

TAB 27

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

Direct Testimony of

Elizabeth "Nikki" N. Davis

**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
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

Ashley G. LaRock
Senior Counsel
290 W. Nationwide Blvd.
Columbus, Ohio 43215
Telephone: (614) 273-4387
alarock@nisource.com

Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

May 20, 2026

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VERIFICATION OF ELIZABETH N. DAVIS

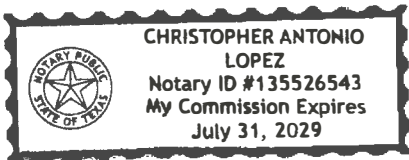
STATE OF TEXAS)
)
COUNTY OF HARRIS)

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 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.

Elizabeth N. Davis
Elizabeth N. Davis

The foregoing Verification was signed, acknowledged and sworn to before me this 15 day of May 2026, by Elizabeth N. Davis.

Christopher Antonio Lopez



Notary Commission No. 135526543
Commission expiration: 07/31/2029

PREPARED DIRECT TESTIMONY OF ELIZABETH N. DAVIS

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

6 A: I am employed by NiSource Corporate Services Company (“NCSC”), which
7 is a service company that serves Columbia Gas of Kentucky, Inc.
8 (“Columbia” or “the Company”), as a Lead Regulatory Analyst in the Rates
9 and Regulatory Strategy Department. My principal responsibilities as a
10 Lead Regulatory Analyst include planning, preparation, and oversight of
11 the revenue requirement and cost of service for base rate proceedings,
12 providing support for various informational and rate filings, and other
13 duties as assigned. NCSC provides, among other services, accounting and
14 regulatory-related services for the NiSource distribution companies,
15 including Columbia.

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

17 A: I graduated from Blackburn College with a Bachelor of Science degree in
18 Accounting and Business Administration and with a minor in Computer
19 Science. For twenty (20) years I worked in accounting and external (SEC)

1 and internal reporting departments at Waste Management corporate office
2 in Houston, Texas. In 2022, I joined NCSC in the Rates and Regulatory
3 Strategy Department in my current role.

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

5 A: Yes, I provided written testimony to the Maryland Public Service
6 Commission on behalf of Columbia Gas of Maryland, Inc. in support of its
7 cost of service and revenue requirement calculation.

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

9 A: The purpose of my testimony is to present Columbia's revenue requirement
10 and cost of service analysis, including quantification of the Company's
11 existing revenue deficiency based on adjusted test year operating revenues
12 and expenses, or the Financial Summary. As part of the cost of service
13 analysis, my testimony supports adjustments made to the Company's
14 operations and maintenance ("O&M") expenses. Test year unadjusted
15 forecasted O&M expenses for Columbia are supported by Witness Inscho.
16 Test year actual and unadjusted forecasted costs billed to Columbia from
17 NCSC are supported by Witness Jonda. Additionally, my testimony
18 supports the development of Operating Income Summaries, Summary of
19 Income Adjustments, as well as other financial data included in the case.
20 As part of the development of these items, certain sections of the financial

1 data are supported by other Columbia witnesses and identified in my
2 testimony.

3 **Q: What is the test period in this proceeding?**

4 A: Columbia is requesting an adjustment in rates based on a forecasted test
5 period (“FTP”). The FTP is the twelve months ended December 31, 2027.
6 The financial data for the forecasted period is presented in the form of pro
7 forma adjustments to a base period (“BP”) which is the twelve months
8 ended August 31, 2026. The BP period includes actual data for the period
9 September 1, 2025 through February 28, 2026 and forecasted data for the
10 period March 1, 2026, through August 31, 2026.

11 For purposes of Filing Requirement 807 KAR 5:001 Section 16(6)(a),
12 “Base Period, Unadjusted” means the six months of actual costs per
13 Columbia’s general ledger, and six months of projected costs per
14 Columbia’s budget with no ratemaking adjustments applied. For purposes
15 of Filing Requirement 807 KAR 5:001 Section 16(6)(a), “Base Period,
16 Adjusted” means the base period costs inclusive of ratemaking adjustments
17 to remove SMRP Rider revenues and expenses, and misclassified O&M
18 expenses.

19 Finally, the term “Forecasted Period, Unadjusted” refers to
20 Columbia’s budgeted costs for calendar year 2027 prior to ratemaking

1 adjustments. The term “Forecasted Period, Adjusted” means Columbia’s
 2 budgeted costs for calendar year 2027 with ratemaking adjustments to
 3 remove SMRP Rider revenues and expenses, and misclassified O&M
 4 expenses.

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

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

Filing Requirement	Description	Tab
807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.	11
807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.	12
807 KAR 5:001 Section 16(7)(c)	A complete description, which may be filed in written testimony form, of all factors used in preparing the utility’s forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	27

807 KAR 5:001 Section 16(7)(h)	A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget.	39
807 KAR 5:001 Section 16(7)(h)4	Revenue requirements necessary to support the forecasted rate of return.	43
807 KAR Section 16(7)(h)10	Labor cost changes.	43
807 KAR 5:001 Section 16(7)(i)	The most recent Federal Energy Regulatory Commission or Federal Communications Commission audit reports.	57
807 KAR 5:001 Section 16(7)(k)	The most recent FERC Financial Form No. 2	59
807 KAR 5:001 Section 16(7)(l)	The annual report to shareholders and the statistical supplements covering the most recent two (2) years from the application filing date.	60
807 KAR 5:001 Section 16(7)(m)	The current chart of accounts if more detailed than the Uniform System of Accounts.	61
807 KAR 5:001 Section 16(7)(p)	A copy of the utility's annual report on Form 10-K, Form 8-K, and Form 10-Q filed with the SEC in the past two (2) years.	64.1-64.8
807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report.	65
807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent five (5) quarters.	66
807 KAR 5:001 Section 16(8)(a)	A financial summary for both the base period and the forecasted period that details how the utility derived the amount of the requested revenue increase.	72
807 KAR 5:001 Section 16(8)(c)	Operating income summary for both the base period and the forecasted period with supporting schedules, which provide breakdowns by major account group and individual account.	74

807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors.	75
807 KAR 5:001 Section 16(8)(f)	Summary schedules for both the base period and the forecasted period (the utility may also provide a summary segregating those items it proposes to recover in rates) of organization membership dues, initiation fees, expenditures at country clubs, charitable contributions, marketing, professional advertising expenditures, professional service expenses, civic and political activity expenses, expenditures for employee parties and outings, employee gift expenses, and rate case expenses.	77
807 KAR 5:001 Section 16(8)(g)	Analysis of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.	78
807 KAR 5:001 Section 16(8)(h)	Computation of the gross revenue conversation factor for the forecasted period.	79
807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for the five (5) most recent calendar years from the application filing date, the base period, the forecasted period, and two (2) calendar years beyond the forecast period.	80
807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the ten (10)	82

	most recent calendar years, the base period, and the forecasted period.	
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1 **Q: Are you sponsoring any attachments to your testimony?**

2 A: Yes. I am sponsoring Attachment END-1 - uncollectible provisions for
3 years 2019 through 2025.

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

9 A: Yes.

10 **II. SCHEDULE A – FINANCIAL SUMMARY [FR 807 KAR 5:001 Section**
11 **16-(8)(a)]**

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

13 A: Schedule A-1 provides the overall revenue requirement calculation for the
14 BP and FTP based on inputs from Schedules B, C, D, E, H, and J. The overall
15 FTP revenue requirement is \$245,822,256, which represents a \$35,968,302
16 increase over revenues generated from existing tariff rates. The Schedule
17 C, D, and H information will be further developed in this testimony. As
18 previously explained, Schedule B – Rate Base was calculated and provided

1 by Witnesses Black, Gode, and Johnson as described and supported in their
2 respective testimonies. Schedule E – Income Tax Expenses presents the
3 Kentucky state income tax and federal income tax expenses for the BP and
4 FTP calculated by Witness Gode and supported in his testimony. Schedule
5 J – Cost of Capital was provided by Witness Rea and supported in his
6 testimony.

7 Schedule A-2, which is co-sponsored by Witnesses Wozniak, Amen,
8 and myself, provides a reconciliation of the revenue requirement presented
9 on Schedule A-1 to the revenue at proposed rates presented in Schedule M.

10 **Q: Is Columbia’s proposed revenue requirement and revenue increase**
11 **inclusive of 2025, 2026, and 2027 SMRP Rider investments and related**
12 **expenses?**

13 A: No. Columbia’s BP and FTP revenue requirement and revenue increase is
14 exclusive of 2025, 2026, and 2027 SMRP Rider investments and
15 corresponding expenses (depreciation and property taxes). Removal of
16 SMRP Rider BP and FTP revenues are explained and supported in the
17 testimony of Witness Wozniak. The testimonies of Witnesses Black and
18 Gode provide identification and removal of 2025, 2026, and 2027 SMRP
19 Rider capital investments in the company’s calculation of rate base, and rate
20 base related-accumulated deferred income taxes, respectively. Elimination

1 of 2025, 2026, and 2027 SMRP Rider depreciation expense is described in
2 testimony by Witness Black. Lastly, Witness Gode supports the removal of
3 2025 and 2026 SMRP Rider-related property tax expenses from the
4 company's base rate request.

5 **III. SCHEDULE C – JURISDICTIONAL OPERATING INCOME**

6 **SUMMARY [FR 807 KAR 5:001 Section 16-(8)(c)]**

7 **Q: What information is provided in Schedule C?**

8 A: Schedule C presents Columbia's jurisdictional Operating Income for the BP
9 and FTP and details how Columbia derived the amount of the requested
10 revenue increase, net of 2025, 2026, and 2027 SMRP Rider investments and
11 associated costs as discussed in the testimonies of Witnesses Cooper, Black,
12 Gode, and Wozniak. Schedule C-1 – Operating Income Summary
13 demonstrates the proposed base revenue increase and revenue
14 requirement. Schedule C-2 – Adjusted Operating Income Summary
15 presents the adjustments made to the unadjusted BP to arrive at the
16 adjusted BP return at current rates shown on Schedule C-1, Column 3, and
17 FTP adjustments to arrive at the adjusted forecasted return at current rates
18 shown in Column 5. Schedule C-2.1 represents jurisdictional annual
19 Operating Revenues and Expenses, by Account, and Schedule C-2.2

1 presents the Schedule C-2.1 Operating Revenues and Expenses information
2 by month.

3 **Q: Please explain Schedule C-1.**

4 A: Schedule C-1 reflects Columbia's BP and FTP Operating Income Summary.

5 This schedule includes the adjusted FTP operating income summarized at
6 both current rates and proposed rates. The adjusted FTP operating income

7 at current rates is presented as pro forma adjustments to the adjusted BP.

8 The revenue at proposed rates was developed by adding the revenue

9 increase shown on Schedule A-1 to the current forecasted period operating

10 revenues. The related changes to O&M expenses and taxes on the proposed

11 revenue increase are subtracted from the current adjusted operating results

12 to determine the forecasted operating income and the corresponding rate

13 of return. The rate base on this schedule is calculated on Schedule B-1.

14 **Q: What is Schedule C-2?**

15 A: The Adjusted Operating Income Summary shown as Schedule C-2 presents

16 the adjustments made to the unadjusted BP to arrive at the adjusted base

17 period return at current rates that is carried forward to Schedule C-1,

18 Column 3, and FTP adjustments to arrive at the adjusted forecasted return

19 at current rates shown on Schedule C-1, Column 5. Base period adjustments

1 are summarized by account on Schedule D-1.A with FTP adjustments
2 summarized on Schedule D-1.B.

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

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

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

9 A: Schedules C-2.2.A (BP) and C-2.2.B (FTP) provide a monthly view of the
10 income statement, by account, of the income statements presented in
11 Schedules C-2.1.A and C-2.2.B, correspondingly, for the periods.

12 **Q: Please explain the change in Columbia's historical actual O&M expense
13 and the unadjusted FTP O&M expense included in the revenue
14 requirement to the average rate of inflation.**

15 A: As shown in Table END-1 below, the increase in the unadjusted (prior to
16 ratemaking adjustments described in my testimony further below) calendar
17 year 2027 FTP O&M expense is shown to be less than the rate of inflation
18 when comparing to calendar year 2021 actual O&M expense, and
19 comparing to calendar year 2023 actual O&M expense (the most recent
20 actual calendar year actual O&M expense that was available at the time of

1 Columbia’s last rate case). Using the actual Gross Domestic Product
 2 Implicit Price Deflator (“GDPIPD”) for 2026 of 3.88%, the unadjusted FTP
 3 O&M in this case is 1.81% below the rate of inflation when compared to
 4 calendar year 2021 as shown in Table END-1 below. Similarly, the
 5 unadjusted FTP O&M in this case when compared to calendar year 2023 is
 6 1.22% below the rate of inflation.

Table END-1				
Line No.	Year / Description	Columbia O&M	NCSC O&M	Total O&M [3]
1	2021 Actual	\$ 31,510,721	\$ 19,971,933	\$ 51,482,654
2	2022 Actual	33,957,259	19,310,357	53,267,616
3	2023 Actual	33,209,610	20,998,813	54,208,423
4	2024 Actual	34,387,641	25,605,083	59,992,724
5	2025 Actual	33,837,551	25,362,768	59,200,319
6	Unadjusted Base Period (TME Aug. 2026)	33,822,995	25,498,587	59,321,582
7	Unadjusted FTP (TME Dec. 2027)	33,510,700	24,342,684	57,853,384
8	Annual Avg. Difference 2027 to 2021:	\$ 333,330	\$ 728,459	\$ 1,061,788
9	Annual Average % Change in O&M:	1.06%	3.65%	2.06%
10	Annual Average Rate of Inflation [1]:	3.88%	3.88%	3.88%
11	Comparison to Inflation:	(2.82%)	(0.23%)	(1.81%)
12	Annual Avg. Difference 2027 to 2023 [2]:	\$ 75,273	\$ 835,968	\$ 911,240
13	Annual Average % Change in O&M:	0.22%	3.26%	1.52%
14	Annual Average Rate of Inflation [1]:	2.74%	2.74%	2.74%
15	Comparison to Inflation:	(2.52%)	0.53%	(1.22%)

[1] Source: Source for GDPIPD Index is Moody's Analytics as of February 2026. Reflects the annual percentage rates of growth reported for the GDP Implicit Price Deflator, or Gross Domestic Product Implicit Price Deflator (GDPIPD).

[2] Most recent available calendar year actuals (2023) reported in Columbia's last rate case.

[3] Amounts per Schedule I-1 (FR 807 KAR 5:001 Section 16-(8)(i)).

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

3 **Q: What information is provided in Schedule D?**

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

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

8 A: Schedule D-1.A for the BP provides a Summary of Utility Jurisdictional
9 Adjustments to Operating Income by Major Accounts to arrive at the
10 adjusted BP operating income. The schedule further depicts the differences,
11 or adjustments, between the adjusted BP and unadjusted FTP operating
12 income. Schedule D-1.B for the FTP provides a Summary of Utility
13 Jurisdictional Adjustments to Operating Income by Major Accounts to
14 arrive at the adjusted FTP operating income, which is carried forward to
15 Schedules C and A in determining the Company’s proposed calculated
16 revenue increase.

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

18 A: The adjustments reflected in Schedule D-2 fall under three categories: 1)
19 adjustments to the Unadjusted Base Period – Schedules D-2.1 and D-2.2; 2)
20 adjustments, or differences, between the Adjusted Base Period and

1 Unadjusted Forecasted Test Period – Schedules D-2.3 through D-2.5; and 3)
2 ratemaking adjustments to forecasted expenses – Schedules D-2.6 and D-
3 2.7.

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

6 A: Schedule D-2.1 contains detailed adjustments supported by Witness
7 Wozniak to remove SMRP Rider revenues, by account, from the BP.
8 Schedule D-2.2 supported by Witness Inscho contains an adjustment to
9 remove misclassified costs during the BP, and adjustments to Depreciation
10 and Amortization expense and Taxes Other Than Income, specifically
11 Property Taxes, to remove associated 2025 and 2026 SMRP Rider operating
12 expenses with the latter adjustment supported by Witness Gode. The
13 adjustments presented in Schedules D-2.1 and 2.2 are applied to derive the
14 Adjusted Base Period operating income displayed in Schedule D-1.A,
15 Column 5.

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

18 A: Schedule D-2.3 details the Revenue and Gas Supply Expense accounts
19 differences, or adjustments, between the adjusted BP and unadjusted FTP
20 supported by Witness Wozniak and myself. Schedules D-2.4 and D-2.5

1 illustrate the BP to FTP adjustments made to O&M, and Depreciation and
2 Amortization and Taxes Other Than Income Taxes accounts, respectively,
3 supported by Witness Inscho. The adjustments presented in Schedules D-
4 2.3 through D-2.5 are shown in Schedule D-1.A to arrive at the Unadjusted
5 Forecasted Test Period operating income in Column 11.

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

8 A: Schedule D-2.6 supported by Witness Wozniak removes the SMRP Rider
9 revenues, by account, from the FTP revenue requirement.

10 **Q: Please describe the preparation and review of O&M expenses proposed**
11 **for recovery in the revenue requirement and the removal of certain**
12 **expenses in the non-recoverable Schedule D-2.7 adjustments explained**
13 **further below in my testimony.**

14 A: In preparation of this rate case filing, Columbia personnel and I performed
15 a comprehensive review of the most current calendar year (2025) Columbia
16 O&M and NCSC O&M billed to Columbia. This review is done to ensure
17 the proper and appropriate level of O&M expenses are included in the FTP
18 revenue requirement to be recovered from Columbia's customers. This

1 review process, often referred to internally as an O&M expense “scrub,”
2 consists of multiple levels of review and oversight, including the following:

- 3 • Personnel who prepare the Cost of Service perform a review of
4 Columbia and NCSC billed to Columbia O&M expenses, including
5 accounts payable invoices and employee-related expenses
- 6 • Certain identifiable accounts, activity codes, cost elements, and work
7 orders are reviewed
- 8 • In addition, an automated search of vendor names and keywords in
9 journal line descriptions and the business purpose line for employee-
10 related expenses aid in identifying transactions for exclusion or further
11 review
- 12 • A manual review performed on selected invoices and employee-
13 related expenses to identify any lobbying expenses and any costs that
14 may have been incorrectly allocated, assigned or classified
- 15 • Lastly, inclusion and exclusion listings of the O&M expenses
16 provided to the Cost of Service Witness and Columbia’s President and
17 leadership for further review to determine whether the O&M expenses
18 are appropriate for recovery from customers

19 Any 2025 O&M expenses determined to be ineligible for recovery are
20 removed from the FTP (2027) revenue requirement by applying an inflation

1 factor to arrive at an FTP level of O&M expense to be removed as described
2 in my explanation of Adjustments 8.1, 8.2, 9.1, and 9.2 below.

3 **Q: Are you aware of the Commission's encouragement in Columbia's last**
4 **rate case for Columbia to hire an independent auditor to review**
5 **Columbia's Service Agreement with NCSC and the allocation process?**

6 A: Yes.

7 **Q: Did you review Attachment KHC-1, introduced by Witness Cole?**

8 A: Yes.

9 **Q: Do you recall Dean Dorton mentioning a O&M "scrub" process in**
10 **Attachment KHC-1?**

11 A: Yes.

12 **Q: Is the O&M scrub process you described above the same process**
13 **referenced by Dean Dorton in Attachment KHC-1?**

14 A: Yes.

15 **Q: Do you believe that the O&M scrub process was reasonably applied, as**
16 **stated above, in this case to remove non-recoverable, non-recurring, or**
17 **improperly charged costs from accounts proposed for recovery?**

18 A: Yes.

19 **Q: Please describe the Forecasted Test Period ratemaking adjustments**
20 **included in Schedule D-2.7.**

1 A: Schedule D-2.7 contains ratemaking adjustments to the FTP that are in
2 addition to the BP to FTP adjustments in Schedules D-2.1 through D-2.6.

3 The ratemaking adjustments in Schedule D-2.7 are summarized as follows:

4 Adjustments 1.1 and 1.2 align the Energy Assistance Program (EAP) and
5 Energy Efficiency Conservation Program (EECP) tracker expenses with
6 the tracker revenues presented in Schedule M supported by Witness
7 Wozniak.

8 Adjustment 2 annualizes Columbia Gas of Kentucky's 191 active
9 employees' labor and payroll tax expense based on actual annual
10 wages/base salaries at December 2025 per the NiSource Payroll
11 Department. Labor, short-term incentive and payroll tax expense is
12 further adjusted for wage / merit increases that have occurred in 2026
13 and wage / merit increases that are anticipated to occur in 2027 during
14 the FTP as described in testimony of Witnesses Owens. A level of
15 overtime and premium (or shift) pay is included based on the historical
16 three-year (2023 to 2025) ratio of overtime and premium to straight-time
17 labor and applied to the December 2025 annualized base salaries.
18 Allocation of the annualized wages/salaries to labor O&M expense
19 utilizes a historical three-year (2023 to 2025) experience ratio of labor
20 O&M expense to gross payroll of 57.94%.

1 Adjustment 3 replaces a \$0 budget for Statement of Financial
2 Accounting Standards (“SFAS”) 112 expense to reflect a normalized
3 level of expense by utilizing a five-year average for the most recent five
4 calendar years (2021 – 2025).

5 Adjustments 4.1 through 4.3 reflect the change in uncollectible non-gas
6 and gas cost expenses, and uncollectible gas cost revenues, to ensure
7 uncollectible recovery aligns with the proposed normalized
8 uncollectible rate per Workpaper D-2.7.D(2), included herein as
9 Attachment END-1. Adjustment 3.3, uncollectible gas cost revenues
10 adjustment, is described and supported in the testimony of Witness
11 Wozniak.

12 Adjustment 5 adjusts the budget to reflect the latest known annualized
13 corporate insurance premiums for the Company’s property, casualty,
14 workers compensation, medical stop loss and other miscellaneous
15 general insurance for 2025 / 2026 policy periods as described and
16 supported in the testimony of Witness Inscho.

17 Adjustment 6 adjusts the PSC assessment fee expense for the recent
18 passage of House Bill 757, amending KRS 278.130.

19 Adjustment 7 requests amortization treatment of costs associated with
20 this proceeding that are not included in the forecast.

1 Adjustments 8.1, 8.2, 9.1, and 9.2 remove a 2027 level of expense based
2 on identified non-recoverable items using 2025 actual data, adjusted for
3 inflation, to arrive at a representative proxy included in the FTP budget.
4 Adjustments 8.1 and 8.2, are supported by myself and Witness Inscho
5 while Adjustments 9.1 and 9.2 are supported by myself and Witness
6 Jonda, with the latter reflective of non-recoverable FTP NCSC expenses
7 billed to Columbia.

8 Adjustment 9.3 annualizes NCSC's 2,584 active employees' labor and
9 payroll tax expense based on actual annual wages/base salaries at
10 December 2025 per the NiSource Payroll Department. Labor, short-term
11 incentive and payroll tax expense is further adjusted for wage / merit
12 increases that have occurred in 2026 and wage / merit increases that are
13 anticipated to occur in 2027 during the FTP as described in testimony of
14 Witnesses Owens. A level of overtime and premium (or shift) pay is
15 included based on the twelve-months-ended December 2025 actual
16 experience and applied to the December 2025 annualized base salaries.
17 Allocation of the annualized wages/salaries to labor O&M expense to
18 Columbia utilizes the twelve-months-ended December 2025 allocation
19 experience ratio of Columbia's labor O&M expense to total NCSC labor
20 O&M expense of 4.54%. Allocation of the annualized wages/salaries to

1 O&M labor expense utilizes the twelve-months-ended December 2025
2 experience ratio of labor O&M expense to gross payroll of 63.56%.

3 Adjustment 9.3 further provides for on-going labor and labor-related
4 O&M expense to be billed to Columbia for NCSC positions that were
5 hired between January and March 2026, and an anticipated positions
6 expected to be hired prior to June 2026. These represent backfill of
7 twenty-eight vacant positions due to termination or retirement and
8 eighteen added positions in gas supply, major projects, cybersecurity,
9 supply chain, data analytics and customer transformation.

10 Adjustment 9.4 and Adjustment 9.5 are proposals for all costs, including
11 those associated with credit card, debit card, ACH electronic payments,
12 and walk-in customer payments, be included in the Cost of Service
13 calculation via the NCSC Contract Bill (Residential Customer
14 Transaction Fees) and to remove a 2027 level of labor and non-labor
15 related expenses associated with GenCo, respectfully, which are
16 supported by the testimony of Witness Jonda.

17 Adjustment 10 adjusts total company FTP budgeted Depreciation and
18 Amortization to remove 2025, 2026, and 2027 SMRP Rider-related
19 expenses, and to reflect the depreciation rates proposed and supported

1 by the testimony of Witness Spanos and applied in the calculation of
2 Schedule B – Rate Base by Columbia Witness Black.

3 Adjustment 11 adjusts total company FTP budgeted Taxes Other Than
4 Income – Property Taxes to remove 2025, 2026, and 2027 SMRP Rider-
5 related expenses, and to adjust for the current assessment values and
6 effective tax rates supported by Witness Gode.

7 Schedule D-2.7, along with D-2.6 adjustments described above, are applied
8 to the Unadjusted Forecasted Test Period in Schedule D-1.B in arriving at
9 the Adjusted Forecasted Test Period operating income in Column 20.

10 **Q: What is the basis used for determining the current uncollectible**
11 **provisions percentage used in Schedule D-2.7 Adjustments 3.1 through**
12 **3.3?**

13 **A:** Please reference Attachment END-1 (Workpaper D-2.7.D(2)) that details the
14 calculation of the uncollectible provision rate of 0.4460% used in the
15 uncollectible expense adjustment. This attachment provides the
16 uncollectible provisions for years 2019 through 2025. Note, years 2020 and
17 2021 uncollectible provisions were impacted due to the COVID-19
18 pandemic and have not been utilized in the calculation of the proposed
19 normalized uncollectible provision rate. The normalized uncollectible
20 provision rate utilizes a five-year average of the uncollectible provisions for

1 years 2019, 2022-2025 are used to calculate the 0.4460% proposed in this
2 filing.

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

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

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

10 **Q: What information is provided in Schedule F?**

11 A: Schedule F is a list of required expenditures. Indicated items have been
12 removed or excluded from the revenue requirement. The F Schedules are
13 presented as 1) Total Company; 2) Columbia incurred costs also supported
14 by Witness Inscho; and 3) costs billed to Columbia from NCSC also
15 supported by Witness Jonda.

16 **I. SCHEDULE G – PAYROLL COSTS AND EXECUTIVE**
17 **COMPENSATION [FR 807 KAR 5:001 Section 16-(8)(g)]**

18 **Q: What information is provided in Schedule G?**

19 A: Schedule G-1 is co-sponsored by Witness Inscho and myself, providing
20 Columbia's O&M payroll costs for the base period and forecasted test

1 period. CONFIDENTIAL Schedule G-2 provides NCSC and Columbia's
2 executive compensation analysis by title for the base period and forecasted
3 test period. This Schedule is co-sponsored by Witness Owens and myself.

4 **II. SCHEDULE H – GROSS CONVERSION FACTOR [FR 807 KAR 5:001**
5 **Section 16-(8)(h)]**

6 **Q: What information is provided in Schedule H?**

7 A: Schedule H details the factor used to determine the incremental revenue
8 required to cover income taxes, uncollectible expense, and PSC assessment
9 fees when a change is recommended to operating income. The uncollectible
10 expense factor, as described earlier in this testimony, is calculated in
11 Attachment END-1 (Workpaper D-2.7.D(2)). The PSC assessment fee rate
12 reflects the recent passage of House Bill 757, amending KRS 278.130.

13 **III. SCHEDULE I – STATISICAL DATA [FR 807 KAR 5:001 Section 16-**
14 **(8)(i)]**

15 **Q: What information is provided in Schedule I?**

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

1 **IV. SCHEDULE K – COMPARATIVE FINANCIAL DATA [FR 807 KAR**

2 **5:001 Section 16-(8)(k)**

3 **Q: What information is provided in Schedule K?**

4 A: Schedule K provides comparative financial data and earnings measures for
5 the ten most recent calendar years, the base period, and the forecasted test
6 period. This Schedule is co-sponsored by me as well as Witnesses Black,
7 Inscho, and Rea.

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

9 A: Yes.

ATTACHMENT END-1

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2026 - 00099
UNCOLLECTIBLE RATE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2027

WITNESS: N. Davis
WORKPAPER WPD-2.7.D(2)

LINE NO.	DESCRIPTION	REFERENCE	2025	2024	2023	2022	2021	2020	2019
1	Reserve account balance at the beginning of the year		\$343,233	\$278,949	\$332,386	\$950,590	\$2,835,420	\$650,967	\$800,986
2	Charges to reserve (accounts charged off)		(\$1,394,383)	(\$1,162,459)	(\$1,748,385)	(\$1,829,965)	(\$1,829,164)	(\$586,474)	(\$996,737)
3	Credits to reserve account		\$449,864	\$448,478	\$525,133	\$585,682	\$572,763	\$248,109	\$408,606
4	Current year provision		\$1,062,168	\$778,265	\$1,169,817	\$626,079	(\$628,429)	\$2,522,818	\$438,111
5	Reserve account balance at the end of the year	Sum of Lines 1 - 4	\$460,883	\$343,233	\$278,949	\$332,386	\$950,590	\$2,835,420	\$650,967
6	Total Company Revenue (Excludes Unbilled)		\$213,649,956	\$160,480,652	\$192,589,750	\$197,014,925	\$147,730,483	\$127,764,935	\$134,813,571
7	Percent of provision to total revenue	Line 4 / Line 6	0.4972%	0.4850%	0.6074%	0.3178%	-0.4254%	1.9746%	0.3250%
8	Five Year Average - 2025, 2024, 2023, 2022 & 2019 (5-Year Adjusted)		0.4460%						