

TAB 17

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

Direct Testimony of

Kimra H. Cole

**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 DIRECT TESTIMONY OF
KIMRA H. COLE
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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May 20, 2026

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COLUMBIA GAS OF KENTUCKY, INC.

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VERIFICATION OF KIMRA H. COLE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Kimra H. Cole, President and COO of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has drafted and/or 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.

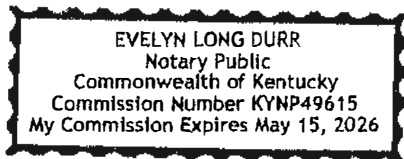
Kimra H. Cole
Kimra H. Cole

The foregoing Verification was signed, acknowledged and sworn to before me this 30th day of April 2026, by Kimra H. Cole.

Evelyn Long Durr

Notary Commission No. KYNP49615

Commission expiration: May 15, 2026



PREPARED DIRECT TESTIMONY OF KIMRA H. COLE

1 I. INTRODUCTION

2 **Q: Please state your name and business address.**

3 A: My name is Kimra H. Cole and my business address is 2001 Mercer Road,
4 Lexington, Kentucky, 40511.

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

6 A: I am employed by Columbia Gas of Kentucky, Inc. ("Columbia" or the
7 "Company") as its President and Chief Operating Officer. My responsibilities
8 include the general operation of the natural gas distribution utility in 30
9 Kentucky counties, and specifically, I am the corporate officer accountable for
10 the leadership and overall operations and performance of Columbia.

11 **Q: What is your educational background and professional experience?**

12 A: I graduated from the University of Kentucky, earning a Bachelor of Science
13 Degree in Chemical Engineering in 1987. I joined Columbia as an Industrial
14 Marketing Engineer in 1987. While holding this position, I also earned my
15 Master of Business Administration at the University of Kentucky. I held
16 various management roles of increasing responsibility over a 15-year
17 period with Columbia. I left the company in 2002 with the title of Director
18 of Sales, Marketing, Engineering and Operational Services. In 2007, I joined
19 the Lexington Fayette Urban County Government in the role of

1 Commissioner of General Services where I had the responsibility for Parks
2 and Recreation, Fleets, Facilities and other shared functions for the City of
3 Lexington for a four-year term. My next position was with the Kentucky
4 Public Service Commission as the Director of the Division of Engineering
5 from 2011-2012. I then rejoined Columbia as the Operation Center
6 Manager in 2012, and held that role until 2015 when I was promoted to
7 Vice-President and General Manager. In 2017, I was promoted to the role
8 of Vice-President of Distribution Operations for NiSource Corporate
9 Services Company ("NCSC") overseeing the internal operations that
10 included the Integration Center, the Operations Planning department,
11 Damage Prevention, Operation Strategy and Support and GPS for
12 NiSource's gas distribution companies. In 2019, I was promoted to my
13 current position as President and Chief Operating Officer of Columbia.

14 **Q: Have you previously testified before any regulatory commissions?**

15 A: Yes, I have testified before the Kentucky Public Service Commission. Most
16 recently I testified in Case No. 2024-00092¹.

17 **Q: What is the purpose of your testimony?**

¹ *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, (Ky. P.S.C., May 23, 2024).*

1 A: My testimony will explain Columbia Gas of Kentucky, Inc.'s ("Columbia")
 2 need to file this base rate filing, provide an overview of the case and outline
 3 the objectives Columbia seeks to achieve in this proceeding. I will also
 4 summarize the Company's performance since its last base rate case. In
 5 addition, I will introduce Columbia's witnesses, each of whom presents
 6 detailed testimony and supporting documentation regarding the revenues,
 7 expenses, and rate base elements included in this filing.

8 Further, my testimony will address the role of natural gas in the
 9 future energy landscape; Columbia's continued commitment to low-
 10 income customers and energy efficiency; and Columbia's engagement
 11 within the communities we serve.

12 **Q: What Filing Requirements will you be supporting?**

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

Filing Requirement	Description	Tab
807 KAR 5:001 Section 14(1)	Full name, mailing address, electronic mail address of the Applicant and shall contain fully the facts on which the application is based, with a request for the order, authorization, permission, or certificate desired and a reference to the particular law requiring or providing for the information.	1

807 KAR 5:001 Section 14(2) through (4)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of incorporation, attest that it is currently in good standing in the state in which it is incorporated.	2 through 4
807 KAR 5:001 Section 16(1)(b)(1)	Each application requesting a general adjustment of existing rates shall: (b) Include: 1. A statement of the reason the adjustment is required.	5
807 KAR 5:001 Section 16(1)(b)(2)	A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that a certificate is not necessary.	6
807 KAR 5:001 Section 16(2)	A utility with gross annual revenues greater than \$5,000,000 shall notify the commission in writing of its intent to file a rate application at least thirty (30) days, but not more than sixty (60) days, prior to filing its application.	10
807 KAR 5:001 Section 16(6)(d)	After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty	14

	(30) days of a scheduled hearing on the rate application.	
807 KAR 5:001 Section 16(6)(e)	The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.	15
807 KAR 5:001 Section 16(7)(a)	The written testimony of each witness the utility proposes to use to support its application, which shall include testimony from the utility's chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.	17
807 KAR 5:001 Section 16(7)(e)	A statement of attestation signed by the utility's chief officer in charge of Kentucky operations, which shall provide: 1. That the forecast is reasonable, reliable, made in good faith, and that all basic assumptions used in the forecast have been identified and justified; 2. That the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, or an identification and explanation for differences that exist, if applicable; and 3. That productivity and efficiency	36

	gains are included in the forecast.	
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1 **Q: For each of the documents included within the Filing Requirements that**
2 **you are supporting, were they prepared by you or someone working**
3 **under your direction?**

4 **A:** Yes.

5 **Q: Please summarize Columbia’s rate filing in this proceeding.**

6 **A:** Columbia seeks Commission approval to increase its base rates to recover
7 the revenue requirement associated with capital investments Columbia has
8 made, and will continue to invest, to improve the safety and reliability of
9 Columbia’s natural gas system, as well as Columbia’s operating expenses.

10 **II. OVERVIEW OF CORPORATE STRUCTURE AND SERVICES**
11 **PROVIDED**

12 **Q: Please summarize the business of Columbia.**

13 **A:** Columbia is one of the six natural gas local distribution companies in the
14 NiSource Inc. (“NiSource”) family of utility companies. Headquartered in
15 Lexington, Kentucky, Columbia’s current operations resemble a long
16 history of consolidations of other natural gas distribution companies. The
17 result is a system made up of various different types of pipe installed

1 during different time periods as discussed in the Direct Testimony of
2 Witness Ayers.

3 NiSource, headquartered in Merrillville, Indiana, is an energy
4 holding company whose subsidiaries provide gas and electricity
5 distribution services to approximately four million customers located
6 within a corridor that runs from the Midwest to the Mid-Atlantic. In
7 connection with the acquisition of Columbia Energy Group on November
8 1, 2000, NiSource became a Delaware corporation registered under the
9 Public Utility Holding Company Act of 1935, which has since been replaced
10 by the Public Utility Holding Company Act of 2005.

11 NiSource is subject to the jurisdiction of the Securities and Exchange
12 Commission and is traded on the New York Stock Exchange with the
13 symbol "NI". The NiSource gas distribution companies are: Northern
14 Indiana Public Service Company LLC ("NIPSCO"); Columbia; Columbia
15 Gas of Maryland, Inc.; Columbia Gas of Ohio, Inc.; Columbia Gas of
16 Pennsylvania, Inc.; and Columbia Gas of Virginia.

17 **Q: Please describe the service Columbia provides.**

18 A: Columbia delivers accessible and reliable energy to approximately 139,000
19 customers in central and eastern Kentucky with natural gas facilities in 30
20 of Kentucky's 120 counties as of December 2025. These facilities are

1 comprised of over 2,650 miles of pipe and over 134,000 service lines.
2 Providing safe, reliable, and affordable energy is critically important to
3 central and eastern Kentucky. Columbia is continually focused on
4 improving customer service, enhancing the availability and stability of
5 natural gas. As a critical energy provider in the region, Columbia embraces
6 its mission to engage its customers, employees, and community partners to
7 continuously improve and partner with these stakeholders in supporting
8 the success of the communities it serves.

9 **III. CASE OBJECTIVES AND PROPOSED RATE INCREASE**

10 **Q: Why is Columbia filing this case?**

11 A: Columbia’s current rates do not provide the opportunity for the Company
12 to recover its costs to serve its customers, including a fair rate of return on
13 the capital invested to provide distribution service to the public in the
14 Forecasted Test Period (“FTP”). The proposed rates have been developed
15 to address this deficiency.

16 **Q: What is driving Columbia’s revenue deficiency?**

17 A: Through this filing, Columbia seeks to recover its revenue deficiency and
18 to earn a fair return on capital investments that are necessary to maintain a
19 safe and reliable natural gas distribution system for its customers, as well

1 as Columbia's operating expenses. Columbia is filing this base rate case to
2 ensure a reasonable opportunity to recover the cost of service.

3 In addition, approval of this request will signal to the investment
4 community that the Commission remains supportive of continued focus on
5 pipeline safety, the delivery of value to the customers and communities
6 served, and the importance of maintaining reasonable and predictable
7 earnings.

8 **Q: What overall rate of return and return on equity ("ROE") does
9 Columbia propose in this case?**

10 A: As detailed by Witness Rea, the most reasonable and appropriate range for
11 Columbia's return on common equity is between 10.55% and 11.05%, and
12 Witness Rea recommends that the Commission authorize an ROE of
13 10.95%. Witness Rea's recommended ROE is well-reasoned and supported
14 by his testimony and results in an overall rate requested of return of
15 8.152%. This return will allow Columbia to attract the investment necessary
16 to maintain a safe and reliable system.

17 **Q: Without the increase requested in this case, what rate of return will
18 Columbia experience?**

19 A: Without the increase requested, Columbia's overall rate of return will drop
20 to 3.754% in the FTP.

1 **Q: What is Columbia’s proposed rate increase and what are some of the**
2 **primary drivers for the increase?**

3 A: Based on Columbia’s current base rates and Columbia’s existing and
4 planned capital and O&M programs, Columbia will experience a revenue
5 deficiency of \$35,968,302, which includes incorporating the actual Safety
6 Modification and Replacement Program (“SMRP”) Rider plant investments
7 from 2023 and 2024 into the base rates and removing them from the SMRP
8 Rider as explained in more detail in the testimony of Witness Cooper. This
9 revenue deficiency is driven primarily by substantial capital investments
10 Columbia has made, and continues to make, in its system that are not
11 otherwise recovered through operation of the Company’s Safety
12 Modification and Replacement Program (“SMRP”) Rider. The Company
13 has and will continue to make strategic investments to improve overall
14 safety and risk reduction as we believe that natural gas is an essential
15 energy resource and it remains a critical part of today’s diverse energy mix,
16 as well as tomorrow’s. The proposed rates have been developed to address
17 this deficiency.

18 **Q: Has Columbia considered the impact of a rate increase on customers?**

19 A: Columbia does not make this request lightly and understands that this
20 increase may have a larger impact on certain customers more than others.

1 In light of this, Columbia pursued and achieved meaningful operational
2 efficiencies that are described in more detail by Witness Ayers, which have
3 helped offset inflationary pressures on O&M and capital expenses that
4 would otherwise have been borne by customers.

5 Columbia continues to educate and support customers in reducing
6 their energy usage and managing their monthly utility bills. In addition to
7 the safety and reliability benefits provided by the Company's operations,
8 the Company's investment programs benefit the local economies across
9 Columbia's service territory through the wages paid to the skilled labor
10 necessary to complete the work, both company employees and our
11 contracted workforce.

12 **Q: Is Columbia proposing to increase the customer charge in this rate case?**

13 A: Yes. Columbia is proposing an increase to the residential customer charge
14 from \$21.25 to \$32.00. This and the impact to average customer bills, by
15 class, is further explained by Witness Amen. We believe that increasing the
16 customer charges helps to reduce customer bill volatility, is fair to
17 customers, is easily understood, and conveys more appropriate price
18 signals with respect to recovery of fixed distribution costs.

19 **IV. COLUMBIA'S BUDGET DEVELOPMENT AND ALLOCATION**

20 **Q: Can you briefly describe the budget process at a high level?**

1 A: Columbia's budget is generally divided into two different components: the
2 capital budget and the O&M budget. The capital budgeting process is
3 described in the testimony of Witness Scott. The projected financial
4 statements and Columbia's O&M budget is supported by Witness Inscho
5 with the development of the NiSource Corporate Services Company
6 ("NCSC") O&M budget to Columbia is described by Witness Jonda. I have
7 oversight over both capital and O&M for Columbia, as well as overall profit
8 and loss responsibility for the Company.

9 **Q: Generally, what is the capital development process and what role does**
10 **Columbia's leadership team play in the development review of the NCSC**
11 **budget to Columbia?**

12 A: Columbia's leadership is actively engaged in development and
13 management of the capital budget. Columbia's utility capital development
14 is a series of collaborative working sessions among Columbia's President
15 and staff, other members of the leadership team, as well as the Finance,
16 Operations, Engineering & Planning Departments. The leadership team,
17 along with Operations, Engineering & Planning, are primarily responsible
18 for identifying the capital investment needs for public safety and reliability,
19 compliance requirements, customer experience, and for identifying capital
20 recommendations which are reviewed with Financial Planning. The

1 output of the collaborative working sessions is used to develop a draft
2 multi-year capital budget. This budget is then presented to NiSource
3 executive management for presentation to the NiSource Board of Directors
4 for review and approval or modification.

5 **Q: Does Columbia leadership review the budget comparison to actuals on a**
6 **periodic basis?**

7 A: Yes, there is a monthly meeting designed to provide my team with the
8 comparison of the monthly budget to actual expenditures, explain any
9 variances, and answer any questions or concerns that Columbia has with
10 the results.

11 **Q: How has Columbia's O&M cost profile changed since its last rate**
12 **case?**

13 A: O&M costs are recovered through base rates and represent approximately
14 a quarter of a typical residential customer's bill with average usage.
15 Columbia focused on leveraging its scale, driving efficiencies, improving
16 its cost structure and capabilities, and enhancing its commitment to safety
17 in order to mitigate increases to these costs. Customers benefit from this
18 foundation of operational excellence, with the goal of keeping core
19 operations and maintenance spending relatively flat to help mitigate cost
20 increases.

1 **Q: Will Columbia continue with its IT transformation project?**

2 A: NiSource is engaging in a multi-year, system-wide Customer
3 Transformation Program, replacing Columbia's obsolete customer billing
4 system and other customer facing IT infrastructure. Columbia is filing a
5 CPCN requesting approval of this customer-focused investment in Case
6 No. 2026-00129.²

7 **Q: Does Columbia maintain a safe and reliable system for customers?**

8 A: Yes. Columbia remains compliant, responsive, and customer focused. Our
9 investment decisions are driven by a risk-based approach and a focus on
10 supporting localities grow and modernize. Together, these investments
11 have allowed us to continue to provide safe and reliable service to our
12 customers. Please see the Direct Testimonies of Witness Ayers and Witness
13 Scott for additional information regarding Columbia's investments.

14 **Q: Do you feel comfortable that the capital and operating costs included for
15 recovery are reasonable and prudent?**

16 A: Yes.

17 **V. THE NCSC MODEL**

² *Electronic Application of Columbia Gas of Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Installation of a New Customer Service System*

1 **Q: How is Columbia supported by its parent company and how is Columbia**
2 **involved in this process?**

3 A: NCSC follows a service company model used by many utility holding
4 companies that own multiple regulated utilities. By consolidating
5 executive and professional services into a single service company, utility
6 holding companies can realize benefits for ratepayers as further
7 detailed by Witness Jonda.

8 **Q: In the last rate case Order, did the Commission recommend that**
9 **Columbia conduct an independent review of the NCSC service**
10 **agreement and whether the allocations from NCSC to Columbia meet**
11 **the standards laid out in KS 278.2207 and KRS 278.030?**

12 A: Yes.

13 **Q: Did the Commission also strongly encourage Columbia to hire a third-**
14 **party auditor to analyze the reasonableness of the allocations from**
15 **NCSC to Columbia, including but not limited to the allocated labor**
16 **expense?**

17 A: Yes.

18 **Q: Did Columbia hire a third-party auditor and conduct an independent**
19 **review of the NCSC service agreement and allocations to Columbia?**

1 A: Yes. Columbia’s counsel hired Dean Dorton Allen Ford, PLLC (“Dean
2 Dorton”) to conduct an independent, third-party review of the NCSC
3 Service Agreement and the NCSC allocations to Columbia. A copy of Dean
4 Dorton’s report is attached to my testimony as Attachment KHC-1.

5 **Q: Please briefly summarize the conclusions made by Dean Dorton after this**
6 **independent review.**

7 A: Dean Dorton concluded that NCSC’s allocation framework is generally
8 designed and operating as intended to allocate costs to Columbia in a
9 manner consistent with the service agreement, introduced by Witness
10 Jonda (Attachment GBJ-2), and applicable regulatory requirements (i.e., the
11 FERC Order introduced by Witness Jonda at Attachment GBJ-3).

12 **Q: Were there any recommendations made by Dean Dorton?**

13 A: While Dean Dorton did not expressly make any recommendations, Dean
14 Dorton offered several management considerations. Witness Gode
15 discusses these further as well as the actions taken by Columbia and NCSC
16 to address these considerations.

17 **Q: Do you support the management considerations in Dean Dorton’s report?**

18 A: Yes, and I am supportive of the actions taken to address the management
19 considerations as outlined by Witness Gode.

20 **VI. THE VALUE OF NATURAL GAS**

1 **Q: How will natural gas influence the energy landscape of the future?**

2 A: Columbia believes that natural gas is a vital energy resource that remains
3 an essential component of both today's and tomorrow's diverse energy mix
4 and supports the nation's efforts to reduce greenhouse gas emissions.

5 As new energy technologies continue to emerge, natural gas will
6 remain indispensable—ensuring that commercial and industrial businesses
7 can operate reliably, and that households, including the most vulnerable,
8 have access to a stable and affordable energy supply to heat their homes,
9 cook their meals, dry their clothes, and support daily life.

10 **Q: Do Columbia's operations support sustainability?**

11 A: Yes. From senior leadership to frontline employees, Columbia remains
12 committed to serving its customers and communities by operating a natural
13 gas distribution system that is safe, reliable, and environmentally
14 responsible. We also make efforts to share energy efficiency education to
15 help our customers conserve usage.

16 NiSource has been recognized for its sustainable business practices
17 and has been included in the Dow Jones Sustainability Index since 2014.
18 This recognition reflects the Company's ongoing investment in initiatives
19 that reduce methane and carbon dioxide emissions across its operational
20 footprint.

1 **VII. CUSTOMER EXPERIENCE**

2 **Q: What additional steps has Columbia taken in recent years to**
3 **improve the customer experience?**

4 A: Columbia continues to focus on providing a simple, seamless customer
5 experience by working across all channels to make it easier for customers
6 to do business and to proactively address their needs. Recent enhancements
7 based upon feedback from our customers include introducing Apple Pay
8 and Google Pay across its website and mobile app, enabling bank-account
9 payments through its chatbot, and enhancing chatbot and live chat
10 feedback surveys to better capture customer satisfaction and identify
11 experience gaps. Columbia will continue expanding self-service options,
12 refining Interactive Voice Response (“IVR”) functionality, and providing
13 more proactive and personalized customer communications, including
14 additional web and mobile capabilities. These efforts are intended to
15 improve customer experience, increase self-service adoption, and reduce
16 call volume while providing customers with faster, clearer ways to manage
17 their accounts and services.

18 **Q: What actions is the Company undertaking to ensure customers are**
19 **informed of available financial assistance programs?**

1 A: We are proactively engaging our customers through multiple platforms,
2 including social media, emails, bill messages/inserts, and timely press
3 releases, to ensure they are fully apprised of all available assistance options,
4 including the Energy Assistance Program (“EAP”), Low Income Home
5 Energy Assistance Program (“LIHEAP”), and WinterCare. We also work
6 with governmental agencies and officials to communicate with customers
7 about our energy assistance programs.

8 **Q: What measures does Columbia provide to help customers maintain**
9 **stable and predictable monthly bills?**

10 A: Columbia offers a budget billing program that provides customers with the
11 highest level of bill predictability and stability. While total annual charges
12 remain unchanged, the program spreads those costs evenly across the year,
13 resulting in a consistent monthly payment. As part of this case, Columbia
14 is requesting rate design changes that would facilitate more stable and
15 predictable bills, as described by Witness Amen.

16 **Q: Please describe the steps that Columbia has taken to promote energy**
17 **efficiency efforts with its customers.**

18 A: Columbia continues to promote the importance of energy efficiency
19 through enhanced communication and coordination with statewide
20 stakeholders such as governmental agencies, other utilities, and consumer

1 advocacy groups. As part of these efforts, Columbia offers income-eligible
2 customers no-cost furnace replacements through its Low-Income Furnace
3 Replacement Program, helping reduce energy usage while supporting safe
4 and reliable home heating.

5 **Q: How does Columbia support the communities it serves?**

6 A: Columbia supports local communities through strategic investments,
7 charitable giving, and employee engagement. Its capital investment and
8 economic development initiatives create jobs and generate economic
9 activity, with wages paid to employees and contractors circulating directly
10 in the communities served—particularly in rural and underserved areas.

11 Columbia also contributes to community well-being through
12 targeted philanthropy. In 2025, the Company provided more than \$375,000
13 in support through the NiSource Charitable Foundation, which is funded
14 entirely by shareholders. Giving focuses on key areas including basic needs
15 and safety, community connections, environmental stewardship, and
16 Science, Technology, Engineering, Arts, and Mathematics (“STEAM”)
17 education, and economic and workforce development.

18 Further, Columbia supports volunteer efforts throughout its service
19 territory. CKY encourages employee volunteerism that allows team

1 members to engage directly with the communities they serve. This includes
2 board service and participation in local opportunities that support
3 community organizations and address local needs. Together, these efforts
4 reflect Columbia's commitment to strengthening the communities it serves.

5 **VIII. INTRODUCTION OF WITNESSES**

6 **Q: Please introduce Columbia's witnesses and describe their testimony.**

7 **A:** Other Columbia witnesses providing direct testimony and supporting
8 schedules are:

- 9 • Linda E. Black, Regulatory Lead Analyst for NiSource Corporate
10 Services Company, will present the development of the rate base
11 presented in this case;
- 12 • Judy M. Cooper, Columbia's Director of Regulatory Affairs, will address
13 the details of Columbia's proposals that include tariff revisions;
- 14 • Donald P. Ayers, Columbia's Vice President of Operations, will provide
15 a general overview of Columbia's operating territory and gas
16 distribution system and its efforts to improve safety through the
17 replacement of priority pipe and will address Columbia's distribution
18 system;

- 1 • John J. Spanos, President of Gannett-Fleming Valuation and Rate
2 Consultants, LLC, will sponsor the depreciation study performed for
3 Columbia in this proceeding;
- 4 • Vincent V. Rea, Managing Director of Regulatory Finance Associates,
5 LLC, will present evidence regarding Columbia’s cost of capital and
6 recommend the appropriate rates of return for Columbia;
- 7 • Ronald J. Amen, Managing Partner of Atrium Economics, will present
8 Columbia’s allocated cost of services studies, will address Columbia’s
9 revenue allocations across the various rate classes, Columbia’s proposed
10 rate design, and typical bill comparisons;
- 11 • Kevin L. Johnson, Lead Regulatory Analyst for NiSource Corporate
12 Services Company, will present the results of Columbia’s Lead/Lag
13 study;
- 14 • Michael E. Girata, Manager of Demand Forecasting for NiSource
15 Corporate Services Company, will explain the
16 forecast methodology used to develop the forecasted customer count
17 and usage for the forecasted test period;
- 18 • Julie C. Wozniak, Manager of Regulatory Studies for NiSource
19 Corporate Services Company, will support the development of
20 revenues for both the base period and the forecasted test period;

- 1 • Elizabeth “Nikki” N. Davis, Rate Case Execution Lead Analyst for
2 NiSource Corporate Services Company, will present the cost of service
3 and revenue requirement, and will support the actuals for Columbia’s
4 O&M costs and methodology;
- 5 • Craig P. Inscho, Financial Planning Manager for NiSource Corporate
6 Services Company, will support Columbia’s financial statements,
7 including O&M budgets;
- 8 • Chrisley E. Scott, Director of the Capital Program and Support Services
9 for NiSource Corporate Services Company, will outline the capital
10 budgeting process;
- 11 • George B. Jonda, Financial Planning & Analysis Manager for NiSource
12 Corporate Services Company, will provide a background on the
13 relationship between NiSource Corporate Services Company and
14 Columbia, explain how actual costs are allocated to Columbia, will
15 overview the NiSource Corporate Services Company budgeting
16 process, including how the budget is allocated to Columbia;
- 17 • Gunnar J. Gode, Chief Accounting Officer for NiSource Corporate
18 Services Company, will provide testimony to support the level of
19 federal and state income taxes; and

1 • Elizabeth J. Owens, Director Compensation for NiSource Corporate
2 Services Company, will provide support for employee compensation
3 and benefits programs, including incentive compensation.

4 **Q: Does this complete your Prepared Direct Testimony?**

5 **A: Yes.**

Attachment KHC-1

Purpose, Scope, and Applicable Criteria

This report was prepared in accordance with the scope of services described in the Engagement Letter dated January 30, 2026, related to NiSource Corporate Services Company's (NCSC) allocation of certain costs to Columbia Gas of Kentucky, Inc. (CKY). The scope of services included obtaining an understanding of the cost allocation methodology, procedures, and controls; performing limited testing of selected transactions and processes; and evaluating the reasonableness of cost allocations and related oversight practices in light of applicable regulatory expectations.

In performing our procedures, we considered regulatory and statutory criteria applicable to affiliate cost allocation and recover, including Kentucky Revised Statutes (KRS) 278.030, 278.190, 278.2207 and 278.2209, and the Kentucky Public Service Commission's Order dated December 30, 2024 in Case No. 2024-00092, and the Federal Energy Regulatory Commission's (FERC) requirements applicable to centralized service companies under the Public Utility Holding Company Act of 2005, including FERC Order No. 684 and related accounting, reporting, and records retention provisions.

Understanding of the Cost Allocation Methodology, Procedures, and Controls

To gain an understanding of how certain costs of NCSC are allocated to CKY, Dean Dorton performed various procedures, including obtaining and reviewing the service agreement, cost allocation manual, and applicable Kentucky Revised Statutes, to understand the cost allocation methodology. In addition, Dean Dorton met with appropriate personnel to obtain an understanding of the processes, controls, and roles involved in the cost allocation process. Dean Dorton performed walkthroughs (i.e., traced selected transactions step-by-step and applied the cost allocation manual to determine the applicable allocation basis and billing pool code(s)) for accounts payable invoices, employee expense reimbursements, labor allocations, and direct labor charge processes to understand how related costs are allocated and recorded to the appropriate billing pools and the nature of supporting documentation maintained for each allocation.

The service agreement details the services available to clients and the methods of charging for those services. NCSC allocates costs directly to clients whenever practicable, with remaining shared costs allocated using established bases of allocation filed annually with the FERC. These bases are designed to distribute costs to benefiting affiliates using measurable drivers such as fixed assets, operating expenses, customer counts, transaction volumes, employees, or other relevant activity measures. NCSC collaborates with department sponsors and project leaders to ensure costs are allocated consistently and equitably to the affiliates that benefit from the services provided.

Within each basis of allocation, billing pool codes are used to identify the companies to be charged for allocated services. Each billing pool code specifies the applicable companies and corresponding allocation percentages. Employees are expected to select the billing pool code that most accurately reflects the companies benefiting from the services provided.

Dean Dorton obtained and reviewed the standard operating procedures related to cost allocation to understand the preparation, review, and approval processes, including how evidence of review and sign-off is documented and retained on an exception basis. Dean Dorton also performed walkthroughs of allocation processes and related preventive and detective controls operating throughout the allocation lifecycle. Based on these procedures, Dean Dorton concluded that the allocation controls are appropriately designed.

Basis of Allocation - Basis Analysis Comparison

As part of our procedures, we reviewed and compared the allocation bases in use to key principles reflected in FERC Order No. 684 (service company recordkeeping/transparency and allocation concepts) and areas of emphasis noted in the Kentucky PSCs December 30, 2024 Order (including benefit to ratepayers, avoidance of cross-subsidization, and the need for clear documentation and oversight). Overall, the allocation bases reviewed appear to be grounded in measurable cost drivers and are generally consistent with benefit-based allocation principles.

- **Strong alignment (examples):** asset-driven bases (e.g., gross fixed assets) for services driven by plant scale; transaction-volume bases (e.g., A/P invoices processed) for finance workload; customer and meter-based bases for customer-facing activities; and fleet unit counts for vehicle-related services.
- **Documentation focus:** employee-count bases are generally reasonable for HR/payroll/training-type services, but benefit documentation and consistent application should be maintained given heightened scrutiny of labor-based allocations.
- **Oversight focus:** bases involving direct billing plus residual allocation rely on ongoing monitoring to ensure charges remain limited to benefiting affiliates and non-beneficial costs are identified and excluded.

Allocation Governance and Oversight

- NCSC maintains a formal allocation governance framework designed to ensure services provided by the centralized service company are charged to affiliates in a fair and equitable manner. Allocation bases and related percentages are reviewed bi-annually through the NCSC Allocation Survey process, which includes documented variance explanations, review by affected operating companies, and approval by NCSC Accounting leadership prior to loading allocation percentages into PeopleSoft.
- In addition, billing pool structures are governed through a billing pool matrix tool that restricts available billing pool selections based on the approved allocation basis and service applicability. Management provided evidence of periodic oversight activities performed after allocations are recorded, including review of allocation coding and follow-up on identified misclassifications.
- These governance and oversight activities collectively provide assurance that allocation methodologies, billing pool structures, and execution-level practices are designed and operating in alignment with the Service Agreement and applicable regulatory requirements.

Regulatory Pre-Filing Review (“Scrub”) Process – Management Description

Management described a regulatory pre-filing review process (referred to as the operations and maintenance (hereafter O&M) “Scrub”) that is performed in advance of rate case filings to identify and remove non-recoverable, non-recurring, or improperly charged costs from accounts proposed for recovery. According to management, this process includes review of NCSC contract bill O&M expenses for recoverability, application of defined exclusion criteria, and reconciliation activities intended to identify items that should be excluded from rate recovery. The process involves coordination among Regulatory Accounting, Accounting, Legal and identified staff, and includes documented review and approval steps.

Dean Dorton was provided with documentation describing the structure and steps of the O&M Scrub process, including process documentation, internal audit materials, and evidence indicating completion and review of the process for a prior rate case period. Dean Dorton also reviewed documentation evidencing that the process and related documentation were discussed with designated process owners, and that internal review meetings occurred to solicit feedback and confirm completion.

Dean Dorton did not perform procedures to test, validate or evaluate the effectiveness, completeness, or ongoing operation of the O&M Scrub process, and no assurance is provided regarding the adequacy of the process to identify or remove all non-recoverable or misclassified costs. Accordingly, the description above reflects management’s representation of the process and the documentation made available and is included for informational purposes to provide context regarding additional layers of oversight described by management.

Testing

Dean Dorton selected a total of 45 transactions for initial testing. This included 40 transactions selected from 2 different months (20 selections from April and October) to evaluate changes in cost allocation percentages resulting from the surveys conducted in February and August of each year, plus 5 transactions selected from the manual list of transactions to assess the accuracy and support for manually processed cost allocations. Based on this approach, selections were made from months corresponding to each survey period and across all bases of allocation and a variety of billing pool codes. This approach resulted in us testing an appropriate cross-section of costs, allocations, and billing pools.

For each selection, we recalculated the allocation using the allocation percentages in effect and the allocation basis and billing pool identified on the invoice. Our procedures were focused on verifying the mathematical accuracy of the allocations and the application of the percentages in effect. Dean Dorton agreed selected amounts to supporting documentation (e.g., invoices, payroll records, and employee expense reports) and to the general ledger detail, noting that the costs appeared valid and reasonable.

Dean Dorton recalculated 45 selected transactions and confirmed the underlying calculations were accurate. For 41 of the selections, the appropriate allocation basis was applied in accordance with the service agreement. For four selections, an incorrect allocation basis was selected, resulting in those expenses not being allocated in alignment with the type of expense.

Dean Dorton selected an additional 20 transactions and confirmed the underlying calculations were accurate. For 17 of the selections, the appropriate allocation basis was applied in accordance with the service agreement. For three selections, an incorrect allocation basis was selected, resulting in those expenses not being allocated in alignment with the type of expense.

Findings

Our testing identified four of the original selections and three of the additional selections where the allocation basis or billing pool selected for certain transactions did not align with the nature of the underlying cost. These instances were concentrated primarily within employee-initiated expenses transactions and did not relate to the validity of the underlying costs incurred or the mathematical application of the approved allocation percentages.

Subsequent to initial testing, management provided additional evidence describing the governance and oversight processes supporting allocation decisions. This included documentation of the bi-annual allocation survey process, which governs the development and approval of allocation bases and related percentages; the billing pool matrix tool that restricts billing pool availability based on approved allocation rules; and execution-level monitoring activities performed after allocations are recorded, including review and correction of identified misclassifications.

Based on review of this supplemental evidence, the misallocations identified during testing appear to represent isolated execution-level errors, rather than deficiencies in allocation methodology, billing pool design, or governance controls. The existence of post-allocation review activities mitigates the risk that such errors would result in systemic misallocation of costs or persistent misalignment of charges to non-benefiting affiliates.

Accordingly, while execution-level errors were observed, we did not identify evidence of a breakdown in the overall allocation framework or oversight structure. Allocation governance, billing pool structures, and related monitoring activities, in combination, provide reasonable assurance that costs are allocated in a manner consistent with the Service Agreement and applicable regulatory requirements.

The table summarizes the exceptions identified during testing, all of which were limited in number, concentrated within employee-initiated transactions, and corrected or subject to existing monitoring activities.

Selection	Initial Billing Pool	Initial Amount	Correct Billing Pool	Correct Amount	Cost Difference
April AP Invoice 2	00AV	\$407.45	N/A (Direct Affiliate)	\$0.00	\$(407.45)
April Employee Exp 16	00CC	\$165.74	00AD	\$50.49	\$(115.25)
October Employee Exp 8	00CC	\$5.61	00AD	\$2.13	\$(3.48)
October Employee Exp 13	00HD	\$5.97	00AD	\$7.04	\$1.07
Additional Employee Exp 7	00CC	\$50.51	00AD	\$19.19	\$(31.32)
Additional Employee Exp 10	00CC	\$77.23	00AD	\$29.33	\$(47.90)
Additional Employee Exp 11	00HD	\$4.41	00AD	\$5.21	\$0.80
Total		\$716.92		\$113.39	\$(603.52)

Conclusion

Based on our procedures, including review of allocation governance, billing pool structures, execution-level monitoring activities, and testing of selected transactions, we determined that NCSC's allocation framework is generally designed and operating as intended to allocate costs to CKY in a manner consistent with the Service Agreement and applicable regulatory requirements.

Our testing identified a limited number of execution-level allocation errors, primarily within employee-initiated transactions. The total dollar impact of these exceptions was small relative to total allocable costs and did not materially affect charges to Kentucky customers. These items were removed from the revenue requirement and did not affect charges to Kentucky customers. Additionally, the errors do not indicate a systemic allocation issue and therefore do not impact charges to Kentucky customers.

Accordingly, we did not identify evidence of a breakdown in allocation methodology, billing pool design, or governance oversight. The combination of established governance processes and execution-level monitoring performed on a risk-based and exception-driven basis provides reasonable assurance that costs are allocated to benefiting affiliates in a fair and equitable manner, consistent with PSC expectations.

Management Consideration

Management may consider further enhancing execution-level consistency by expanding or formalizing targeted monitoring of employee-initiated allocation coding, particularly for expense categories where allocation basis and billing pool selection relies on employee judgment.

Such monitoring could leverage existing governance tools, such as the allocation basis crosswalk and billing pool matrix, and be applied on a risk-based or periodic basis (for example, focusing on new employees or selected expense types). While current governance and oversight practices provide reasonable assurance that costs are allocated appropriately, additional targeted monitoring may further reduce the likelihood of isolated misclassifications and strengthen assurance over day-to-day execution.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky

April 21, 2026

Appendix A – The table below summarizes how the primary allocation basis aligns with FERC allocation principles and areas of emphasis identified by the Kentucky PSC

Basis # Allocation Basis	Order 684 Principle Addressed	Kentucky PSC Order Focus	Clarification and Support	Coverage Assessment
Basis 1 Gross Fixed Assets + Total Operating Expenses	Allows blended allocators where multiple drivers materially influence cost; requires rational, benefit-based allocation	Benefit to ratepayers; avoidance of cross-subsidization	Used for enterprise overhead where both asset scale and operational activity drive cost; avoids distortion that would occur using customers alone	Strong
Basis 2 Gross Fixed Assets	Asset-driven services should follow plant investment supported	Reasonableness of asset-related allocations	Engineering, depreciation, and infrastructure support scale with plant complexity, not customer counts	Strong
Basis 3 Number of Meters	Customer-facing and usage-driven services should follow measurable workload	Appropriate matching of customer-related costs	Meter count reflects billing inputs, data management, and field support workload	Strong
Basis 4 AP Invoices Processed	Transaction-based allocators are appropriate where volume drives effort	Scrutiny of administrative costs	Directly ties finance workload to invoice volume; avoids size-based averaging	Strong
Basis 7 Gross Depreciable Property + Operating Expense	Blended bases permitted when justified by cost causation	Explainability of blended allocators	Reflects combined impact of asset intensity and operational activity on safety and compliance functions	Strong
Basis 9 Automobile Units	Costs should follow the resource consuming the service	Reasonableness of fleet-related costs	Fleet administration, insurance, and maintenance scale with vehicle count	Strong
Basis 10, 14, 15, 16 Retail / Residential / Commercial / Transportation Customers	Customer-based allocators appropriate for customer-driven services	Fairness across customer classes and jurisdictions	Applied only to customer-facing services; recognizes differences in customer workload drivers	Strong
Basis 11 Number of Employees	Labor-based allocators acceptable where labor drives cost	Heightened scrutiny of labor-based allocations	Appropriate for HR, payroll, and training; PSC has signaled need for clearer documentation where applied to ancillary costs	Adequate documentation focus
Basis 13 Fixed Allocation (Project-Specific)	Permitted where direct benefit can be clearly identified	Avoidance of arbitrary cost shifting	Limited to discrete, agreed-upon projects with defined beneficiaries	Strong
Basis 20 Service Company Billing (Direct + Residual Allocation)	Direct billing preferred; allocation acceptable when direct charging impracticable	Active utility oversight; exclusion of non-beneficial costs	Direct billing prioritized; residual costs allocated using measurable drivers; PSC emphasizes ongoing scrutiny and exclusions	Adequate oversight focus