

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the matter of:	)	
	)	
ELECTRONIC APPLICATION OF	)	Case No. 2026-00099
COLUMBIA GAS OF KENTUCKY,	)	
INC. FOR AN ADJUSTMENT OF	)	
RATES; APPROVAL OF	)	
DEPRECIATION STUDY; APPROVAL	)	
OF TARIFF REVISIONS; AND OTHER	)	
RELIEF	)	

**PREPARED REBUTTAL TESTIMONY OF
ELIZABETH N. DAVIS
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

L. Allyson Honaker
Heather S. Temple
Meredith L. Cave
HONAKER LAW OFFICE, PLLC
1795 Alysheba Way, Suite 1203
Lexington, Kentucky 40509
Telephone: (859) 368-8803
allyson@hloky.com
heather@hloky.com
meredith@hloky.com

Melissa L. Thompson (*pro hac vice*, pending)
VP & DGC, Regulatory
290 W. Nationwide Blvd.
Columbus, Ohio 43215
Mobile: (614) 315-3391
E-mail: mlthompson@nisource.com

October 7, 2026

Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

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VERIFICATION OF ELIZABETH N. DAVIS

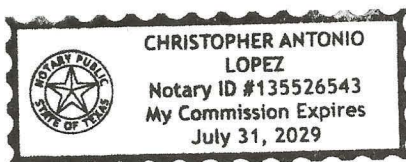
STATE OF TEXAS)
)
COUNTY OF HARRIS)

Elizabeth N. Davis, Lead Regulatory Analyst for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has drafted and/or supervised the preparation of rebuttal 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.

Elizabeth N. Davis

Elizabeth N. Davis

The foregoing Verification was signed, acknowledged and sworn to before me this 5th day of October 2026, by Elizabeth N. Davis.



-
Notary Commission No. 135526543
Commission expiration: 7/31/2029

Chloe

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Elizabeth "Nikki" N. Davis, and my business address is 290
4 West Nationwide Boulevard, Columbus, Ohio, 43215.

5 Q. Did you provide direct testimony in this proceeding?

6 A. Yes, my pre-filed direct testimony on behalf of the Company was submitted
7 to the Kentucky Public Service Commission ("PSC", or "Commission") in
8 this matter on May 20, 2026.

9 Q. What is the purpose of your rebuttal testimony in this proceeding?

10 A. The purpose of my rebuttal testimony is to continue supporting the request
11 of Columbia Gas of Kentucky, Inc. ("Columbia" or the "Company") for an
12 increase in its rates and to summarize the resulting changes to the
13 Company's revenue requirement based upon the rebuttal testimony of
14 other Columbia witnesses. Specifically, I respond to the testimony of the
15 Office of the Attorney General ("OAG") witness John Defever concerning
16 cost of service adjustments to operating expenses and other proposed
17 adjustments affecting OAG's recommended increase, including matters
18 related to rate base and rate of return that are addressed further in the
19 Rebuttal Testimony of Columbia witnesses Cooper and Rea, respectively.

1 **Q. Has the Company made any updates affecting its requested revenue**
2 **requirement?**

3 A. Yes. Columbia has made the following updates to the requested revenue
4 requirement as set forth in the Company's May 20, 2026, Application filed
5 in this matter:

6 1) Columbia's recent issuances of long-term debt have been updated in
7 the overall cost of capital supported by Company Witness Rea to
8 reflect the Company's recent actual June and September 2026
9 issuances.

10 2) During discovery, Columbia identified additional operations and
11 maintenance ("O&M") expenses that should be removed from the
12 forecasted test period ("FTP") revenue requirement, including
13 expenses associated with the following: (a) lobbying, (b) non-
14 recoverable vendors, and (c) an allocation adjustment to Columbia's
15 NiSource Corporate Services Company ("NCSC") aviation O&M
16 budget.

17 3) The Company has also updated the NCSC Headcount Complement
18 reflected in WPD-2.7.J(5), as provided in its response to Kentucky

Commission Staff's Fifth Request for Information, Item 7 and
Attorney General First Request, Item 114.

Collectively, these revisions reduce the Company's requested revenue increase by \$85,610, from \$35,968,302 to \$35,882,692, and reduce the FTP revenue requirement from \$245,822,256 to \$245,736,646. Schedule A of Rebuttal Attachment END-1R presents a comparison of Columbia's updated revenue increase to the OAG's recommendation. Schedule A-1 of Rebuttal Attachment END-1R further provides a reconciliation of the differences between the Company's adjustments to the OAG's recommended revenue increase and the OAG's recommended adjustments to the Company's proposed as-filed revenue increase. Schedule A-2 of Rebuttal Attachment END-1R provides a reconciliation between the Company's proposed rebuttal revenue increase to the Company's as-filed revenue increase.

Q. Does the Company agree with all adjustments proposed by OAG?

A. No. While the Company accepts OAG's proposed adjustment to lobbying Operations and Maintenance ("O&M") NCSC Expense, shared by Columbia in its response to Attorney General First Request, Item 102, the Company does not, however, agree with the OAG's remaining proposed

1 adjustments. The remaining OAG recommended adjustments are
2 addressed in my rebuttal testimony below and in the Rebuttal Testimony
3 of Columbia Witnesses Rea, Cooper, Jonda, and Owens.

4 Rebuttal Table END-1R reconciles the OAG's recommended revenue
5 increase with the Company's rebuttal revenue requirement increase and
6 identifies the Company witnesses supporting the revised amounts. The
7 amounts presented are grossed-up for income taxes as well as uncollectible
8 and Public Service Commission ("PSC") Fee expenses. As explained above,
9 Rebuttal Attachment END-1R incorporates the adjustments supported by
10 the Company in rebuttal.

Rebuttal Table END-1R			
Reconciliation Between OAG's Recommended Revenue Increase and Columbia's Rebuttal Revenue Requirement Increase			
Columbia / OAG Revenues at Current Rates			\$ 209,853,954
OAG Proposed Revenue Increase			<u>\$ 16,854,268</u>
OAG Revenue Requirement at Proposed Rates			\$ 226,708,222
Company Revised OAG Revenue Requirement: <u>OAG Return on Rate Base Errors:</u>	Company <u>Witness(es)</u>	Att. Rebuttal END-1R <u>Reference</u>	Adjustment <u>Amount</u>
- Interest Synchronization - Interest Expense Deduction Amount	Davis	SCH A-1s1	\$ 43,601
- Interest Synchronization – Income Tax Expense Gross-up			\$ 14,500
- Cash Working Capital (CWC) - Interest and Income Tax Expense on Interest Synchronization			\$ 24,033
- Capital Structure Issue (Exhibit JD-1 not equal to 100.00%)			\$ (6,011)
<u>OAG Operating Expense Errors:</u>			
- NCSC Investor Relations-Items Removed x2	Davis & Jonda	SCH A-1s1& SCH Ds3	<u>\$ 6,520</u>

OAG Proposed Revenue Increase - Revised			\$ 16,936,911
OAG Rev. Req. at Proposed Rates - Revised			\$ 226,790,865
Company Rebuttal Revenue Requirement Adjustments to OAG Revised Revenue Increase:			
<u>Return On Rate Base & Capital Structure:</u>			
Return on Equity (Company's Proposed 10.95%)	Rea	SCH A-1s1	\$ 13,739,738
Return on Debt			\$ (1,313,812)
Customer Deposits	Cooper	SCH A-1s1 &	\$ 158,001
Cash Working Capital	Johnson	SCH B-5.2.A	\$ 841,783
	Davis,		
Operations & Maintenance Expenses	Inscho,	SCH A-1s1,	\$ 5,395,485
Taxes Other Than Income, Payroll Taxes	Jonda &	A-1s2 &	\$ 124,586
	Owens	SCH Ds1	
Total Operations Expense Adjustments*			\$ 5,520,071
Columbia Rebuttal Revenue Increase			<u>\$ 35,882,692</u>
Columbia Rebuttal Rev. Req. at Proposed Rates			\$ 245,736,646
*Total Operations Expense adjustments are detailed in Rebuttal Attachment END-1R, specifically Excel tab "Testimony Table".			

1 **Q. Does the Company's acceptance of certain adjustments proposed by the**
2 **OAG constitute agreement with the methodologies the OAG employed**
3 **in developing those adjustments?**

4 **A. No. The Company's acceptance of any adjustments proposed by the OAG**
5 **should not be construed as an endorsement of the methodology used by the**
6 **OAG to develop the adjustment.**

7 **Company Revised OAG Revenue Requirement - Introduction**

8 **Q. Did you identify any errors in the OAG's recommended revenue**
9 **requirement calculation? If so, please explain.**

10 **A. Yes. As reflected in Rebuttal Table END-1R above, the Company identified**
11 **errors in the OAG's proposed adjustments to the return on rate base and**

1 operating expenses, specifically, the O&M NCSC expense adjustment to
2 Investor Relations.

3 The errors in the return on rate base and corresponding interest
4 synchronization adjustments include (1) an incorrect interest expense
5 deduction amount used by the OAG in the calculation of interest
6 synchronization, and (2) improper inclusion of a gross-up for income tax
7 expense on the interest synchronization adjustment resulting in an
8 improper \$58,101 reduction to the Company's proposed revenue
9 requirement. Additionally, Mr. Defever's capital structure components in
10 Exhibit JD-1 total 99.997 percent and do not total 100 percent as
11 demonstrated in Rebuttal Attachment END-1R, Schedule J-1.1 / J-1.2, Sheet
12 1 of 1, resulting in an improper increase of \$6,011 to the Company's
13 proposed revenue requirement. The OAG's calculation also erred by not
14 including changes to interest expense and income tax expense (for the
15 inclusion of an interest synchronization adjustment) in the recommended
16 calculation of Cash Working Capital ("CWC") resulting in an additional
17 \$24,033 improper reduction to the Company's proposed revenue
18 requirement. Collectively, these errors amount to an improper net
19 reduction of \$76,123 to the Company's proposed revenue requirement.

1 Additionally, the O&M error consists of duplicate adjustments
2 totaling \$6,520 for Investor Relations expenses billed to Columbia by NCSC.

3 In total, the errors I discuss above increase the OAG's recommended
4 revenue requirement by \$82,643, resulting in a revised revenue increase of
5 \$16,936,911 under the OAG's recommendations (exclusive of additional
6 adjustments identified below and the issues addressed in the rebuttal
7 testimony of other Columbia witnesses).

8 **Company Revised OAG Revenue Requirement – Return on Rate Base Items**

9 **Q. Please explain the term “interest synchronization” and its application in**
10 **utility ratemaking.**

11 A. Interest synchronization is a ratemaking principle under which the interest
12 expense used to calculate income tax expense matches the interest expense
13 allowed in the authorized revenue requirement. This alignment ensures
14 that the income tax expense included in rates is consistent with financing
15 costs recognized for ratemaking purposes and to ensure that a utility does
16 not over- or under-recover its costs from customers.

17 **Q. Please describe how and where the Company reflected synchronization**
18 **of interest expense and income tax expense in its Application.**

1 A. The Company reflected interest synchronization in the calculation of
2 Required Operating Income presented in Columbia’s Application in Tab 72,
3 FR 807 KAR 5:001 Section 16(8)(a), Page 2 of 247, Schedule A-1, Line 5.
4 Required Operating Income is calculated by multiplying Rate Base by the
5 Allowed Rate of Return, or Weighted-Average Cost of Capital (“WACC”),
6 which includes an allowed level of interest expense based on the weighted-
7 average cost of debt incorporated into the WACC. The Company used that
8 same calculated interest expense in determining the FTP income tax
9 expense¹, thereby synchronizing income tax expense with the interest
10 expense included in the revenue requirement. This calculation is reflected
11 in Tab 72, FR 807 KAR 5:001 Section 16(8)(a), Page 193 of 247, Schedule E-
12 1.1, Sheet 1 of 3, Lines 1 through 3, and in the interest expense and charges
13 in Footnote 1 calculated in Lines 37 through 40. The interest
14 synchronization adjustment represents the tax effect of the difference in
15 interest expense and ensures the revenue requirement recognizes the tax
16 savings attributable to the interest component of the revenue requirement.

17 **Q. Please explain how Mr. Defever’s calculations failed to properly reflect**
18 **interest synchronization.**

¹ Calculated as Operating Income before Income Taxes, less Interest Expense = Taxable Income before Income Tax and Credits.

1 A. Mr. Defever's calculations do not properly reflect interest synchronization
2 in two respects. First, the interest synchronization adjustment used to
3 derive the OAG's recommended revenue requirement in Exhibit JD-1
4 utilized an incorrect amount for the interest expense deduction. Second, the
5 calculation presented in the table on Page 4 of Mr. Defever's testimony,
6 which aims to quantify the Rate of Return Impact and Rate Base
7 Adjustments associated with the OAG's recommended revenue
8 requirement, does not properly calculate income tax expense in deriving
9 the impact of interest synchronization on the revenue requirement.

10 **Q. Please explain how Mr. Defever's interest synchronization adjustment**
11 **failed to utilize the proper amount for interest expense.**

12 A. The OAG's interest synchronization adjustment presented in Exhibit JD-1,
13 Schedule C-18, Mr. Defever improperly utilized the Company's interest
14 expense from Tab 72, FR 807 KAR 5:001 Section 16(8)(a), Page 196 of 247,
15 Schedule E-1.2, Sheet 1 of 2, Line 14 as he failed to recognize that interest
16 expense must be derived from Rate Base multiplied by the weighted-cost
17 of debt. The proper amount for the Company's interest expense presented
18 in Tab 72, FR 807 KAR 5:001 Section 16(8)(a), Page 193 of 247, Schedule E-
19 1.1, Sheet 1 of 3, Line 2. The iterative interest expense synchronization
20 calculations (to CWC and Income Tax Expense) on the Company's Schedule

1 E-1.2 used by Mr. Defever only apply when Cash Working Capital is
2 proposed, or applied, which was not the case in Columbia's as-filed
3 proposed revenue increase. This error understated interest expense and
4 overstated income tax expense for an understatement of net operating
5 income used to determine the OAG's recommended revenue deficiency
6 (increase).

7 **Q. Please explain how Mr. Defever's interest synchronization adjustment**
8 **improperly grossed-up income tax expense.**

9 A. In the Rate of Return Impact calculation in the table on Page 4 of Mr.
10 Defever's testimony, Mr. Defever calculated the revenue requirement effect
11 of the interest synchronization by applying the Gross Revenue Conversion
12 Factor ("GRCF"). As explained in my Direct Testimony, the GRCF provides
13 the additional revenue necessary to address the effects of a rate increase on
14 taxable income, uncollectible expenses, and PSC fees. As interest
15 synchronization is a debt (interest expense) adjustment to the calculation of
16 income tax expense, utilization of a Before-Tax adjustment amount applied
17 to the GRCF results in an improper income tax expense gross-up on a debt
18 only adjustment.

1 **Q. Please summarize the impact of the interest synchronization adjustment**
2 **errors on the OAG’s recommended revenue requirement.**

3 A. By using both an incorrect amount for the interest expense deduction in the
4 OAG’s interest synchronization adjustment and applying the GRCF to a
5 debt-only income tax expense adjustment, Mr. Defever failed to properly
6 synchronize interest expense. This treatment resulted in an incorrect
7 revenue requirement reduction by the OAG of \$58,101. The Company’s
8 reconciliation of the OAG’s recommended revenue increase, shown in
9 Rebuttal Attachment END-1R, Schedule A-1, Sheet 1, Adjustment 6 –
10 Return on Rate Base - Interest Expense Deduction Interest Synchronization
11 Issue, Lines 25 through 37, demonstrates the interest synchronization
12 adjustment errors.

13 **Q. Please describe the interest synchronization adjustment error to the**
14 **OAG’s recommended CWC adjustment.**

15 A. Mr. Defever failed to adjust CWC for the additional interest deduction
16 when calculating the Rate Base effect of the revenue increase adjustments.
17 That omission produced an additional reduction of \$24,303, as shown in
18 Rebuttal Attachment END-1R, Schedule A-1, Sheet 2, Adjustment 8 –
19 Return on Rate Base - CWC, Lines 43 through 46.

1 **Q. Please summarize the revenue requirement impact of all of the interest**
2 **synchronization adjustment errors to the OAG’s recommended increase.**

3 A. In summary, Mr. Defever’s failure to properly synchronize interest expense
4 in calculating the interest synchronization adjustment, income tax expense,
5 and CWC collectively understates the OAG’s recommended revenue
6 requirement by \$82,134, as shown in Rebuttal Table END-1R above and
7 reconciliation in Rebuttal Attachment END-1R.

8 **Q. Did Mr. Defever explain or otherwise support the manner in which OAG**
9 **applied its interest synchronization adjustment?**

10 A. Mr. Defever addressed the flow-through adjustment to Rate Base for
11 interest synchronization on Page 29 of his testimony. He also provided his
12 interest synchronization calculation in Exhibit JD-1, Schedule C-18, and
13 reflected the associated flow-through effect on the revenue requirement in
14 Schedule C-17. In response to Columbia’s First Request, Item 7, Mr. Defever
15 stated: “Interest synchronization is calculated on Schedule C-18 of Exhibit
16 JD-1. I did not include interest synchronization in my cash working capital
17 adjustment as it causes a circular reference in my model.”

18 **Q. Did the OAG propose adjustments to the Company’s WACC**
19 **recommendation?**

1 A. Yes. Mr. Rothschild proposed an adjustment to the Company's
2 recommended WACC, which Mr. Defever incorporated into the OAG's
3 revenue requirement.

4 **Q. Did you identify any errors in the OAG's WACC used to calculate its**
5 **revenue requirement?**

6 A. Yes. In my review of Exhibit JD-1, Schedule D, I identified an error in the
7 number of decimal places used to calculate the capital structure. The capital
8 structure percentages were as follows: short-term debt was three decimal
9 places (1.227%), while long-term debt (50.38%), preferred stock (0.00%), and
10 common equity (48.90%) were two decimal places as demonstrated in
11 Rebuttal Attachment END-1R, Schedule J-1.1 / J.1.2, Sheet 1. As a result, the
12 OAG's capital structure components do not total 100 percent. This error
13 reduces the OAG's recommended revenue requirement by \$6,011, as
14 demonstrated in Rebuttal Attachment END-1R, Schedule A-1, Sheet 2,
15 Adjustment 7 – Return on Rate Base – WACC Issue, Lines 39 through 42.

16 **Q. Did the OAG propose adjustments to the Company's CWC**
17 **recommendation?**

18 A. Yes, Mr. Defever recommended inclusion of CWC in Rate Base in the
19 amount of (\$10,690,903). This was derived by leveraging the Company's

1 Lead Lag study and applying the OAG's recommended adjustments to
2 O&M and TOTI.

3 **Q. Does the Company agree with OAG's CWC recommendation in**
4 **determining Rate Base?**

5 A. No, the Company does not agree with OAG's recommended calculation of
6 CWC. In review of Mr. Defever's CWC calculation, Columbia observed that
7 the OAG did not recognize certain O&M and TOTI adjustments in the
8 proper operating expense categories, nor did the OAG incorporate the
9 interest synchronization on debt (interest expense and income taxes)
10 despite recommended changes to the Company's Rate Base, long-term
11 debt, and operating income. In response to Columbia's First Request to the
12 Attorney General, Item 7, the OAG replied, "I did not include interest
13 synchronization in the cash working capital calculation as it causes a
14 circular reference in my model."

15 **Company Revised OAG Revenue Requirement – O&M and Taxes Other Than**
16 **Income ("TOTI") Items**

17 **Labor, Benefits and Payroll Taxes**

1 **Q. Please summarize OAG Witness Defever’s recommended adjustments to**
2 **the Company’s labor expense and associated benefits and payroll tax**
3 **operating expenses.**

4 A. On Pages 19-20 of his testimony, Mr. Defever compares historical budgeted
5 and actual headcount for Columbia Gas of Kentucky and NiSource
6 Corporate Services Company over the period from March 2021 through
7 February 2026. Based on that comparison, he concludes that “the Company
8 has consistently had vacancy issues” and recommends a 7.05% reduction to
9 labor expense.

10 **Q. Does the Company agree with Mr. Defever’s position on headcount**
11 **vacancies?**

12 A. No. Columbia does not agree with Mr. Defever’s characterization or the
13 resulting adjustment for reasons discussed below.

14 Mr. Defever calculated the adjustments to labor and labor-related
15 expenses by applying a vacancy rate which was derived from a comparison
16 of Columbia’s and NCSC’s budgeted and actual vacancies during the
17 historical five-year period from March 2021 to February 2026 and applied
18 to Columbia’s O&M labor expense. Mr. Defever’s adjustments fail to even
19 acknowledge, let alone account for, the Company’s ratemaking adjustment

1 to annualize labor O&M expense based on actual payroll information as of
2 December 25, 2025 (WPD-2.7.B(2) for Columbia Direct and WPD-2.7.J(2) for
3 NCSC billed to Columbia) and adjustments for known and reasonably
4 anticipated 2026 and 2027 union wage / merit increases supported by the
5 Direct Testimony of Columbia Witness Owens.

6 **Q. Does OAG Witness Defever's recommended payroll (labor) adjustment**
7 **permit recovery of the Company's most recent actual labor O&M expense**
8 **for calendar year 2025?**

9 A. No. OAG's recommended payroll adjustment reduces Columbia's FTP
10 labor O&M expense to a proforma total of \$20,418,449. As shown in
11 Rebuttal Table END-2R below, Mr. Defever's recommendation is \$401,363
12 less than Columbia's actual 2025 labor O&M expense, with the shortfall
13 attributable primarily to Columbia Direct O&M labor expense.
14 Additionally, the OAG's recommendation does not account for the
15 Company's annualized wages or annual known and reasonably anticipated
16 increases in base salaries.

Rebuttal Table END-2R								
Labor O&M	WP Reference	Forecasted Test Period (2027)	OAG Initial Adj.	OAG Addtn'l Adj.*	OAG Adjusted FTP	DR Reference	2025 Actual	OAG Adjusted FTP vs. 2025 Actuals
Columbia Direct	WPD-2.7.B(2)	\$13,008,188	(\$917,077)	(\$0)	\$12,091,111	AG 1-133 Att. A	\$12,511,904	(\$420,794)

NCSC Billed to Columbia	WPD- 2.7.J(2)	\$8,958,943	(\$0)	(\$631,606)	\$8,327,338	AG 2-17 Att. D (Updated AG 1-133 Att. B)	\$8,307,907	\$19,431
Total Columbia		\$21,967,131	(\$917,077)	(\$631,606)	\$20,418,449		\$20,819,812	(\$401,363)
<i>*Per OAG's response to Columbia's First Request, Item 10. "My adjustment to payroll was intended to be to both Columbia Direct and NCSC Payroll. To the extent there are additional payroll dollars applicable to NCSC, a further reduction of 7.05% percent should be applied as well."</i>								

1 **Q. Does the Company agree with Mr. Defever's labor-related adjustments**
2 **to benefits and payroll tax expense? If not, please explain.**

3 A. No. Columbia does not agree with OAG's corresponding labor adjustments
4 to benefits or payroll tax expenses for the reasons discussed above. Mr.
5 Defever calculated the benefits expense and payroll tax expense ratios using
6 data submitted with Columbia's Application – specifically, the amounts
7 reported in Tab 72, FR 807 KAR 5:001, Section 16(8)(a), page 225 of 247,
8 Schedule G-1. That methodology is inappropriate because it: (1) duplicates
9 in cost recovery adjustments already reflected in other OAG-recommended
10 adjustments; and (2) applies Columbia Direct benefits and payroll tax ratios
11 to NCSC expenses billed to Columbia.

12 Columbia asked whether Mr. Defever had adjusted the Schedule G-
13 1 FTP benefits expense amount for profit sharing, 401(k) costs (including
14 defined benefits plan expense), and pension SERP costs, and whether the
15 OAG had accounted for short- and long-term incentive compensation

1 expenses included in labor expense. These amounts affect the numerator
2 and denominator used to derive the benefits expense ratio. In response to
3 Items 12 and 13 of Columbia's First Request, Mr. Defever stated, "My
4 benefit adjustment on Schedule C-15 is a high-level placeholder (...)."
5 Columbia also asked whether witness Defever had considered that
6 Schedule G-1 reflects Columbia Direct labor, benefits and payroll tax
7 expense and therefore is not representative of NCSC labor and benefits
8 expense billed to Columbia or of the NCSC benefits experience ratio
9 reflected on WPD-2.7.J(5). In response to Item 14 of Columbia's First
10 Request, Mr. Defever again stated, "My benefit expense adjustment is a
11 high-level placeholder (...). The Company can provide the specific factor to
12 be applied (...)."

13 With respect to payroll taxes, Columbia similarly asked whether
14 witness Defever had considered that Schedule G-1 reflects Columbia Direct
15 expenses and is not representative of NCSC labor and payroll tax expense
16 billed to Columbia or of the NCSC payroll experience factor reflected on
17 WPD-2.7.J(4). In response to Item 15 of Columbia's First Request, Mr.
18 Defever stated, "My payroll tax adjustment on Schedule C-14 is a high-level
19 placeholder (...). The Company can provide the specific factor to be applied
20 (...)."

1 Accordingly, the benefits and payroll tax ratios Mr. Defever used to
2 calculate the corresponding labor-related adjustments are not appropriate.
3 First, the calculations double count reductions in O&M expenses already
4 captured through other OAG-recommended adjustments, including
5 adjustments to short- and long-term incentive compensation. Second, they
6 apply Columbia Direct benefits and payroll tax expense ratios to an
7 adjustment involving NCSC labor expense billed to Columbia, despite the
8 distinct cost characteristics and experience factors applicable to NCSC
9 billed to Columbia.

10 **NCSC Billed to Columbia Investor Relations Expense**

11 **Q. OAG Witness Defever recommends reducing the Company's Investor**
12 **Relations Department O&M expenses billed by NCSC based on**
13 **information provided in the Company's response to the Attorney**
14 **General's First Request, Item 97. Does the Company agree with that**
15 **adjustment?**

16 **A. No. This adjustment is overstated and should not be adopted as calculated.**
17 As Mr. Defever explains on Pages 15-16 of his testimony, his adjustment
18 removes 75 percent of O&M expenses billed to Columbia by NCSC for the
19 Investor Relations Department, including salaries (payroll or labor),
20 employee expenses, employee pension / benefits, non-service pension /

1 OPEB and miscellaneous expenses. Yet portions of the same costs are also
2 removed through his separate proposed adjustments to incentives, payroll,
3 benefits, and payroll taxes.

4 Because Columbia's application uses a forward-looking test period,
5 the Commission must evaluate a coherent forecast of the costs expected
6 during that period—not a collection of independent adjustments that
7 removes the same forecasted dollars more than once. Removing the entire
8 FTP budget for NCSC billed Investor Relations O&M expenses, without
9 netting costs separately eliminated by other OAG recommendations,
10 necessarily produces overlapping reductions. When Columbia raised that
11 precise issue in discovery, and Mr. Defever responded to Columbia's First
12 Request, Item 17: "In general, my adjustments are independent of each
13 other. However, it is not my intent to double count any reductions. If the
14 Commission's acceptance of my recommendations results in overlapping
15 reductions, those amounts may need to be adjusted."

16 Columbia's review of the FTP Investor Relations Department
17 expenses provided in response to the Attorney General's First Request,
18 Item 97, and in Rebuttal Attachment END-1R, Schedule D, Sheet 2 of 5
19 demonstrates that approximately 11 percent of the challenged FTP amount
20 is already removed through other adjustments recommended by Mr.

1 Defever. The Commission therefore should reject the duplicative portion
2 of the OAG adjustment. Correcting the overlap increases the OAG's
3 recommended revenue requirement by \$6,520, grossed-up for uncollectible
4 and PSC fees, as shown in Rebuttal Attachment END-1R, Schedule D, Sheet
5 2 of 5. This correction does not seek recovery of any unsupported cost; it
6 prevents the same cost from being disallowed twice and aligns the resulting
7 revenue requirement with the fair, just, and reasonable standard.

8 **Q. Did Mr. Defever provide support for failing to account for costs**
9 **addressed in other OAG-recommended adjustments when calculating**
10 **the reduction to NCSC billed Investor Relations expenses?**

11 A. No. The OAG provided no calculation, workpaper, or other evidentiary
12 support for demonstrating that its Investor Relations adjustment had been
13 coordinated with its separate labor and benefits, short-term incentive, and
14 profit sharing, and related flow-through adjustments. To the contrary, Mr.
15 Defever acknowledged in response to Columbia's First Request, Item 17,
16 that "it is not my intent to double count any reductions," and that
17 overlapping amounts "may need to be adjusted," but his filed calculation
18 does not make that correction. Columbia's response to the Attorney
19 General's First Request, Item 97 and in Rebuttal Attachment END-1R,
20 Schedule D, Sheet 3 of 6, identifies the FTP Investor Relations expenses by

1 cost type, including labor, incentive compensation, and benefits and
2 therefore does more than identify a theoretical concern: it quantifies the
3 duplication and supplies the record-supported correction.

4 **Q. Does this conclude your Rebuttal Testimony?**

5 **A:** Yes.

ATTACHMENT END-1R
EXCEL SPREADSHEET
UPLOADED SEPARATELY