

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to review and make recommendations
3 regarding specific issues that affect Columbia Gas of Kentucky, Inc.'s
4 ("Columbia Kentucky" or "Company") requested increase in rates.

5

6 **Q. How will your testimony be organized?**

7 A. The testimony is organized as follows: Introduction, Overall Financial
8 Summary, and Rate Base and Operating Expenses.

9

10 **II. OVERALL FINANCIAL SUMMARY**

11 **Q. Have you prepared any exhibits in support of your testimony?**

12 A. Yes. I have prepared Exhibit JD-1 Revised, consisting of Schedules A, B, C,
13 and D with supporting Schedules A-1, B-1 through B-2, and C-1 through C-
14 1314.

15

16 **Q. Have you incorporated the recommendations of other OAG witnesses in
17 your summary schedules?**

18 A. Yes, I have incorporated the capital structure and rate of return
19 recommendations of OAG witness Richard A. Baudino.

20

21 **Q. Please discuss Schedule A of Exhibit JD-1, which is entitled "Overall
22 Financial Summary."**

23 A. Schedule A presents the overall financial summary for the Forecasted Test
24 Period ("FTP"), which is the twelve months ended December 31, 2025, giving
25 effect to all the adjustments I recommend in my testimony, and the rate of return

1 sponsored by Mr. Baudino. The rate base and operating income amounts for
2 the FTP are taken from Schedules B and C, respectively. The overall rate of
3 return of 7.35%, for the FTP as presented in the direct testimony of OAG
4 Witness Richard A. Baudino, is provided on Schedule D for ease of reference.
5 The income deficiency shown on line 5 is obtained by subtracting the adjusted
6 operating income on line 4 from the required operating income on line 3. The
7 income deficiency is then grossed up by the Gross Revenue Conversation
8 Factor on line 6 to calculate the OAG's recommended revenue increase on line
9 7.

10
11 **Q. Please discuss Schedule B, which summarizes rate base, as adjusted.**

12 A. Adjusted rate base amounts are taken from Columbia Kentucky's Application,
13 Schedule B-1. The adjustments I recommend to the FTP rate base amount are
14 illustrated on Schedule B.

15
16 **Q. Please discuss Schedule C, which summarizes operating income, as
17 adjusted.**

18 A. My recommended adjustments to Columbia Kentucky's expenses for the FTP
19 that are presented in this testimony are provided on Schedule C. Schedules C-
20 1 through C-1314 provide further support and calculations for the adjustments
21 I recommend.

22
23 **Q. Based on your review of Columbia Kentucky's filing, what change in
24 revenue requirement are you recommending at this time?**

1 A. Based on the adjustments that have been quantified to date, coupled with OAG
 2 Witness Richard A. Baudino's recommended overall rate of return of 7.35%,
 3 the result is a revenue increase of no more than ~~\$11,189,342~~ \$11,311,456 for
 4 the Company's FTP.

5

Columbia Kentucky Requested Rate Increase					\$	23,773,019
OAG Adjustments:						
Rate of Return Impact					\$	(4,587,742)
Rate Base Adjustments						
Cash Working Capital				\$	(925,857)	
Customer Deposits				\$	(193,937)	
	Subtotal				\$	(1,119,794)
O&M Adjustments	Pre Tax Adj	NOI After Tax	GRCF	Rev Req Impact		
Rate Case Expense	\$ 761,500	\$ 571,506	1.339776	\$ (765,690)		
Corporate Aircraft Expense	\$ 250,837	\$ 188,253	1.339776	\$ (252,217)		
D&O	\$ 106,034	\$ 79,579	1.339776	\$ (106,618)		
Investor Relations Expense	\$ 45,141	\$ 45,171	1.339776	\$ (45,389)		
401(k) Expense	\$ 294,544	\$ 221,055	1.339776	\$ (296,164)		
Payroll Expense	\$ 1,628,842	\$ 1,222,446	1.339776	\$ (1,637,804)		
Incentive Compensation	\$ 2,860,855	\$ 2,147,072	1.339776	\$ (2,876,596)		
Profit Sharing	\$ 126,614	\$ 95,024	1.339776	\$ (127,311)		
Payroll Tax	\$ 305,756	\$ 229,470	1.339776	\$ (307,438)		
Benefits	\$ 377,281	\$ 283,149	1.339776	\$ (379,356)		
SERP	\$ 60,552	\$ 45,444	1.339776	\$ (60,885)		
AGA Dues	\$ 20,561	\$ 15,431	1.339776	\$ (20,674)		
Int Sync	\$ 91,145		1.339776	\$ 122,114		
	Subtotal				\$	(6,754,029)
					\$	(6,876,143)
					\$	11,311,456
OAG Proposed Rate Increase					\$	11,189,342

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7

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9 **III. RATE OF RETURN SUMMARY**

10 **Q. Please summarize the OAG's rate of return recommendation proposed by**
 11 **Richard Baudino.**

12 A. See the chart below comparing the OAG's and the Company's rate of return:

13

1 **N. Flow Through Adjustments**

2

3 **Payroll Tax Expense**

4 **Q. Please discuss your adjustment to payroll tax.**

5 A. The adjustment is a flowthrough from my adjustment to payroll and incentive
6 compensation. This proposed adjustment reduces payroll tax by \$305,756 in
7 the FPT, which is shown on Exhibit JD-1, Schedule C-9. The revenue
8 requirement impact is a reduction of \$307,438.

9

10 **Benefits Expense**

11 **Q. Please discuss your adjustment to benefits expense.**

12 A. The adjustment is a flow through from my adjustment to payroll. This
13 adjustment reduces benefits expense by \$377,281 in the FPT, which is shown
14 on Exhibit JD-1, Schedule C-10. The revenue requirement impact is a reduction
15 of \$379,356.

16

17 **Interest Synchronization**

18 **Q. Please discuss your adjustment to interest synchronization.**

19 **A. The adjustment is a flowthrough from the AG's adjustments to rate base. The**
20 **AG's adjustment decreases interest expense, which increases income tax**
21 **expense by \$91,145 and increases the revenue requirement by \$122,144. The**
22 **interest synchronization adjustment is shown on Exhibit JD-1 Revised,**
23 **Schedule C-14.**

24

25 **Q. Does this conclude your testimony?**

1 A. Yes. However, I reserve the right to supplement my testimony upon receipt of
2 additional relevant information. It should be noted that silence on any issues
3 should not be interpreted as acceptance of any Company proposal.