Columbia Exhibit No. __

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

L. Allyson Honaker
Brittany Hayes Koenig
Heather S. Temple
HONAKER LAW OFFICE, PLLC
1795 Alysheba Way, Suite 6202
Lexington, Kentucky 40509
Telephone: (859) 368-8803
allyson@hloky.com
brittany@hloky.com
heather@hloky.com

Melissa L. Thompson
Assistant General Counsel
John R. Ryan
Senior Counsel
290 W. Nationwide Blvd.
Columbus, Ohio 43216-0117
Telephone: (614) 285-2220
E-mail: mlthompson@nisource.com
johnryan@nisource.com

Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

October 14, 2024

PREPARED SUPPLEMENTAL TESTIMONY OF JUDY M. COOPER

I. INTRODUCTION

Q: Please state your name and business address.

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

Q: Did you provide Direct Testimony in this proceeding?

A: Yes.

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

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

II. OVERVIEW OF THE STIPULATION

Q: Are you familiar with the Stipulation filed in this docket?

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

Q: Who are the parties to the Stipulation?

A. In addition to Columbia, both the Attorney General, by and through his Office of Rate Intervention ("AG"), Kentucky Industrial Utility Customers

("KIUC"), and Interstate Gas Supply, Inc ("IGS") and Constellation New Energy – Gas Division ("CNGS") (collectively, "Suppliers") are signatories to the Stipulation (collectively "Parties").

Q: Can you explain why the parties were amenable to entering into the Stipulation?

A. The Stipulation is the product of extensive negotiations by the parties to this case. Initial settlement discussions began following the filing of Columbia's rebuttal testimony. These discussions narrowed the issues and laid the foundation for the compromises that make up the Stipulation. The Parties participated in two formal in-person settlement discussions collectively on October 10, 2024 and October 14, 2014. Commission Staff attended the October 14th settlement conference to gain an understanding of the negotiations, Stipulation and its provisions.

The outcome of all these discussions is presented in the terms of the Stipulation. While no party to this case is getting everything it wanted, every party recognizes the value of the compromises made to get to a settlement. Taken as a whole, the Stipulation is the product of considerable give and take that will allow Columbia to continue to invest in its infrastructure and maintain its operations to assure continued safe, reliable, and reasonable service at rates that are fair, just and reasonable.

Q: Please summarize the Stipulation's key terms.

A: The Stipulation addresses each of the issues presented in Columbia's original base rate case application and more, all in the interest of compromise and agreement as to fair, just and reasonable rates. For instance, the following subjects are all addressed and resolved in the Stipulation:

- Rate Base;
- Revenue Requirement;
- Cost of Capital;
- Rate Design and Customer Charge;
- Tariff Changes;
- A commitment to provide charitable contributions;
- A "Stay-Out" Provision; and
- Rate Case Expense Recovery.

Q: Please describe the Attachments to the Stipulation.

A: There are four attachments to the Stipulation. Attachment A is a spreadsheet that provides a high-level explanation of the adjustments that explain how the stipulated rate increase of $14.313 million is determined when compared to the original rate increase request. Attachment B includes all of the tariff changes that will be necessary to effectuate the stipulated rate increase. The attachment also includes tariff pages with textual changes as recommended in the Stipulation. Attachment C is the proof-of-revenues calculation that demonstrates how the stipulated rate increase will, when applied to the company's billing determinants, increase Columbia's revenues as agreed to by the parties. Attachment D shows how the stipulated rate increase will be allocated by rate class. Attachments A, C and D are also being submitted as Excel spreadsheets with all formulas intact and available for use and review by Commission Staff.

Q: In light of the Stipulation, are there any proposals set forth in the case that are not resolved?

A: No. The Stipulation resolves all of the issues raised in Columbia's rate application submitted on May 16, 2024 and the issues raised by all intervenors in this proceeding.

III. KEY FINANCIAL TERMS OF THE STIPULATION

Q: What is Columbia's revenue requirement under the Stipulation and what does this mean for the average residential customer?

A: The Stipulation recommends a total revenue requirement of $164.671 million for the test year that runs from January 1, 2025 through December 31, 2025. Achieving this revenue requirement necessitates a base rate increase of $14.313 million over what would be collected during the test year at current rates. Overall, this represents an increase of 9.52%. For the average residential customer who consumes approximately 5.5 Mcf of natural gas per billing period, the rate increase will be approximately 4.7%.

Q: Please provide an explanation as to each of the adjustments made to arrive at the $14.313 million revenue increase.

A: The Stipulation includes agreed-upon values representing a compromise between the Parties in each of the areas where the AG's expert witnesses proposed adjustments to operations and maintenance ("O&M") expense, rate base, components of the return on rate base, and other revenue calculations. These include: return on equity, short and long-term debt rates, reductions to Columbia's proposed rate base, incentive compensation; retirement benefits; pension restoration plan expense; Supplemental Executive Retirement Plan ("SERP") costs; American Gas Association ("AGA") Dues; and rate case expense. Further, the Stipulation provides for the withdrawal of Columbia's proposal for a Tax Act Adjustment Factor ("TAAF") Tariff, and a reduction of the Suppliers' discount on accounts receivable in the CHOICE Program.

Q: Please describe the stipulated inputs into Columbia's rate of return.

A: The parties agree to an ROE of 9.75%. This represents a compromise between the Columbia's proposed 10.8% and the 9.6% proposed by the AG. This compromise reduces Columbia's originally proposed revenue requirement by $3.9 million. The Parties have also agreed to a long-term debt rate of 4.80%, which reflects Columbia's most recent long-term debt issuance from September. This reduction from Columbia's proposed 4.88% reduces the revenue requirement by $0.209 million. In direct testimony, both Columbia and the AG agreed that the most appropriate short-term debt rate should be 5.25% and that Columbia's actual capital structure, which is compromised of 52.64% equity; 45.53% long-term debt; and 1.83% short-term debt, should be used to calculate a rate of return. Taken together, these inputs result in a weighted average cost of capital of 7.41%.

Q: Please describe the stipulated adjustments to rate base.

A: The Stipulation contains two adjustments to Columbia's originally proposed rate base. The first is an adjustment to reduce rate base in order to remove costs added to rate base related to Columbia's previously proposed Green Path Rider, which was rejected by the Commission. This expense was identified by Commission Staff in its Fifth Request for Information. This adjustment to rate base results in a $0.005 million reduction of Columbia's originally proposed revenue requirement for the return on component, and a $0.020 million revenue requirement reduction to remove the related amortization expense. The Parties also agree to apply the negative value for cash working capital, originally proposed at zero, resulting from the Lead Lag Study conducted by Columbia's Witness Johnson. This results in a $0.851 million reduction to the revenue requirement.

The Parties have also agreed on two items representing a difference of opinion between the AG and Columbia in testimony. The first relates to interest synchronization. As identified in the Rebuttal Testimony of Columbia Witness Tami Shaeffer,[1] AG Witness Defever's proposed revenue requirement adjustments to income tax as well as the adjustments to the impact of a recalculated rate of return and adjustments to rate base did not take into account the fact that the calculation needs to be adjusted to reflect the interest expense component of his proposed weighted average cost of capital. This created a math error in Witness Defever's proposed adjustments, which he acknowledged in a discovery response.[2] The zero balance appearing on Line 4 of Stipulation Attachment A is the recognition of this item. The second is that the Stipulation does not make any adjustment to Columbia's proposed revenue requirement based upon the

[1] See Rebuttal Testimony of Tamaleh Shaeffer at 6-11.
[2] See the AG's Response to Columbia's First Request for Information, No. 1.

AG's proposals related to customer deposits. As described in the Rebuttal Testimony of Columbia Witness Jeffery Gore, the different positions of the Parties related to customer deposits stems from a miscommunication between Columbia and the AG in discovery.[3] Columbia has not included customer deposits in its rate base calculations, and as a result, it did not include any offset to rate base for interest on these deposits. This is consistent with Commission precedent on this issue.[4]

Q: Please describe the stipulated adjustments to Long-Term Incentive Compensation ("LTI").

A: The Parties agreed to adopt the position taken by the AG to remove from the revenue requirement Witness Defever's calculation for LTI tied to financial performance. This represents a compromise between the AG and Columbia related to which portion of LTI is tied to financial performance and reduced the revenue requirement by $1.590 million.

Q: Please describe the stipulated adjustments to Short-Term Incentive Compensation ("STI") and Profit Sharing.

A: The Parties agreed to reduce the proposed revenue requirement to remove costs associated with the portions of Columbia's STI and profit sharing

---

[3] See Rebuttal Testimony of Jeffer Gore at 1-3.

[4] See Case No. 99-176, *In the Matter of* a*n Adjustment of the Rates of Delta Natural Gas Company, Inc.*

related to financial performance. This represents an adoption of, for purposes of reaching a compromise, the position taken by AG Witness Defever. This results in a reduction of the revenue requirement by $1.609 million.

Q: Please describe the stipulated position on the AG's proposed adjustments to labor, benefit, and associated payroll expense.

A: AG Witness Defever recommended an adjustment to these items that would have reduced the proposed revenue requirement by $2.129 million.[5] The adjustment was based on the level of position vacancies that have historically occurred. In rebuttal testimony, Columbia explained that the Forecasted Test Period ("FTP") proposed in this case already accounted for certain levels of vacancies and that Columbia's levels of direct payroll expense in the FTP are lower than what would have been predicted if one applied Columbia's annual merit increases to the labor expense from its last rate case.[6] As a compromise between the Parties, the Stipulation adopts Columbia's payroll expense and associated benefits and taxes proposed in its application. Doing so provides Columbia sufficient recovery to maintain the jobs it creates throughout eastern and central Kentucky.

---

[5] See the Direct Testimony of John Defever at 23-26.
[6] See the Rebuttal Testimony of Nicholas Bly at 7-10.

Q: Please describe the stipulated adjustments to 401(k) Expense.

A: The Parties agreed to adopt the AG's position related to the expense associated with those employees who receive a total retirement benefit that contains both a pension program and a 401(k) contribution. Columbia stopped offing a pension program several years ago. However, we still have employees who worked for the company before Columbia stopped offering the pension. These employees are entitled to receive a pension benefit as well as their 401(k) benefit upon retirement. While Columbia did not include any pension contributions in the FTP, there are certain costs associated with managing the pension included in the FTP. AG Witness Defever recommended the removal of the expense of 401(k) contributions in the revenue requirement for these employees who are entitled to both.[7] By agreeing to this position, for the purposes of settlement, Columbia's revenue requirement is reduced by $0.296 million.

Q: Please describe the stipulated adjustments to PRP and SERP Expense.

A: AG Witness Defever recommended the disallowance of SERP Expense.[8] The value used by Mr. Defever also included Columbia's proposed PRP expense. SERP is a legacy retirement benefit that Columbia did, but no

---

[7] See the Direct Testimony of John Defever at 19-20.
[8] *Id.* at 27-28.

longer does, offer to certain employees. PRP is an expense that compensates certain employees for the difference between pension benefits permissible under IRS rules and actual pension amounts. For purposes of compromise, the Stipulation removes both of these expenses from the revenue requirement calculation. This results in a $0.060 reduction to the revenue requirement.

Q: Please describe the stipulated position on the AG's proposed adjustments to Corporate Aviation.

A: The Stipulation revenue requirement includes Columbia's originally proposed Corporate Aviation expense in the FTP. Doing so is consistent with past Commission precedent. The Commission previously rejected an argument that corporate aviation expenses be removed from a revenue requirement, recognizing that "legitimate travel expenses would have been incurred through commercial airlines" if a corporate-owned aircraft had not been utilized for said travel.[9]

Q: Please describe the stipulated position on the AG's proposed adjustments to Investor Relations.

---

[9] See Case No. 2017-00179, *In the Matter of Electronic Application of Kentucky Power Company for (1) a General Adjustment of its Rates for Electric Service; (2) an Order Approving its 2017 Environmental Compliance Plan; (3) an Order Approving its Tariffs and Riders; (4) an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) an Order Granting all Other Required Approvals and Relief*, Order at 17 (Ky. PSC Jan. 18, 2018).

A: The Stipulation revenue requirement includes Columbia's originally proposed Investor Relations expense. This expense benefits Columbia's customers. Columbia's investments to improve the safety and reliability of its system are paid for by both debt and equity. The Company's ability to explain its business to debt and equity investors helps alleviate investor concerns related to uncertainty associated with these investments. Because uncertainty equates to risk, which requires a higher level of demanded return, these investor relations expenses reduce the premium required by investors, which would otherwise be passed along to customers in the form of higher costs of debt and equity. In Stipulation Attachment A, this expense appears on both Lines 17 and 18. This is because a significant portion of the Investor Relations expense is related to payroll expense. Witness Defever's recommended adjustment to labor expense resulted in a double counting of the reduction associated with investor relations. In order to show a complete picture of the math associated with this issue, Stipulation Attachment A breaks these into two separate lines.

Q: Please describe the stipulated position on the AG's proposed adjustments to Directors & Officers Corporate ("D&O") Insurance expense.

A: The Stipulation's revenue requirement also includes recovery of the D&O

expense originally included in the FTP. Columbia's and its parent company's bylaws both require the indemnification of employees who are involved in litigation associated with their duties. D&O insurance helps protect against Columbia being required to bear this expense. It therefore reduces risk, and for the same reasons listed above, reduces costs passed to Columbia's customers.

Q: Please describe the stipulated adjustments to AGA Dues expense.

A: In order to reach a settlement in this case, the Parties agreed to reduce Columbia's proposed revenue requirement by Witness Defever's calculation of Columbia's AGA dues expense. This results in a reduction of $0.020 to the revenue requirement.

Q: Please describe the stipulated adjustments to Rate Case Expense.

A: Columbia originally proposed that actual rate case expense be amortized over a one-year period. The AG advocated that this be recovered over a three-year period. In the Stipulation, the Parties agreed to a three-year amortization. The value included in Stipulation Attachment A, which is based on a placeholder estimate for rate case expense, reflects this change to the amortization period. It also reflects a downward adjustment to the estimate in recognition of the fact that the Stipulation is likely to result in a reduction in actual rate case expense due to the potential for a reduction in the time needed for an evidentiary hearing.

IV. RATE DESIGN

Q: Does the Stipulation address any items related to rate design?

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

Q: Please describe the Parties' agreement related to the monthly residential customer charge.

A: Under the Stipulation, the parties have agreed to recommend that Columbia's residential customer charge will increase by $1.50 from $19.75 per billing period to $21.25 per billing period. This is significantly less than what was originally proposed in the application.

Q: Please describe the other change to rate design.

A: Rate DS is the rate schedule that applies to large commercial and industrial customers. It currently has three blocks or tiers with unique rates that apply to each block. The first block applies to all customers in the rate class. The second block applies only to certain customers who consume natural gas in excess of the volumes applicable to the first block. Similarly, the third block applies only to customers who consume natural gas in excess of the volumes applicable to the second block. The higher the block that applies, the lower the volumetric charge for the incremental consumption of natural gas. The Stipulation provides that the increase proposed to apply to the third block of Rate DS – the customer who consumes the highest volume of gas – will be split evenly and applied to the first two blocks instead. In practice, this means that under the Stipulation, the customer who reaches the third block of Rate DS will see a lower percentage in the rate increase as compared to the customers that do not reach the third volumetric block. The increase in first two blocks applies the same to all customers served under Rate DS.

V. OTHER TERMS OF THE STIPULATION

Q: Does the Stipulation address the other tariff changes proposed by Columbia in its application?

A: Yes. The Parties have agreed to the adoption of each of Columbia's proposed tariff changes, with one exception. The Parties have agreed to Columbia's proposal to remove its Late Payment Penalty currently applied to residential customers. The Parties have also agreed to support Columbia's proposal to update the Safey Modification and Replacement Program ("SMRP") Rider to include an accounting for uncollectible expense into the mechanism's calculation. Columbia originally proposed this change in recognition of the fact that it is not seeking to roll legacy SMRP investments into rate base as part of its application in this case.

Because the SMRP will now include increasingly more historic investments that would have been rolled into base rates and uncollectible expense would have also been included for those investments, it is reasonable to account for uncollectible expense in a manner that mirrors the way base rate recovery is treated.

Q: You mention one exception to the Stipulation's treatment of Columbia's proposed tariff changes. What is that exception?

A: As a compromise between the Parties, the Stipulation does not include Columbia's proposed TAAF mechanism. As described in my direct testimony as well as the Direct Testimony of Witness Harding, a recent ruling and corresponding action of the General Assembly will impact Columbia's tax expense related to pipes that are assessed after January 1, 2025.[10] For purposes of reaching a settlement, the Stipulation does not contain a mechanism to counteract this increase in property tax.

Q: What are the terms of the Stipulation related to the appropriate ROE for the SMRP Rider?

A: The Stipulation recommends that the issue of the most appropriate ROE to be applied to investments recovered by the SMRP be addressed in Columbia's forthcoming annual SMRP adjustment. Case Number 2024-

[10] For more specific background, please refer to the Direct Testimony of Jennifer Harding at 11-14.

00328 has been reserved for this filing, and on October 15, 2024, Columbia will make this filing. Because of the increasingly historic investment change to the SMRP, Columbia originally proposed that the ROE for the SMRP should mirror the rate applied to base rates. Addressing the issue of ROE in a stand-alone rider adjustment case is not unprecedented. Columbia's peer utility, Atmos Energy Corporation has addressed the issue of ROE specific to its Pipeline Replacement Program rider in the annual update filing for its mechanism.[11]

Q: Does the Stipulation provide for what is commonly referred to as a "stay out" provision?

A: Yes. The Parties agreed that Columbia would not file an application to adjust base rates that would have an effective date for new rates for services rendered before Unit 1 of Columbia's January 2027 billing. There are a few exceptions to this stay out. Said another way, Columbia will be allowed to file an application for a base rate increase in 2026, provided that after taking into account the statutory notice period and the statutory suspension period applicable to proposed rates, any new rates will not become effective prior to the date service is rendered for the first bills issued for the January

[11] Please refer to the Commission's order to do so appearing in Case No. 2020-00229, *In the Matter of the Electronic Application of Atmos Energy Corporation for PRP Rider Rates*, Order at 8 (Ky. PSC Sept. 30, 2020).

2027 billing cycle. There are a few exceptions to this stay out. Columbia may seek deferral of certain costs as generally permitted by the Commission; it may seek emergency rate relief if necessary under KRS 278.190(2); the stay-out does not apply to the routine adjustment of various cost recovery surcharge mechanisms; and base rates may be adjusted if there is a direct impact resulting from a change in law.

Q: Has Columbia agreed to any other terms in the Stipulation?

A: Yes. For purposes of reaching a settlement with the Parties, Columbia has agreed to make three distinct contributions to low-income energy assistance programs using funds contributed by its shareholders. In 2024, in addition to Columbia's planned $21,500 to low-income energy assistance, Columbia will make a $50,000 contribution. In 2025, Columbia will make a $50,000 contribution. In 2026, Columbia will make a $50,000 contribution.

Q: Does the Stipulation address depreciation?

A: Yes. The Parties agreed to adopt the new depreciation rates proposed by Columbia Witness Spanos in his Direct Testimony.

VI. CONCLUSION

Q. Was the Stipulation the result of good faith, arms-length negotiations between reasonable persons?

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

Q. In your opinion, is the Stipulation a fair, just and reasonable outcome of all the issues presented in this docket?

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

Q: Does this complete your Supplemental Testimony?

A: Yes.

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 JUDY COOPER

COMMONWEALTH OF KENTUCKY	)
	)
COUNTY OF FAYETTE	)

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

Judy Cooper

Judy Cooper

The foregoing Verification was signed, acknowledged and sworn to before me this 14th day of October, 2024, by Judy Cooper.

Evelyn Long Durr

Notary Commission No. KYNP49615

Commission expiration: 05/15/2026

EVELYN LONG DURR
Notary Public
Commonwealth of Kentucky
Commission Number KYNP49615
My Commission Expires May 15, 2026