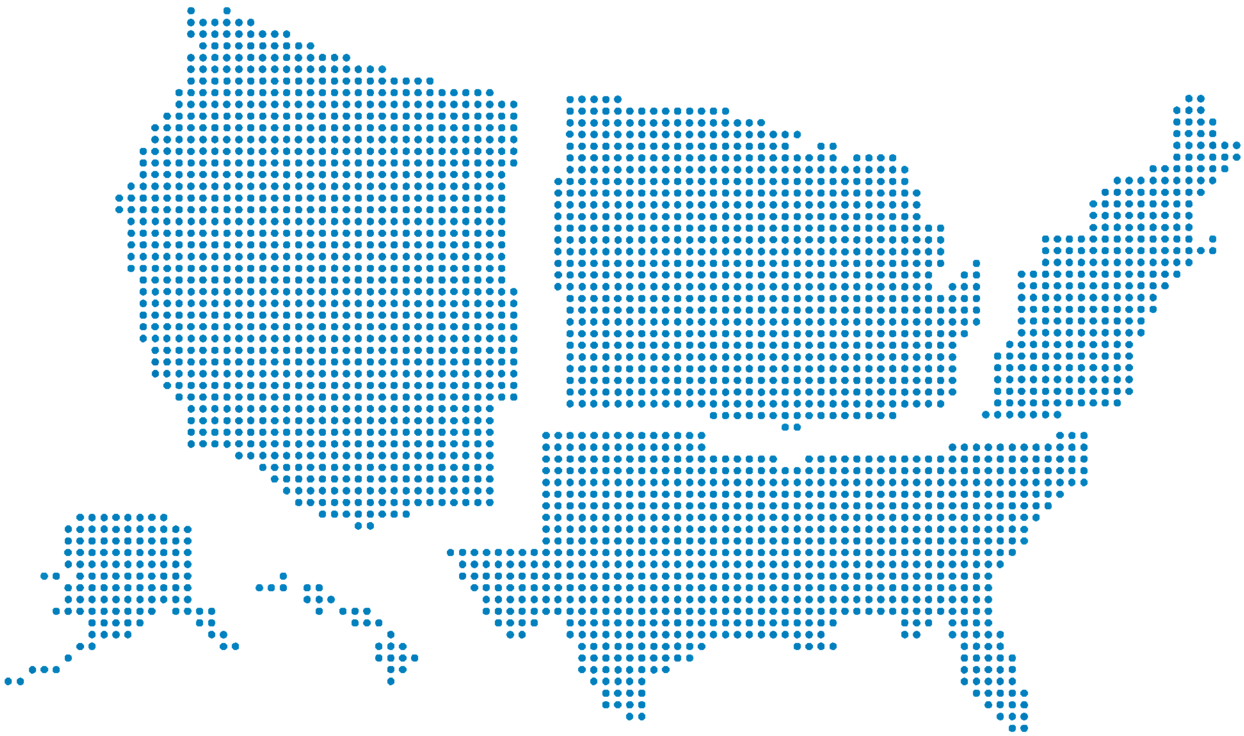
Distribution of U.S. Salary Increase Budget Responses



United States



Amid continued high levels of economic uncertainty "WorldatWork 2023-2024 Salary Budget Survey" respondents in the United States reported substantial total salary increase budgets—a 4.4% average (4.0% median) for 2023. That's the largest increase since 2001 (when the average increase budget was 4.5%), surpassing last year's 4.1%, the previous post-2001 high.

(See Figure 5 on page 30.)

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Actual 2023 Salary Increase Budgets Largest Since 2001

The actual national total salary budget increase average is up in 2023, at 4.4% the highest level in our survey since 2001, when the average increase budget was 4.5% and surpassing last year's 4.1%, the previous post-2001 high. Predicted average increase budgets for 2024 are slightly lower, at 4.1%, suggesting that total rewards professionals anticipate an easing of salary pressures next year.

Salary increase budgets climbed through the 90s to a peak in 2001, dropped sharply after the DotCom recession of 2001, hovered around 3.8% to 3.9% until the Great Recession, then plummeted again to 2.2% in 2009. After the Great Recession, salary increase budgets stayed around 3.0% before growth occurred over 2018-2019, hitting an average of 3.2%. The pandemic modestly pushed average salary increase budgets down to 2.9% in 2020 and 3.0% in 2021, and then showed a sharp climb in 2022, to 4.1%.

WorldatWork monitors the percentage of organizations that report 0% salary increase budgets as an additional marker of the robustness or weakness of salary increase budgets. In 2023, the proportion of organizations that reported 0% increase budgets has returned to the infrequent levels seen in 2019.

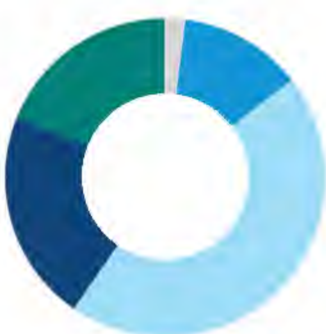
Economic Factors

During 2022, inflation reached a peak of 9.1% in June, the highest rate in over 40 years, but by June 2023 had seen twelve consecutive months of decline, reaching 3.0%. Unemployment rates, still elevated in June of 2022, at 4.2%, dropped to 3.6% by June of 2023, the lowest unemployment rate seen since just prior to the pandemic in February of 2020. (The prior unemployment low was 3.4% in June 2000.) Meanwhile, the number of non-farm jobs added each month in the United States (U.S.) also decreased steadily during 2023, reaching a monthly low of 187,000 new jobs in June of 2023. (Note: "WorldatWork Salary Budget Survey" reports use year-over-year economic indicators for June of each year for consistency over time.)

Fears of resurgent inflation or recession dominated the economic conversation for much of 2023. More recently, cautious optimism that the U.S. economy might achieve a so-called soft landing has become common, while those still predicting a recession increasingly believe that it will be shorter and shallower than previously feared. Falling inflation, moderating wage growth, and resilient consumer spending are the conditions required for a "soft landing" for the economy. (A soft landing is when the central bank tightens monetary policy to fight inflation but does not cause a recession.) At the time of writing, it appears that consumers are still willing to spend, employers are still hiring (although at a slower rate), and increases in prices of goods and services have slowed—the conditions required for a slow cool-down of the economy.

Despite a cooling economy, the impact of demographic change on labor force participation remains a challenge for labor markets. Labor force participation, at 62.6%, has recovered from its pandemic low of 60.1%, but is still short of the 63% we saw in 2019. A significant portion of this drop is attributed to the early retirement of persons who otherwise might have stayed longer in the labor force. (Due to demographic forces, the U.S. Bureau of Labor Statistics predicted a drop in participation to 61.2% by 2029 in the 10-year predictions it based on its 2019 data.) Demographic trends suggest that a tight labor market might be the reality of the foreseeable future, barring recessionary contractions or immigration changes that increase the labor pool in the U.S.

CERTAINTY OF PROJECTED 2024 SALARY INCREASE BUDGET



Industry Data

Both mean and median salary increase budgets varied significantly across industries in 2023. Means ranged from 3.7% to 6%, with medians showing nearly as much variation with a range from 3.8% to 5.6%. Projected 2024 averages are lower overall, but show a large range, from 3.5% to 5.5%. Median projections for 2024 also show some variability across industries, ranging from a low of 3.5% to a high of 5%, but 4.0% is the most common 2024 projection. (See Figure 9 on page 34.)

Public administration reports the highest salary increase budgets of any industry in 2023, at 6% (median: 5.6%), from 4.7% last year, the second highest response. Public administration also showed the greatest increase of any industry between 2022 and 2023. The wage growth rate for the public sector workers lagged that for private sector workers by the largest margin on record during 2021, so this year's budgets likely represent a continued effort to bring salaries to a level at which government organizations can attract and retain workers.

Retail trade showed the smallest average salary increase budget in 2023, at 3.7% and is predicted to stay the same for 2024. The only industry predicting an increased average salary increase budget for 2024 is Arts, Entertainment, and Recreation; however, with a sample size of only 21 for this industry, this result is likely due to sampling factors.

State Data

Variation among states is minimal and most report continued growth in salary increase budgets for 2023. Wyoming was the state with the highest average salary increase budget at 4.6% for 2023 but also had a 0.6% increase from 2022, the largest of any state, suggesting that increases that occurred earlier in other places might have been delayed there. Arizona and Pennsylvania had the smallest average increase budget in 2023, at 4.2%. California had the smallest increase budget from 2022 to 2023 from 4.2 % to 4.3%. Medians for all states were 4.0% in 2023. Predictions for 2024 show slight decreases in all states from 0.1% in Arizona and California to 0.4% in Alaska and North Dakota. One of largest predicted decrease states, North Dakota, anticipates a drop of 0.4% in 2024, which may be perhaps a correction of its higher increase of 0.4% for this year. All other states reported no change or decreases of less than 0.4%. Median increase budget predictions for all states are 4.0% for 2024. (See Figure 7 on pages 32-33.)

Major Metropolitan Area Data

Minor variance is reported for average salary budget increases among major U.S. metropolitan areas. All metros showed growth in average salary increase budgets since 2022 from 0.1% to 0.6%. Washington, D.C., had the greatest growth in increase budgets (+0.6%), and almost half of the metros reporting an average increase of +0.4% for 2023. No metros predict further growth in average increase budgets for 2024 but expected decreases are very small for most metros, except Washington, D.C. which drops 0.4% to 4.2% in 2024. New York and Philadelphia reported the lowest average increase budget for 2023 (4.0%) and were also the lowest for 2024 (4.0%), as was Pittsburgh in 2024. Median increase budgets for all metros were 4.0% in 2023 and are predicted to remain the same for 2024. (See Figure 8 on page 33.)

Organization Size Data

In 2023, average salary increase budgets don't show a consistent trend based on either number of employees or revenue. The range of average salary increase budgets for 2023 based on number of employees is 4.2% to 4.6%, and on revenue it is 4.2% to 4.7%. Mean increase budgets for the smallest organizations (1-499 employees) increased to 4.6% in 2023, continuing with the trend with the smallest organizations giving the highest increases in 2022. The largest organizations by headcount, those with more than 20,000 employees, reported the highest increase budget from 2022 to 2023, from 3.8% to 4.2%. The 2023 median increase budget based on headcount ranges from 4.0% to 5.0% and on revenue from 4.0% to 4.5%. The pattern of predicted changes for 2024 is also uneven, but the range of 2024 average increase budgets based on headcount will be smaller, from 3.9% to 4.2%, while that based on revenue will range from 3.8% to 4.2%. (See Figures 10 and 11 on page 35.)

Merit Budgets

Merit increases are once again the most prevalent raises, as can be seen in Figure 1 (on page 28). Average merit increase budgets for 2023 were reported at 3.7% (median: 4.0%), a modest increase from 2022's 3.5% average and 3.2% median and somewhat outstripping projections for the year.

HIGHEST SALARY INCREASE BUDGET AMONG INDUSTRIES

Public Administration

6.0%

LOWEST SALARY INCREASE BUDGET AMONG INDUSTRIES

Retail Trade

3.7%

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AVERAGE MERIT INCREASE BUDGETS

2023
3.7%

Projected 2024
3.6%

AVERAGE SALARY STRUCTURE ADJUSTMENT

2023
2.8%

Projected 2024
2.6%

Participants project a 0.1% decrease in average increase budgets for 2024, to 3.6% (median, 3.5%).

Pay for Performance

Despite increases in the size of all salary increase budgets, including merit budgets, there is still good evidence of differentiation of base pay-related awards. Organizations averaged a 3.6% merit increase for mid-level performers (median: 3.5%) and a 5.0% payout for top performers (median: 4.9%) in 2022. (See Figure 18 on page 39.) Low performers averaged a 1.2% increase in the same year; little changed from the 1% this group saw in 2021. The average expected performance-based pay increase for 2023 is unchanged for high and middle performers but decreases to 1.1% for low performers. The median expected pay increase grows to 5.0% for top performers in 2023 but remains unchanged for medium and low performers.

Salary Structure Adjustments

In 2023, the reported overall average salary structure adjustment is 2.8%, unchanged from 2022's 2.8% average, although the *median* structure adjustment grew from 2.5% to 3.0%. Participants are projecting a 2.6% average (3.0% median) increase for 2024. Less than 10% of organizations reported making no structure increase in 2023 for non-exempt hourly non-union workers, and only 22% of organizations reported no 2023 structure increase for executives. (Other employee groups fell between these extremes.) (See Figures 22, 21a and 22b on page 42.)

CERTAINTY OF PROJECTED 2023 SALARY RANGE STRUCTURE

Timing of Pay Increases

For many years, more than 95% of organizations have reported that pay increases are awarded on a 12-month cycle. During the pandemic period, we saw this average stretch to nearly 14 months for some employee groups. However, for 2023, the average time between increases dropped below 12 months for all groups (average range 11.7 to 11.9 months, median 12 months). Projections for next year are closer to the 12-month historical trend, at 11.9 months for most employee groups. Executives continue to experience longer award periods than other groups.

Promotional Increases

The average percentage of employees receiving promotional increases in 2022 increased to 9.8% (median: 8.5%), an increase of 0.4 percentage points from 2021. The average size of the base pay promotional increase increased from 9.4 % to 9.8% while the average percentage of the promoted employee's base salary decreased by 0.3 percentage points to 9.1%. (See Figure 14 on page 38.) Planned spending in 2023 on promotional increases as a percentage of total base salaries is the same as planned spending last year, at 2.1%, an increase from the average of 1.8% budgeted in 2021. The majority of organizations expect promotional spending to be the same in 2024, but 6% anticipate spending to be higher and 7% to be lower. (See Figure 15 on page 38.)

Variable Pay

Eighty-five percent of organizations reported using variable pay in 2023, a value that is nearly unchanged since 2016. "Combination awards" based on both organization/unit success and individual performance continue to be the most prevalent type of variable pay program. Depending on employee category, 82% to 90% of employees received variable pay for 2022, with officers/executives most likely to receive variable pay. (See Figures 29-32 on pages 48-51.)

In 2022, the percent budgeted for variable pay exceeded the percent paid for all workers, from 0.1% to 2.8% more than budgeted. Participants predicted a similar outcome in 2023 while planning 2024 variable pay budgets very similar to 2023 budgets.)

Layoffs

To better gauge the impact of continued economic uncertainty on global workforces, respondents were asked to report layoffs that had occurred or were anticipated in 2023 or 2024. Survey respondents from the U.S. also reported that layoffs or reductions in force (RIF) are unlikely in 2023 (61%) and 2024 (86%) but some respondents have already or are planning to conduct layoffs before the end of the year in 2023 (25%) and 2024 (2%). (This survey did not explore the number of workers included in layoffs.) In addition, 86% of participants reporting that they had conducted or were planning RIFs or layoffs by year-end 2023 reported that those layoffs had no impact on the size of their salary increase budgets.

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FIGURE 1 **Salary Increase Budgets, by Type of Increase**

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
General Increase/COLA	1.1%	0.8%	1.9%	2.0%	2.3%	3.0%	2.0%	1.1%	1.8%	1.0%
Merit Increase	2.6%	3.0%	3.5%	3.2%	3.6%	3.5%	3.7%	4.0%	3.6%	3.5%
Other Increase	0.8%	0.5%	1.3%	1.0%	1.2%	1.0%	1.0%	0.8%	0.9%	0.8%
Total Increase	3.0%	3.0%	4.1%	3.8%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%

Note: "General Increase/COLA," "Merit" and "Other" do not add to the "Total Increase" because not every organization provides all three types of increase. The n's represent the number of responses for each type of increase, which may include multiple responses if each respondent reports for more than one employee category for that type of increase.

*2023 study sample size is 2,023

FIGURE 2 **Total Salary Increase Budgets, by Employee Category**

Salary Increase Budgets (zeros included)

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.9%	3.0%	4.2%	4.0%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Nonexempt Salaried	2.9%	3.0%	4.1%	4.0%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Exempt Salaried	2.9%	3.0%	4.2%	4.0%	4.2%	4.0%	4.5%	4.0%	4.1%	4.0%
Officers/Executives	2.9%	3.0%	3.9%	3.5%	4.1%	4.0%	4.2%	4.0%	4.0%	4.0%
All	2.9%	3.0%	4.1%	3.8%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%

Salary Increase Budgets (zeros not included)

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	3.2%	3.0%	4.2%	4.0%	4.2%	4.0%	4.5%	4.0%	4.1%	4.0%
Nonexempt Salaried	3.1%	3.0%	4.2%	4.0%	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%
Exempt Salaried	3.2%	3.0%	4.2%	4.0%	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%
Officers/Executives	3.2%	3.0%	4.0%	3.6%	4.1%	4.0%	4.4%	4.0%	4.2%	4.0%
All	3.2%	3.0%	4.2%	3.9%	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%

FIGURE 3 **Number of Months Between Increases**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	11.7	12.0	11.8	12.0	11.8	12.0	11.8	12.0
Nonexempt Salaried	12.0	12.0	12.1	12.0	11.9	12.0	11.9	12.0
Exempt Salaried	12.0	12.0	11.9	12.0	11.7	12.0	12.0	12.0
Officers/Executives	12.3	12.0	12.1	12.0	11.9	12.0	12.1	12.0
All	12.0	12.0	11.9	12.0	11.8	12.0	11.9	12.0

FIGURE 3A **Additional or Off-Cycle Base Pay Increase**

	Yes	No, we did not consider it	No, we considered it but decided not to
Nonexempt Hourly Nonunion	26.5%	62.9%	10.6%
Nonexempt Salaried	20.6%	69.6%	9.8%
Exempt Salaried	23.2%	66.9%	9.9%
Officers/Executives	12.1%	78.6%	9.3%

FIGURE 4 **Distribution of Total Salary Increase Budget Responses, Actual 2022 vs. Actual 2023**

	Zero (0%)		0.1%–1.9%		2.0%–2.9%		3.0%–4.0%		4.1%–6.9%		7.0%+	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Nonexempt Hourly Nonunion	1%	1%	1%	1%	6%	3%	60%	51%	26%	38%	7%	7%
Nonexempt Salaried	1%	1%	0%	0%	4%	2%	62%	51%	27%	40%	6%	5%
Exempt Salaried	1%	1%	0%	0%	5%	3%	61%	50%	27%	40%	7%	6%
Officers/Executives	3%	5%	1%	1%	6%	3%	61%	49%	24%	36%	5%	5%

FIGURE 4A **Nature of “Other Increases” in Salary Increase Budgets**

	2023	Projected 2024
Accelerated increase cycle to move employee closer to midpoint (salary progression)	21%	22%
Compression	27%	30%
Internal equity	51%	58%
Market adjustment/competitive adjustment	77%	81%
Retention/critical skill adjustment	32%	35%
Salary range adjustment	19%	19%
Skill-based pay increase	8%	10%
Step rate	5%	5%
Adjustment related to state/local minimum wage increase	9%	10%
Other increase not listed above	38%	37%

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FIGURE 5 **Salary Increase Budget Trends**

	Nonexempt Hourly Nonunion	Nonexempt Salaried	Exempt Salaried	Officers/Executives
1985	—	6.2%	6.4%	6.7%
1986	—	5.7%	5.9%	6.3%
1987	—	5.0%	5.2%	5.5%
1988	—	5.1%	5.2%	5.6%
1989	—	5.2%	5.4%	5.7%
1990	—	5.4%	5.5%	5.8%
1991	—	5.0%	5.0%	5.1%
1992	—	4.6%	4.7%	4.8%
1993	—	4.2%	4.3%	4.4%
1994	—	4.0%	4.0%	4.1%
1995	—	3.9%	4.0%	4.1%
1996	3.8%	4.0%	4.1%	4.3%
1997	4.1%	4.1%	4.3%	4.5%
1998	4.1%	4.2%	4.5%	4.6%
1999	4.1%	4.2%	4.4%	4.5%
2000	4.3%	4.4%	4.6%	4.8%
2001	4.3%	4.4%	4.6%	4.7%
2002	3.7%	3.7%	3.9%	4.0%
2003	3.5%	3.4%	3.6%	3.6%
2004	3.5%	3.4%	3.6%	3.6%
2005	3.6%	3.6%	3.7%	3.8%
2006	3.7%	3.7%	3.8%	3.9%
2007	3.8%	3.8%	3.9%	4.1%
2008	3.8%	3.8%	3.9%	4.0%
2009	2.3%	2.1%	2.2%	2.0%
2010	2.4%	2.4%	2.5%	2.5%
2011	2.7%	2.8%	2.8%	2.8%
2012	2.8%	2.9%	2.9%	2.8%
2013	2.9%	2.9%	2.9%	2.9%
2014	2.9%	3.0%	3.0%	3.0%
2015	2.9%	3.0%	3.0%	3.0%
2016	3.0%	2.9%	3.0%	3.0%
2017	3.0%	3.0%	3.0%	3.0%
2018	3.1%	3.1%	3.1%	3.1%
2019	3.2%	3.1%	3.2%	3.3%
2020	2.8%	2.9%	2.9%	2.9%
2021	3.0%	2.9%	3.0%	2.8%
2022	4.2%	4.1%	4.2%	3.9%
2023	4.4%	4.4%	4.5%	4.2%
2024 projected	4.1%	4.1%	4.1%	4.0%

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FIGURE 6 **Total Salary Increase Budgets, by Region and Employee Category**

	Central						Eastern					
	Actual 2022		Actual 2023		Projected 2024		Actual 2022		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	4.1%	3.5%	4.3%	4.0%	4.0%	4.0%	4.3%	4.0%	4.0%	4.0%	4.0%	4.0%
Nonexempt Salaried	4.0%	3.5%	4.4%	4.0%	4.0%	4.0%	4.4%	4.0%	4.1%	4.0%	4.1%	4.0%
Exempt Salaried	4.1%	3.6%	4.3%	4.0%	4.0%	4.0%	4.4%	4.0%	4.1%	4.0%	4.1%	4.0%
Officers/Executives	3.8%	3.5%	4.1%	4.0%	3.9%	4.0%	4.1%	4.0%	3.9%	4.0%	4.0%	4.0%
All	4.0%	3.5%	4.3%	4.0%	4.0%	4.0%	4.3%	4.0%	4.0%	4.0%	4.1%	4.0%

	Southern						Western					
	Actual 2022		Actual 2023		Projected 2024		Actual 2022		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	4.1%	3.5%	4.4%	4.0%	4.0%	4.0%	4.2%	4.0%	4.4%	4.0%	4.1%	4.0%
Nonexempt Salaried	4.1%	3.5%	4.4%	4.0%	4.1%	4.0%	4.1%	3.7%	4.4%	4.0%	4.2%	4.0%
Exempt Salaried	4.1%	3.5%	4.5%	4.0%	4.1%	4.0%	4.2%	4.0%	4.4%	4.0%	4.2%	4.0%
Officers/Executives	3.9%	3.5%	4.2%	4.0%	3.9%	4.0%	4.0%	3.5%	4.1%	4.0%	4.0%	4.0%
All	4.0%	3.5%	4.4%	4.0%	4.0%	4.0%	4.1%	3.9%	4.4%	4.0%	4.1%	4.0%

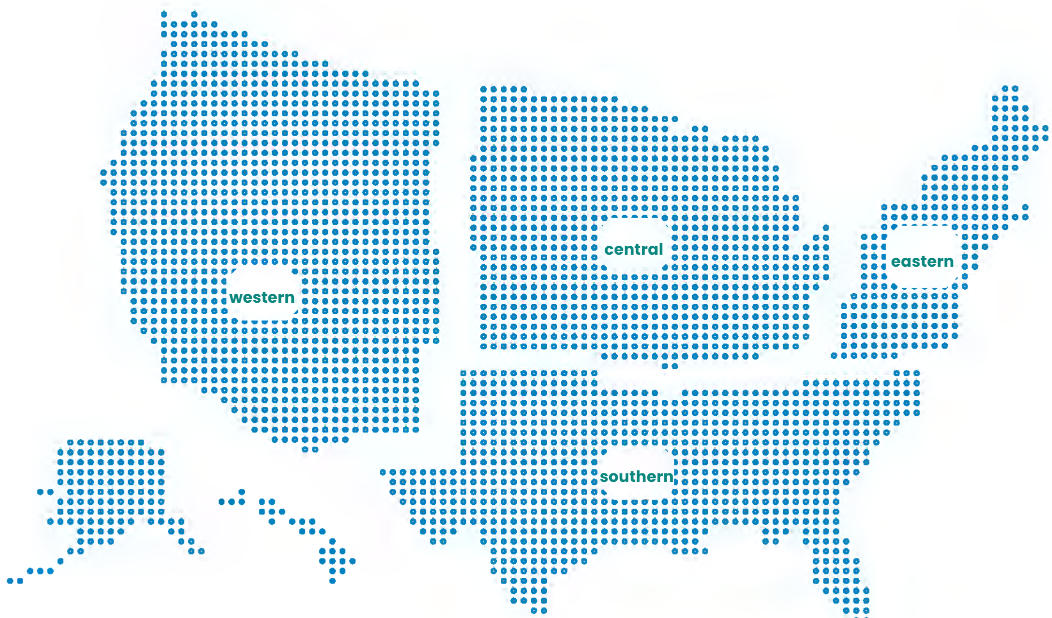

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FIGURE 7 **Total Salary Increase Budgets, by State**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**4.1%**	**3.8%**	**4.0%**	**4.0%**	**4.4%**	**4.0%**	**4.1%**	**4.0%**
Alabama	4.0%	3.5%	4.0%	3.9%	4.4%	4.0%	4.1%	4.0%
Alaska	3.9%	3.5%	4.0%	3.9%	4.5%	4.0%	4.1%	4.0%
Arizona	4.0%	3.5%	4.0%	3.8%	4.2%	4.0%	4.1%	4.0%
Arkansas	4.0%	3.5%	4.0%	3.5%	4.4%	4.0%	4.1%	4.0%
California	4.2%	3.8%	4.2%	4.0%	4.3%	4.0%	4.2%	4.0%
Colorado	4.1%	3.7%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Connecticut	4.0%	3.5%	4.1%	4.0%	4.3%	4.0%	4.0%	4.0%
Delaware	4.0%	3.5%	4.1%	4.0%	4.3%	4.0%	4.0%	4.0%
Florida	4.0%	3.5%	4.0%	3.7%	4.3%	4.0%	4.1%	4.0%
Georgia	4.0%	3.5%	4.0%	4.0%	4.4%	4.0%	4.1%	4.0%
Hawaii	4.0%	3.5%	4.1%	3.9%	4.3%	4.0%	4.1%	4.0%
Idaho	4.1%	3.5%	4.1%	4.0%	4.3%	4.0%	4.1%	4.0%
Illinois	4.0%	3.5%	4.1%	4.0%	4.3%	4.0%	4.1%	4.0%
Indiana	4.0%	3.5%	4.0%	4.0%	4.3%	4.0%	4.1%	4.0%
Iowa	4.0%	3.5%	4.1%	3.9%	4.4%	4.0%	4.2%	4.0%
Kansas	4.0%	3.5%	4.0%	3.9%	4.3%	4.0%	4.1%	4.0%
Kentucky	3.9%	3.5%	4.0%	3.8%	4.3%	4.0%	4.1%	4.0%
Louisiana	3.9%	3.5%	4.0%	3.5%	4.3%	4.0%	4.0%	4.0%
Maine	4.0%	3.5%	4.0%	3.8%	4.3%	4.0%	4.0%	4.0%
Maryland	4.0%	3.5%	4.1%	4.0%	4.4%	4.0%	4.2%	4.0%
Massachusetts	4.1%	3.6%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Michigan	4.0%	3.5%	4.0%	4.0%	4.3%	4.0%	4.1%	4.0%
Minnesota	4.0%	3.5%	4.0%	3.8%	4.4%	4.0%	4.1%	4.0%
Mississippi	3.9%	3.5%	4.0%	3.5%	4.3%	4.0%	4.0%	4.0%
Missouri	3.9%	3.5%	4.1%	4.0%	4.3%	4.0%	4.1%	4.0%
Montana	4.1%	3.5%	4.0%	3.8%	4.4%	4.0%	4.1%	4.0%
Nebraska	4.0%	3.5%	4.0%	3.7%	4.4%	4.0%	4.1%	4.0%
Nevada	4.1%	3.5%	4.1%	4.0%	4.3%	4.0%	4.1%	4.0%
New Hampshire	3.9%	3.5%	4.0%	3.5%	4.4%	4.0%	4.1%	4.0%
New Jersey	4.0%	3.5%	4.1%	3.9%	4.3%	4.0%	4.1%	4.0%
New Mexico	4.0%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
New York	4.1%	3.5%	4.1%	4.0%	4.3%	4.0%	4.0%	4.0%
North Carolina	4.0%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
North Dakota	4.1%	3.5%	4.0%	3.5%	4.5%	4.0%	4.1%	4.0%
Ohio	4.0%	3.5%	4.1%	4.0%	4.3%	4.0%	4.0%	4.0%
Oklahoma	4.0%	3.5%	4.0%	3.5%	4.4%	4.0%	4.1%	4.0%
Oregon	4.1%	3.7%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Pennsylvania	4.0%	3.5%	4.1%	4.0%	4.2%	4.0%	4.0%	4.0%
Rhode Island	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
South Carolina	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.2%	4.0%
South Dakota	4.1%	3.5%	4.0%	3.5%	4.3%	4.0%	4.1%	4.0%
Tennessee	4.0%	3.5%	4.1%	3.9%	4.4%	4.0%	4.1%	4.0%

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FIGURE 7 **Total Salary Increase Budgets, by State** (continued)

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Texas	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Utah	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.2%	4.0%
Vermont	4.1%	3.5%	4.0%	4.0%	4.4%	4.0%	4.1%	4.0%
Virginia	4.0%	3.5%	4.1%	3.9%	4.4%	4.0%	4.1%	4.0%
Washington	4.2%	3.8%	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%
West Virginia	3.9%	3.5%	4.0%	3.5%	4.3%	4.0%	4.0%	4.0%
Wisconsin	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Wyoming	4.0%	3.5%	4.0%	3.9%	4.6%	4.0%	4.3%	4.0%

FIGURE 8 **Total Salary Increase Budgets, by Major Metropolitan Area**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**4.1%**	**3.8%**	**4.1%**	**4.0%**	**4.4%**	**4.0%**	**4.1%**	**4.0%**
Atlanta	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Baltimore	4.0%	3.5%	4.2%	3.9%	4.4%	4.0%	4.1%	4.0%
Boston	4.2%	3.9%	4.2%	4.0%	4.5%	4.0%	4.1%	4.0%
Chicago	4.0%	3.5%	4.1%	4.0%	4.3%	4.0%	4.1%	4.0%
Cincinnati	4.1%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Cleveland	4.0%	3.5%	4.1%	3.8%	4.4%	4.0%	4.1%	4.0%
Dallas	4.1%	3.6%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Denver	4.1%	3.8%	4.1%	4.0%	4.4%	4.0%	4.2%	4.0%
Detroit	4.0%	3.5%	4.1%	3.5%	4.3%	4.0%	4.1%	4.0%
Houston	4.0%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Los Angeles	4.2%	3.9%	4.2%	4.0%	4.3%	4.0%	4.1%	4.0%
Miami	4.0%	3.5%	4.1%	3.9%	4.3%	4.0%	4.1%	4.0%
Minneapolis	4.0%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
New York	4.1%	3.5%	4.2%	4.0%	4.3%	4.0%	4.0%	4.0%
Philadelphia	4.0%	3.5%	4.2%	4.0%	4.3%	4.0%	4.0%	4.0%
Phoenix	4.0%	3.5%	4.0%	3.6%	4.4%	4.0%	4.2%	4.0%
Pittsburgh	3.9%	3.5%	4.1%	3.8%	4.3%	4.0%	4.0%	3.8%

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FIGURE 8 **Total Salary Increase Budgets, by Major Metropolitan Area** (continued)

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Portland	4.1%	4.0%	4.1%	4.0%	4.5%	4.0%	4.2%	4.0%
San Diego	4.1%	3.7%	4.1%	4.0%	4.4%	4.0%	4.2%	4.0%
San Francisco	4.3%	4.0%	4.3%	4.0%	4.4%	4.0%	4.2%	4.0%
San Jose	4.1%	4.0%	4.2%	4.0%	4.3%	4.0%	4.2%	4.0%
Seattle	4.2%	4.0%	4.3%	4.0%	4.5%	4.0%	4.2%	4.0%
St. Louis	3.9%	3.5%	4.2%	4.0%	4.3%	4.0%	4.1%	4.0%
Tampa	4.0%	3.5%	4.1%	4.0%	4.4%	4.0%	4.1%	4.0%
Washington, D.C.	4.0%	3.5%	4.1%	4.0%	4.6%	4.0%	4.2%	4.0%

FIGURE 9 **Total Salary Increase Budgets, by Major Industry Grouping**

Summary data are presented this year for all major industries in which data were reported. Detailed information about these industries and additional subindustries can be accessed through the "Online Reporting Tool." See page 6 for details.

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
All Industries	**4.1%**	**3.8%**	**4.1%**	**4.0%**	**4.4%**	**4.0%**	**4.1%**	**4.0%**
Accommodation and Food Services	3.8%	3.2%	3.7%	3.5%	4.2%	4.0%	3.6%	4.0%
Administrative and Support and Waste Management and Remediation Services	3.6%	3.5%	4.1%	4.3%	4.0%	3.8%	3.5%	3.5%
Agriculture, Forestry, Fishing and Hunting	3.7%	3.5%	4.7%	3.8%	5.0%	4.1%	4.4%	4.0%
Arts, Entertainment, and Recreation	3.8%	4.0%	4.3%	4.0%	4.1%	4.0%	4.2%	4.0%
Construction	4.1%	4.0%	4.1%	4.0%	4.4%	4.0%	4.0%	4.0%
Educational Services	3.7%	3.4%	3.7%	3.5%	4.2%	4.0%	3.9%	4.0%
Finance and Insurance	4.1%	4.0%	4.1%	4.0%	4.3%	4.0%	3.9%	4.0%
Health Care and Social Assistance	3.9%	3.2%	3.9%	3.5%	3.9%	3.9%	3.8%	3.5%
Information	4.3%	4.0%	4.4%	4.0%	4.1%	4.0%	4.2%	4.0%
Management of Companies and Enterprises	5.0%	5.0%	3.9%	4.9%	4.4%	4.0%	4.1%	4.0%
Manufacturing	4.0%	3.7%	4.0%	4.0%	4.2%	4.0%	3.9%	4.0%
Mining, Quarrying, and Oil and Gas Extraction	4.3%	4.0%	4.1%	4.0%	4.8%	4.5%	4.2%	4.0%
Professional, Scientific, and Technical Services (includes Consulting)	4.4%	4.0%	4.5%	4.0%	4.9%	4.5%	4.6%	4.0%
Public Administration	4.7%	4.0%	4.7%	4.0%	6.0%	5.6%	5.5%	5.0%
Real Estate and Rental and Leasing	4.4%	4.0%	4.2%	4.0%	4.4%	4.5%	3.9%	4.0%
Retail Trade	3.8%	3.5%	3.8%	3.5%	3.7%	4.0%	3.7%	3.5%

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— Fewer than 5 responses.

FIGURE 9 **Total Salary Increase Budgets, by Major Industry Grouping** (continued)

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Telecommunications	4.0%	3.5%	3.9%	3.5%	3.8%	3.8%	3.6%	3.5%
Transportation and Warehousing	4.2%	3.5%	4.2%	4.0%	4.8%	4.0%	4.2%	4.0%
Utilities	3.9%	3.5%	4.1%	4.0%	4.7%	4.1%	4.2%	4.0%
Wholesale Trade	4.1%	4.0%	3.9%	3.9%	4.1%	4.0%	3.9%	3.5%
Other Services (except Public Administration)	4.3%	4.0%	4.1%	3.8%	4.2%	4.0%	4.1%	4.0%

FIGURE 10 **Total Salary Increase Budgets, by Organization Size**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
Number of Employees	Mean	Median	Mean	Median	Mean	Median	Mean	Median
1-499	4.5%	4.0%	4.4%	4.0%	4.6%	4.0%	4.2%	4.0%
500-2,499	4.2%	4.0%	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%
2,500-9,999	4.1%	3.8%	4.1%	4.0%	4.3%	4.5%	4.0%	4.0%
10,000-19,999	3.9%	3.5%	4.1%	3.7%	4.2%	4.0%	3.9%	4.0%
20,000+	3.8%	3.5%	3.8%	3.5%	4.2%	4.0%	4.0%	4.0%

FIGURE 11 **Total Salary Increase Budgets, by Revenue**

	Actual 2023		Projected 2023		Actual 2023		Projected 2024	
2022 Revenue	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Up to $10 million	4.1%	3.5%	3.9%	3.5%	4.5%	4.0%	4.3%	4.0%
More than $10 million to $30 million	4.5%	4.0%	4.5%	4.0%	4.6%	4.5%	3.8%	4.0%
More than $30 million to $100 million	4.5%	4.0%	4.7%	4.0%	4.3%	4.2%	4.2%	4.0%
More than $100 million to $300 million	4.4%	4.0%	4.5%	4.0%	4.7%	4.5%	4.3%	4.0%
More than $300 million to $600 million	4.1%	3.5%	4.1%	4.0%	4.3%	4.0%	4.1%	4.0%
More than $600 million to $1 billion	4.1%	4.0%	4.2%	4.0%	4.2%	4.0%	4.1%	4.0%
More than $1 billion to $3 billion	4.1%	3.7%	4.1%	4.0%	4.3%	4.0%	4.0%	4.0%
More than $3 billion to $5 billion	4.0%	4.0%	4.2%	4.0%	4.5%	4.0%	4.1%	4.0%
More than $5 billion to $8 billion	3.9%	3.5%	3.7%	3.5%	4.2%	4.0%	4.0%	4.0%
More than $8 billion to $10 billion	3.7%	3.5%	3.7%	3.5%	4.3%	4.0%	3.9%	4.0%
More than $10 billion	3.8%	3.5%	3.9%	3.8%	4.3%	4.0%	4.0%	4.0%

Note: The categories “Up to $10 million” and “More than $10 million to $30 million” were combined in the 2020-2021 Salary Budget Survey and reported as “Up to $30 million”.

FIGURE 12 Impact of Anticipating Pay Adjustments to Remediate Pay Equity Issues on 2023 Salary Budgets *(n=1,917)*

Additional amount budgeted for equity adjustments as part of salary budget but separate from other pay increase budgets	15%
Additional amount budgeted for equity adjustment as part of merit budget	10%
Additional amount budgeted for equity adjustment as part of general increase/COLA increase budget	2%
Additional amount budgeted for equity adjustment as part of other increase budget	14%
Percent of organizations that do NOT budget for pay equity adjustments	**23%**
Organizations not anticipating pay adjustments to remediate pay equity issues	**35%**

FIGURE 12A 2023 Funding When Pay Equity Adjustments Are Not Budgeted *(n=446)*

Pay equity adjustments are paid for out of the merit budget, even though the merit budget is not inflated to cover equity adjustments	26%
Pay equity adjustments are paid for out of the general increase/COLA increase budget, even though the general increase/COLA budget is not inflated to cover equity adjustments	5%
Pay equity adjustments are paid for out of the other increase budget, even though the other increase budget is not inflated to cover equity adjustments	25%
Pay equity adjustments are paid for with savings (e.g., savings realized from vacant positions, hiring at a lower rate than the previous incumbent, downsizing)	44%

FIGURE 12B Impact of Anticipating Pay Adjustments to Remediate Pay Equity Issues on 2024 Salary Budgets *(n=1,893)*

Additional amount budgeted for equity adjustments as part of salary budget but separate from other pay increase budgets	16%
Additional amount budgeted for equity adjustment as part of merit budget	11%
Additional amount budgeted for equity adjustment as part of general increase/COLA increase budget	2%
Additional amount budgeted for equity adjustment as part of other increase budget	19%
Percent of organizations that do NOT budget for pay equity adjustments	**17%**
Organizations not anticipating pay adjustments to remediate pay equity issues	**34%**

FIGURE 12C 2024 Funding When Pay Equity Adjustments Are Not Budgeted *(n=324)*

Pay equity adjustments are paid for out of the merit budget, even though the merit budget is not inflated to cover equity adjustments	24%
Pay equity adjustments are paid for out of the general increase/COLA increase budget, even though the general increase/COLA budget is not inflated to cover equity adjustments	6%
Pay equity adjustments are paid for out of the other increase budget, even though the other increase budget is not inflated to cover equity adjustments	26%
Pay equity adjustments are paid for with savings (e.g., savings realized from vacant positions, hiring at a lower rate than the previous incumbent, downsizing)	44%

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FIGURE 13 **Impact of Promotional Increases on Salary Budgets** *(n=1,912)*

Additional amount budgeted for promotional increases as part of salary budget but separate from other pay increase budgets	22%
Additional amount budgeted for promotional increases as part of **merit** budget	12%
Additional amount budgeted for promotional increases as part of **general increase/COLA increase** budget	2%
Additional amount budgeted for promotional increases as part of **other increase** budget	18%
Percent of organizations that do budget for promotions	**55%**
No budget for promotional increases	45%
Percent of organizations that do NOT budget for promotions	**45%**

FIGURE 13A **Promotional Increase Funding When Promotional Increases Are Not Budgeted** *(n=707)*

Promotional increases are paid for out of the merit budget, even though the merit budget is not inflated to cover promotional increases	25%
Promotional increases are paid for out of the general increase/COLA increase budget, even though the general increase/COLA budget is not inflated to cover promotional increases	6%
Promotional increases are paid for out of the other increase budget, even though the other increase budget is not inflated to cover promotional increases	21%
Promotional increases are paid for with savings (e.g., savings realized from vacant positions, hiring at a lower rate than the previous incumbent, downsizing)	62%

FIGURE 13B **Promotional Increase Budget Practices**

Where are promotional increases budgeted?* (n=1,047)

Separately from other pay increase budgets	40%
As part of the **merit** increase budget	22%
As part of the **other increase** budget	34%
As part of the **general increase/COLA** budget	4%

How are promotional increases paid for/funded if not budgeted?* (n=707)

With vacancy, salary or other savings	62%
Out of **merit** increase budget	25%
Out of **other increase** budget	21%
Out of **general increase/COLA** budget	6%

* Data for companies that do budget for promotions were extracted from Figure 13 and recalculated to show breakdown within those 55% of respondents. NOTE: See Figure 13a for additional detail on data used to create this chart.

* Totals exceed 100% as participants could select multiple responses to this item.

LAYOFFS AND IMPACT ON SALARY BUDGET

FIGURE 14 **Promotional Increases**

	2021		2022		2023	
	Mean	Median	Mean	Median	Mean	Median
Percentage of employees that received promotional increases	9.4%	8.8%	9.8%	8.50%	--	--
	n=1,226		n=1,433			
Percentage of promoted employees' base salary	9.4%	9.8%	9.1%	10%	--	--
	n=1,244		n=1,480			
Planned spending on promotional increases as a percentage of total base salaries	1.8%	1.0%	2.1%	1.0%	2.3%	1.0%
	n=816		n=1,065		n=1,381	

FIGURE 15 **Change in Planned Spending on Promotional Increases**

	More	Similar	Less
Planned spending on promotional increases in 2023 is ... than 2022	9%	79%	11%
Estimated spending on promotional increases in 2024 will be ... than 2023	6%	87%	7%

LAYOFFS AND IMPACT ON SALARY BUDGET

FIGURE 16 **Percent of Organizations Conducted or Planning Layoffs, by Employee Category**

	Percent of Organizations
	Mean
2023	
No layoffs/RIFs in 2023	61%
Layoffs/RIFs not planned, but could occur before end of the 2023	14%
Conducted layoffs/RIFs in 2023	21%
Layoffs/RIFs planned prior to the end of 2023	4%
2024	
No layoffs/RIFs anticipated in 2024	87%
Contingency planning for 2024 layoffs, but probably won't use	9%
Willl have layoffs/RIFs in 2024	2%
Layoffs/RIFs planned for 2024, but will cancel if conditions improve	2%

FIGURE 17 **Impact of Layoffs/RIFs on Salary Increase Budgets** *(n=478)*

	2023	2024
No impact	86%	89%
Lowered salary increase budget	11%	9%
Raised salary increase budget	3%	3%

Note: question was only asked of those organizations who had conducted or expect to conduct layoffs for each year.

MERIT INCREASE AWARDS

FIGURE 18 **Merit Increases Awarded, by Performance Category**

	High Performers		Middle Performers		Low Performers	
	Mean	Median	Mean	Median	Mean	Median
2022						
Percentage of employees rated in this category for 2022	27%	20%	67%	64%	5%	2%
Average merit increase awarded to this 2021 performance category	5.0%	4.9%	3.6%	3.5%	1.2%	1.0%
2023						
Percentage of employees estimated to be rated in this category for 2023	26%	20%	68%	65%	6%	3%
Average merit increase estimated for this 2023 performance category	5.0%	5.0%	3.6%	3.5%	1.1%	1.0%

Note: The mean distribution of the percent of employees in each performance category will total 100% or, as a result of rounding, may be very close. However, by definition, the median value for each category will move depending on the frequency of values in the dataset. Therefore, the median distribution of the percent of employees in each category will not equal 100%.

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FIGURE 19 **Relationship Between the Number of Employees Rated as High Performers and the Size of Merit Increases Awarded to High Performers**

Percent of employees rated as high performers for 2022	2022 Merit Increase Award for High Performers: n	Mean	Median
Up to 10% of employees	173	5.0%	4.7%
11 to 15% of employees	150	5.8%	5.0%
16 to 24% of employees	373	5.2%	5.0%
25 to 29% of employees	162	5.2%	4.6%
30% or more of employees	582	5.2%	4.6%

COMPENSATION PHILOSOPHY

FIGURE 20 **Base Pay Market Comparison Target, by Employee Category**

	10th Percentile	25th Percentile	50th Percentile (median)	60th Percentile	75th Percentile	90th Percentile	Other Percentile	No Formal Compensation Strategy
Nonexempt Hourly Nonunion	0.2%	2.5%	86.2%	5.5%	3.1%	0.3%	1.3%	1.0%
Nonexempt Salaried	0.1%	2.5%	85.7%	4.4%	4.4%	0.1%	1.4%	1.4%
Exempt Salaried	0.0%	2.1%	85.6%	5.7%	3.8%	0.3%	1.6%	0.9%
Officers/ Executives	0.1%	1.8%	78.6%	7.4%	8.3%	0.4%	1.7%	1.7%

FIGURE 20A **Changes in Base Pay Level Targets in Past 12 Months**

	Increased	Stayed about the same	Decreased
Nonexempt Hourly Nonunion	8.9%	90.7%	0.3%
Nonexempt Salaried	6.7%	92.7%	0.6%
Exempt Salaried	7.1%	92.3%	0.7%
Officers/Executives	5.2%	93.9%	0.9%

LUMP-SUM AWARDS (BASE-PAY RELATED)

A lump-sum award is defined as an increase in pay that is made in the form of a single cash payment. Lump-sum awards often are used in one of three circumstances:

- When an employer does not want to increase the employee's base pay due to budget constraints
- When an employee is reaching or exceeding the maximum of his/her salary range
- When an employer is trying to give the employee more buying power at a specific point in time.

FIGURE 21 **Lump-Sum Awards, by Employee Category**

	Percent of Companies Giving Lump-Sum Awards	Percent of Employees Receiving Lump-Sum Awards in 2022	Anticipated Percent of Employees Receiving a Lump-Sum Award in 2023 is … than 2022		
		Mean	Larger	Similar	Smaller
Nonexempt Hourly Nonunion	45%	12%	6%	85%	9%
Nonexempt Salaried	50%	11%	7%	83%	10%
Exempt Salaried	49%	13%	8%	82%	10%
Officers/Executives	34%	21%	4%	89%	7%

An organization's salary structure is a hierarchy of pay ranges with established minimums and maximums. Organizations frequently apply control points (often the midpoint) within each salary range. The collection of those control points determines the pay line. As a general rule, the numbers displayed in Figure 25 refer to the percent increase in the salary structure pay line encompassing all salary range control points.

FIGURE 22 Salary Structure Increases, by Employee Category

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.8%	2.5%	2.8%	3.0%	2.8%	3.0%	2.6%	3.0%
Nonexempt Salaried	2.8%	2.3%	2.7%	2.5%	2.9%	3.0%	2.7%	3.0%
Exempt Salaried	2.7%	2.5%	2.7%	2.5%	2.8%	3.0%	2.6%	3.0%
Officers/Executives	2.5%	2.2%	2.6%	2.5%	2.6%	3.0%	2.5%	3.0%
All	2.7%	2.5%	2.7%	2.5%	2.8%	3.0%	2.6%	3.0%

FIGURE 22A Actual 2023 Salary Structure Increase Data, Most Common Responses

	"Nonexempt Hourly Nonunion Mean: 2.8%"	"Nonexempt Salaried Mean: 2.9%"	"Exempt Salaried Mean: 2.8%"	"Officers/Executives Mean: 2.6%"
3.0% increase	14%	24%	24%	23%
2.5% increase	4%	10%	8%	8%
2.0% increase	7%	10%	12%	12%
0.0% increase	9%	14%	17%	22%

FIGURE 22B Projected 2024 Salary Structure Increase Data, Most Common Responses

	"Nonexempt Hourly Nonunion Mean: 2.6%"	"Nonexempt Salaried Mean: 2.7%"	"Exempt Salaried Mean: 2.6%"	"Officers/Executives Mean: 2.5%"
3.0% increase	32%	30%	31%	30%
2.5% increase	7%	11%	8%	7%
2.0% increase	23%	21%	23%	22%
0.0% increase	10%	8%	11%	15%

FIGURE 23 **Organizations Reporting No Salary Structure Increase (0%), by Employee Category**

	Actual 2022		Actual 2023		Projected 2024	
	%	n	%	n	%	n
Nonexempt Hourly Nonunion	13%	141	16%	189	10%	110
Nonexempt Salaried	11%	60	14%	75	8%	41
Exempt Salaried	13%	177	17%	244	11%	149
Officers/Executives	19%	204	22%	247	15%	154

FIGURE 24 **Number of Months Since Last Increase if No Increase Was Reported (0% or Blank) and Most Common Responses**

				Frequency of Responses			
	n	Mean	Median	12 months	18 months	24 months	36 months
Nonexempt Hourly Nonunion	598	13.6	12.0	53%	4%	9%	2%
Nonexempt Salaried	285	14.0	12.0	61%	4%	9%	1%
Exempt Salaried	728	14.1	12.0	44%	5%	17%	7%
Officers/Executives	575	13.9	12.0	54%	4%	11%	3%

FIGURE 25 Salary Structure Trends

	Nonexempt Hourly Nonunion	Nonexempt Salaried	Exempt Salaried	Officers/Executives
1994	—	2.4%	2.5%	2.5%
1995	—	2.3%	2.4%	2.4%
1996	2.7%	2.8%	2.9%	3.0%
1997	2.5%	2.5%	2.7%	2.6%
1998	2.6%	2.7%	2.9%	2.7%
1999	2.6%	2.7%	2.9%	2.7%
2000	2.8%	2.8%	3.0%	2.9%
2001	3.0%	3.1%	3.2%	3.0%
2002	2.3%	2.4%	2.5%	2.4%
2003	2.0%	2.3%	2.1%	2.2%
2004	1.9%	2.0%	2.0%	2.0%
2005	2.1%	2.2%	2.2%	2.2%
2006	2.5%	2.6%	2.6%	2.7%
2007	2.5%	2.6%	2.6%	2.6%
2008	2.5%	2.5%	2.5%	2.6%
2009	1.5%	1.5%	1.5%	1.4%
2010	1.1%	1.3%	1.2%	1.2%
2011	1.4%	1.5%	1.5%	1.4%
2012	1.7%	2.1%	1.7%	1.7%
2013	1.8%	1.9%	1.9%	1.9%
2014	1.9%	1.9%	1.9%	1.9%
2015	1.8%	2.0%	2.0%	1.9%
2016	1.9%	1.9%	2.0%	2.0%
2017	2.0%	2.0%	2.0%	2.1%
2018	2.0%	2.1%	2.1%	2.0%
2019	2.1%	2.1%	2.2%	2.2%
2020	1.9%	1.9%	1.9%	1.9%
2021	1.7%	1.7%	1.7%	1.6%
2022	2.8%	2.8%	2.7%	2.5%
2023	2.8%	2.9%	2.8%	2.6%
2024 Projected	2.6%	2.7%	2.6%	2.5%

FIGURE 26 **Salary Structure Increases, by Region and Employee Category**

	Central				Eastern			
	Actual 2023		Projected 2024		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.8%	3.0%	2.6%	3.0%	2.8%	3.0%	2.6%	3.0%
Nonexempt Salaried	2.9%	3.0%	2.7%	3.0%	2.9%	3.0%	2.7%	3.0%
Exempt Salaried	2.8%	3.0%	2.6%	3.0%	2.8%	3.0%	2.6%	3.0%
Officers/Executives	2.6%	2.8%	2.5%	2.5%	2.5%	2.9%	2.5%	3.0%
All	2.7%	3.0%	2.6%	3.0%	2.7%	3.0%	2.6%	3.0%

	Southern				Western			
	Actual 2023		Projected 2024		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.9%	3.0%	2.6%	3.0%	2.9%	3.0%	2.7%	3.0%
Nonexempt Salaried	2.9%	3.0%	2.8%	3.0%	3.0%	3.0%	2.8%	3.0%
Exempt Salaried	2.9%	3.0%	2.6%	3.0%	2.9%	3.0%	2.7%	3.0%
Officers/Executives	2.7%	3.0%	2.5%	3.0%	2.6%	3.0%	2.5%	3.0%
All	2.9%	3.0%	2.6%	3.0%	2.9%	3.0%	2.6%	3.0%

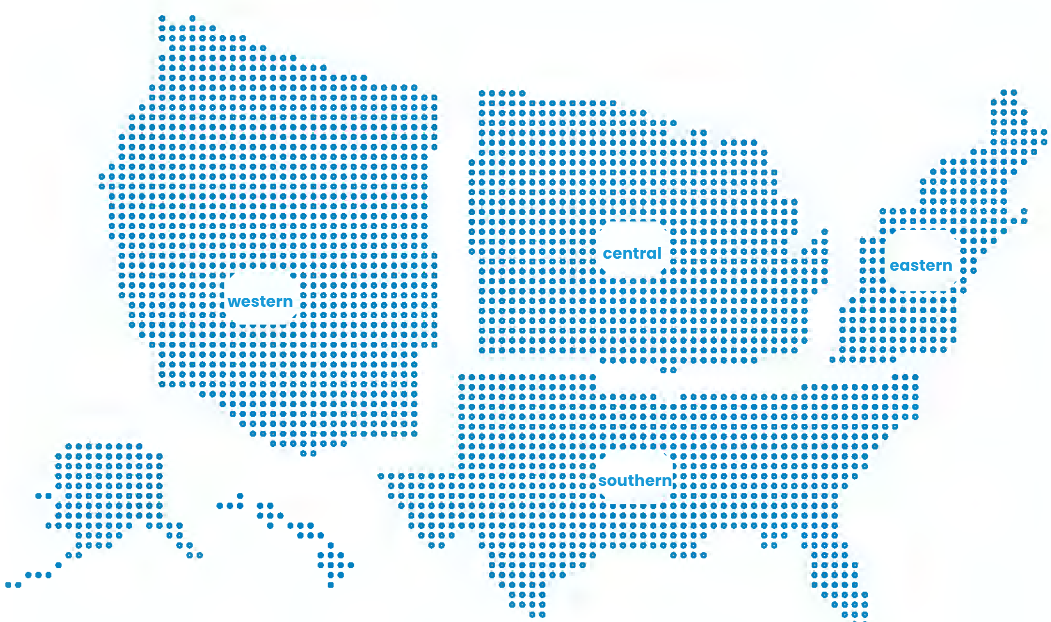


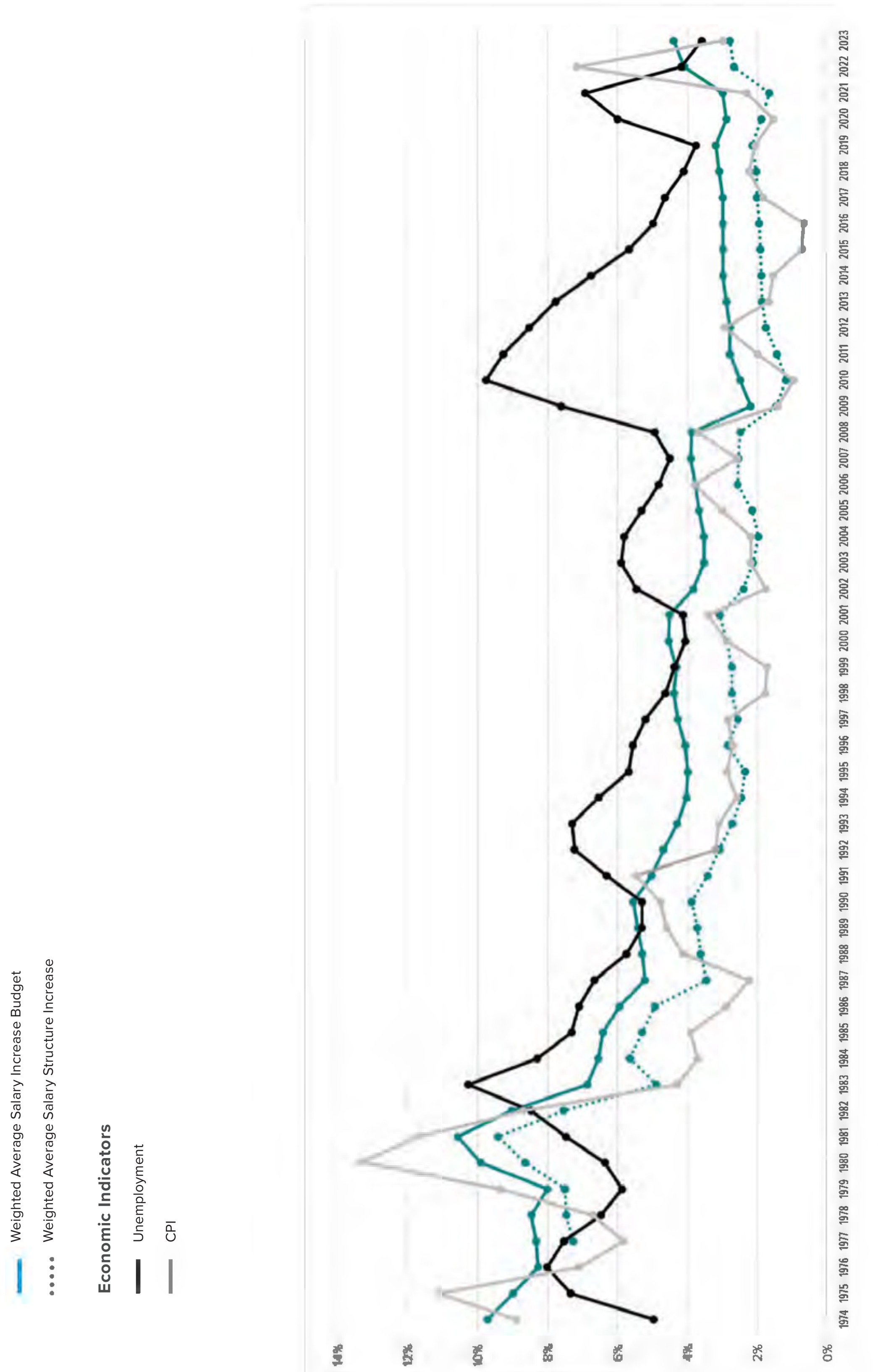
FIGURE 27 **50-Year Perspective: Salary Budget and Structure Increases**

	Weighted Average Salary Increase Budget	Weighted Average Salary Structure Increase	Unemployment	CPI
1974	9.7%		5.0%	8.9%
1975	9.0%		7.3%	11.1%
1976	8.3%		8.0%	7.1%
1977	8.3%	7.3%	7.5%	5.8%
1978	8.5%	7.5%	6.5%	6.7%
1979	8.0%	7.5%	5.9%	9.4%
1980	9.9%	8.6%	6.4%	13.3%
1981	10.6%	9.4%	7.5%	11.6%
1982	9.0%	7.5%	8.5%	8.7%
1983	6.9%	4.9%	10.3%	4.3%
1984	6.6%	5.6%	8.3%	3.7%
1985	6.4%	5.3%	7.3%	3.9%
1986	5.9%	4.9%	7.1%	2.9%
1987	5.2%	3.5%	6.7%	2.2%
1988	5.3%	3.6%	5.8%	4.1%
1989	5.4%	3.7%	5.3%	4.6%
1990	5.6%	3.9%	5.3%	4.8%
1991	5.0%	3.4%	6.3%	5.5%
1992	4.7%	3.1%	7.2%	3.2%
1993	4.3%	2.7%	7.3%	3.1%
1994	4.0%	2.5%	6.6%	2.6%
1995	4.0%	2.4%	5.7%	2.9%
1996	4.1%	2.9%	5.6%	2.7%
1997	4.3%	2.6%	5.2%	2.9%
1998	4.4%	2.7%	4.6%	1.8%
1999	4.3%	2.7%	4.4%	1.7%
2000	4.5%	2.9%	4.1%	2.9%
2001	4.5%	3.1%	4.1%	3.4%
2002	3.8%	2.4%	5.5%	1.8%
2003	3.5%	2.1%	5.9%	2.2%
2004	3.5%	2.0%	5.8%	2.2%
2005	3.7%	2.2%	5.3%	3.0%
2006	3.8%	2.6%	4.8%	3.8%
2007	3.9%	2.6%	4.5%	2.6%

	Weighted Average Salary Increase Budget	Weighted Average Salary Structure Increase	Unemployment	CPI
2008	3.9%	2.5%	5.0%	3.7%
2009	2.2%	1.5%	7.6%	1.4%
2010	2.5%	1.2%	9.8%	1.0%
2011	2.8%	1.4%	9.3%	2.0%
2012	2.8%	1.8%	8.5%	3.0%
2013	2.9%	1.9%	7.8%	1.7%
2014	3.0%	1.9%	6.8%	1.6%
2015	3.0%	1.9%	5.7%	0.7%
2016	3.0%	2.0%	5.0%	0.7%
2017	3.0%	2.0%	4.7%	1.8%
2018	3.1%	2.0%	4.1%	2.3%
2019	3.2%	2.2%	3.8%	2.1%
2020	2.9%	1.9%	6.0%	1.6%
2021	3.0%	1.7%	6.9%	2.3%
2022	4.1%	2.7%	4.2%	7.2%
2023	4.4%	2.8%	3.6%	3.0%

Note: U.S. CPI as reported by U.S. Bureau of Labor Statistics (BLS) for all urban consumers averaged across the preceding 12 months ending in June each year. Average U.S. unemployment rate as reported by BLS for labor force 16 years and over averaged across the preceding 12 months ending in June each year. (www.bls.gov.)

FIGURE 27 **50-Year Perspective: Salary Budget and Structure Increases** *(continued)*



Variable pay is the percentage of payroll established by management to grant to employees for performance-based, lump-sum, short-term cash awards during the year. Included in this calculation are payments provided under a formal plan, such as organizationwide awards, unit/strategic business unit (SBU) awards and/or individual incentive awards. (Specific salesforce incentive awards and cash awards for recognition are excluded from the variable pay data.)

FIGURE 28 Use of Variable Pay

Percent of organizations ...	2021	2022	2023
Using variable pay	85%	85%	85%
Not using variable pay	15%	16%	15%

FIGURE 29 Types of Variable Pay Programs

Combination awards based on both organization/unit success and individual performance	66%
Organizationwide awards	30%
Individual incentive awards	21%
Unit/strategic business unit awards	14%

FIGURE 30 Impact of Variable Pay on Base Salary Budget Recommendations

	Nonexempt Hourly Nonunion	Nonexempt Salaried	Exempt Salaried	Officers/Executives
No impact	77%	74%	70%	68%
Some impact	22%	24%	27%	25%
Significant impact	2%	2%	3%	6%

FIGURE 31 **Variable Pay Programs, 2022-2024**

National	Nonexempt Hourly Nonunion		Nonexempt Salaried		Exempt Salaried		Officers/Executives	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	6.1%	5.0%	6.9%	5.0%	13.3%	12.5%	38.0%	37.0%
Average percent paid	6.2%	5.0%	7.6%	5.3%	14.3%	12.0%	40.8%	35.3%
Percent of employees eligible in 2022 for variable pay	88%	100%	86%	100%	83%	100%	93%	100%
Percent of eligible employees actually paid variable pay for 2022	84%	99%	83%	100%	82%	99%	90%	100%
2023								
Average percent budgeted	6.0%	5.0%	6.9%	5.0%	13.2%	12.5%	37.5%	37.2%
Projected percent paid	6.1%	5.0%	7.3%	5.0%	14.6%	12.0%	40.1%	36.0%
2024								
Projected percent budgeted	6.0%	5.0%	6.8%	5.0%	13.2%	12.5%	37.4%	36.2%

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FIGURE 32 **2022-2024 Variable Pay Programs, by Region**

Central	Nonexempt Hourly Nonunion Mean	Nonexempt Hourly Nonunion Median	Nonexempt Salaried Mean	Nonexempt Salaried Median	Exempt Salaried Mean	Exempt Salaried Median	Officers/ Executives Mean	Officers/ Executives Median
2022								
Average percent budgeted	6.2%	5.0%	6.5%	5.0%	13.3%	12.5%	40.2%	40.0%
Average percent paid	6.0%	5.0%	7.6%	5.3%	14.6%	12.0%	43.2%	
Percent of employees eligible in 2022 for variable pay	87%	100%	86%	100%	83%	100%	93%	100%
Percent of eligible employees actually paid variable pay for 2022	84%	99%	83%	100%	82%	99%	89%	100%
2023								
Average percent budgeted	6.2%	5.0%	6.6%	5.0%	13.3%	12.9%	39.9%	40.0%
Projected percent paid	6.2%	5.0%	7.5%	5.0%	15.2%	12.5%	42.9%	40.0%
2024								
Projected percent budgeted	6.2%	5.0%	6.5%	5.0%	13.2%	12.5%	39.3%	40.0%

Eastern	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	6.1%	5.0%	6.7%	5.0%	13.7%	13.0%	39.7%	40.0%
Average percent paid	5.9%	5.0%	7.3%	5.5%	14.5%	12.5%	43.0%	38.9%
Percent of employees eligible in 2022 for variable pay	87%	100%	85%	100%	82%	100%	93%	100%
Percent of eligible employees actually paid variable pay for 2022	83%	99%	82%	99%	82%	98%	90%	100%
2023								
Average percent budgeted	6.1%	5.0%	6.8%	5.0%	13.7%	13.0%	39.5%	40.0%
Projected percent paid	6.0%	5.0%	7.2%	5.0%	14.8%	13.0%	41.9%	40.0%
2024								
Projected percent budgeted	6.1%	5.0%	6.7%	5.0%	13.6%	13.0%	39.4%	40.0%

(Continued on page 51)

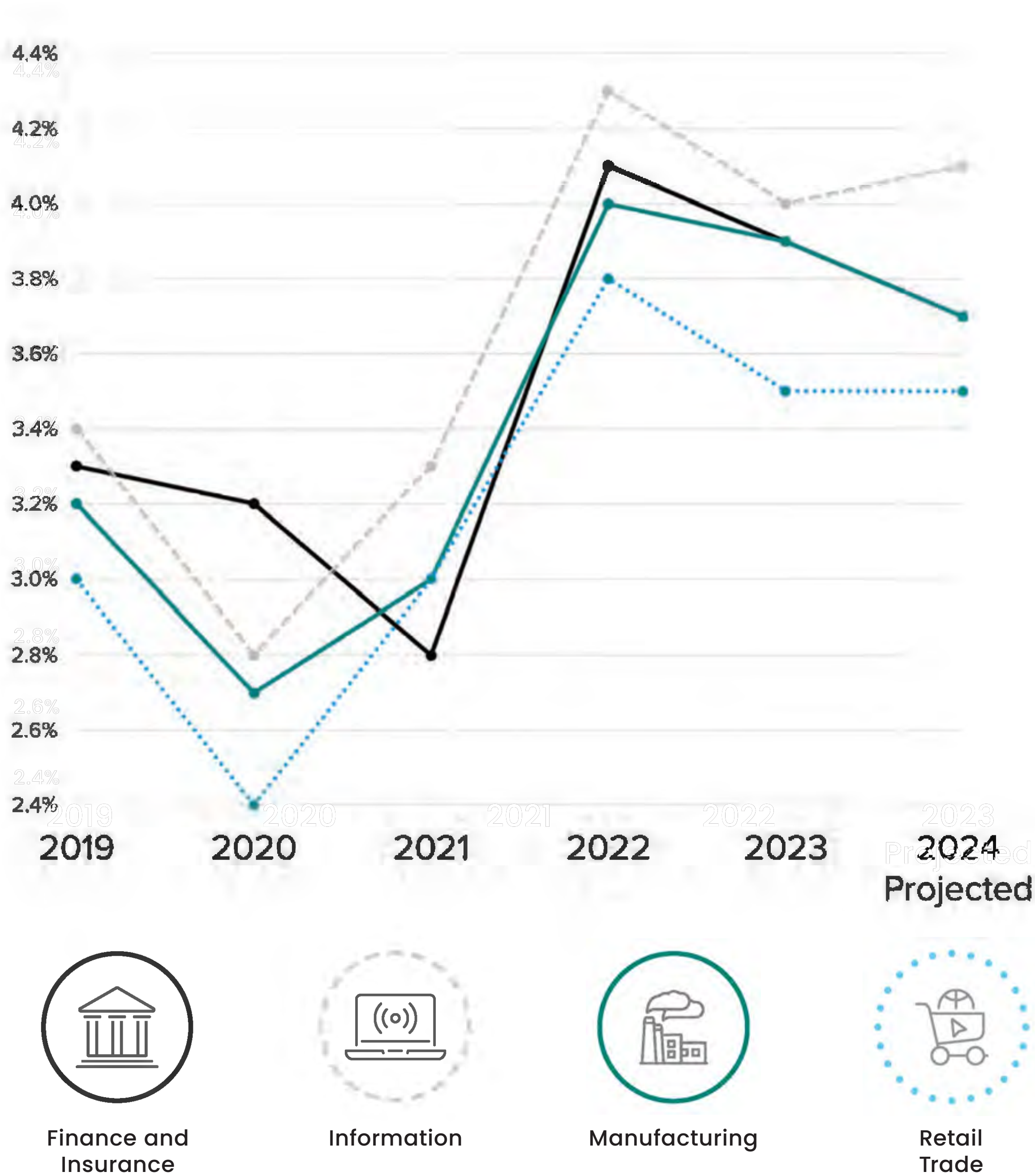
FIGURE 32 **2022-2024 Variable Pay Programs, by Region** *(continued)*

Southern	Nonexempt Hourly Nonunion		Nonexempt Salaried		Exempt Salaried		Officers/ Executives	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	6.4%	5.0%	7.0%	5.0%	14.0%	13.0%	41.9%	40.0%
Average percent paid	6.3%	5.0%	7.5%	5.4%	14.9%	12.5%	43.8%	40.0%
Percent of employees eligible in 2022 for variable pay	87%	100%	84%	100%	81%	100%	92%	100%
Percent of eligible employees actually paid variable pay for 2022	82%	99%	81%	99%	81%	98%	89%	100%
2023								
Average percent budgeted	6.2%	5.0%	7.1%	5.0%	13.8%	13.0%	41.0%	40.0%
Projected percent paid	6.3%	5.0%	7.5%	5.0%	14.9%	13.0%	43.8%	40.0%
2024								
Projected percent budgeted	6.2%	5.0%	6.9%	5.0%	13.9%	14.0%	40.8%	40.0%

Western	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	6.3%	5.0%	7.0%	5.0%	13.6%	13.0%	40.3%	40.0%
Average percent paid	6.0%	5.0%	7.8%	5.5%	14.0%	12.0%	43.2%	39.0%
Percent of employees eligible in 2022 for variable pay	88%	100%	85%	100%	82%	100%	93%	100%
Percent of eligible employees actually paid variable pay for 2022	85%	99%	83%	99%	82%	98%	90%	100%
2023								
Average percent budgeted	6.2%	5.0%	7.1%	5.0%	13.6%	13.0%	40.2%	40.0%
Projected percent paid	6.1%	5.0%	7.4%	5.2%	14.2%	12.0%	42.1%	40.0%
2024								
Projected percent budgeted	6.2%	5.0%	6.9%	5.0%	13.6%	13.0%	40.1%	40.0%

CANADA
Executive Summary

Canadian Trends in Salary Increase Budgets Vary by



Canada

The average Canadian total salary increase budget is 4.0% in 2023 (median: 4.0%), a modest rise from the 3.7% increase budget reported in 2022 and the projected 2023 budget (3.8%). Like participants from most countries in this year's study, Canadian participants expect that 2024 salary increase budgets will be very similar to those seen in 2022, in this case, a projected 3.8%, with a corresponding median of 3.8%.

Both general and cost of living adjustment (COLA) increase budgets and merit increase budgets are expected to drop 0.2 percentage points in 2024, to a respective 2.3% and 3.5%, while other increase budgets are expected to remain unchanged at 1%. (See Figure C1 on page 55.)

Canadian data shows little difference in average salary increase budget among employee groups in 2023. Although nonmanagement hourly nonunion workers and officers/executives have the lowest average increase budget at 3.9% in 2023, their budgets were only slightly below the 4.0% of non-management salaried workers or the 4.1% for management-salaried workers. (See figure C2 on page 55.)

Economic Influences

According to Statistics Canada's Consumer Price Index, inflation in Canada peaked at 8.1% for the 12-month period ending June 2022. By June of 2023, inflation had dropped to 2.8%. In June of 2023, Canadian employment increased by 60,000 (+0.3%), driven by gains in full-time work (+110,000; +0.7%). At the same time, the unemployment rate rose to 5.4% (+0.2 percentage points), as more people searched for work, a level somewhat higher than the record-low unemployment rate of 4.9% reported in June of 2022. Average hourly wages rose 4.2% (+$1.32 to $33.12) on a year-over-year basis in June of 2023.

Regional Data

All Canadian provinces and territories experienced growth in average salary increase budgets in 2023, most on the order of 0.4 percentage points greater than 2022. Nunavut showed the greatest increase, growing by 0.8 points in 2023, following a steady increase trend from 2021 to 2022. In contrast to strong growth in 2022, Prince Edward Island showed only a small increase of 0.2 percentage points in 2023. Overall, 2023 salary increase budgets for all provinces and territories showed moderate growth from 2022 levels. (See Figure C6 on page 58.)

Similarly, major metropolitan areas reported around a 0.2 percentage point upward movement in average salary increase budgets for 2023, with Edmonton (up 0.5 percentage points to 4.1%) and Winnipeg (up 0.4 percentage points to 4.0%) experiencing the greatest growth and Vancouver reporting no change in average salary increase budget from 2022 to 2023. Consistent with global trends, Canadian cities are anticipating that 2024 average salary increase budgets will be similar to 2022 levels, although medians for 2024 are expected to be higher than those reported for 2022. (See Figure C7 on page 58.)

Industry Data

Average salary increase budgets for Canadian industries vary rather broadly around the national average salary increase budget in 2023, ranging from 3.4% to 5.1% this year and remaining varied in 2024 with a range of 3.2% to 4.5%.

Public Administration had the highest average salary increase budget in 2023 of 5.1% (median 5%) but the industry anticipates that 2024 average increase budget will drop to 3.8%. Of industries with robust sample sizes, Health Care and Social Assistance had the highest salary increase budgets in 2023 at 4.7% and expects to slightly decline to 4.5% in 2024. Retail trade and educational services report the smallest average increase budgets in 2023, at 3.4% with no change in average salary increase budget predicted for either industry in 2024. (See Figure C8 on page 59.)

Salary Structure Adjustments

Salary structure adjustments across all employee categories averaged 2.7% (median: 3.0%) in 2023, little different from 2022, while the *median* increase in salary structure grew from 2.0% in 2022 to 2.8% in 2023. Organizations are projecting that increases in salary structures will be about the same next year, with average and median structure increases expected to be 2.6% (2.7% median) in 2024. Slightly more Canadian organizations reported making no increase in salary structures in 2023 than in 2022, with 19% reporting no structure increases for nonmanagement hourly workers in 2023, up from 12% in 2022. (See Figures C19, C19A and C19B on page 64.)

Promotional Increases

Organizations reported that 9.3% of employees received a promotional increase in 2022 with an 9.5% average increase in base pay for promoted employees, a slight increase in both the size of promotional increases and the portion of employees receiving them over the prior year. Organizations are budgeting 2.3% (as a percentage of total base salaries) for promotional increases in 2023. Ten percent of organizations planned to spend less on promotional increases in 2023 as compared to 2022, and 89% of organizations estimate that 2024 promotional spending will be similar to spending in 2023. (See Figures C12 and C13 on page 61)

Variable Pay

In this year's survey, 90.5% of Canadian participants report that their organization uses variable pay, a proportion largely unchanged since 2021 when we first collected this data for Canada. Of those organizations, 72% award variable pay based on a combination of organization/unit success and individual performance. Depending on employee category, 83% to 86% of employees received variable pay in 2022, somewhat fewer than those who did so in 2021. (See Figures C22-C25 on pages 68-69.)

In 2022, the average percentage who received variable pay exceeded the budgets for variable pay programs among all employee groups in organizations realizing payouts, with shortfalls ranging from 1.2% to 4.2% based on employee group, whereas Nonmanagement hourly nonunion employees experienced a 0.2% surplus. Organizations anticipate that payouts in 2023 will be close to or on-budget, with the exception for executives/officers, which are expected to exceed budget by around 5%. (See Figure C25 on page 69.)

FIGURE C1 **Salary Increase Budgets, by Type of Increase**

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
General Increase/COLA	1.5%	1.7%	1.9%	2.0%	2.2%	2.8%	2.5%	3.0%	2.3%	3.0%
Merit Increase	2.4%	2.6%	3.3%	3.0%	3.4%	3.0%	3.7%	3.6%	3.5%	3.5%
Other Increase	0.9%	0.5%	1.2%	1.0%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Increase	2.7%	3.0%	3.7%	3.2%	3.8%	3.5%	4.0%	4.0%	3.8%	3.8%

Note: "General Increase/COLA," "Merit" and "Other" do not add to the "Total Increase" because not every organization provides all three types of increase. The n's represent the number of responses for each type of increase, which may include multiple responses if each respondent reports for more than one employee category for that type of increase.

*2023 study sample size is 621

FIGURE C2 **Total Salary Increase Budgets, by Employee Category**

Salary Increase Budgets (zeros included)

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.7%	3.0%	3.6%	3.1%	3.7%	3.5%	3.9%	4.0%	3.7%	3.5%
Nonexempt Salaried	2.7%	3.0%	3.8%	3.2%	3.8%	3.5%	4.0%	4.0%	3.9%	4.0%
Exempt Salaried	2.8%	3.0%	3.8%	3.4%	3.8%	3.5%	4.1%	4.0%	3.9%	4.0%
Officers/Executives	2.6%	3.0%	3.7%	3.2%	3.9%	3.5%	3.9%	4.0%	3.7%	3.6%
All	2.7%	3.0%	3.7%	3.2%	3.8%	3.5%	4.0%	4.0%	3.8%	3.8%

Salary Increase Budgets (zeros not included)

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.9%	3.0%	3.7%	3.1%	3.7%	3.5%	4.0%	4.0%	3.8%	3.8%
Nonexempt Salaried	2.9%	3.0%	3.8%	3.2%	3.8%	3.5%	4.1%	4.0%	3.9%	4.0%
Exempt Salaried	2.9%	3.0%	3.8%	3.4%	3.9%	3.5%	4.1%	4.0%	3.9%	4.0%
Officers/Executives	2.9%	3.0%	3.8%	3.2%	4.0%	3.5%	4.1%	4.0%	3.8%	3.8%
All	2.9%	3.0%	3.8%	3.3%	3.8%	3.5%	4.1%	4.0%	3.8%	4.0%

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FIGURE C3 **Number of Months Between Increases**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly Nonunion	11.7	12.0	11.8	12.0	12.0%	12.0%	11.8%	12.0%
Nonmanagement Salaried	12.3	12.0	12.2	12.0	11.9%	12.0%	11.9%	12.0%
Management Salaried	12.2	12.0	12.1	12.0	11.8%	12.0%	11.9%	12.0%
Officers/Executives	13.1	12.0	12.9	12.0	11.9%	12.0%	12.0%	12.0%
All	12.3	12.0	12.2	12.0	12.1%	12.0%	11.9%	12.0%

FIGURE C3A **Additional or Off-Cycle Base Pay Increase**

	Yes	No, we did not consider it	No, we considered it but decided not to
Nonmanagement Hourly Nonunion	15.5%	77.1%	7.4%
Nonmanagement Salaried	16.6%	76.2%	7.1%
Management Salaried	15.7%	77.3%	7.0%
Officers/Executives	9.0%	83.4%	7.6%

FIGURE C4 **Distribution of Total Salary Increase Budget Responses, Actual 2022 vs. Actual 2023**

	Zero (0%)		0.1%-1.9%		2.0%-2.9%		3.0%-4.0%		4.1%-6.9%		7.0%+	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Nonmanagement Hourly Nonunion	1%	2%	3%	1%	13%	6%	62%	61%	18%	26%	3%	2%
Nonmanagement Salaried	1%	2%	2%	1%	14%	5%	60%	60%	21%	28%	3%	4%
Management Salaried	1%	1%	1%	0%	13%	5%	61%	60%	22%	29%	3%	4%
Officers/Executives	2%	5%	2%	1%	13%	5%	57%	54%	22%	32%	4%	3%

FIGURE C5 **Salary Increase Budget Trends**

	Nonmanagement Hourly Nonunion	Nonmanagement Salaried	Management Salaried	Officers/Executives
1988	—	5.4%	5.8%	6.0%
1989	—	5.8%	5.9%	6.0%
1990	—	6.2%	6.3%	6.4%
1991	—	5.5%	5.5%	5.5%
1992	—	3.7%	3.6%	3.3%
1993	—	2.5%	2.4%	2.3%
1994	—	2.1%	2.1%	2.1%
1995	—	2.4%	2.3%	2.5%
1996	2.7%	3.0%	3.0%	3.3%
1997	2.8%	3.0%	3.0%	3.3%
1998	3.3%	3.7%	3.9%	4.1%
1999	3.1%	3.6%	3.7%	3.6%
2000	3.5%	3.8%	3.9%	4.1%
2001	3.5%	4.1%	4.2%	4.4%
2002	3.2%	3.5%	3.6%	3.8%
2003	3.2%	3.5%	3.5%	4.0%
2004	3.2%	3.4%	3.4%	3.7%
2005	3.4%	3.5%	3.4%	3.5%
2006	3.7%	3.8%	3.8%	4.0%
2007	3.6%	4.0%	4.0%	4.1%
2008	3.8%	3.8%	3.9%	3.9%
2009	2.5%	2.5%	2.4%	2.2%
2010	2.5%	2.6%	2.7%	2.6%
2011	2.9%	3.1%	3.0%	2.9%
2012	3.0%	3.0%	3.0%	3.0%
2013	2.9%	2.9%	3.0%	2.9%
2014	2.8%	3.0%	3.0%	3.0%
2015	2.8%	2.8%	2.8%	2.7%
2016	2.6%	2.7%	2.7%	2.6%
2017	2.7%	2.8%	2.8%	2.8%
2018	2.8%	2.9%	2.9%	2.9%
2019	2.9%	3.0%	3.0%	2.9%
2020	2.6%	2.6%	2.6%	2.5%
2021	2.7%	2.7%	2.8%	2.6%
2022	3.6%	3.8%	3.8%	3.7%
2023	3.9%	4.0%	4.1%	3.9%
2024 projected	3.7%	3.9%	3.9%	3.8%

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FIGURE C6 **Total Salary Increase Budgets, by Province**

INDIA

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**3.7%**	**3.5%**	**3.8%**	**3.5%**	**4.0%**	**4.0%**	**3.8%**	**3.8%**
Alberta	3.6%	3.0%	3.5%	3.2%	4.0%	4.0%	3.7%	3.5%
British Columbia	3.7%	3.0%	3.6%	3.2%	4.0%	4.0%	3.8%	3.5%
Manitoba	3.5%	3.0%	3.5%	3.1%	4.0%	4.0%	3.7%	3.5%
New Brunswick	3.5%	3.0%	3.6%	3.2%	3.9%	4.0%	3.7%	3.5%
Newfoundland	3.5%	3.0%	3.6%	3.2%	3.8%	3.9%	3.6%	3.5%
Northwest Terroritories	3.3%	3.0%	3.3%	3.0%	3.9%	4.0%	3.6%	3.5%
Nova Scotia	3.6%	3.0%	3.6%	3.0%	3.8%	3.9%	3.5%	3.5%
Nunavut	3.1%	3.0%	3.3%	3.0%	3.9%	4.0%	3.6%	3.5%
Ontario	3.7%	3.2%	3.8%	3.5%	4.0%	4.0%	3.8%	4.0%
Prince Edward Island	3.6%	3.0%	3.7%	3.1%	3.8%	3.5%	3.6%	3.5%
Quebec	3.6%	3.0%	3.8%	3.5%	3.9%	4.0%	3.7%	3.5%
Saskathewan	3.5%	3.0%	3.6%	3.3%	4.0%	4.0%	3.7%	3.5%
Yukon	3.3%	3.0%	3.3%	3.0%	3.8%	3.8%	3.6%	3.0%

FIGURE C7 **Total Salary Increase Budgets, by Major Metropolitan Area**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**3.7%**	**3.5%**	**3.8%**	**3.5%**	**4.0%**	**4.0%**	**3.8%**	**3.8%**
Calgary	3.7%	3.3%	3.5%	3.3%	4.0%	4.0%	3.7%	3.5%
Edmonton	3.6%	3.1%	3.6%	3.3%	4.1%	4.0%	3.7%	3.5%
Hamilton	3.7%	3.1%	3.6%	3.3%	3.8%	4.0%	3.6%	3.5%
Montreal	3.7%	3.0%	3.9%	3.5%	4.0%	4.0%	3.8%	3.5%
Ottawa	3.6%	3.0%	3.7%	3.3%	3.9%	4.0%	3.7%	3.5%
Quebec	3.7%	3.0%	3.8%	3.3%	3.9%	4.0%	3.6%	3.5%
Toronto	3.8%	3.3%	3.9%	3.5%	4.0%	4.0%	3.9%	4.0%
Vancouver	4.0%	3.3%	3.7%	3.5%	4.0%	4.0%	3.8%	3.5%
Winnipeg	3.6%	3.1%	3.6%	3.3%	4.0%	4.0%	3.8%	3.5%

FIGURE C8 **Total Salary Increase Budgets, by Major Industry Grouping**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
All Industries	**3.7%**	**3.2%**	**3.8%**	**3.5%**	**4.0%**	**4.0%**	**3.8%**	**3.8%**
Accommodation and Food Services	--	--	--	--	3.8%	3.0%	3.0%	3.5%
Administrative and Support and Waste Management and Remediation Services	--	--	--	--	3.8%	3.8%	3.3%	3.5%
Agriculture, Forestry, Fishing and Hunting	5.1%	3.0%	3.1%	3.0%	3.7%	3.8%	3.6%	3.5%
Arts, Entertainment and Recreation	3.3%	3.1%	3.6%	3.5%	4.2%	4.3%	3.9%	3.2%
Construction	3.6%	3.5%	3.7%	3.7%	4.4%	4.5%	4.0%	4.0%
Educational Services	4.0%	3.3%	5.1%	5.0%	3.2%	3.5%	3.3%	3.3%
Finance and Insurance	3.9%	3.4%	4.2%	3.5%	3.9%	3.8%	3.7%	3.5%
Health Care and Social Assistance	2.8%	3.0%	2.8%	2.5%	4.8%	4.0%	4.5%	4.0%
Information	3.9%	4.0%	4.3%	4.1%	4.0%	4.0%	4.1%	4.0%
Management of Companies and Enterprises	--	--	--	--	--	--	--	--
Manufacturing	3.7%	3.2%	3.7%	3.5%	3.9%	4.0%	3.7%	3.8%
Mining, Quarrying, and Oil and Gas Extraction	3.2%	3.1%	3.2%	3.0%	4.4%	4.0%	3.7%	4.0%
Professional, Scientific, and Technical Services (includes Consulting)	4.2%	3.7%	4.1%	3.7%	4.1%	4.0%	4.1%	4.0%
Public Administration	--	--	--	--	5.5%	5.9%	3.8%	3.5%
Real Estate and Rental and Leasing	2.8%	3.0%	2.8%	3.0%	4.6%	4.5%	4.3%	4.3%
Retail Trade	3.0%	3.0%	3.2%	3.0%	3.5%	3.5%	3.5%	3.0%
Telecommunications	4.7%	5.0%	4.9%	5.0%	3.6%	3.8%	3.4%	3.8%
Transportation and Warehousing	4.1%	3.5%	4.3%	3.1%	4.1%	3.5%	4.2%	3.5%
Utilities	3.2%	3.0%	3.3%	3.0%	4.5%	4.0%	3.6%	3.5%
Wholesale Trade	3.3%	3.0%	3.2%	3.0%	3.7%	4.0%	3.7%	3.5%
Other Services (except Public Administration)	4.2%	3.0%	4.1%	4.0%	3.6%	4.0%	3.3%	4.0%

— Fewer than 5 responses.

FIGURE C9 **Total Salary Increase Budgets, by Organization Size**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
Number of Employees	Mean	Median	Mean	Median	Mean	Median	Mean	Median
1-499	4.6%	3.7%	4.7%	4.5%	4.1%	4.0%	4.0%	4.0%
500-2,499	3.9%	3.3%	4.0%	3.5%	4.1%	4.0%	3.9%	4.0%
2,500-9,999	3.7%	3.5%	3.7%	3.6%	3.9%	4.0%	3.7%	3.5%
10,000-19,999	3.7%	3.2%	3.9%	3.5%	3.9%	3.8%	3.8%	4.0%
20,000+	3.4%	3.0%	3.5%	3.2%	4.0%	4.0%	3.9%	3.8%

FIGURE C11 **Total Salary Increase Budgets, by Revenue**

2022 Revenue	Actual 2023		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Up to $10 million	4.8%	5.0%	4.7%	5.0%	4.1%	3.7%	3.8%	3.5%
More than $10 million to $30 million	4.4%	3.2%	3.9%	3.2%	4.2%	4.0%	4.2%	4.0%
More than $30 million to $100 million	4.2%	3.0%	4.8%	5.0%	3.7%	4.0%	3.8%	4.0%
More than $100 million to $300 million	4.1%	4.2%	4.5%	4.0%	4.4%	4.0%	4.2%	4.0%
More than $300 million to $600 million	4.1%	3.0%	4.0%	3.5%	3.9%	4.0%	3.7%	4.0%
More than $600 million to $1 billion	3.6%	3.0%	3.6%	3.5%	3.9%	4.0%	3.6%	3.5%
More than $1 billion to $3 billion	3.8%	3.5%	3.9%	3.5%	3.9%	3.5%	3.7%	3.5%
More than $3 billion to $5 billion	3.6%	3.1%	3.8%	3.5%	4.1%	4.0%	3.9%	4.0%
More than $5 billion to $8 billion	3.4%	3.0%	3.5%	3.2%	3.8%	3.5%	3.8%	3.5%
More than $8 billion to $10 billion	3.7%	3.5%	3.3%	3.2%	3.7%	3.5%	3.8%	4.0%
More than $10 billion	3.5%	3.0%	3.6%	3.5%	4.3%	4.0%	4.0%	4.0%

FIGURE C11 **Impact of Promotional Increases on Salary Budgets** *(n=495)*

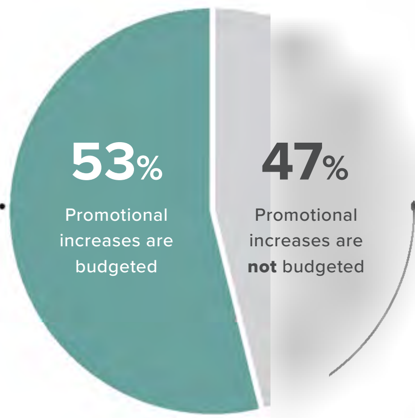
Additional amount budgeted for promotional increases as part of salary budget but separate from other pay increase budgets	20%
Additional amount budgeted for promotional increases as part of **merit** budget	13%
Additional amount budgeted for promotional increases as part of **general increase/COLA increase** budget	4%
Additional amount budgeted for promotional increases as part of **other increase** budget	16%
Percent of organizations that do budget for promotions	**53%**
No budget for promotional increases	47%
Percent of organizations that do NOT budget for promotions	**47%**

FIGURE C11A **Promotional Increase Funding When Promotional Increases Are Not Budgeted** *(n=195)*

Promotional increases are paid for out of the merit budget, even though the merit budget is not inflated to cover promotional increases	27%
Promotional increases are paid for out of the general increase/COLA increase budget, even though the general increase/ COLA budget is not inflated to cover promotional increases	5%
Promotional increases are paid for out of the other increase budget, even though the other increase budget is not inflated to cover promotional increases	20%
Promotional increases are paid for with savings (e.g., savings realized from vacant positions, hiring at a lower rate than the previous incumbent, downsizing)	62%

FIGURE C11B **Promotional Increase Budget Practices**

Where are promotional increases budgeted?* (n=260)	
Separately from other pay increase budgets	38%
As part of the **merit** increase budget	24%
As part of the **other increase** budget	32%
As part of the **general increase/COLA** budget	7%



How are promotional increases paid for/funded if not budgeted? (n=184)	
With vacancy, salary or other savings	62%
Out of **merit** increase budget	27%
Out of **other increase** budget	20%
Out of **general increase/COLA** budget	5%

* Data for companies that do budget for promotions were extracted from Figure 11 and recalculated to show breakdown within those 53% of respondents. NOTE: See Figure 11a for additional detail on data used to create this chart.

FIGURE C12 **Promotional Increases**

	2022		2022	
	Mean	Median	Mean	Median
Percentage of employees that received promotional increases	8.8%	8.0%	--	--
	n=235			
Percentage of promoted employees' base salary	9.3%	9.8%	--	--
	n=226			
Planned spending on promotional increases as a percentage of total base salaries	--	--	1.9%	2.0%
	--		n=359	

FIGURE C13 **Change in Planned Spending on Promotional Increases**

	More	Similar	Less
Planned spending on promotional increases in 2023 is … than 2022	6%	83%	10%
Estimated spending on promotional increases in 2024 will be … than 2023	5%	89%	6%

FIGURE C14 **Percent of Employees Receiving a Base Salary Increase in 2023 by Employee Category**

	Percent of Employees Receiving an Increase in 2023 is ... than 2022		
	Larger	Similar	Smaller
Nonmanagement Hourly Nonunion	11%	85%	4%
Nonmanagement Salaried	12%	82%	5%
Management Salaried	11%	84%	5%
Officers/Executives	12%	82%	6%

MERIT INCREASE AWARDS

FIGURE C15 **Merit Increases Awarded, by Performance Category**

	High Performers		Middle Performers		Low Performers	
	Mean	Median	Mean	Median	Mean	Median
2022						
Percentage of employees rated in this category for 2021	24%	17%	70%	66%	6%	2%
Average merit increase awarded to this 2021 performance category	5.1%	4.7%	3.6%	3.4%	1.3%	1.0%
2023						
Percentage of employees estimated to be rated in this category for 2022	22%	15%	71%	67%	7%	3%
Average merit increase estimated for this 2022 performance category	5.0%	4.8%	3.6%	3.5%	1.3%	1.0%

Note: The mean distribution of the percent of employees in each performance category will total 100% or, as a result of rounding, may be very close. However, by definition, the median value for each category will move depending on the frequency of values in the dataset. Therefore, the median distribution of the percent of employees in each category will not equal 100%.

FIGURE C16 **Relationship Between the Number of Employees Rated as High Performers and the Size of Merit Increases Awarded to High Performers**

	2022 Merit Increase Award for High Performers		
Percent of employees rated as high performers for 2022	n	Mean	Median
Up to 10% of employees	60	4.6%	4.5%
11 to 15% of employees	38	5.7%	5.0%
16 to 24% of employees	100	4.9%	4.9%
25 to 29% of employees	35	4.8%	4.6%
30% or more of employees	120	5.1%	4.6%

FIGURE C17 **Base Pay Market Comparison Target, by Employee Category**

	10th Percentile	25th Percentile	50th Percentile (median)	60th Percentile	75th Percentile	90th Percentile	Other Percentile	No Formal Compensation Strategy
Nonmanagement Hourly Nonunion	0.0%	1.6%	87.0%	2.8%	0.8%	1.2%	2.4%	3.9%
Nonmanagement Salaried	0.0%	1.0%	88.0%	2.7%	0.3%	1.3%	1.8%	4.7%
Management Salaried	0.0%	0.9%	87.6%	3.5%	0.2%	1.4%	1.9%	4.4%
Officers/Executives	0.0%	0.0%	83.5%	5.9%	0.7%	0.4%	4.0%	5.5%

FIGURE C17A **Changes in Base Pay Level Targets in Past 12 Months**

	Increased	Stayed about the same	Decreased
Nonexempt Hourly Nonunion	10.0%	89.6%	0.4%
Nonexempt Salaried	7.6%	91.9%	0.5%
Exempt Salaried	7.2%	92.1%	0.7%
Officers/Executives	6.4%	93.2%	0.4%

LUMP-SUM AWARDS (BASE-PAY RELATED)

A lump-sum award is defined as an increase in pay that is made in the form of a single cash payment. Lump-sum awards often are used in one of three circumstances:

- When an employer does not want to increase the employee's base pay due to budget constraints
- When an employee is reaching or exceeding the maximum of his/her salary range
- When an employer is trying to give the employee more buying power at a specific point in time.

FIGURE C18 **Lump-Sum Awards, by Employee Category**

	Percent of Companies Giving Lump-Sum Awards	Percent of Employees Receiving Lump-Sum Awards in 2021	Percent of Employees Receiving an Increase in 2022 is ... than 2021		
	Mean	Mean	Larger	Similar	Smaller
Nonmanagement Hourly Nonunion	37%	9%	4%	92%	4%
Nonmanagement Salaried	45%	14%	4%	93%	4%
Management Salaried	45%	15%	3%	93%	4%
Officers/Executives	35%	23%	2%	94%	4%

FIGURE C19 **Salary Structure Increases, by Employee Category**

	INDIA Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly Nonunion	2.5%	2.0%	2.6%	2.5%	2.5%	2.0%	2.6%	2.5%
Nonmanagement Salaried	2.5%	2.0%	2.6%	2.4%	2.5%	2.0%	2.6%	2.4%
Management Salaried	2.5%	2.0%	2.6%	2.5%	2.5%	2.0%	2.6%	2.5%
Officers/Executives	2.5%	2.0%	2.5%	2.3%	2.5%	2.0%	2.5%	2.3%
All	2.5%	2.0%	2.6%	2.5%	2.5%	2.0%	2.6%	2.5%

FIGURE C19A **Actual 2023 Salary Structure Increase Data, Most Common Responses**

	Nonmanagement Hourly Nonunion Mean: 2.5%	Nonmanagement Salaried Mean: 2.7%	Management Salaried Mean: 2.7%	Officers/Executives Mean: 2.7%
3.0% increase	22%	22%	22%	23%
2.5% increase	9%	8%	8%	7%
2.0% increase	11%	13%	12%	11%
0.0% increase	19%	16%	17%	19%

FIGURE C19B **Projected 2023 Salary Structure Increase Data, Most Common Responses**

	Nonmanagement Hourly Nonunion Mean: 2.5%	Nonmanagement Salaried Mean: 2.6%	Management Salaried Mean: 2.6%	Officers/Executives Mean: 2.5%
3.0% increase	33%	29%	30%	30%
2.5% increase	7%	7%	7%	8%
2.0% increase	28%	26%	26%	25%
0.0% increase	9%	9%	8%	9%

FIGURE C20 Salary Structure Trends

	Nonexempt Hourly Nonunion	Nonexempt Salaried	Exempt Salaried	Officers/Executives
1994	—	2.4%	2.5%	2.5%
1995	—	2.3%	2.4%	2.4%
1996	2.7%	2.8%	2.9%	3.0%
1997	2.5%	2.5%	2.7%	2.6%
1998	2.6%	2.7%	2.9%	2.7%
1999	2.6%	2.7%	2.9%	2.7%
2000	2.8%	2.8%	3.0%	2.9%
2001	3.0%	3.1%	3.2%	3.0%
2002	2.3%	2.4%	2.5%	2.4%
2003	2.0%	2.3%	2.1%	2.2%
2004	1.9%	2.0%	2.0%	2.0%
2005	2.1%	2.2%	2.2%	2.2%
2006	2.5%	2.6%	2.6%	2.7%
2007	2.5%	2.6%	2.6%	2.6%
2008	2.5%	2.5%	2.5%	2.6%
2009	1.5%	1.5%	1.5%	1.4%
2010	1.1%	1.3%	1.2%	1.2%
2011	1.4%	1.5%	1.5%	1.4%
2012	1.7%	2.1%	1.7%	1.7%
2013	1.9%	1.9%	1.9%	1.7%
2014	1.7%	1.8%	1.7%	1.7%
2015	1.8%	1.8%	1.8%	1.6%
2016	1.6%	1.6%	1.6%	1.4%
2017	1.7%	1.7%	1.8%	1.7%
2018	1.8%	2.0%	2.0%	1.9%
2019	2.0%	2.0%	2.0%	2.1%
2020	1.6%	1.7%	1.7%	1.7%
2021	1.5%	1.6%	1.6%	1.6%
2022	2.5%	2.5%	2.5%	2.5%
2023 Projected	2.6%	2.6%	2.6%	2.5%

FIGURE C21 **10-Year Perspective: Salary Budget and Structure Increases**

INDIA

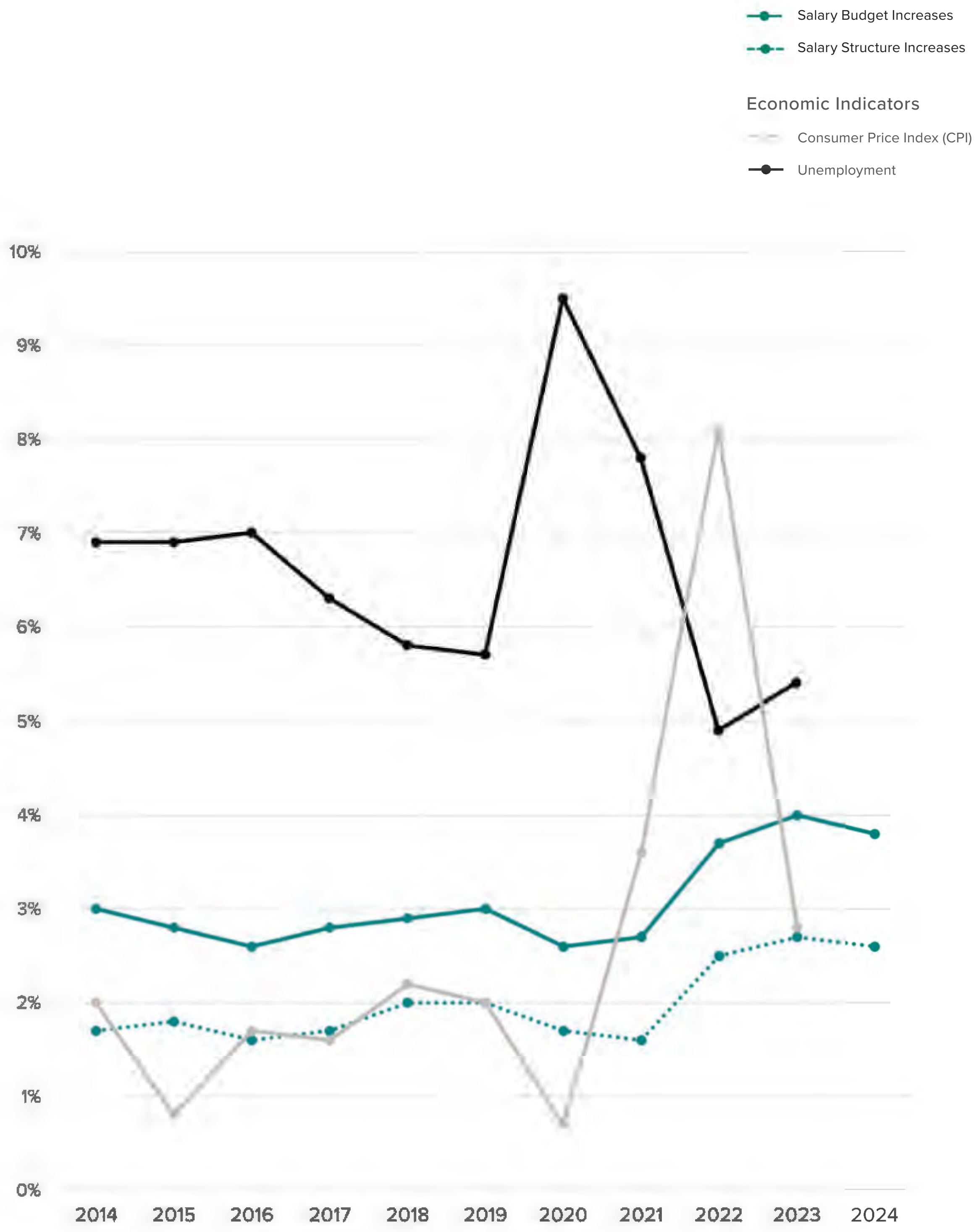
Salary Budget Increases	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 projected
Nonmanagement Hourly Nonunion	2.8%	2.8%	2.6%	2.7%	2.8%	2.9%	2.6%	2.7%	3.6%	3.9%	3.7%
Nonmanagement Salaried	3.0%	2.8%	2.7%	2.8%	2.9%	3.0%	2.6%	2.7%	3.8%	4.0%	3.9%
Management Salaried	3.0%	2.8%	2.7%	2.8%	2.9%	3.0%	2.6%	2.8%	3.8%	4.1%	3.9%
Officers/Executives	3.0%	2.7%	2.6%	2.8%	2.9%	2.9%	2.5%	2.6%	3.7%	3.9%	3.7%
All	3.0%	**2.8%**	**2.6%**	**2.8%**	**2.9%**	3.0%	**2.6%**	**2.7%**	3.7%	**4.0%**	**3.8%**

Salary Structure Increases	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 projected
Nonmanagement Hourly Nonunion	1.7%	1.8%	1.6%	1.7%	1.8%	2.0%	1.6%	1.5%	2.5%	2.5%	2.5%
Nonmanagement Salaried	1.8%	1.8%	1.6%	1.7%	2.0%	2.0%	1.7%	1.6%	2.5%	2.7%	2.7%
Management Salaried	1.7%	1.8%	1.6%	1.8%	2.0%	2.0%	1.7%	1.6%	2.5%	2.7%	2.6%
Officers/Executives	1.7%	1.6%	1.4%	1.7%	1.9%	2.1%	1.7%	1.6%	2.5%	2.7%	2.5%
All	**1.7%**	**1.8%**	**1.6%**	**1.7%**	**2.0%**	**2.0%**	**1.7%**	**1.6%**	**2.5%**	**2.7%**	**2.6%**

Economic Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 projected
Consumer Price Index (CPI)	2.0%	0.8%	1.7%	1.6%	2.2%	2.0%	0.7%	3.6%	8.1%	2.8%	—
Unemployment	6.9%	6.9%	7.0%	6.3%	5.8%	5.7%	9.5%	7.8%	4.9%	5.4%	—

Note: Canadian CPI as reported by Statistics Canada for the 12 months ending June each year. Average Canadian unemployment rate as reported by Statistics Canada for labor force 16 years and over for 12 months ending June each year (www.statcan.ca).

FIGURE C21 **10-Year Perspective: Salary Budget and Structure Increases** *(continued)*



Variable pay is the percentage of payroll established by management to grant to employees for performance-based, lump-sum, short-term cash awards during the year. Included in this calculation are payments provided under a formal plan, such as organizationwide awards, unit/strategic business unit (SBU) awards and/or individual incentive awards. (Specific salesforce incentive awards and cash awards for recognition are excluded from the variable pay data.)

FIGURE C22 **Use of Variable Pay**

Percent of organizations ...	2022	2023
Using variable pay	91%	90.5%
Not using variable pay	9%	9.5%

FIGURE C23 **Types of Variable Pay Programs**

Combination awards based on both organization/unit success and individual performance	72%
Organizationwide awards	24%
Individual incentive awards	14%
Unit/strategic business unit awards	11%

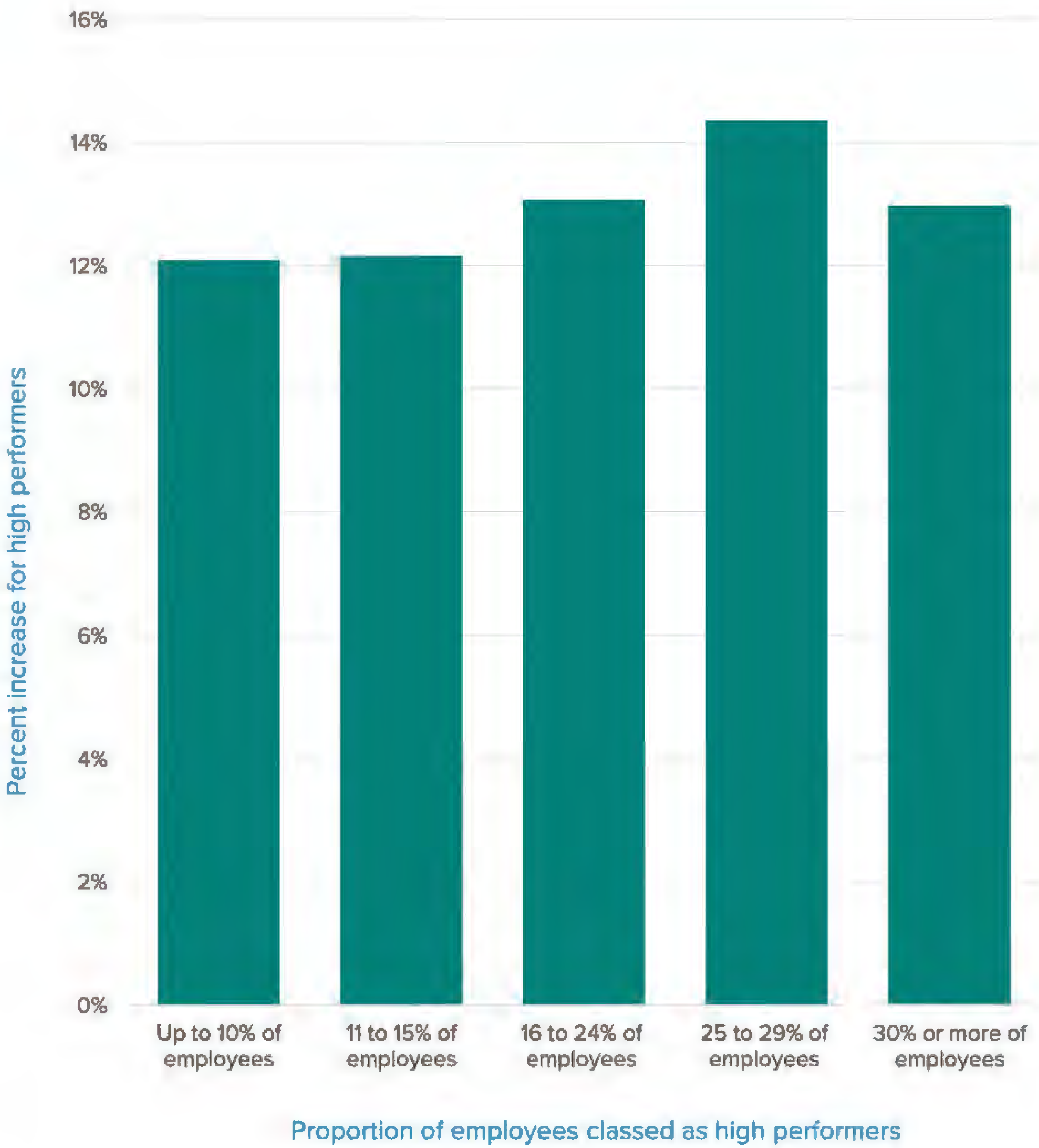
FIGURE C24 **Impact of Variable Pay on Base Salary Budget Recommendations**

	Nonmanagement Hourly Nonunion	Nonmanagement Salaried	Management Salaried	Officers/Executives
No impact	80%	72%	72%	70%
Some impact	20%	26%	26%	25%
Significant impact	1%	1%	3%	5%

FIGURE C25 **Variable Pay Programs, 2022-2024**

National	Nonmanagement Hourly Nonunion		Nonmanagement Salaried		Management Salaried		Officers/Executives	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	5.6%	5%	9.0%	8.0%	14.3%	15%	34.5%	30%
Average percent paid	5.4%	5%	10.2%	9%	15.7%	15%	38.7%	35%
Percent of employees eligible in 2022 for variable pay	89%	100%	85%	100%	86%	100%	88%	100%
Percent of eligible employees actually paid variable pay for 2022	84%	100%	85%	99%	84%	100%	83%	100%
2023								
Average percent budgeted	5.4%	5%	9.3%	9%	14.3%	15%	33.9%	30%
Projected percent paid	5.5%	5%	9.8%	9%	15.5%	15%	38.9%	35%
2024								
Projected percent budgeted	5.7%	5%	9.1%	9%	14.3%	15%	32.6%	30%

India Pay for Perfomance: High Performers Receive Similar Increases Whether Scarce or Numerous



India

In a continuing trend, India saw the largest total salary increase budget among the responding countries in the "WorldatWork 2023-2024 Salary Budget Survey."

Last year's participants projected a 10.5% average increase budget (median: 10%), which would have been a return to a level last seen in 2015, but the actual 2023 increase was notably lower, at 9.8%. Participants predict that 2024 salary increase budgets will be 9.6%, with a median of 10%.

AVERAGE MERIT INCREASE BUDGETS

2023
9.3%

Projected 2024
9.1%

Economic Factors

India was hit particularly hard by the pandemic, with unemployment rates peaking above 20%, and has found it difficult to reduce unemployment to pre-pandemic lows despite robust growth in GDP. According to the Centre for Monitoring Indian Economy (CMIE), unemployment fell to 7.7% in May of 2023 from 8.5% in April and remains near the 5-year mean. Complicating the employment picture, full-time work has remained slow to recover in many areas; at the end of 2022, less than half (48.9%) of urban workers had full-time jobs, according to government data.

The Ministry of Statistics and Programme Implementation reported in June 2023 that inflation in India was at 4.25% in May, a slight decrease from 4.7% in the prior month and notably lower than the 7% reported in May of 2022, our comparison point in last year's Salary Budget Survey. However, inflation surged to 7.44% in July, as irregular monsoon patterns across the country led to a spike in food prices.

Regional Data

Average salary increase budgets throughout the Indian regions in 2023 ranged from a low of 9.9% in the South region to a high of 10.8% in the East region, as compared to a national average of 9.8%. All regions are projecting a decrease in average salary increase budgets for 2024, with predicted average salary increase budgets converging to a narrower range from 9.8% to 10.2%. Median regional salary increase budgets range from 9.9% to 10.4% for 2023 but are expected to settle at a median of 10% in all regions next year. (See Figure I5 on page 76.)

Major metropolitan areas showed a similar degree of variability in 2023, with average salary increase budgets ranging from 9.9% to 10.8%, while medians ranged from 9.9% to 10.1%. Kolkata had the highest salary budget increase for 2023 at 10.8% (median: 9.9%), whereas Bangalore had the lowest salary increase budget, behind Chennai by nearly a full percentage point at 9.9% (median: 10%). All surveyed metropolitan areas anticipate small decreases in average salary increase budgets for 2024 except Hyderabad, which is anticipating average increase budgets to grow by 0.1 point in 2024. The median projected 2024 salary increase budget is 10.0% for all included metropolitan areas. (See Figure I6 on page 76.)

Industry Data

Many industries selected by Indian participants this year did not receive the minimum of five responses required to report data. Among those that had sufficient responses, average salary increase budgets for 2023 varied widely from a low of 6.6% (median 8.3%) for telecommunications (n=6) to a high of 10.4% (median 10.5%) for retail trade.(See Figure I7 on page 77.) Median salary increase budgets for 2023 varied across a narrower range, from a low of 8.3% to a high of 10.5%. Predicted average salary increase budgets for 2024 range from 7.9% to 10.3% with average increase budgets projected to decrease in all industries with larger samples, consistent with the broader trend of smaller average salary increase budgets for 2024. (Predictions for smaller samples are generally less stable.)

Salary Structure Adjustments

In 2023, the average salary structure increase was 5.9% (median 5.3%) and varies by nearly a full point between technical/individual contributors and top and senior management. (See Figures I17,I17a and I17b on page 83.) This was a slight decrease from the average structure increase of 6.1% (median 7.0%) reported in 2022 and was driven by a modest reduction in the proportion of organizations making structure increases of 10% or more for all levels of management in 2023. Structure increases are projected to be smaller in 2024, with an average structure increase of 5.6% (median 5.0%) anticipated. All employee groups are projected to decrease their overall salary structure adjustments in 2024 by 0.2 to 0.4 percentage points.

Market Targets for Base Pay

In 2023, most organizations in India reported targeting their base pay to the 50th percentile for all employee groups. However, a notable minority were targeting the 60th percentile (almost 10% across all employee groups) or a percentile at or about the 75th (about 8%), with higher percentiles more common for top and senior management than for other employee groups. (See Figures I15 and I15a on page 81.) About 91% of organizations reported that their base pay level targets had stayed about the same in the last twelve months, while another 8% reported that those targets had increased.

Pay for Performance

The skewed bell curve of performance distribution among high, middle, and low performers mirrors those in other markets, and in 2022, the last full performance year prior to this survey, the differentiation between average awards for high and middle performers was 3.6%, while the differentiation between middle and low performers was 6.4%. (see Figure I14 on page 81). Participants estimate a similar differentiation between high and middle performers in 2023 (3.5%) with the merit pay gap between middle and low performers closing somewhat to 5.8%. (See Figure I14 on page 81.)

Variable Pay

Eighty-five percent of Indian organizations reported using variable pay in 2023, about the same as findings from the last several years. Combination awards based on organization/unit success and individual performance are the most prevalent variable pay programs, used in nearly three-quarters of organizations. Depending on the employee category, 84% to 87% of employees received variable pay for 2022 (see Figures I18-I21 on pages 84-85).

In 2022, the average percent variable pay exceeded the average percent budgeted for all employee groups, most sharply for junior management where average percent paid exceeded average percent budgeted by 7.3%. Although Indian participants predict that variable payments will exceed budgets again in 2023, the gap between budgets and payments is expected to close in 2023. Junior management are again the group expected to exceed budget by the greatest amount (5.8%). Organizations anticipate budgeting the same amount, on average, for 2024 as for 2023 for all employee categories.

Layoffs

To better gauge the impact of continued economic uncertainty on global workforces, respondents were asked to report layoffs that had occurred or were anticipated in 2023 or 2024. Indian survey respondents also reported that layoffs or reductions in force (RIF) are unlikely in 2023 (68%) and 2024 (89%) but some respondents have already or are planning to conduct layoffs before the end of the year in 2023 (19%) and 2024 (3%). (This survey did not explore the number of workers included in layoffs.) In addition, 84% of participants reporting that they had conducted or were planning RIFs/layoffs by 2023 reported that those layoffs had no impact on the size of their salary increase budgets. (see Figures I12-I13 on page 80).

FIGURE I1 Salary Increase Budgets, by Type of Increase

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
General Increase/COLA	5.6%	6.0%	5.9%	7.3%	4.9%	1.4%	4.7%	1.4%
Merit Increase	9.5%	9.5%	10.0%	9.8%	9.3%	9.8%	9.1%	9.8%
Other Increase	2.3%	1.6%	2.2%	2.0%	1.9%	1.0%	1.6%	1.0%
Total Increase	10.1%	10.0%	10.5%	10.0%	9.8%	10.0%	9.6%	10.0%

Note: "General Increase/COLA," "Merit" and "Other" do not add to the "Total Increase" because not every organization provides all three types of increase. The n's represent the number of responses for each type of increase, which may include multiple responses if each respondent reports for more than one employee category for that type of increase.

FIGURE I2 Total Salary Increase Budgets, by Employee Category

Salary Increase Budgets (zeros included)

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Technical/Individual Contributors/Support Roles	10.1%	10.0%	10.3%	10.0%	9.9%	10.0%	9.6%	10.0%
Junior Management	10.4%	10.0%	10.7%	10.0%	9.9%	10.0%	9.7%	10.0%
Middle Management	10.0%	10.0%	10.3%	10.0%	9.9%	10.0%	9.6%	10.0%
Top and Senior Management	10.2%	10.0%	10.6%	10.0%	9.7%	10.0%	9.4%	10.0%
All	10.1%	10.0%	10.5%	10.0%	9.8%	10.0%	9.6%	10.0%

Salary Increase Budgets (zeros not included)

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Technical/Individual Contributors/Support Roles	10.1%	10.0%	10.4%	10.0%	10.0%	10.0%	9.8%	10.0%
Junior Management	10.4%	10.0%	10.7%	10.0%	10.0%	10.0%	9.8%	10.0%
Middle Management	10.0%	10.0%	10.4%	10.0%	10.0%	10.0%	9.8%	10.0%
Top and Senior Management	10.2%	10.0%	10.6%	10.0%	9.8%	10.0%	9.6%	10.0%
All	10.1%	10.0%	10.5%	10.0%	10.0%	10.0%	9.7%	10.0%

FIGURE I3 Number of Months Between Increases

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Technical/Individual Contributors/Support Roles	11.8	12.0	11.8	12.0	11.9	12.0	12.0	12.0
Junior Management	11.7	12.0	11.8	12.0	11.9	12.0	11.9	12.0
Middle Management	11.9	12.0	11.9	12.0	11.8	12.0	11.9	12.0
Top and Senior Management	12.1	12.0	12.0	12.0	11.8	12.0	11.9	12.0
All	11.9	12.0	11.9	12.0	11.8	12.0	11.9	12.0

FIGURE I3A Additional or Off-Cycle Base Pay Increase

	Yes	No, we did not consider it	No, we considered it but decided not to
Technical/Individual Contributors/Support Roles	12.3%	79.0%	8.7%
Junior Management	13.9%	75.7%	10.4%
Middle Management	12.1%	79.4%	8.5%
Top and Senior Management	11.0%	77.9%	11.0%

FIGURE I4 Distribution of Total Salary Increase Budget Responses 2022 vs. 2023

	Zero (0%)		0.1%-4.9%		5.0%-7..9%		8.0%-9.0%		9.1%-14.9%		15%+	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Technical/Individual Contributors/Support Roles	0%	1%	4%	2%	9%	10%	21%	6%	59%	76%	7%	5%
Junior Management	0%	1%	5%	2%	6%	11%	20%	6%	61%	72%	8%	7%
Middle Management	0%	1%	5%	3%	9%	10%	20%	5%	60%	76%	6%	6%
Top and Senior Management	1%	1%	5%	4%	7%	9%	19%	6%	59%	72%	9%	7%

FIGURE 15 Total Salary Increase Budgets, by Region

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**10.1%**	**10.0%**	**10.5%**	**10.0%**	**9.8%**	**10.0%**	**9.6%**	**10.0%**
Central	10.2%	10.0%	10.9%	10.0%	10.5%	9.9%	10.3%	10.0%
East	10.4%	9.5%	10.9%	10.0%	10.8%	9.9%	10.2%	10.0%
North	10.0%	10.0%	10.7%	10.0%	10.5%	10.0%	9.8%	10.0%
Northeast	10.4%	10.0%	11.1%	10.0%	11.1%	10.4%	10.3%	10.0%
South	10.3%	10.0%	10.7%	10.0%	9.9%	10.0%	9.7%	10.0%
West	10.4%	10.0%	11.0%	10.0%	10.1%	10.0%	9.8%	10.0%

FIGURE 16 Total Salary Increase Budgets, by Major Metropolitan Area

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**10.1%**	**10.0%**	**10.5%**	**10.0%**	**9.8%**	**10.0%**	**9.6%**	**10.0%**
Bangalore	10.3%	10.0%	11.0%	10.0%	9.9%	10.0%	9.6%	10.00%
Chennai	10.5%	10.0%	11.8%	11.0%	10.7%	10.1%	10.2%	10.0%
Delhi	10.1%	10.0%	10.9%	10.0%	10.5%	10.0%	9.8%	10.0%
Hyderabad	10.8%	10.0%	11.6%	11.1%	10.0%	10.0%	10.1%	10.0%
Kolkata	9.9%	9.5%	10.5%	10.0%	10.8%	9.9%	10.2%	10.0%
Mumbai	10.4%	10.0%	10.9%	10.0%	10.0%	10.0%	9.7%	10.0%
Pune	11.0%	10.4%	11.6%	11.0%	10.6%	10.0%	10.3%	10.0%

FIGURE I7 **Total Salary Increase Budgets, by Major Industry Grouping**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
All Industries	**10.1%**	**10.0%**	**10.5%**	**10.0%**	**9.8%**	**10.0%**	**9.6%**	**10.0%**
Accommodation and Food Services	--	--	--	--	--	--	--	--
Administrative and Support and Waste Management and Remediation Services					--	--	--	--
Agriculture, Forestry, Fishing and Hunting	9.4%	9.5%	10.1%	10.5%	--	--	--	--
Arts, Entertainment, and Recreation	9.2%	9.5%	9.9%	10.0%	9.3%	9.8%	10.3%	10.0%
Construction	9.6%	10.6%	10.6%	11.0%	--	--	--	--
Educational Services	--	--	--	--	--	--	--	--
Finance and Insurance	11.4%	10.0%	11.6%	10.0%	9.9%	10.0%	9.4%	10.0%
Health Care and Social Assistance	11.0%	11.1%	11.0%	11.1%	--	--	--	--
Information	--	--	--	--	9.3%	10.0%	9.4%	10.0%
Management of Companies and Enterprises	--	--	--	--	----	----	----	----
Manufacturing	9.8%	9.8%	9.8%	10.0%	9.9%	10.0%	9.5%	9.8%
Mining, Quarrying, and Oil and Gas Extraction	--	--	--	--	----	----	----	----
Professional, Scientific, and Technical Services (includes Consulting)	--	--	--	--	10.0%	10.0%	9.5%	10.0%
Retail Trade	9.2%	10.0%	9.5%	9.9%	10.4%	10.5%	10.3%	10.0%
Telecommunications	10.8%	12.0%	10.5%	10.5%	6.6%	8.3%	7.9%	8.3%
Transportation and Warehousing	12.6%	13.0%	12.6%	13.0%	----	----	----	----
Wholesale Trade	--	--	--	--	----	----	----	----
Other Services (except Public Administration)	8.1%	9.2%	8.3%	9.5%	10.0%	10.0%	8.7%	9.4%

-- fewer than 5 responses

FIGURE I8 Total Salary Increase Budgets, by Organization Size

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
1-499	7.1%	8.8%	8.5%	8.5%	8.8%	8.3%	8.4%	7.5%
500-2,499	10.8%	10.0%	11.5%	10.0%	8.6%	10.0%	9.0%	10.0%
2,500-9,999	10.3%	10.0%	10.2%	10.0%	10.4%	10.0%	9.9%	10.0%
10,000-19,999	10.1%	10.0%	10.9%	10.0%	10.7%	10.0%	10.3%	10.0%
20,000+	9.7%	9.8%	10.2%	10.0%	10.2%	10.0%	9.9%	10.0%

FIGURE I9 Total Salary Increase Budgets, by Revenue

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Up to $10 million	9.8%	9.5%	9.6%	9.0%	5.5%	5.5%	8.0%	8.0%
More than $10 million to $30 million	--	--	--	--	10.4%	10.4%	--	--
More than $30 million to $100 million	9.8%	8.5%	8.4%	8.5%	9.8%	10.0%	9.8%	10.0%
More than $100 million to $300 million	9.8%	14.0%	14.6%	15.0%	7.9%	7.8%	7.4%	6.5%
More than $300 million to $600 million	9.8%	10.0%	10.3%	10.0%	7.9%	10.0%	9.1%	10.0%
More than $600 million to $1 billion	9.8%	10.0%	11.8%	12.0%	10.2%	10.0%	10.0%	9.9%
More than $1 billion to $3 billion	9.8%	10.0%	10.4%	10.0%	11.0%	11.0%	10.0%	10.0%
More than $3 billion to $5 billion	9.8%	10.0%	10.7%	10.0%	9.8%	9.9%	9.8%	9.7%
More than $5 billion to $8 billion	9.8%	9.5%	9.9%	10.0%	10.3%	10.0%	10.2%	10.0%
More than $8 billion to $10 billion	9.8%	8.7%	8.6%	9.0%	8.3%	8.6%	9.3%	9.0%
More than $10 billion	9.8%	9.5%	10.0%	10.0%	11.2%	10.0%	10.2%	10.0%

FIGURE I10 **Impact of Promotional Increases on Salary Budgets** *(n=167)*

Additional amount budgeted for promotional increases as part of salary budget but separate from other pay increase budgets	23%
Additional amount budgeted for promotional increases as part of merit budget	14%
Additional amount budgeted for promotional increases as part of general increase/COLA increase budget	4%
Additional amount budgeted for promotional increases as part of other increase budget	18%
Percent of organizations that do budget for promotions	**59%**
No budget for promotional increases	41%
Percent of organizations that do NOT budget for promotions	**41%**

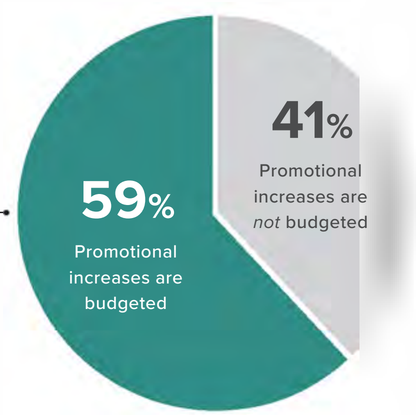
FIGURE I10A **Promotional Increase Funding When Promotional Increases Are Not Budgeted** *(n=56)*

Promotional increases are paid for out of the merit budget, even though the merit budget is not inflated to cover promotional increases	23%
Promotional increases are paid for out of the general increase/COLA increase budget, even though the general increase/COLA budget is not inflated to cover promotional increases	14%
Promotional increases are paid for out of the other increase budget, even though the other increase budget is not inflated to cover promotional increases	4%
Promotional increases are paid for with savings (e.g., savings realized from vacant positions, hiring at a lower rate than the previous incumbent, downsizing)	18%

FIGURE I10B **Promotional Increase Budget Practices**

Where are promotional increases budgeted?* (n=99)

Separately from other pay increase budgets	39%
As part of the **merit** increase budget	24%
As part of the **other increase** budget	30%
As part of the **general increase/COLA** budget	6%



How are promotional increases paid for/funded if not budgeted? (n=56)

With vacancy, salary or other savings	59%
Out of **merit** increase budget	41%
Out of **other increase** budget	16%
Out of **general increase/COLA** budget	11%

* Data for companies that do budget for promotions were extracted from Figure I10 and recalculated to show breakdown within those 60% of respondents. NOTE: See Figure I10 and I10a for additional detail on data used to create this chart.

FIGURE I12 **Percent of Organizations Conducted or Planning Layoffs, by Employee Category** *(n=201)*

	Percent of Organizations
	Mean
2023	
No layoffs/RIFs in 2023	68%
Layoffs/RIFs not planned, but could occur before end of the 2023	13%
Conducted layoffs/RIFs in 2023	17%
Layoffs/RIFs planned prior to the end of 2023	2%
2024	
No layoffs/RIFs anticipated in 2024	89%
Contingency planning for 2024 layoffs, but probably won't use	9%
Willl have layoffs/RIFs in 2024	2%
Layoffs/RIFs planned for 2024, but will cancel if conditions improve	1%

FIGURE I13 **Impact of Layoffs/RIFs on Salary Increase Budgets** *(n=38)*

	2023	2024
No impact	84%	--
Lowered salary increase budget	13%	--
Raised salary increase budget	3%	--

Note: question was only asked of those organizations who had conducted or expect to conduct layoffs for each year.

-- fewer than 5 responses

FIGURE I14 **Merit Increases Awarded, by Performance Category**

	High Performers		Middle Performers		Low Performers	
	Mean	Median	Mean	Median	Mean	Median
2022						
Percentage of employees rated in this category for 2022	24%	15%	70%	67%	6%	2%
Average merit increase awarded to this 2022 performance category	13.0%	12.2%	9.4%	9.3%	3.0%	3.0%
2023						
Percentage of employees estimated to be rated in this category for 2023	21%	15%	72%	68%	6%	3%
Average merit increase estimated for this 2023 performance category	12.2%	12.0%	8.7%	9.0%	2.9%	3.0%

Note: The mean distribution of the percent of employees in each performance category will total 100% or, as a result of rounding, may be very close. However, by definition, the median value for each category will move depending on the frequency of values in the dataset. Therefore, the median distribution of the percent of employees in each category will not equal 100%.

FIGURE I15 **Base Pay Market Comparison Target, by Employee Category**

	10th Percentile	25th Percentile	50th Percentile (median)	60th Percentile	75th Percentile	90th Percentile	Other Percentile	No Formal Compensation Strategy
Technical/Individual Contributors/Support Roles	0.0%	2.0%	80.1%	9.2%	5.1%	2.0%	1.5%	0.0%
Junior Management	0.7%	0.7%	79.7%	9.1%	7.0%	1.4%	1.4%	0.0%
Middle Management	0.5%	0.0%	80.0%	9.5%	7.0%	1.5%	1.5%	0.0%
Top and Senior Management	0.0%	0.7%	78.5%	9.7%	6.9%	2.1%	1.4%	0.7%

FIGURE I15A **Changes in Base Pay Level Targets in Past 12 Months**

	Increased	Stayed about the same	Decreased
Technical/Individual Contributors/Support Roles	8.8%	90.7%	0.5%
Junior Management	7.0%	92.3%	0.7%
Middle Management	8.1%	91.4%	0.5%
Top and Senior Management	7.7%	92.3%	0.0%

A lump-sum award is defined as an increase in pay that is made in the form of a single cash payment. Lump-sum awards often are used in one of three circumstances:

- When an employer does not want to increase the employee's base pay due to budget constraints
- When an employee is reaching or exceeding the maximum of his/her salary range
- When an employer is trying to give the employee more buying power at a specific point in time.

FIGURE I16 **Lump-Sum Awards, by Employee Category**

	Percent of Companies Giving Lump-Sum Awards	Percent of Employees Receiving Lump-Sum Awards in 2022	Percent of Employees Receiving an Increase in 2023 is ... than 2022		
		Mean	Larger	Similar	Smaller
Technical/Individual Contributors/ Support Roles	30%	13%	4%	89%	7%
Junior Management	30%	6%	7%	89%	5%
Middle Management	30%	12%	5%	89%	5%
Top and Senior Management	30%	8%	2%	89%	9%

An organization's salary structure is a hierarchy of pay ranges with established minimums and maximums. Organizations frequently apply control points (often the midpoint) within each salary range. The collection of those control points determines the pay line. As a general rule, the numbers displayed in Figure 25 refer to the percent increase in the salary structure pay line encompassing all salary range control points.

FIGURE I17 **Salary Structure Increases, by Employee Category**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Technical/Individual Contributors/Support Roles	6.0%	7.0%	6.0%	5.5%	6.2%	6.7%	5.8%	6.0%
Junior Management	6.7%	7.0%	6.5%	7.0%	5.9%	5.6%	5.8%	5.0%
Middle Management	5.9%	6.9%	5.9%	5.0%	5.9%	5.7%	5.5%	5.0%
Top and Senior Management	5.8%	6.0%	5.8%	5.0%	5.3%	5.0%	5.2%	5.0%
All	6.1%	7.0%	6.0%	5.5%	5.9%	5.3%	5.6%	5.0%

FIGURE I17A **Actual 2023 Salary Structure Increase Data, Most Common Responses**

	Technical/Individual Contributors/Support Roles Mean: 6.2%	Junior Management Mean: 5.9%	Middle Management Mean: 5.9%	Top and Senior Management Mean: 5.3%
10.0% increase	11%	6%	9%	5%
8.0% increase	9%	8%	5%	5%
6.0% increase	3%	4%	4%	3%
2.0% increase	4%	4%	4%	5%
0.0% increase	14%	18%	17%	19%

FIGURE I17B **Projected 2024 Salary Structure Increase Data, Most Common Responses**

	Technical/Individual Contributors/Support Roles Mean: 5.8%	Junior Management Mean: 5.8%	Middle Management Mean: 5.5%	Top and Senior Management Mean: 5.2%
10.0% increase	13%	9%	9%	7%
8.0% increase	6%	3%	5%	4%
6.0% increase	8%	7%	7%	7%
2.0% increase	7%	9%	8%	11%
0.0% increase	14%	16%	15%	14%

Variable pay is the percentage of payroll established by management to grant to employees for performance-based, lump-sum, short-term cash awards during the year. Included in this calculation are payments provided under a formal plan, such as organizationwide awards, unit/strategic business unit (SBU) awards and/or individual incentive awards. (Specific salesforce incentive awards and cash awards for recognition are excluded from the variable pay data.)

FIGURE I18 Use of Variable Pay

Percent of organizations ...	2022	2023
Using variable pay	84%	85%
Not using variable pay	16%	15%

FIGURE I19 Types of Variable Pay Programs

Combination awards based on both organization/unit success and individual performance	71%
Organizationwide awards	23%
Individual incentive awards	16%
Unit/strategic business unit awards	8%

FIGURE I20 Impact of Variable Pay on Base Salary Budget Recommendations

	Technical/Individual Contributors/ Support Roles	Junior Management	Middle Management	Top and Senior Management
No impact	71%	73%	72%	70%
Some impact	26%	24%	25%	25%
Significant impact	2%	3%	3%	5%

FIGURE I21 **Variable Pay Programs, 2022-2024**

National	Technical/Individual Contributors/Support Roles		Junior Management		Middle Management		Top and Senior Management	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	8.7%	9.0%	10.5%	10.0%	14.0%	15.0%	23.8%	20.0%
Average percent paid	11.1%	7.5%	15.8%	10.5%	16.3%	14.0%	25.9%	20.0%
Percent of employees eligible in 2022 for variable pay	84%	100%	88%	100%	87%	100%	85%	100%
Percent of eligible employees actually paid variable pay for 2022	87%	100%	86%	100%	85%	100%	84%	100%
2023								
Average percent budgeted	8.5%	8.0%	10.3%	10.0%	13.6%	14.0%	23.0%	20.0%
Projected percent paid	10.3%	7.3%	14.6%	10.0%	15.6%	13.0%	24.1%	20.0%
2024								
Projected percent budgeted	8.2%	8.0%	10.0%	10.0%	13.7%	15.0%	22.9%	20.0%

UK Salary Structure Increases Outpace Projections in 2023 with Slower Growth Expected in 2024

United Kingdom

In 2023, the average overall salary increase budget for organizations in the United Kingdom (U.K.) was reported at 4.5% (median 4.0%), a 0.7 percentage point rise from 2022, higher than has been reported at any time since the "WorldatWork Salary Budget Survey" started collecting data from the U.K. in 2012. Salary increase budgets in the U.K. exceeded those of both the U.S. (4.4%) and Canada (4.0%) , but fell short of average increase budgets for China (5.8%), Mexico (6.3%), Belgium (6.6%), Brazil (6.6%) and India (9.8%). Participants in the 2022 study estimated that budgets for 2023 would be 3.9%; like most other countries in the study, actual 2023 budgets outstripped their estimates.

Projections for 2024 are slightly lower than 2023 spending, with participants anticipating average salary increase budgets of 4.3%. The 2024 predicted average salary increase budget still matches or exceeds 2024 estimates for countries in Europe other than Belgium, as well as for the U.S. and Canada. (See Figure UK1 on page 89.)

Economic Factors

The Office for National Statistics reported that the U.K.'s inflation rate in June 2023 was at 7.3%, a modest decrease from June 2022's 8.2% but a relief from the October 2022 peak of 9.6%, the highest inflation rate since November 1990's 9.2% . Meanwhile, the unemployment rate was 4.2% for the period from April to June 2023, slightly higher than the rate just before the pandemic (3.8% in Oct-Dec 2019) but lower than the U.K. economy has sustained for any earlier period since 1990.

Regional Data

Total salary increase budgets varied closely around the national mean among regions, with averages ranging from a low of 4.3% in the Northeast and Southeast to a high of 4.8% in North West, Northern Ireland, Scotland, as well as Yorkshire and the Humber. All regions exceeded the levels that they projected last year by at least 0.1 percentage points, with Scotland exceeding its estimate by 0.9

percentage points. Projected average increase budgets for 2024 are lower than actual 2023 increase budgets in all regions except the North East, which is projecting a modest increase in 2024. Median salary increase budget predictions for 2024 span a slightly smaller range from 4.0% to 4.5%. (See Figure UK5 on page 91.)

Industry Data

There is significant variation between industries, with total salary increase budget averages ranging from 3.8% to 5.2% in 2023. (See Figure UK6 on page 92.) The highest average 2023 increase budgets were in health care and social assistance (5.2%, median: 4.9%), whereas telecommunications, last year's highest average, dropped to the middle of the pack at 3.9%. Enterprises in the retail and wholesale trades posted the lowest average salary increase budgets for 2023, both at 3.8%. For 2024, "Professional, Scientific, and Technical Services (includes Consulting)" projects the highest average at 4.5% and Health care and social assistance predicts the smallest average at 3.5%, a precipitous drop of 1.7 percentage points in a single year.

Salary Structure Adjustments

The overall salary structure adjustment mean in 2023 was 3.4% (median 3.0%), higher than last year's mean adjustment and also higher than the mean projection for 2023 made last year (3.2%). Median structure increases for 2024 are estimated to be 3.0%, matching the median increase predicted for 2023 last year. (See Figures UK15, UK15a and UK15b on pages 97-98.)

In every employee category in 2023, nearly two-thirds of organizations reported making structure increases of 3% or greater in all employee categories. Projected 2024 structure increases of 3% or greater are slightly less common, with just over 60% anticipating such increases.

Promotional Increases

On average, 8.0% of U.K. employees received promotional increases in 2022 and promoted employees were awarded, on average, a 8.7% increase to their base pay, a decrease in both the proportion of employees being promoted (8.2%) and the magnitude of their promotional increases (9.7%) compare to data reported last year for 2021 promotions. Planned spending on 2023 promotional increases as a percentage of total base salaries is set at 1.9%, comparable to last year's 2.0%. (See Figure UK10 on page 95.)

Thirteen percent of organizations in the U.K. reported that they were planning on spending less for promotional increases in 2023 than they did in 2022, reversing last years finding that 10% were planning to spend more. In all years, the vast majority report similar spending year-over-year, and 90% of organizations report that 2024 spending on promotional increases is expected to be similar to 2023 spending. (See Figure UK11 on page 95.)

Variable Pay

Ninety percent of U.K. organizations reported using variable pay in 2023 and 67% use combination awards that are based on both organization/unit success and individual performance. About a quarter of organizations report that variable pay has some impact on base salary budget recommendations, but most report no impact. Depending on employee category, 82% to 90% of employees received variable pay for the 2022 plan year, a slight decrease from the 2021 plan year. (See Figures UK16-19 on pages 99-100.)

For 2023, the average projected percent paid exceeds the percent budgeted for variable pay programs for most groups of workers, but budgets were slightly larger than payouts for executives/officers. Projected average variable pay budgets for 2024 are quite similar to those budgeted in 2023, with the exception of a modest 0.6 percentage point increase in budgets for management salaried workers.

FIGURE UK1 Salary Increase Budgets, by Type of Increase

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
General Increase/COLA	1.6%	1.5%	2.6%	3.0%	2.6%	3.0%	2.6%	3.0%	2.3%	3.0%
Merit Increase	2.5%	2.9%	3.4%	3.0%	3.6%	3.4%	4.1%	4.0%	3.9%	4.0%
Other Increase	1.0%	0.6%	1.2%	1.0%	1.1%	1.0%	1.0%	1.0%	1.1%	1.0%
Total Increase	2.8%	3.0%	3.8%	3.5%	3.9%	4.0%	4.5%	4.0%	4.3%	4.0%

Note: "General Increase/COLA," "Merit" and "Other" do not add to the "Total Increase" because not every organization provides all three types of increase. The n's represent the number of responses for each type of increase, which may include multiple responses if each respondent reports for more than one employee category for that type of increase.

*2022 study sample size is 271

FIGURE UK2 Total Salary Increase Budgets, by Employee Category

Salary Increase Budgets (zeros included)

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly	2.7%	3.0%	3.8%	3.4%	4.0%	4.0%	4.5%	4.0%	4.3%	4.0%
Nonmanagement Salaried	2.9%	3.0%	3.8%	3.5%	3.9%	4.0%	4.5%	4.0%	4.3%	4.0%
Management Salaried	2.8%	3.0%	3.9%	3.5%	4.0%	4.0%	4.5%	4.0%	4.3%	4.0%
Officers/Executives	2.6%	3.0%	3.7%	3.3%	3.9%	3.9%	4.4%	4.0%	4.2%	4.0%
All	2.8%	3.0%	3.8%	3.5%	3.9%	4.0%	4.5%	4.0%	4.3%	4.0%

Salary Increase Budgets (zeros not included)

	Actual 2021		Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly	2.9%	3.0%	3.8%	3.4%	4.0%	4.0%	4.6%	4.0%	4.4%	4.0%
Nonmanagement Salaried	3.0%	3.0%	3.8%	3.5%	3.9%	4.0%	4.6%	4.0%	4.4%	4.0%
Management Salaried	3.0%	3.0%	3.9%	3.5%	4.0%	4.0%	4.6%	4.0%	4.4%	4.0%
Officers/Executives	3.0%	3.0%	3.7%	3.3%	3.9%	3.9%	4.5%	4.4%	4.3%	4.0%
All	3.0%	3.0%	3.8%	3.5%	3.9%	4.0%	4.6%	4.1%	4.4%	4.0%

FIGURE UK3 Number of Months Between Increases

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly	11.8	12.0	12.0	12.0	11.8	12.0	11.8	12.0
Nonmanagement Salaried	12.4	12.0	12.3	12.0	11.6	12.0	11.8	12.0
Management Salaried	12.4	12.0	12.3	12.0	11.6	12.0	11.8	12.0
Officers/Executives	12.2	12.0	12.1	12.0	11.9	12.0	12.1	12.0
All	12.3	12.0	12.2	12.0	11.7	12.0	11.9	12.0

FIGURE UK3A Additional or Off-Cycle Base Pay Increase

	Yes	No, we did not consider it	No, we considered it but decided not to
Nonmanagement Hourly	11.4%	78.9%	9.6%
Nonmanagement Salaried	15.8%	77.1%	7.2%
Management Salaried	13.5%	79.7%	6.8%
Officers/Executives	12.9%	78.4%	8.8%

FIGURE UK4 Distribution of Total Salary Increase Budget Responses Actual 2022 vs. Actual 2023

	Zero (0%)		0.1%-1.9%		2.0%-2.9%		3.0%-4.0%		4.1%-6.9%		7.0%+	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Nonmanagement Hourly	0%	2%	2%	1%	17%	3%	52%	46%	26%	41%	2%	7%
Nonmanagement Salaried	0%	2%	2%	1%	13%	3%	58%	39%	24%	39%	4%	8%
Management Salaried	0%	2%	2%	0%	12%	3%	58%	48%	24%	39%	4%	8%
Officers/Executives	3%	4%	2%	0%	15%	5%	53%	4%	24%	4%	3%	7%

FIGURE UK5 Total Salary Increase Budgets, by Region

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
National	**3.8%**	**3.5%**	**3.9%**	**4.0%**	**4.5%**	**4.0%**	**4.3%**	**4.0%**
East Midlands	3.8%	3.0%	3.9%	4.0%	4.5%	4.1%	4.3%	4.0%
East of England	3.7%	3.0%	4.1%	4.0%	4.4%	4.0%	4.3%	4.0%
Greater London	3.9%	3.5%	4.0%	4.0%	4.4%	4.0%	4.2%	4.0%
North East	3.8%	3.0%	4.1%	4.0%	4.3%	4.0%	4.5%	4.0%
North West	3.8%	3.0%	4.1%	4.0%	4.8%	4.5%	4.7%	4.3%
Northern Ireland	3.8%	3.0%	4.0%	4.0%	4.8%	4.5%	4.4%	4.3%
Scotland	3.6%	3.0%	3.9%	4.0%	4.8%	4.5%	4.5%	4.5%
South East	3.7%	3.0%	4.2%	3.5%	4.3%	4.0%	4.0%	4.0%
South West	3.5%	3.0%	4.0%	4.0%	4.5%	4.1%	4.3%	4.0%
Wales	3.8%	3.0%	4.2%	4.0%	4.4%	4.0%	4.2%	4.0%
West Midlands	3.8%	3.1%	4.2%	4.0%	4.7%	4.5%	4.5%	4.4%
Yorkshire and the Humber	3.7%	3.0%	4.1%	4.0%	4.8%	4.4%	4.4%	4.1%

FIGURE UK6 **Total Salary Increase Budgets, by Major Industry Grouping**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
All Industries	**3.8%**	**3.5%**	**3.9%**	**4.0%**	**4.5%**	**4.0%**	**4.3%**	**4.0%**
Accommodation and Food Services	--	--	--	--	-	-	-	-
Administrative and Support and Waste Management and Remediation Services	--	--	--	--	-	-	-	-
Agriculture, Forestry, Fishing and Hunting	--	--	--	--	-	-	-	-
Arts, Entertainment, and Recreation	3.4%	3.3%	3.8%	3.7%	4.1%	4.0%	3.9%	3.7%
Construction	3.9%	3.9%	4.0%	3.9%	5.0%	5.0%	4.4%	4.0%
Educational Services	3.4%	3.3%	4.0%	3.0%	-	-	-	-
Finance and Insurance	4.0%	3.3%	3.9%	3.0%	4.9%	4.6%	4.4%	4.3%
Health Care and Social Assistance	3.6%	3.0%	3.6%	3.0%	5.2%	4.9%	3.5%	3.5%
Information	3.9%	4.1%	4.2%	4.3%	4.4%	4.0%	4.3%	4.0%
Management of Companies and Enterprises	--	--	--	--	-	-	-	-
Manufacturing	3.5%	3.3%	3.9%	4.0%	4.5%	4.0%	4.3%	4.0%
Mining, Quarrying, and Oil and Gas Extraction	3.9%	3.5%	3.4%	3.0%	4.0%	4.0%	4.0%	4.0%
Professional, Scientific, and Technical Services (includes Consulting)	--	--	--	--	4.8%	4.0%	4.5%	4.0%
Public Administration	--	--	--	--	-	-	-	-
Real Estate and Rental and Leasing	4.6%	3.3%	5.4%	5.0%	-	-	-	-
Retail Trade	4.2%	4.5%	4.6%	5.0%	3.8%	3.8%	4.2%	4.0%
Telecommunications	5.0%	4.5%	4.0%	2.8%	3.9%	3.8%	4.3%	4.5%
Transportation and Warehousing	3.7%	3.9%	3.6%	3.5%	4.4%	4.0%	4.4%	4.0%
Utilities	--	--	--	--	-	-	-	-
Wholesale Trade	3.3%	3.0%	3.9%	3.0%	3.8%	4.0%	3.7%	3.5%
Other Services (except Public Administration)	3.3%	3.0%	3.5%	3.0%	4.6%	5.0%	4.0%	4.0%

-- fewer than 5 reponses

FIGURE UK7 Total Salary Increase Budgets, by Organization Size

Number of Employees	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
1-499	5.4%	5.0%	4.7%	5.0%	--	--	--	--
500-2,499	3.9%	3.9%	4.0%	4.0%	5.8%	5.5%	4.5%	4.5%
2,500-9,999	4.0%	3.5%	4.0%	4.0%	4.6%	4.8%	4.6%	4.0%
10,000-19,999	3.4%	3.0%	3.9%	3.5%	4.3%	3.8%	4.4%	4.0%
20,000+	3.6%	3.0%	3.7%	3.0%	4.2%	4.0%	4.3%	4.0%

FIGURE UK8 Total Salary Increase Budgets, by Revenue

Revenue	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Up to $10 million	3.0%	3.3%	3.0%	4.0%	4.0%	4.0%	3.0%	3.0%
More than $10 million to $30 million	-	-	-	-	-	-	-	-
More than $30 million to $100 million	4.1%	3.5%	4.4%	4.0%	-	-	-	-
More than $100 million to $300 million	4.6%	4.1%	4.5%	4.1%	4.5%	4.5%	4.0%	4.0%
More than $300 million to $600 million	4.1%	4.0%	4.0%	4.0%	5.2%	5.3%	4.3%	4.3%
More than $600 million to $1 billion	3.7%	3.2%	3.7%	3.0%	5.9%	5.8%	4.9%	4.5%
More than $1 billion to $3 billion	3.9%	3.5%	4.1%	4.0%	4.4%	4.5%	4.2%	4.0%
More than $3 billion to $5 billion	3.5%	3.0%	4.1%	4.0%	4.5%	4.5%	4.9%	4.6%
More than $5 billion to $8 billion	3.6%	3.2%	3.7%	3.5%	4.5%	4.0%	5.0%	5.0%
More than $8 billion to $10 billion	3.0%	3.0%	3.5%	3.0%	3.6%	3.5%	3.7%	3.5%
More than $10 billion	3.7%	3.3%	3.6%	3.0%	4.8%	5.0%	4.5%	4.5%

-- fewer than 5 reponses

FIGURE UK9 **Impact of Promotional Increases on Salary Budgets** *(n=311)*

Additional amount budgeted for promotional increases as part of salary budget but separate from other pay increase budgets	21%
Additional amount budgeted for promotional increases as part of merit budget	17%
Additional amount budgeted for promotional increases as part of general increase/COLA increase budget	4%
Additional amount budgeted for promotional increases as part of other increase budget	21%
Percent of organizations that do budget for promotions	**63%**
No budget for promotional increases	37%
Percent of organizations that do NOT budget for promotions	**37%**

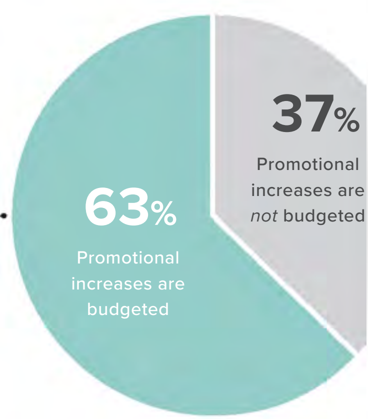
FIGURE UK9A **Promotional Increase Funding When Promotional Increases Are Not Budgeted** *(n=98)*

Promotional increases are paid for out of the merit budget, even though the merit budget is not inflated to cover promotional increases	34%
Promotional increases are paid for out of the general increase/COLA increase budget, even though the general increase/COLA budget is not inflated to cover promotional increases	8%
Promotional increases are paid for out of the other increase budget, even though the other increase budget is not inflated to cover promotional increases	21%
Promotional increases are paid for with savings (e.g., savings realized from vacant positions, hiring at a lower rate than the previous incumbent, downsizing)	56%

FIGURE UK9B **Promotional Increase Budget Practices**

Where are promotional increases budgeted?* (n=197)

Separately from other pay increase budgets	34%
As part of the **merit** increase budget	27%
As part of the **other increase** budget	33%
As part of the **general increase/COLA** budget	6%



How are promotional increases paid for/funded if not budgeted? (n=98)

With vacancy, salary or other savings	56%
Out of **merit** increase budget	34%
Out of **other increase** budget	21%
Out of **general increase/COLA** budget	8%

* Data for companies that do budget for promotions were extracted from Figure UK9 and recalculated to show breakdown within those 63% of respondents. NOTE: See Figure UK9 and UK9a for additional detail on data used to create this chart.

PROMOTIONAL INCREASES

FIGURE UK10 **Promotional Increases**

	2022		2023	
	Mean	Median	Mean	Median
Percentage of employees that received promotional increases	8.0%	5.00%	--	--
	n=219			
Percentage of promoted employees' base salary	8.7%	9%	--	--
	n=229			
Planned spending on promotional increases as a percentage of total base salaries	--	--	1.9%	1.0%
			n=225	

FIGURE UK11 **Change in Planned Spending on Promotional Increases**

	More	Similar	Less
Planned spending on promotional increases in 2023 is … than 2022	3%	85%	13%
Estimated spending on promotional increases in 2023 will be … than 2022	5%	90%	5%

LAYOFFS AND IMPACT ON SALARY BUDGET

FIGURE UK12 **Percent of Organizations Conducted or Planning Layoffs, by Employee Category** *(n=306)*

	Percent of Organizations
	Mean
2023	
No layoffs/RIFs in 2023	68%
Layoffs/RIFs not planned, but could occur before end of the 2023	12%
Conducted layoffs/RIFs in 2023	17%
Layoffs/RIFs planned prior to the end of 2023	3%
2024	
No layoffs/RIFs anticipated in 2024	90%
Contingency planning for 2024 layoffs, but probably won't use	7%
Willl have layoffs/RIFs in 2024	1%
Layoffs/RIFs planned for 2024, but will cancel if conditions improve	2%

FIGURE UK12B **Impact of Layoffs/RIFs on Salary Increase Budgets** *(n=62)*

	2023	2024
No impact	85%	--
Lowered salary increase budget	15%	--
Raised salary increase budget	0%	--

Note: question was only asked of those organizations who had conducted or expect to conduct layoffs for each year.

-- fewer than 5 reponses

FIGURE UK13 **Base Pay Market Comparison Target, by Employee Category**

	10th Percentile	25th Percentile	50th Percentile (median)	60th Percentile	75th Percentile	90th Percentile	Other Percentile	No Formal Compensation Strategy
Nonmanagement Hourly	0.0%	0.9%	92.0%	4.4%	0.0%	0.0%	0.0%	2.7%
Nonmanagement Salaried	0.0%	0.7%	86.6%	5.8%	4.5%	0.7%	1.0%	0.7%
Management Salaried	0.0%	0.7%	85.8%	6.4%	4.4%	0.7%	1.0%	1.0%
Officers/Executives	0.0%	1.2%	82.9%	5.9%	8.2%	0.6%	0.0%	1.2%

FIGURE UK13A **Changes in Base Pay Level Targets in Past 12 Months**

	Increased	Stayed about the same	Decreased
Nonmanagement Hourly	3.5%	96.5%	0.0%
Nonmanagement Salaried	3.5%	96.2%	0.3%
Management Salaried	4.8%	94.5%	0.7%
Officers/Executives	5.3%	94.7%	0.0%

LUMP-SUM AWARDS (BASE-PAY RELATED)

A lump-sum award is defined as an increase in pay that is made in the form of a single cash payment. Lump-sum awards often are used in one of three circumstances:

- When an employer does not want to increase the employee's base pay due to budget constraints
- When an employee is reaching or exceeding the maximum of his/her salary range
- When an employer is trying to give the employee more buying power at a specific point in time.

FIGURE UK14 **Lump-Sum Awards, by Employee Category**

	Percent of Companies Giving Lump-Sum Awards	Percent of Employees Receiving Lump-Sum Awards in 2022	Percent of Employees Receiving an Increase in 2023 is … than 2022		
	Mean	Mean	Larger	Similar	Smaller
Nonmanagement Hourly	27%	7%	3%	94%	3%
Nonmanagement Salaried	34%	9%	8%	84%	8%
Management Salaried	33%	11%	7%	84%	9%
Officers/Executives	27%	17%	6%	85%	8%

SALARY STRUCTURE ADJUSTMENTS

An organization's salary structure is a hierarchy of pay ranges with established minimums and maximums. Organizations frequently apply control points (often the midpoint) within each salary range. The collection of those control points determines the pay line. As a general rule, the numbers displayed in Figure UK23 refer to the percent increase in the salary structure pay line encompassing all salary range control points.

FIGURE UK15 **Salary Structure Increases, by Employee Category**

	Actual 2022		Projected 2023		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly	2.3%	2.3%	3.0%	2.5%	3.6%	3.0%	3.0%	3.0%
Nonmanagement Salaried	3.1%	2.8%	3.3%	3.0%	3.3%	3.0%	2.8%	3.0%
Management Salaried	3.1%	2.8%	3.2%	3.0%	3.3%	3.0%	2.8%	3.0%
Officers/Executives	3.2%	2.8%	3.0%	2.6%	3.5%	3.0%	2.8%	3.0%
All	3.0%	2.7%	3.2%	3.0%	3.4%	3.0%	3.0%	3.0%

FIGURE UK15A Actual 2023 Salary Structure Increase Data, Most Common Responses

	Nonmanagement Hourly Mean: 3.6%	Nonmanagement Salaried Mean: 3.3%	Management Salaried Mean: 3.3%	Officers/Executives Mean: 3.5%
5.0% increase	11%	8%	8%	8%
4.0% increase	11%	8%	9%	12%
3.0% increase	25%	22%	21%	19%
2.0% increase	16%	10%	12%	13%
0.0% increase	5%	15%	14%	19%

FIGURE UK15B Projected 2024 Salary Structure Increase Data, Most Common Responses

	Nonmanagement Hourly Mean: 3.0%	Nonmanagement Salaried Mean: 2.8%	Management Salaried Mean: 2.8%	Officers/Executives Mean: 2.8%
5.0% increase	8%	11%	12%	11%
4.0% increase	17%	8%	9%	11%
3.0% increase	25%	28%	26%	24%
2.0% increase	17%	15%	16%	14%
0.0% increase	8%	13%	12%	11%

Variable pay is the percentage of payroll established by management to grant to employees for performance-based, lump-sum, short-term cash awards during the year. Included in this calculation are payments provided under a formal plan, such as organizationwide awards, unit/strategic business unit (SBU) awards and/or individual incentive awards. (Specific salesforce incentive awards and cash awards for recognition are excluded from the variable pay data.)

FIGURE UK16 Use of Variable Pay

Percent of organizations ...	2022	2023
Using variable pay	91%	90%
Not using variable pay	10%	10%

FIGURE UK17 Types of Variable Pay Programs

Combination awards based on both organization/unit success and individual performance	67%
Organizationwide awards	27%
Individual incentive awards	16%
Unit/strategic business unit awards	10%

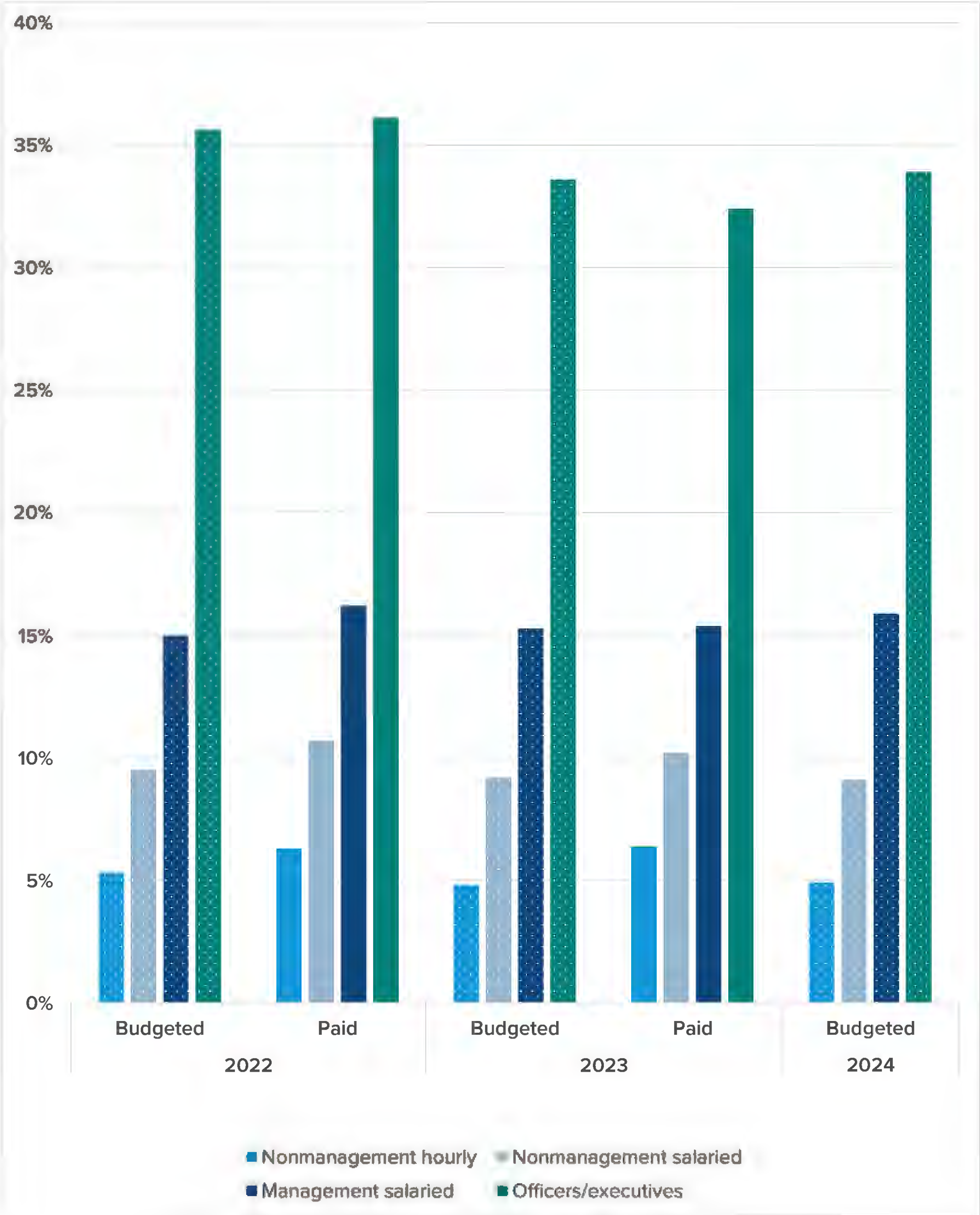
FIGURE UK18 Impact of Variable Pay on Base Salary Budget Recommendations

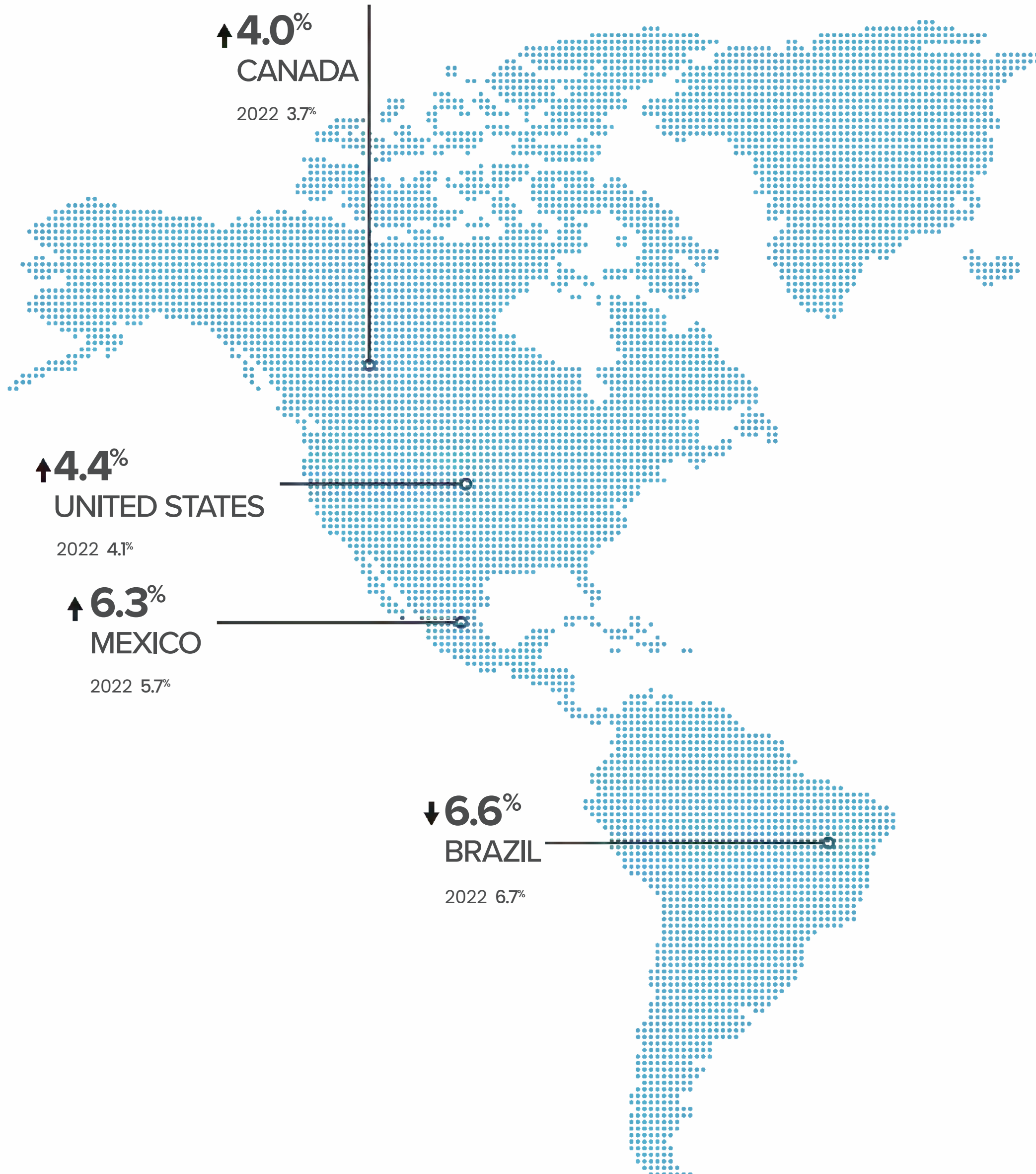
	Nonmanagement Hourly	Nonmanagement Salaried	Management Salaried	Officers/Executives
No impact	79%	73%	74%	69%
Some impact	19%	24%	24%	26%
Significant impact	2%	3%	3%	4%

FIGURE UK19 **Variable Pay Programs, 2022-2024**

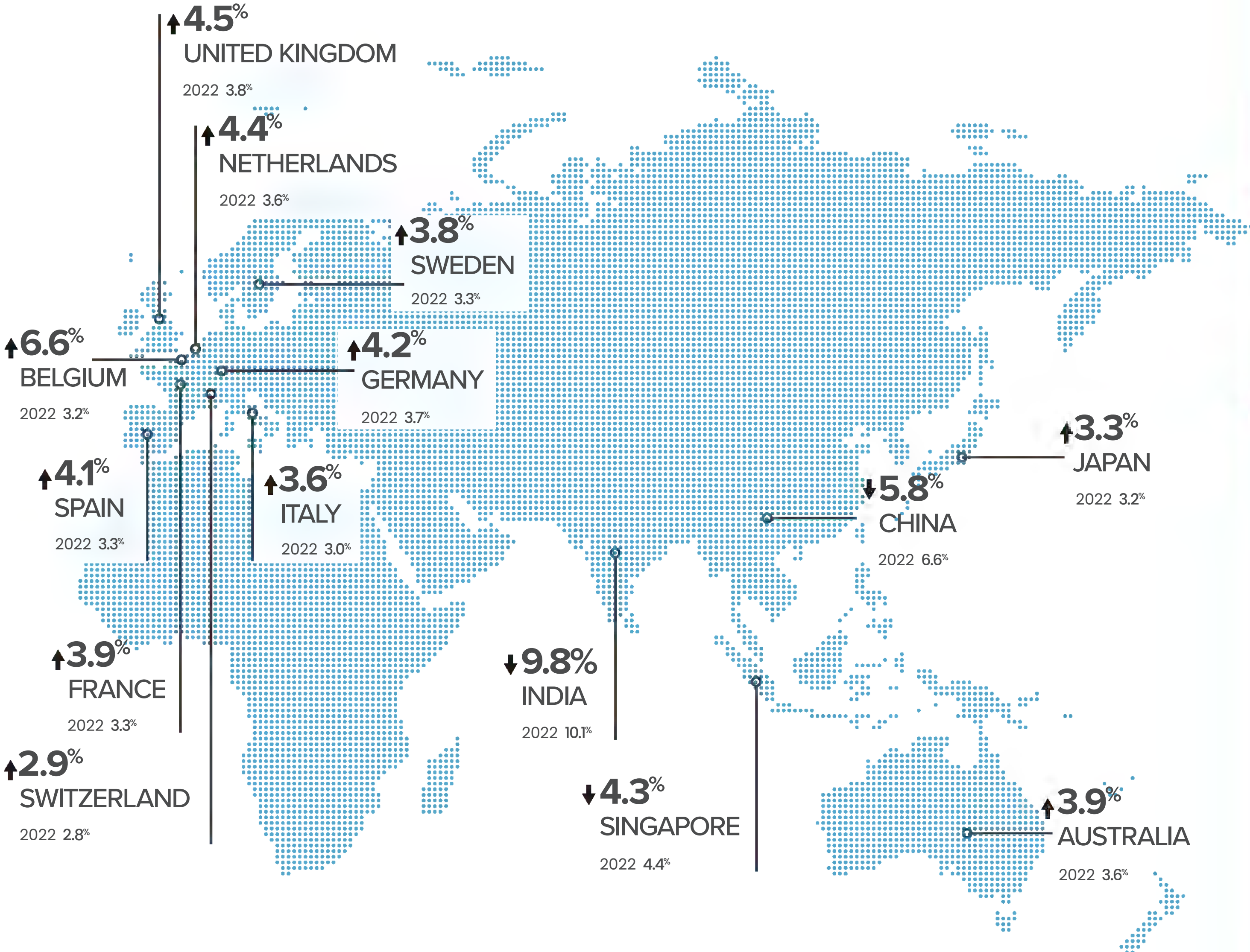
National	Nonmanagement Hourly		Nonmanagement Salaried		Management Salaried		Officers/ Executives	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
2022								
Average percent budgeted	5.3%	5.0%	9.5%	8.8%	15.0%	15.0%	35.6%	33.0%
Average percent paid	6.3%	5.0%	10.7%	8.0%	16.2%	14.0%	36.1%	30.0%
Percent of employees eligible in 2022 for variable pay	87%	100%	81%	100%	80%	100%	89%	100%
Percent of eligible employees actually paid variable pay for 2022	86%	100%	84%	100%	82%	100%	90%	100%
2023								
Average percent budgeted	4.8%	5.0%	9.2%	8.7%	15.3%	15.0%	33.6%	32.6%
Projected percent paid	6.4%	5.0%	10.2%	8.4%	15.4%	14.0%	32.4%	30.0%
2024								
Projected percent budgeted	4.9%	5.0%	9.1%	8.5%	15.9%	15.0%	33.9%	32.2%

UK Variable Pay Payouts Exceed Budgets for Most Groups; Budget Changes are Gradual




4.0%
CANADA
2022 3.7%
4.4%
UNITED STATES
2022 4.1%
6.3%
MEXICO
2022 5.7%
6.6%
BRAZIL
2022 6.7%

Global



International Salary Increase Budgets

Most countries reported growth in salary increase budgets for 2023 compared to 2022, with upticks in average salary increase budgets ranging from 0.1 to 3.4 percentage points. Belgium had the largest increase in mean salary increase budget for 2023, driven by a required increase in salaries of around 11% mandated for many private sector employees that took effect on January 1, 2023. Brazil, China, and India all saw decreases in average salary increase budgets compared to 2022, with the largest drop, 0.8 points, occurring in China.

Since 2012, the "WorldatWork Salary Budget Survey" has collected, analyzed, and reported salary increase budget data globally. Organizations interested in benchmarking global pay practices have sought data that mirror WorldatWork's types of data and employee categories.

Starting in 2021, WorldatWork expanded the range of data it collects for India and the U.K. to mirror that of the U.S. and Canada, expanding the depth of information in areas such as salary structure adjustments and variable pay budgets. In addition, WorldatWork reports core salary budget increase data for 14 countries in addition to the U.S., Canada, India, and the U.K.

This year, 3,190 responses were received for the surveyed countries outside of the U.S., Canada, India, and the U.K., a 72% increase in the volume of data from this group of countries since 2022. There are 18 total countries for which WorldatWork data is presented this year:

- Australia
- Belgium
- Brazil
- Canada
- China
- France
- Germany
- India
- Italy
- Japan
- Mexico
- Netherlands
- Singapore
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States

Due to the disruptions caused by the Russia-Ukraine war, fewer than fifty responses were received from organizations with employees in Russia this year, so we are unable to provide salary budget data for Russia this year. Next year's salary budget survey will include data from an expanded group of countries.

Repeating last year's pattern, India once again had the largest overall increase budget this year at 9.8%, while Switzerland had the smallest one at 2.9%.

All countries predicted decreases or no change in salary increase budgets in 2024 compared to 2023. Belgium predicts a significant 1.8-point decrease for 2024 in average salary increase budgets, but decreases for 2024 range from 0.0 to 0.3 points for all other countries. (See Figure G1A on pages 108-109.)

Mandatory Pay Increases

One important consideration to salary budget planning is government-required pay increases. Mandatory pay increases do not necessarily inflate salary increase budgets if the size of the planned pay increase meets the statutory or collective-bargaining requirement. Furthermore, data were collected by type of pay increase and survey respondents were not advised during participation to report mandatory pay increases. A mandatory pay increase may be included in the general increase/COLA, merit increase and/or other increase figures if applicable.

Data by Type of Pay Increase

While merit budgets remain the largest type of increase, general increase/COLA budgets have seen significant movement in 2023. Belgium showed a large increase in average general increase/COLA increase budgets (to 7.4%), followed by Mexico, whose 2023 general/COLA budgets grew by a much smaller 0.8 points to reach 4.6% in 2023. On the other hand, several other countries have seen a sharp drop in such budgets, including Brazil (-1.6%), China (-1.1%), Singapore (-1.0%), and Spain (-1.0%). (See Figures G1A and G1B on page xx.)

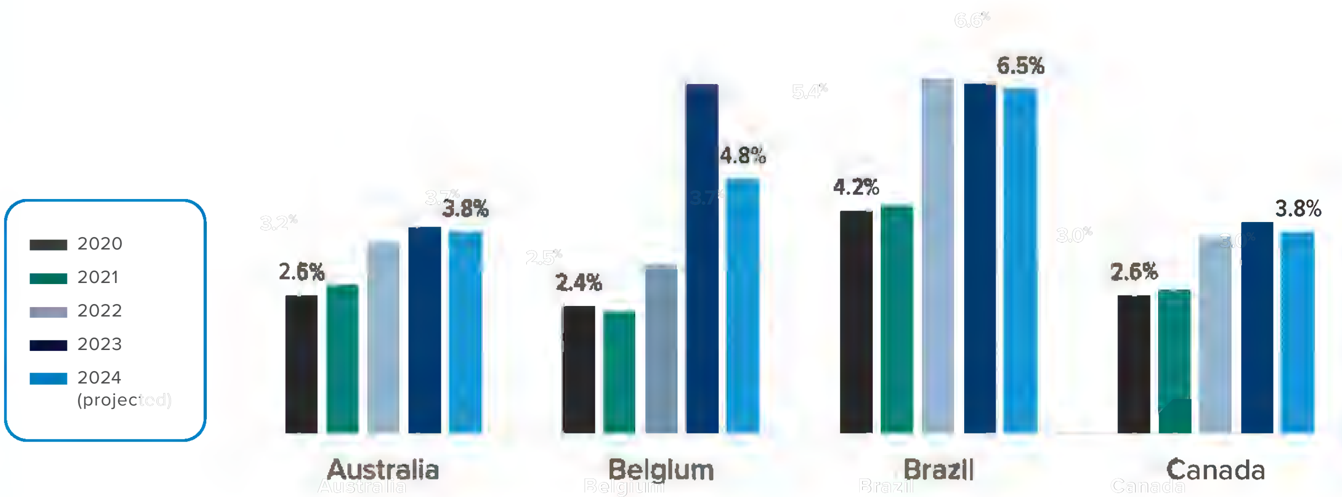
Data by Employee Category

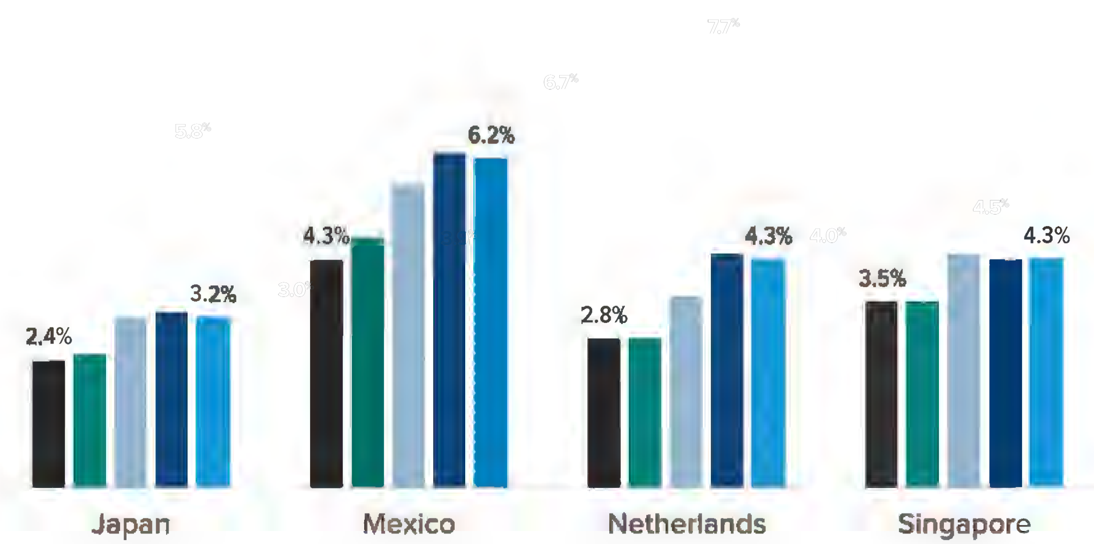
International data gathered by WorldatWork were aggregated using WorldatWork's analysis method to report salary budget increases by employee category. Most countries show minor differences when comparing data by employee category, with the exception of Belgium, which saw the largest differences between hourly workers and officers/executives in 2023, with salary increase budgets for hourly nonunion workers exceeding those for officers/executives by 1.6 percentage points. Differences among employee groups were smallest in the U.K. and Australia, where the highest-budgeted workers differed from the lowest-budgeted workers by only 0.1%. (See Figures G2A and G2B on pages 113-118.)

Notes about International Data

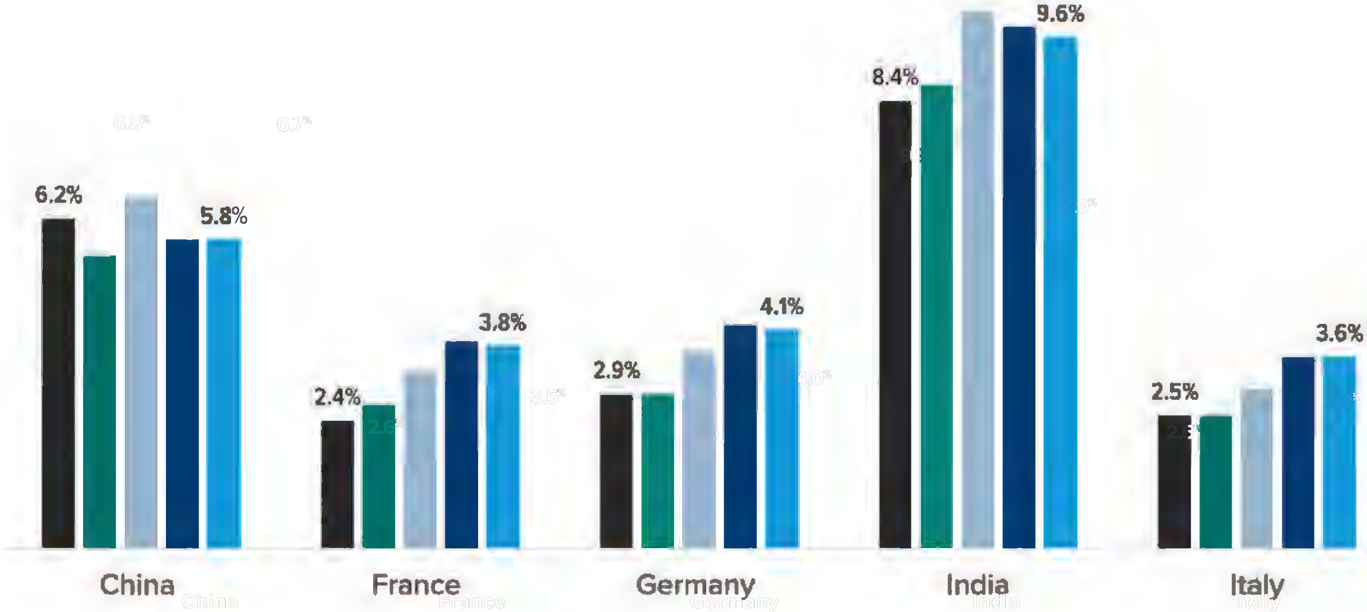
While WorldatWork reports aggregated data for as few as five organizations within a country, data corresponding to larger sample sizes will have stronger statistical power and validity. Some caution should be exercised when using data points contained in this report that have been aggregated from relatively few respondents.

Unlimited, customized reports for the United States and Canada can be run through the “Online Reporting Tool.” (See page 123 for instructions.) In 2022, WorldatWork did not receive enough responses from any other country to support user-customized cuts of data from an online database. WorldatWork will continue endeavors to increase the number for all countries to expand the coverage of the “Online Reporting Tool.”


2020
2021
2022
2023
2024 (projected)
2.6%
3.8%
2.4%
4.8%
4.2%
6.5%
2.6%
3.8%
Australia
Belgium
Brazil
Canada


2.4%
3.2%
4.3%
6.2%
2.8%
4.3%
3.5%
4.3%
Japan
Mexico
Netherlands
Singapore

GLOBAL TOTAL SALARY INCREASE BUDGET TRENDS



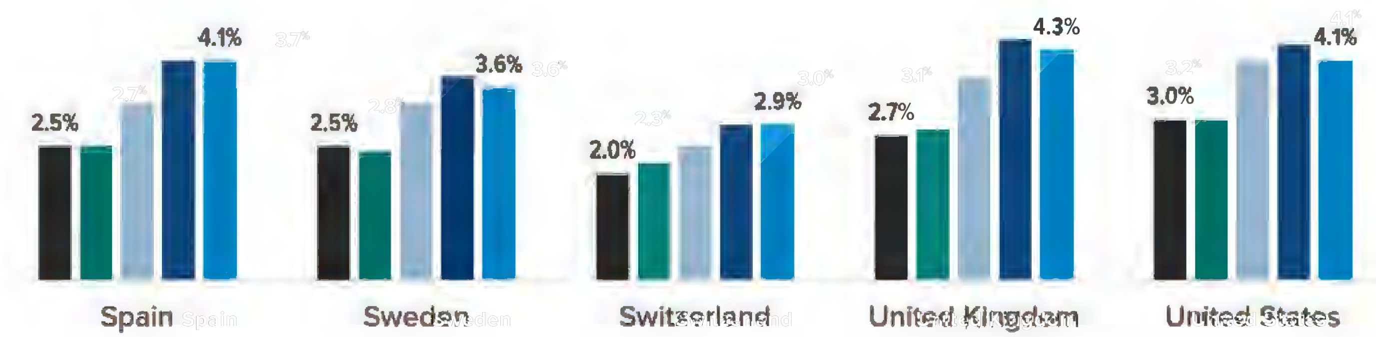


FIGURE G1 Number of 2023 Salary Increase Budget Responses, by Country

	General Increase/ COLA	Merit Increase	Other Increase	Total Increase
Australia	21	162	51	170
Belgium	26	74	31	94
Brazil	39	114	38	134
Canada	101	467	132	503
China	23	179	51	189
France	23	172	59	181
Germany	26	201	63	211
India	28	196	51	208
Italy	23	121	37	129
Japan	4	121	6	123
Mexico	21	178	45	185
Netherlands	31	138	44	146
Russia	2	24	7	24
Singapore	19	161	45	166
Spain	24	144	49	152
Sweden	12	77	28	81
Switzerland	9	78	28	82
United Kingdom	49	295	95	315
United States	584	1782	773	1912

FIGURE G1A Salary Increase Budgets, by Type of Increase (zeros included)

		Actual 2022		Actual 2023		Projected 2024	
	Type of Increase	Mean	Median	Mean	Median	Mean	Median
Australia	General Increase/COLA*	1.6%	1.3%	1.9%	1.0%	1.7%	1.1%
	Merit Increase	3.3%	3.0%	3.5%	3.5%	3.5%	3.5%
	Other Increase	1.3%	1.0%	0.9%	1.0%	0.8%	1.0%
	Total Increase	**3.6%**	**3.1%**	**3.9%**	**3.5%**	**3.8%**	**3.5%**
Belgium	General Increase/COLA*	2.6%	2.8%	7.4%	9.7%	4.0%	5.8%
	Merit Increase	2.4%	2.5%	4.2%	3.0%	3.7%	3.0%
	Other Increase*	2.1%	1.2%	4.4%	1.8%	2.2%	0.8%
	Total Increase	**3.2%**	**3.2%**	**6.6%**	**6.0%**	**4.8%**	**4.0%**
Brazil	General Increase/COLA*	7.4%	6.5%	5.8%	6.0%	5.3%	5.5%
	Merit Increase	5.1%	4.7%	5.1%	5.0%	5.0%	5.0%
	Other Increase*	4.1%	2.6%	2.3%	1.0%	2.5%	1.0%
	Total Increase	**6.7%**	**6.0%**	**6.6%**	**6.3%**	**6.5%**	**6.6%**
Canada	General Increase/COLA	1.9%	2.0%	2.5%	3.0%	2.3%	3.0%
	Merit Increase	3.3%	3.0%	3.7%	3.6%	3.5%	3.5%
	Other Increase	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%
	Total Increase	**3.7%**	**3.2%**	**4.0%**	**4.0%**	**3.8%**	**3.8%**

(Continued on page 109)

FIGURE G1A **Salary Increase Budgets, by Type of Increase (zeros included)** (continued)

	Type of Increase	Actual 2022 Mean	Actual 2022 Median	Actual 2023 Mean	Actual 2023 Median	Projected 2024 Mean	Projected 2024 Median
China	General Increase/COLA*	3.5%	4.8%	2.4%	0.4%	2.2%	0.5%
	Merit Increase	6.1%	6.0%	5.5%	6.0%	5.5%	6.0%
	Other Increase	1.5%	1.0%	0.9%	1.0%	0.9%	1.0%
	Total Increase	**6.6%**	**6.0%**	**5.8%**	**6.0%**	**5.8%**	**6.0%**
France	General Increase/COLA*	2.6%	3.0%	2.0%	1.8%	1.3%	0.3%
	Merit Increase	3.0%	2.6%	3.6%	3.3%	3.4%	3.5%
	Other Increase	1.1%	1.0%	0.9%	0.8%	0.9%	0.9%
	Total Increase	**3.3%**	**3.0%**	**3.9%**	**3.7%**	**3.8%**	**3.8%**
Germany	General Increase/COLA*	2.4%	2.5%	1.9%	0.5%	1.9%	1.0%
	Merit Increase	3.4%	3.0%	4.1%	4.0%	3.8%	3.8%
	Other Increase	1.1%	1.0%	0.9%	0.7%	1.0%	1.0%
	Total Increase	**3.7%**	**3.2%**	**4.2%**	**4.0%**	**4.1%**	**4.0%**
India	General Increase/COLA*	5.6%	6.0%	4.9%	1.4%	4.7%	1.4%
	Merit Increase	9.5%	9.5%	9.3%	9.8%	9.1%	9.8%
	Other Increase	2.3%	1.6%	1.9%	1.0%	1.6%	1.0%
	Total Increase	**10.1%**	**10.0%**	**9.8%**	**10.0%**	**9.6%**	**10.0%**
Italy	General Increase/COLA*	1.3%	0.8%	1.5%	0.7%	2.1%	1.8%
	Merit Increase	2.7%	2.5%	3.2%	3.0%	3.2%	3.0%
	Other Increase*	1.1%	1.0%	1.0%	0.7%	1.0%	0.6%
	Total Increase	**3.0%**	**2.6%**	**3.6%**	**3.2%**	**3.6%**	**3.2%**
Japan	General Increase/COLA*	2.5%	3.0%	1.6%	1.0%	1.4%	1.0%
	Merit Increase	2.8%	2.5%	2.8%	2.8%	2.8%	2.9%
	Other Increase*	1.1%	1.0%	0.9%	0.7%	0.9%	0.6%
	Total Increase	**3.2%**	**2.6%**	**3.3%**	**3.0%**	**3.2%**	**3.0%**
Mexico	General Increase/COLA*	3.8%	4.0%	4.6%	5.0%	4.4%	4.8%
	Merit Increase	5.2%	5.0%	5.6%	5.4%	5.4%	5.2%
	Other Increase	1.7%	1.0%	2.4%	1.0%	2.2%	1.0%
	Total Increase	**5.7%**	**5.1%**	**6.3%**	**5.5%**	**6.2%**	**5.5%**
Netherlands	General Increase/COLA*	2.9%	3.0%	3.4%	3.2%	1.6%	1.0%
	Merit Increase	3.2%	3.0%	3.9%	3.5%	3.7%	3.5%
	Other Increase	1.3%	1.0%	1.0%	0.9%	1.1%	0.8%
	Total Increase	**3.6%**	**3.3%**	**4.4%**	**4.0%**	**4.3%**	**4.0%**
Russia	General Increase/COLA*	2.5%	0.1%	--	--	--	--
	Merit Increase*	6.1%	6.0%	--	--	--	--
	Other Increase*	1.6%	1.0%	--	--	--	--
	Total Increase*	**6.8%**	**6.5%**	--	--	--	--
Singapore	General Increase/COLA	2.9%	3.0%	1.9%	0.9%	2.0%	1.5%
	Merit Increase	4.0%	3.9%	4.1%	4.0%	3.9%	4.0%
	Other Increase	1.3%	1.0%	0.9%	0.9%	0.9%	1.0%
	Total Increase	**4.4%**	**4.0%**	**4.3%**	**4.0%**	**4.3%**	**4.0%**
Spain	General Increase/COLA*	2.8%	3.0%	1.8%	1.0%	1.8%	1.3%
	Merit Increase	3.0%	2.6%	3.6%	3.2%	3.5%	3.2%
	Other Increase	1.1%	1.0%	1.1%	1.0%	1.2%	1.0%
	Total Increase	**3.3%**	**3.0%**	**4.1%**	**4.0%**	**4.1%**	**4.0%**
Sweden	General Increase/COLA*	1.8%	1.0%	1.6%	1.4%	1.1%	0.0%
	Merit Increase	2.9%	2.7%	3.3%	3.0%	3.2%	3.0%
	Other Increase*	1.1%	1.0%	1.1%	0.9%	1.0%	0.8%
	Total Increase	**3.3%**	**3.0%**	**3.8%**	**3.5%**	**3.6%**	**3.2%**

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FIGURE G1A **Salary Increase Budgets, by Type of Increase (zeros included)** (continued)

	Type of Increase	Actual 2022		Actual 2023		Projected 2024	
		Mean	Median	Mean	Median	Mean	Median
Switzerland	General Increase/COLA*	0.9%	0.8%	1.5%	1.3%	1.8%	1.8%
	Merit Increase	2.5%	2.2%	2.4%	2.4%	2.4%	2.5%
	Other Increase*	1.3%	1.0%	1.0%	0.7%	1.1%	0.9%
	Total Increase	**2.8%**	**2.5%**	**2.9%**	**2.5%**	**2.9%**	**2.5%**
United Kingdom	General Increase/COLA*	2.6%	3.0%	2.6%	2.4%	2.3%	3.0%
	Merit Increase	3.4%	3.0%	4.1%	4.0%	3.9%	4.0%
	Other Increase	1.2%	1.0%	1.0%	1.0%	1.1%	1.0%
	Total Increase	**3.8%**	**3.5%**	**4.5%**	**4.0%**	**4.3%**	**4.0%**
United States	General Increase/COLA	1.9%	2.0%	2.0%	1.1%	1.8%	1.0%
	Merit Increase	3.5%	3.2%	3.7%	4.0%	3.6%	3.5%
	Other Increase	1.3%	1.0%	1.0%	0.8%	0.9%	0.8%
	Total Increase	**4.1%**	**3.8%**	**4.4%**	**4.0%**	**4.1%**	**4.0%**

Note: "General Increase/COLA," "Merit" and "Other" do not add to the "Total Increase" because not every organization provides all three types of increase. The n's represent the number of responses for each type of increase, which may include multiple responses if each respondent reports for more than one employee category for that type of increase.

*This data may represent a small sample size of fewer than 30 responses. Please refer to figure G1.

FIGURE G1B **Salary Increase Budgets, by Type of Increase (zeros NOT included)**

	Type of Increase	Actual 2022 Mean	Actual 2022 Median	Actual 2023 Mean	Actual 2023 Median	Projected 2024 Mean	Projected 2024 Median
Australia	General Increase/COLA*	2.0%	2.0%	3.6%	3.9%	3.1%	3.0%
	Merit Increase	3.3%	3.0%	0.4%	0.4%	3.5%	3.5%
	Other Increase	1.3%	1.0%	1.1%	1.0%	1.0%	1.0%
	Total Increase	**3.6%**	**3.1%**	**3.9%**	**3.6%**	**3.8%**	**3.6%**
Belgium	General Increase/COLA*	2.7%	2.8%	8.3%	9.4%	--	--
	Merit Increase	2.7%	2.5%	5.3%	3.5%	4.3%	3.6%
	Other Increase*	2.1%	1.4%	4.7%	3.1%	2.4%	1.5%
	Total Increase	**3.3%**	**3.3%**	**7.2%**	**6.6%**	**5.0%**	**4.3%**
Brazil	General Increase/COLA*	7.4%	6.5%	6.6%	6.1%	6.2%	6.1%
	Merit Increase	5.3%	4.7%	5.3%	5.3%	5.0%	5.3%
	Other Increase*	4.2%	2.8%	2.6%	1.4%	2.7%	1.4%
	Total Increase	**6.8%**	**6.0%**	**6.9%**	**6.5%**	**6.7%**	**6.6%**
Canada	General Increase/COLA	2.7%	2.9%	3.5%	3.4%	3.3%	3.1%
	Merit Increase	3.4%	3.0%	3.8%	3.7%	3.5%	3.5%
	Other Increase	1.3%	1.0%	1.2%	1.0%	1.2%	1.0%
	Total Increase	**3.8%**	**3.3%**	**4.1%**	**4.0%**	**3.8%**	**3.9%**
China	General Increase/COLA*	4.4%	5.4%	5.0%	5.8%	4.8%	5.3%
	Merit Increase	6.2%	6.0%	5.6%	6.0%	5.6%	6.0%
	Other Increase	1.6%	1.0%	1.0%	0.9%	1.0%	1.0%
	Total Increase	**6.6%**	**6.0%**	**5.9%**	**6.0%**	**5.9%**	**6.0%**
France	General Increase/COLA*	3.2%	3.0%	3.7%	3.5%	--	--
	Merit Increase	3.0%	2.7%	3.6%	3.4%	3.5%	3.5%
	Other Increase	1.1%	1.0%	1.0%	0.9%	1.0%	0.9%
	Total Increase	**3.3%**	**3.0%**	**4.0%**	**3.8%**	**3.8%**	**3.9%**
Germany	General Increase/COLA*	2.7%	3.0%	3.8%	2.9%	3.2%	2.9%
	Merit Increase	3.4%	3.0%	4.2%	4.0%	3.8%	3.8%
	Other Increase	1.1%	1.0%	1.1%	0.9%	1.1%	1.0%
	Total Increase	**3.7%**	**3.2%**	**4.3%**	**4.0%**	**4.2%**	**4.0%**
India	General Increase/COLA*	6.2%	6.8%	7.3%	9.5%	6.8%	8.5%
	Merit Increase	9.5%	9.5%	9.4%	9.8%	9.3%	9.8%
	Other Increase	2.3%	2.0%	2.2%	1.1%	1.8%	1.0%
	Total Increase	**10.1%**	**10.0%**	**10.0%**	**10.0%**	**9.7%**	**10.0%**
Italy	General Increase/COLA*	1.3%	0.8%	2.7%	2.4%	3.3%	3.2%
	Merit Increase	2.7%	2.5%	3.3%	3.1%	3.2%	3.0%
	Other Increase*	1.2%	1.0%	1.1%	0.8%	1.0%	0.7%
	Total Increase	**3.0%**	**2.6%**	**3.6%**	**3.4%**	**3.6%**	**3.2%**
Japan	General Increase/COLA*	2.5%	3.0%	0.0%	0.0%	--	--
	Merit Increase	2.8%	2.5%	2.9%	2.8%	2.8%	2.9%
	Other Increase*	1.1%	1.0%	1.1%	0.9%	1.0%	0.8%
	Total Increase	**3.2%**	**2.6%**	**3.3%**	**3.0%**	**3.2%**	**3.0%**
Mexico	General Increase/COLA*	4.1%	4.3%	6.7%	6.1%	6.4%	6.1%
	Merit Increase	5.2%	5.0%	5.7%	5.4%	5.5%	5.3%
	Other Increase	1.8%	1.0%	2.7%	1.4%	2.5%	1.3%
	Total Increase	**5.7%**	**5.2%**	**6.4%**	**5.7%**	**6.2%**	**5.5%**
Netherlands	General Increase/COLA*	2.9%	3.0%	4.9%	4.7%	--	--
	Merit Increase	3.2%	3.0%	4.0%	3.6%	3.8%	3.6%
	Other Increase	1.3%	1.0%	1.2%	1.0%	1.4%	1.0%
	Total Increase	**3.6%**	**3.3%**	**4.5%**	**4.0%**	**4.3%**	**4.0%**

(Continued on page 111)

FIGURE G1B **Salary Increase Budgets, by Type of Increase (zeros NOT included)** (continued)

	Type of Increase	Actual 2022 Mean	Actual 2022 Median	Actual 2023 Mean	Actual 2023 Median	Projected 2024 Mean	Projected 2024 Median
Russia	General Increase/COLA*	2.5%	0.1%	0.0%	0.0%	--	--
	Merit Increase	6.2%	6.0%	8.2%	7.9%	--	--
	Other Increase*	1.7%	1.0%	0.0%	0.0%	--	--
	Total Increase	**6.9%**	**6.5%**	**8.7%**	**8.3%**	--	--
Singapore	General Increase/COLA*	3.5%	3.5%	3.5%	3.5%	3.5%	3.7%
	Merit Increase	4.0%	3.9%	4.2%	4.0%	4.0%	4.0%
	Other Increase	1.3%	1.0%	1.1%	0.9%	1.1%	1.0%
	Total Increase	**4.4%**	**4.0%**	**4.4%**	**4.0%**	**4.3%**	**4.0%**
Spain	General Increase/COLA*	3.7%	3.0%	0.0%	0.0%	--	--
	Merit Increase	3.1%	2.6%	3.7%	3.3%	3.5%	3.3%
	Other Increase	1.1%	1.0%	1.2%	1.0%	1.3%	1.0%
	Total Increase	**3.3%**	**3.0%**	**4.2%**	**3.9%**	**4.0%**	**4.0%**
Sweden	General Increase/COLA*	1.8%	1.0%	0.0%	0.0%	--	--
	Merit Increase	2.9%	2.7%	3.4%	3.3%	3.3%	3.1%
	Other Increase*	1.1%	1.0%	1.1%	0.8%	1.1%	0.8%
	Total Increase	**3.3%**	**3.0%**	**3.8%**	**3.7%**	**3.6%**	**3.4%**
Switzerland	General Increase/COLA*	1.5%	1.5%	0.0%	0.0%	--	--
	Merit Increase	2.6%	2.2%	2.4%	2.4%	2.4%	2.5%
	Other Increase*	1.3%	1.0%	1.0%	0.7%	1.2%	0.9%
	Total Increase	**2.8%**	**2.5%**	**2.8%**	**2.5%**	**2.9%**	**2.5%**
United Kingdom	General Increase/COLA*	3.0%	3.0%	4.2%	4.3%	3.8%	4.0%
	Merit Increase	3.4%	3.0%	4.1%	4.0%	4.0%	4.0%
	Other Increase	1.2%	1.0%	1.2%	1.0%	1.2%	1.0%
	Total Increase	**3.8%**	**3.5%**	**4.6%**	**4.1%**	**4.4%**	**4.0%**
United States	General Increase/COLA	3.3%	3.0%	3.7%	3.9%	3.4%	3.2%
	Merit Increase	3.6%	3.3%	3.9%	4.0%	3.7%	3.6%
	Other Increase	1.6%	1.0%	1.4%	1.0%	1.3%	1.0%
	Total Increase	**4.2%**	**3.9%**	**4.5%**	**4.0%**	**4.1%**	**4.0%**

Note: "General Increase/COLA," "Merit" and "Other" do not add to the "Total Increase" because not every organization provides all three types of increase. The n's represent the number of responses for each type of increase, which may include multiple responses if each respondent reports for more than one employee category for that type of increase.

*This data may represent a small sample size of fewer than 30 responses. Please refer to figure G1.

FIGURE G2 Number of 2023 Total Salary Increase Budget Responses, by Employee Category

	NHN	NS	MS	OE	All
Australia	55	158	160	69	442
Belgium	27	90	86	32	235
Brazil	44	125	124	41	334
Canada	282	447	474	271	1474
China	85	172	178	69	504
France	59	164	172	65	460
Germany	70	192	199	75	536
India	193	142	197	139	671
Italy	43	119	122	40	324
Japan	43	133	137	47	360
Mexico	81	172	175	52	480
Netherlands	45	136	135	50	366
Russia	5	23	22	3	53
Singapore	49	157	156	68	430
Spain	45	145	139	42	371
Sweden	18	74	72	19	183
Switzerland	24	77	77	34	212
United Kingdom	111	290	295	167	863
United States	1527	703	1859	1516	5605

FIGURE G2A Total Salary Increase Budgets, by Employee Category (zeros included)

		Actual 2022		Actual 2023		Projected 2024	
	Employee Category	Mean	Median	Mean	Median	Mean	Median
Australia	NHN	3.3%	3.0%	3.8%	3.5%	3.7%	3.5%
	NS	3.6%	3.0%	3.9%	3.6%	3.8%	3.8%
	MS	3.7%	3.3%	3.9%	3.5%	3.8%	3.5%
	OE	3.6%	3.4%	3.8%	3.5%	3.8%	3.5%
	All	**3.6%**	**3.1%**	**3.9%**	**3.5%**	**3.8%**	**3.5%**
Belgium	NHN*	2.7%	2.5%	8.0%	6.0%	5.1%	5.0%
	NS	3.3%	3.3%	6.5%	6.0%	4.8%	4.0%
	MS	3.3%	3.3%	6.4%	6.0%	4.7%	4.0%
	OE*	3.5%	3.5%	6.4%	6.2%	4.5%	3.2%
	All	**3.2%**	**3.2%**	**6.6%**	**6.0%**	**4.8%**	**4.0%**
Brazil	NHN	6.5%	6.0%	6.9%	6.5%	6.8%	7.0%
	NS	6.8%	5.6%	6.4%	6.2%	6.4%	6.1%
	MS	6.8%	5.8%	6.5%	6.2%	6.5%	6.2%
	OE	6.6%	6.0%	7.1%	7.0%	6.9%	7.0%
	All	**6.7%**	**6.0%**	**6.6%**	**6.3%**	**6.5%**	**6.6%**

(Continued on page 114)

NHN - Nonmanagement Hourly Nonunion | NS - Nonmanagement Salaried | MS - Management Salaried | OE - Officers/Executives

FIGURE G2A **Total Salary Increase Budgets, by Employee Category (zeros included)** (continued)

	Employee Category	Actual 2022 Mean	Actual 2022 Median	Actual 2023 Mean	Actual 2023 Median	Projected 2024 Mean	Projected 2024 Median
Canada	NHN	3.6%	3.1%	3.9%	4.0%	3.7%	3.5%
	NS	3.8%	3.2%	4.0%	4.0%	3.9%	4.0%
	MS	3.8%	3.4%	4.1%	4.0%	3.9%	4.0%
	OE	3.7%	3.2%	3.9%	4.0%	3.7%	3.6%
	All	**3.7%**	**3.2%**	**4.0%**	**4.0%**	**3.8%**	**3.8%**
China	NHN	6.4%	6.0%	5.8%	6.0%	5.7%	6.0%
	NS	6.7%	6.0%	5.8%	6.0%	5.8%	6.0%
	MS	6.6%	6.0%	5.9%	6.0%	5.8%	6.0%
	OE	6.6%	6.3%	5.7%	6.0%	5.8%	6.0%
	All	**6.6%**	**6.0%**	**5.8%**	**6.0%**	**5.8%**	**6.0%**
France	NHN	3.2%	3.0%	3.8%	3.5%	3.7%	3.5%
	NS	3.3%	3.0%	4.0%	3.7%	3.8%	3.9%
	MS	3.4%	3.0%	3.9%	3.7%	3.8%	3.8%
	OE	3.1%	3.0%	3.9%	4.0%	3.8%	4.0%
	All	**3.3%**	**3.0%**	**3.9%**	**3.7%**	**3.8%**	**3.8%**
Germany	NH	3.5%	3.4%	4.1%	4.0%	4.1%	4.0%
	NS	3.8%	3.2%	4.3%	4.0%	4.2%	4.0%
	MS	3.8%	3.3%	4.2%	4.0%	4.1%	4.0%
	OE	3.5%	3.0%	4.3%	4.0%	4.2%	4.0%
	All	**3.7%**	**3.2%**	**4.2%**	**4.0%**	**4.1%**	**4.0%**
India	TIC	10.1%	10.0%	9.9%	10.0%	9.6%	10.0%
	JM	10.4%	10.0%	9.9%	10.0%	9.7%	10.0%
	MM	10.0%	10.0%	9.9%	10.0%	9.6%	10.0%
	TSM	10.2%	10.0%	9.7%	10.0%	9.4%	10.0%
	All	**10.1%**	**10.0%**	**9.8%**	**10.0%**	**9.6%**	**10.0%**
Italy	NHN	2.8%	2.5%	3.1%	3.0%	3.2%	3.0%
	NS	3.0%	2.6%	3.7%	3.2%	3.6%	3.2%
	MS	3.0%	2.6%	3.7%	3.2%	3.7%	3.2%
	OE	3.1%	2.5%	3.8%	3.8%	3.6%	3.5%
	All	**3.0%**	**2.6%**	**3.6%**	**3.2%**	**3.6%**	**3.2%**
Japan	NHN	3.0%	2.8%	3.0%	3.0%	2.9%	3.0%
	NS	3.2%	2.6%	3.3%	3.0%	3.2%	3.0%
	MS	3.3%	2.6%	3.4%	3.0%	3.3%	3.0%
	OE	3.1%	2.7%	3.1%	3.0%	3.1%	3.0%
	All	**3.2%**	**2.6%**	**3.3%**	**3.0%**	**3.2%**	**3.0%**
Mexico	NHN	6.1%	5.5%	7.1%	5.7%	6.4%	5.5%
	NS	5.6%	5.0%	6.2%	5.6%	6.3%	5.5%
	MS	5.6%	5.1%	6.0%	5.5%	6.1%	5.5%
	OE	5.8%	5.4%	6.2%	6.0%	6.0%	5.5%
	All	**5.7%**	**5.1%**	**6.3%**	**5.5%**	**6.2%**	**5.5%**
Netherlands	NHN	3.4%	3.3%	4.7%	4.0%	4.5%	4.0%
	NS	3.6%	3.3%	4.3%	4.0%	4.2%	4.0%
	MS	3.7%	3.3%	4.4%	4.0%	4.3%	4.0%
	OE	3.3%	3.0%	4.1%	4.0%	4.2%	4.0%
	All	**3.6%**	**3.3%**	**4.4%**	**4.0%**	**4.3%**	**4.0%**

(Continued on page 115)

NHN - Nonmanagement Hourly Nonunion | NS - Nonmanagement Salaried | MS - Management Salaried | OE - Officers/Executives
TIC - Technical/Individual Contributors/Support Roles | JM - Junior Management | MM - Middle Management | TSM - Top and Senior Management

FIGURE G2A **Total Salary Increase Budgets, by Employee Category (zeros included)**

(continued)

		Actual 2022		Actual 2023		Projected 2024	
	Employee Category	Mean	Median	Mean	Median	Mean	Median
Russia	NHN*	6.3%	6.2%	--	--	--	--
	NS*	6.7%	6.3%	--	--	--	--
	MS*	6.8%	6.5%	--	--	--	--
	OE*	7.7%	8.0%	--	--	--	--
	All*	**6.8%**	**6.5%**	--	--	--	--
Singapore	NHN	3.1%	3.5%	4.2%	4.0%	4.1%	4.0%
	NS	3.6%	3.8%	4.4%	4.0%	4.3%	4.0%
	MS	3.6%	3.8%	4.4%	4.0%	4.4%	4.0%
	OE	3.5%	3.8%	4.3%	4.0%	4.2%	4.0%
	All	**3.5%**	**3.8%**	**4.3%**	**4.0%**	**4.3%**	**4.0%**
Spain	NHN	2.5%	2.5%	3.7%	3.5%	3.9%	4.0%
	NS	2.6%	2.5%	4.2%	4.0%	4.2%	4.0%
	MS	2.6%	2.5%	4.1%	4.0%	4.1%	4.0%
	OE	2.5%	2.5%	4.1%	4.0%	3.8%	4.0%
	Al	**2.5%**	**2.5%**	**4.1%**	**4.0%**	**4.1%**	**4.0%**
Sweden	NHN*	2.3%	2.6%	3.1%	3.0%	2.8%	3.0%
	NS	2.4%	2.5%	3.9%	3.6%	3.6%	3.2%
	MS	2.5%	2.6%	3.9%	3.6%	3.7%	3.5%
	OE*	2.6%	2.6%	4.1%	4.2%	3.6%	3.5%
	All	**2.4%**	**2.6%**	**3.8%**	**3.5%**	**3.6%**	**3.2%**
Switzerland	NHN*	2.3%	3.0%	2.7%	2.5%	2.7%	2.5%
	NS	2.2%	2.0%	3.0%	2.5%	2.9%	2.5%
	MS	2.3%	2.1%	3.0%	2.5%	3.0%	2.6%
	OE	2.1%	2.0%	2.7%	2.5%	2.7%	2.5%
	All	**2.2%**	**2.0%**	**2.9%**	**2.5%**	**2.9%**	**2.5%**
United Kingdom	NHN	2.7%	3.0%	4.5%	4.0%	4.3%	4.0%
	NS	2.9%	3.0%	4.5%	4.0%	4.3%	4.0%
	MS	2.8%	3.0%	4.5%	4.0%	4.3%	4.0%
	OE	2.6%	3.0%	4.4%	4.0%	4.2%	4.0%
	All	**2.8%**	**3.0%**	**4.5%**	**4.0%**	**4.3%**	**4.0%**
United States	NHN	3.0%	3.0%	4.4%	4.0%	4.1%	4.0%
	NS	2.9%	3.0%	4.4%	4.0%	4.1%	4.0%
	ES	3.0%	3.0%	4.5%	4.0%	4.1%	4.0%
	OE	2.8%	3.0%	4.2%	4.0%	4.0%	4.0%
	All	**3.0%**	**3.0%**	**4.4%**	**4.0%**	**4.1%**	**4.0%**

*This data may represent a small sample size of fewer than 30 responses. Please refer to figure G2.

NHN - Nonmanagement Hourly Nonunion | NS - Nonmanagement Salaried | MS - Management Salaried | OE - Officers/Executives

FIGURE G2B **Total Salary Increase Budgets, by Employee Category (zeros NOT included)**

	Employee Category	Actual 2022		Actual 2023		Projected 2024	
		Mean	Median	Mean	Median	Mean	Median
Australia	NHN	3.4%	3.0%	3.8%	3.5%	3.7%	3.5%
	NS	3.6%	3.0%	4.0%	3.8%	3.9%	3.8%
	MS	3.7%	3.3%	4.0%	3.7%	3.8%	3.7%
	OE	3.6%	3.4%	3.8%	3.5%	3.8%	3.5%
	All	**3.6%**	**3.1%**	**3.9%**	**3.6%**	**3.8%**	**3.6%**
Belgium	NHN*	2.7%	2.5%	8.3%	6.0%	5.3%	5.0%
	NS	3.4%	3.3%	7.0%	7.5%	5.1%	4.4%
	MS	3.3%	3.3%	6.9%	6.5%	5.1%	4.4%
	OE*	3.8%	3.5%	6.4%	6.3%	4.5%	3.3%
	All	**3.3%**	**3.3%**	**7.2%**	**6.6%**	**5.0%**	**4.3%**
Brazil	NHN	6.5%	6.0%	7.0%	6.5%	6.8%	7.0%
	NS	7.0%	6.0%	6.7%	6.4%	6.5%	6.2%
	MS	6.9%	6.0%	6.8%	6.3%	6.5%	6.3%
	OE	6.6%	6.0%	7.3%	7.0%	6.9%	7.0%
	All	**6.8%**	**6.0%**	**6.9%**	**6.5%**	**6.7%**	**6.6%**
Canada	NHN	3.7%	3.1%	4.0%	4.0%	3.8%	3.8%
	NS	3.8%	3.2%	4.1%	4.0%	3.9%	4.0%
	MS	3.8%	3.4%	4.1%	4.0%	3.9%	4.0%
	OE	3.8%	3.2%	4.1%	4.0%	3.8%	3.8%
	All	**3.8%**	**3.3%**	**4.1%**	**4.0%**	**3.8%**	**3.9%**
China	NHN	6.4%	6.0%	6.0%	6.0%	5.9%	6.0%
	NS	6.7%	6.0%	5.9%	6.0%	5.9%	6.0%
	MS	6.6%	6.0%	5.9%	6.0%	5.9%	6.0%
	OE	6.7%	6.4%	5.8%	6.0%	5.8%	6.0%
	All	**6.6%**	**6.0%**	**5.9%**	**6.0%**	**5.9%**	**6.0%**
France	NHN	3.2%	3.0%	3.8%	3.5%	3.8%	3.5%
	NS	3.3%	3.0%	4.0%	3.8%	3.9%	4.0%
	MS	3.4%	3.0%	4.0%	3.8%	3.9%	4.0%
	OE	3.1%	3.0%	4.1%	4.0%	3.8%	4.0%
	All	**3.3%**	**3.0%**	**4.0%**	**3.8%**	**3.8%**	**3.9%**
Germany	NHN	3.5%	3.4%	4.2%	4.0%	4.2%	4.0%
	NS	3.8%	3.2%	4.3%	4.0%	4.2%	4.0%
	MS	3.8%	3.3%	4.3%	4.0%	4.2%	4.0%
	OE	3.5%	3.0%	4.4%	4.0%	4.2%	4.0%
	All	**3.7%**	**3.2%**	**4.3%**	**4.0%**	**4.2%**	**4.0%**
India	TIC	10.1%	10.0%	10.0%	10.0%	9.8%	10.0%
	JM	10.4%	10.0%	10.0%	10.0%	9.8%	10.0%
	MM	10.0%	10.0%	10.0%	10.0%	9.8%	10.0%
	TSM	10.2%	10.0%	9.8%	10.0%	9.6%	10.0%
	All	**10.1%**	**10.0%**	**10.0%**	**10.0%**	**9.7%**	**10.0%**
Italy	NHN	2.8%	2.5%	3.2%	3.0%	3.3%	3.0%
	NS	3.0%	2.6%	3.7%	3.2%	3.6%	3.2%
	MS	3.1%	2.6%	3.7%	3.2%	3.7%	3.3%
	OE	3.1%	2.5%	4.0%	4.0%	3.7%	3.5%
	All	**3.0%**	**2.6%**	**3.6%**	**3.4%**	**3.6%**	**3.2%**

(Continued on page 117)

NHN - Nonmanagement Hourly Nonunion | NS - Nonmanagement Salaried | MS - Management Salaried | OE - Officers/Executives
TIC - Technical/Individual Contributors/Support Roles | JM - Junior Management | MM - Middle Management | TSM - Top and Senior Management

FIGURE G2B Total Salary Increase Budgets, by Employee Category (zeros NOT included) (continued)

	Employee Category	Actual 2022 Mean	Actual 2022 Median	Actual 2023 Mean	Actual 2023 Median	Projected 2024 Mean	Projected 2024 Median
Japan	NHN	3.0%	2.8%	3.0%	3.0%	2.9%	3.0%
	NS	3.2%	2.6%	3.4%	3.0%	3.3%	3.0%
	MS	3.3%	2.6%	3.4%	3.0%	3.4%	3.0%
	OE	3.1%	2.7%	3.3%	3.0%	3.2%	3.0%
	All	**3.2%**	**2.6%**	**3.3%**	**3.0%**	**3.2%**	**3.0%**
Mexico	NHN	6.1%	5.5%	7.1%	5.7%	6.4%	5.5%
	NS	5.7%	5.0%	6.3%	5.7%	6.3%	5.5%
	MS	5.6%	5.1%	6.1%	5.5%	6.1%	5.5%
	OE	5.8%	5.4%	6.2%	6.0%	6.0%	5.5%
	All	**5.7%**	**5.2%**	**6.4%**	**5.7%**	**6.2%**	**5.5%**
Netherlands	NHN	3.4%	3.3%	4.7%	4.0%	4.5%	4.0%
	NS	3.7%	3.3%	4.4%	4.0%	4.2%	4.0%
	MS	3.7%	3.4%	4.5%	4.0%	4.4%	4.0%
	OE	3.3%	3.0%	4.4%	4.0%	4.2%	4.0%
	All	**3.6%**	**3.3%**	**4.5%**	**4.0%**	**4.3%**	**4.0%**
Russia	NHN*	6.3%	6.2%	--	--	--	--
	NS*	6.8%	6.4%	--	--	--	--
	MS*	7.0%	6.5%	--	--	--	--
	OE*	7.7%	8.0%	--	--	--	--
	All*	**6.9%**	**6.5%**	--	--	--	--
Singapore	NHN	4.0%	3.9%	4.3%	4.0%	4.2%	4.0%
	NS	4.5%	4.0%	4.5%	4.0%	4.4%	4.0%
	MS	4.6%	4.0%	4.5%	4.0%	4.5%	4.0%
	OE	4.3%	4.0%	4.4%	4.0%	4.2%	4.0%
	All	**4.4%**	**4.0%**	**4.4%**	**4.0%**	**4.3%**	**4.0%**
Spain	NHN*	3.1%	3.0%	3.8%	3.5%	4.0%	4.0%
	NS	3.3%	3.0%	4.4%	4.0%	4.2%	4.0%
	MS	3.4%	3.0%	4.2%	4.0%	4.1%	4.0%
	OE	3.1%	2.8%	4.4%	4.0%	3.8%	4.0%
	All	**3.3%**	**3.0%**	**4.2%**	**3.9%**	**4.0%**	**4.0%**
Sweden	NHN*	3.3%	3.3%	3.3%	3.0%	3.2%	3.1%
	NS	3.3%	3.0%	4.0%	3.7%	3.8%	3.3%
	MS	3.4%	3.0%	3.9%	3.7%	3.8%	3.5%
	OE*	3.2%	2.7%	4.1%	4.2%	3.8%	3.8%
	All	**3.3%**	**3.0%**	**3.8%**	**3.7%**	**3.6%**	**3.4%**
Switzerland	NHN*	3.0%	2.8%	2.7%	2.5%	2.7%	2.5%
	NS	2.8%	2.3%	3.0%	2.5%	3.0%	2.5%
	MS	2.9%	2.3%	3.0%	2.5%	3.1%	2.7%
	OE	2.5%	2.5%	2.7%	2.5%	2.8%	2.5%
	All	**2.8%**	**2.5%**	**2.8%**	**2.5%**	**2.9%**	**2.5%**
United Kingdom	NHN	3.8%	3.4%	4.6%	4.0%	4.4%	4.0%
	NS	3.8%	3.5%	4.6%	4.0%	4.4%	4.0%
	MS	3.9%	3.5%	4.6%	4.0%	4.4%	4.0%
	OE	3.7%	3.3%	4.5%	4.4%	4.3%	4.0%
	All	**3.8%**	**3.5%**	**4.6%**	**4.1%**	**4.4%**	**4.0%**

(Continued on page 118)

NHN - Nonmanagement Hourly Nonunion | NS - Nonmanagement Salaried | MS - Management Salaried | OE - Officers/Executives

FIGURE G2B **Total Salary Increase Budgets, by Employee Category (zeros NOT included)** (continued)

	Employee Category	Actual 2022		Actual 2023		Projected 2024	
		Mean	Median	Mean	Median	Mean	Median
United States	NHN	4.2%	4.0%	4.5%	4.0%	4.1%	4.0%
	NS	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%
	ES	4.2%	4.0%	4.5%	4.0%	4.2%	4.0%
	OE	4.0%	3.6%	4.4%	4.0%	4.2%	4.0%
	All	**4.2%**	**3.9%**	**4.5%**	**4.0%**	**4.2%**	**4.0%**

*This data may represent a small sample size of fewer than 30 responses. Please refer to figure G2.

FIGURE G3 **Number of Months Between Increases**

	Actual 2022		Actual 2023		Projected 2024	
	Mean	Median	Mean	Median	Mean	Median
Australia	12.3	12.0	11.8	12.0	12.0	12.0
Belgium	11.7	12.0	11.3	12.0	11.9	12.0
Brazil	11.6	12.0	11.7	12.0	11.8	12.0
Canada	12.3	12.0	11.9	12.0	11.9	12.0
China	12.1	12.0	11.6	12.0	11.9	12.0
France	11.9	12.0	11.9	12.0	12.0	12.0
Germany	12.1	12.0	11.8	12.0	12.1	12.0
India	11.9	12.0	11.8	12.0	11.9	12.0
Italy	12.0	12.0	11.8	12.0	11.8	12.0
Japan	12.3	12.0	11.9	12.0	12.0	12.0
Mexico	11.9	12.0	11.8	12.0	11.9	12.0
Netherlands	12.2	12.0	11.9	12.0	11.9	12.0
Russia	11.9	12.0	--	--	--	--
Singapore	11.8	12.0	11.7	12.0	11.7	12.0
Spain	11.9	12.0	11.6	12.0	12.0	12.0
Sweden	11.9	12.0	12.0	12.0	11.8	12.0
Switzerland	12.2	12.0	11.8	12.0	11.9	12.0
United Kingdom	12.3	12.0	11.7	12.0	11.9	12.0
United States	12.0	12.0	11.8	12.0	11.9	12.0

NHN - Nonmanagement Hourly Nonunion | NS - Nonmanagement Salaried | MS - Management Salaried | OE - Officers/Executives

FIGURE G4 **2023 Layoffs/Reductions-in-Force**

	N	No we won't have layoffs/ RIFs in 2023.	We don't have layoffs/RIFs planned, but they could occur before the end of the year.	Yes, we've already conducted layoffs/RIFs.	Yes, we have layoffs/ RIFs planned prior to the end of the year.
Australia	165	65%	19%	14%	1%
Belgium	93	76%	15%	8%	1%
Brazil	130	73%	16%	8%	3%
Canada	495	70%	14%	14%	3%
China	182	70%	15%	13%	3%
France	177	73%	15%	10%	2%
Germany	207	70%	15%	13%	2%
India	201	68%	13%	17%	2%
Italy	124	73%	16%	8%	3%
Japan	141	71%	15%	11%	3%
Mexico	175	73%	15%	10%	3%
Netherlands	140	68%	19%	10%	3%
Singapore	160	70%	16%	11%	3%
Spain	148	70%	17%	11%	2%
Sweden	77	71%	18%	8%	3%
Switzerland	78	74%	18%	5%	3%
United Kingdom	306	68%	12%	17%	3%
United States	1919	61%	14%	21%	4%

FIGURE G5 **2024 Layoffs/Reductions-in-Force**

	N	We do not anticipate layoffs in 2024.	We're putting together contin-gency plans for layoffs/RIFs planned, but probably won't use them.	We will have layoffs/RIFs in 2024.	We've planned layoffs/ RIFs in 2024 but will cancel them if condi-tions improve.
Australia	146	88%	2%	10%	0%
Belgium	84	90%	9%	1%	0%
Brazil	119	92%	7%	0%	1%
Canada	436	89%	7%	2%	2%
China	166	93%	5%	1%	1%
France	158	90%	7%	1%	2%
Germany	188	91%	6%	1%	1%
India	178	89%	9%	2%	1%
Italy	114	93%	7%	0%	1%
Japan	125	90%	7%	1%	2%
Mexico	160	92%	6%	1%	1%
Netherlands	126	91%	8%	1%	1%
Singapore	144	91%	6%	0%	3%
Spain	132	90%	10%	0%	1%
Sweden	72	94%	0%	0%	6%
Switzerland	73	94%	0%	0%	6%
United Kingdom	277	90%	7%	1%	2%
United States	1651	87%	9%	2%	2%

SURVEY DEFINITIONS

Bonus: an after-the-fact reward or payment based on the performance of an individual, a group of workers operating as a unit, a division or business unit, or an entire workforce.

Exempt Salaried: all other salaried employees, except officers and executives, not subject to the overtime pay provisions of Fair Labor Standards Act of 1938 (FLSA).

General increase/Cost of Living Allowance (COLA): an identical pay raise either in a flat rate such as cents per hour or as a percentage of salary given to all eligible employees. Also known as an across-the-board increase.

Incentive: any form of variable payment tied to performance. The payment is a monetary award. Incentives are contrasted with bonuses in that performance goals for incentives are predetermined.

Junior Management (India): includes supervisory staff usually involved in the day-to-day functioning of a small team (first level of people management responsibility).

Lump-sum Award: an award that is paid in a single cash payment.

Management Salaried (Non-U.S.): all other salaried employees, except officers and executives.

Merit increase: an adjustment to an individual's base pay rate based on performance or some other individual measure.

Middle Management (India): includes supervisory responsibilities for a sub-function, part of a business, etc. who directly report to senior management.

Nonexempt Hourly Nonunion: hourly employees who are not exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act of 1938 (FLSA). Exclude hourly union employees.

Nonexempt Salaried: salaried (compensation paid by the week, month or year rather than by the hour) employees who are not exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act of 1938 (FLSA). Excludes hourly employees both union and nonunion.

Nonmanagement Hourly Nonunion (Non-U.S.): hourly nonunion employees. Excludes hourly union employees.

Nonmanagement Salaried (Non-U.S.): salaried nonunion employees. Excludes hourly employees both union and nonunion.

Officers/Executives: top and/or senior management that have significant responsibility for the management of the company as well as influence on the results of the company.

Other increase: may include internal equity adjustments, salary range adjustments, skill-based pay increases. See options in question 9a for more examples.

Promotional increase: an increase in a salary or wage rate provided to a person because of a promotion to a higher-level job.

Salary range structure change: the percentage change in the control points (or the midpoints) of a formal salary range, band or wage rate that are adjusted to reflect movements in the marketplace.

Technical/Individual Contributors/Support Roles (India): includes technical, analyst, individual contributor and business support roles that do not have direct people management responsibility.

Top and Senior Management (India): top and/or senior management that have significant responsibility for the management of the company as well as influence on the results of the company. Total base salaries: total salaries for all eligible employees (base salaries only).

Total increase: the total amount of any combination of the above increases (General, COLA, Merit, Other) expressed as a percentage of payroll to be granted as increases during the year. The budget percentage is calculated by totaling the amount of general increases, cost-of-living increases, merit and other increases granted or scheduled to be granted in the year, and dividing the total salaries of all eligible employees whether or not they received a salary increase.

Variable pay: compensation that is contingent on discretion, performance or results achieved. It may be referred to as pay at risk.

Need More Data for the United States or Canada?

1. Log in at **worldatwork.org/profile**.
2. Click on your avatar picture in right corner, then click on **My Profile**.
3. Under **My Current Products & Events**, select "2023-2024 Salary Budget Survey."
4. Run unlimited reports, customized by:
    a. Type of data
    b. Statistic (e.g., mean, median, 25th/75th percentile)
    c. Industry
    d. Number of employees
    e. Revenue
    f. Geographic region
    g. State/province
    h. Major metropolitan area
5. View reports or print for later review.
6. Access participants lists and questionnaires.

See page 6 (Get Started Now) for step-by-step login and "Online Reporting Tool" access instructions.

For additional assistance with the "Online Reporting Tool," please contact our **Customer Relationship Services** team at **877-951-9191** (United States and Canada) or **+1 480-922-2020** (other countries), or **customerrelations@worldatwork.org**.

Attachment BO-9

SHRM

'Healthy' Pay Raises on Tap for 2024

December 19, 2023 | Kathryn Mayer

Economic concerns are pushing some employers to think more conservatively about raises next year compared with this year.

But overall, employers are reaching their 2024 salary consensus, and it's a good one for employees: They will be handing out competitive pay bumps, especially as their workforce continues to grapple with high costs of living.

U.S. employers are planning an overall average salary increase of 4 percent for 2024, according to the latest Salary Budget Planning Survey by consulting firm WTW, which surveyed more than 33,000 employers in December. Though down from the actual average increase of 4.4 percent in 2023, the numbers remain well above the 3.1 percent salary increase budget in 2021 and years prior.

Meanwhile, Mercer's U.S. Compensation Planning Survey 2023 November edition, also released this month, finds a slightly more modest average salary hike of 3.8 percent in 2024 and an average merit boost of 3.5 percent.

"We are seeing healthy salary increases forecasted for 2024," said Hatti Johannsson, research director of reward, data and intelligence at WTW. "Though economic uncertainty looms, employers are looking to remain competitive for talent, and pay is a key factor."

The WTW and Mercer pay forecasts are the latest insights into pay moves for next year. Other surveys predicting salary trends for 2024 were conducted earlier in the year, but the new pair of surveys, conducted in recent weeks, help paint a clearer picture of pay raises for 2024.

What's Driving 2024 Raises?

A couple of factors are contributing to employers' pay raise strategies for 2024: high inflation and the still-tight job market.

Even though inflation has cooled from its red-hot pace, which hit a 40-year high of 9.1 percent last summer, workers continue to struggle with steep prices for food, housing, health care and other expenses. The effects of inflation have yet to wear off and may have intensified, with a recent **Bank of America survey - (https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employee-financial-wellness-drops-to-new-low-bank-of-america-report.aspx)** finding that months of high costs of living have pushed employee financial well-being to an all-time low. Credit card debt has also hit a record high, while most workers said inflation is an obstacle to saving for a comfortable retirement, according to a **recent Charles Schwab survey - (https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/inflation-market-volatility-retirement-obstacle-workers-charles-schwab.aspx)** . More than half of employers (55 percent) surveyed by WTW cited inflationary pressures as the primary reason behind increased salary budgets.

Nearly the same percentage of employers (52 percent) cited concerns over a tight labor market as a reason for bumping up workers' pay, according to the WTW survey. Voluntary turnover and attrition are at 11 percent overall, WTW found. While attraction and retention are still common concerns, fewer organizations (48 percent) are reporting issues with finding and keeping workers, down from 60 percent in 2022.

"Competition for talent remains high, so [the 2024 forecasts are] indicative of how employers are feeling about the current labor market," said Lauren Mason, senior principal in Mercer's career practice.

Pay bumps aren't the only strategy employers plan to adopt in order to attract and retain talent, the WTW survey found. Employers say they are embracing more workplace flexibility (63 percent); a broader emphasis on inclusion, equity and diversity (60 percent); and improving the employee experience (55 percent). Additionally, most employers say they have committed to hiring staff in a higher salary range (55 percent); undertaken compensation reviews of specific employee groups (54 percent); and raised starting salary ranges (49 percent).

Johannsson said organizations should think strategically about pay tactics for the upcoming year and remember that pay levels are difficult to reduce if markets deteriorate.

"It's best to avoid basing decisions that will have long-term implications on their organization on temporary economic conditions," she said.

TAB 35

807 KAR 5:001 Section 16(7)(a)

Direct Testimony Dave Roy

Columbia Exhibit No. 35

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2024-00092
COLUMBIA GAS OF KENTUCKY, INC.	)	
FOR AN ADJUSTMENT OF RATES;	)	
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

PREPARED DIRECT TESTIMONY OF DAVID ROY ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for Applicant

May 16, 2024 **COLUMBIA GAS OF KENTUCKY, INC.**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC APPLICATION OF COLUMBIA GAS	)	
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF	)	Case No. 2024-00092
RATES; APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND OTHER	)	
RELIEF	)	

VERIFICATION OF DAVID ROY

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

David Roy, Vice President of Supply Chain for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of testimony and certain standard filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

David Roy

The foregoing Verification was signed, acknowledged and sworn to before me this 30th day of April, 2024, by David Roy.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

PREPARED DIRECT TESTIMONY OF DAVID ROY

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Dave Roy and my business address is 290 W Nationwide Blvd. Columbus, OH 43215.

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

A: I am currently the Vice President of Supply Chain for NiSource Inc. ("NiSource"). I previously served as the Vice President of Operations and Construction for Columbia Gas of Kentucky, Inc. ("Columbia") from the fall of 2019 to the fall of 2023.

Q: What is your educational background and professional experience?

A: I obtained a Bachelor of Science degree in Electrical Engineering from Purdue University in 1999 and a Master's degree in Business Administration from DePaul University in 2003. I joined NiSource, the parent company of Columbia, in 1999 as an Associate in their rotational development program. In 2000, I became a Field Engineer designing electric and natural gas distribution projects for Northern Indiana Public Service Company, another subsidiary of NiSource. I was promoted to a Field Operations Leader role in 2003 overseeing field operations and maintenance crews. In 2006, I was promoted to Field Engineering

Manager for Columbia and Columbia Gas of Ohio, Inc. While in this role I was responsible for the capital program development and field engineering designs for the two states. That role was expanded to six states in 2009 when I was promoted to Director of Field Engineering for all six Columbia distribution companies. Later, in 2012, I was promoted to Vice President of Project Delivery for Columbia Pipeline Group where I oversaw the development, design and execution of all capital projects for the pipeline company. In 2015, Columbia Pipeline Group was spun off from NiSource and was subsequently acquired by TransCanada in 2016. In 2016, I was promoted to Vice President of U.S. Projects by TransCanada to oversee the development, design and execution of all of their U.S. projects. In 2019, I was hired by TRC Companies as Vice President of their gas distribution business consulting division. I was responsible for the profit/loss of that business unit with work activities in management consulting, engineering design, operations, safety management systems and field maintenance work. I returned to NiSource and Columbia in the fall of 2019 as Vice President of Operations and Construction. I held this role until September 2023, when I became the Vice President of Supply Chain for NiSource.

Q: Have you previously testified before any regulatory commissions?

A: Yes, I have provided testimony before the Public Utilities Commission of Ohio multiple times in support of an accelerated mains replacement program and before the Massachusetts Department of Public Utilities in 2012 supporting a similar type of program. I also provided testimony in support of Columbia's annual Safety Modification and Replacement Program ("SMRP") filing in Case Number 2020-00327 and in support of Columbia's last rate case in Case Number 2021-00183.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide a general overview of Columbia's operating territory and gas distribution system. I will also discuss the history and status of Columbia's replacement of priority pipe.

II. <u>COLUMBIA'S OPERATING TERRITORY AND GAS DISTRIBUTION SYSTEM</u>

Q: Please provide an overview of Columbia's Operating Territory and describe Columbia's gas distribution system.

A: Columbia's predecessor company was incorporated in 1905. Columbia, as it stands today, is the product of consolidations of many companies over a period of time. The companies include Central Kentucky Natural Gas, Lexington Gas Company, Huntington Gas Company, Frankfort Kentucky

Natural Gas Company, United Fuel Gas Company, Inland Gas Company, and Limestone Gas. As a result of these consolidations, Columbia's distribution system consists of many independent systems and various types of pipe. Generally speaking, Columbia distributes natural gas to customers from as far west as Frankfort to the eastern State border with Lexington being the largest community we serve. In all, Columbia has natural gas facilities in 30 of Kentucky's 120 counties serving approximately 135,000 customers.

As of January 1, 2024, Columbia owns, operates, and maintains 2,636 miles of distribution mains. These facilities are comprised of approximately 1,571 miles of plastic (polyethylene), 779 miles of coated & cathodically protected steel, and 281 miles of bare steel. There is also approximately 3.4 miles classified as "other." Columbia also has 56.81 miles of coated & cathodically protected steel transmission lines. Finally, Columbia has 134,826 service lines that deliver natural gas to its customers. Of those service lines, 114,536 are plastic, 14,888 are coated and cathodically protected steel and 5,402 are unprotected steel.

Q: What role does Columbia serve in delivering gas to its end use customers?

A: Columbia's distribution infrastructure is the final step in the delivery of natural gas to customers from the natural gas producing regions of the United States. Columbia distributes natural gas by taking it from points of delivery, also known as "city gates," along interstate and intrastate pipelines then distributing it through the 2,636 miles of distribution mains that network underground between and through cities, towns and neighborhoods. The natural gas is then delivered by way of customer service lines to meet the demands of Columbia's residential, commercial and industrial end-use customers.

Columbia receives the natural gas commodity at the "city gate" where the transmission pressure of the gas is generally reduced to a lower pressure. An odorant known as mercaptan is often added to the natural gas at the city gate, or upstream by the supplier, before it is delivered into Columbia's distribution system. Once Columbia receives the gas, it then flows through Columbia's distribution system where additional pressure reduction typically occurs in a series of district regulator stations before being delivered to each customer.

Q: Why is it important to distinguish between the different types of pipe for main lines and services?

A: Over the decades since natural gas began to be distributed to end users, many types of pipe have been used to transport the gas. This evolution of pipe material characteristics has steadily improved the longevity of natural gas distribution systems, as well as, significantly reduced the occurrence of leakage.

Q: Please review the different types of pipe material and their characteristics that are present in Columbia's system?

A: The system is comprised of many different types of pipe. From the 1850s to the early 1900s, Columbia's predecessor companies installed cast iron pipe throughout the early distribution systems. Cast iron was among the first materials available, besides wood and wrought iron, and had the advantage in that it was relatively strong and was easy to install. However, it was vulnerable to breakage from ground movement. When the pipe was buried to typical depths of between two and five feet, it was susceptible to cracking if heavy pressure was applied from above or ground movements from frosts or slips occurred. Further, each pipe section was not easily joined, so joints were prone to leaks. Finally, it was determined that it was unsuitable for long-distance transportation of gas because it was unable to withstand high pressures.

By the early 1900s, the industry had generally adopted steel piping for mains. These were deemed to be stronger than cast iron and able to withstand greater pressure. During this time, bare steel began replacing cast iron pipe as the material of choice when building a natural gas distribution system. During the pre- and post-World War II construction boom, gas utilities like Columbia, along with developers and customers, installed a significant amount of bare steel mains and services. Bare steel is steel pipe that has no exterior coating and has no cathodic protection installed on the pipe. The use of bare steel was common until the 1950s and 1960s when the industry began to realize that, despite its strength, bare steel was subject to corrosion and, in order to increase long-term safety and reliability, coating and cathodic protection should be applied to all new piping systems. Both exterior coatings and cathodic protection were designed to inhibit corrosion. Columbia installed its last bare steel pipe in the 1960s. By 1970, the federal government prohibited the installation of bare steel for natural gas distribution system infrastructure.

The fact is that all metals corrode as a result of the natural process of chemical interactions with their physical environment, most commonly caused by moist soil (which creates an electrolyte) around the pipe. In these circumstances, direct electric current flows from the metal surface into the electrolyte and, as the metal ions leave the surface of the pipe, corrosion takes place. This current flows in the electrolyte to the site where oxygen or water is being reduced. This site is referred to as the cathode or cathodic site. In order to combat corrosion, natural gas distribution companies began using coated steel. Unprotected coated steel refers to steel pipe with an exterior coating (intended to electrically isolate the steel from the surrounding electrolytes in the soil), but does not have cathodic protection.

Although we now know unprotected coated steel will still corrode without cathodic protection, early unprotected coated steel was considered an advancement over bare steel. But for the period from the 1940s through the 1960s, as the industry assessed its options, it was one of just a few alternative piping materials available to meet the public demand for service. By 1970, Columbia had laid its last non-cathodically protected coated steel segment. Further, since that time Columbia has retrofitted all of its unprotected coated steel facilities with cathodic protection systems. Coated steel pipe continues to be used, but it is cathodically protected with an electric current. Cathodically protected steel has all the advantages of steel in terms of strength and, because of its impressed electrical current, is highly corrosion resistant. However, it is more costly to purchase and install, and requires more ongoing maintenance than the next generation pipe – plastic.

Plastic pipe was developed in the late 1960's and has been the primary material type found in gas distribution systems ever since. Plastic pipe has proven to be very good for distribution-level pressures. It has strength and flexibility, and, as a result, is generally immune to the stress of ground movement. Plastic is also less costly to purchase and easier to join and install than steel pipe. In addition, plastic does not corrode and, therefore, does not require cathodic protection.

Q: What is Columbia doing to address the cast iron and bare steel pipe that is still in use?

A: Since 2009 Columbia has been accelerating the replacement of its cast iron and bare steel pipe. In 2022, Columbia completed its replacement of cast iron assets. Bare steel continues to be eliminated at an accelerated pace. These assets fit into what Columbia characterizes as "priority pipe."

Q: Has Columbia previously set a goal for completing the replacement of priority pipe?

A: In 2008, Columbia began to implement its "Accelerated Mainline Replacement Program," which was originally intended to replace 525 miles of mains considered to be "Priority Pipe",[1] as well as associated service lines and appurtenances over the course of 30 years.[2]

Q: Is Columbia on track to meet this goal?

A: No. The current pace of priority pipe replacement points to achieving the 2008 goal in the year 2043.

Q: Why has this timeline changed to 2043?

A: Until the most recent years Columbia was able to increase the budget annually to account for the increases in the cost of replacing priority pipe to keep the project on track for the original planned program completion date. However, in the most recent years the impact of the cost of inflation and the cost of labor has significantly impacted our individual and collective program costs. Columbia continues to weigh the value of the priority pipe projects against other system risks along with the impact of the expenditures on the cost to our customers. The resulting impact of the consideration of these factors was the decision to extend the current completion date of our priority replacement program to 2043.

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[1] The scope of priority pipe originally included "unprotected bare steel, cathodically protected bare steel, Cathodically un-protected coated steel, ineffectively coated steel and cast iron." *See* Note 2, *infra*.

[2] *In the Matter of the Application of Columbia Gas of Kentucky for an Adjustment in Rates*, Case No. 2009-00141, Prepared Direct Testimony of David E. Mueller (Application, Volume 7, May 1, 2009) at 8.

Q: Does this complete your Prepared Direct Testimony?

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