

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

In the Matter of:

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

**THE ATTORNEY GENERAL’S RESPONSE TO
STAFF’S FIRST REQUEST FOR INFORMATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and submits the following response to Staff’s First Request for Information in the above-styled matter.

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Respectfully submitted,

RUSSELL COLEMAN
ATTORNEY GENERAL



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Certificate of Service and Filing

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that, on September 23, 2026 an electronic copy of the foregoing was served via the Commission's electronic filing system.

This 23rd day of September.

A handwritten signature in blue ink, appearing to read "Thomas John".

Assistant Attorney General

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 1
Page 1 of 1

Refer to the Direct Testimony of John Defever (Defever Direct Testimony), page 8. Explain whether there are other jurisdictions that allow a publicly regulated utility to exclude a cash working capital adjustment, when one is supported by either a lead-lag study or through the one-eighth method of operating expenses.

RESPONSE:

I am not aware of any jurisdictions that allow a publicly regulated utility to exclude a cash working capital adjustment, when one is supported by either a lead-lag study or through the one-eighth method of operating expenses.

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 2
Page 1 of 1

Refer to Defever Direct Testimony, page 7. Explain the pitfalls of utilizing a 1/8 method when a company conducts a lead-lag study.

RESPONSE:

The 1/8 method is oversimplified approximation of cash flow. It could generate more cash working capital than is needed as it conducts no analysis of expense and revenue timing. Also, the 1/8 method will never generate a negative cash working capital amount. As such, the 1/8 method could result in a cash working capital deficiency when there is actually a cash working capital surplus to the harm of ratepayers.

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 3
Page 1 of 1

Refer to the Defever Direct Testimony, page 9. Provide prior examples of the Commission approving a decrease to the revenue requirement related to Customer Deposits. For each example, provide the case number.

RESPONSE:

I am not aware of any specific cases in which the Kentucky Public Service Commission approved a decrease to the revenue requirement related to customer deposits.

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 4
Page 1 of 1

Refer to the Defever Direct Testimony, pages 14-15.

- a. Explain in detail why Mr. Defever chose a 75/25 percent split for the shareholders' and ratepayers' responsibility, respectively, for Columbia Kentucky's projected Directors and Officers Liability Insurance (D&O).
- b. Confirm that the Commission has approved a similar adjustment for D&O expenditures. If confirmed, provide the case number.

RESPONSE:

- a. I recommended a 75/25 split because the Company and its shareholders receive most of the benefit. As such, ratepayers should be responsible for less than 50% of the costs. In addition, as cited in my testimony, there is precedent in Connecticut for a 75/25 split.
- b. I am not aware of any specific cases in which the Kentucky Public Service Commission approved a 75% decrease for D&O expenditures.

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 5
Page 1 of 1

Refer to the Defever Direct Testimony, page 17. Provide the basis for the recommended adjustment to remove severance pay from Columbia Kentucky's cost of service.

RESPONSE:

I recommended disallowance of severance pay because ratepayers should not have the responsibility for funding this benefit which is not necessary for the provision of utility service. As stated in my testimony, if the Company wants to provide this generous benefit to employees that are no longer providing utility service, it should be at shareholder expense.

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 6
Page 1 of 1

Refer to the Defever Direct Testimony, page 24. Explain why the entirety of Columbia Kentucky's Employee Stock Purchase Plan expense should be removed from Columbia Kentucky's forecasted test year, as opposed to the amounts related to the discount that Columbia Kentucky's employees experience when purchasing NiSource common stock.

RESPONSE:

Only the discount should be removed. AG-1-65a. asked for the total amount of employee stock plan discounts included for recovery in the FTP. The response stated \$37,064 and that is the amount that I recommended for disallowance.

WITNESS RESPONSIBLE:
JOHN DEFEVER

QUESTION NO. 7
Page 1 of 1

Refer to Defever Direct Testimony, page 31. Explain whether there are any benefits to excluding the 2023 and 2024 Safety Modification and Replacement Program (SMRP) investments from the revenue requirement beyond transparency on customers' bills.

RESPONSE:

I am not aware of any.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 8
Page 1 of 1

Refer to the Direct Testimony of Aaron Rothschild (Rothschild Direct Testimony), generally.

- a. Provide Exhibits ALR-1 through ALR-5 in Excel spreadsheet format with all columns, formulas, and rows unprotected and fully accessible.
- b. For all sources which reference the “most current data available at time of schedule preparation,” provide the date the data was prepared or accessed.

RESPONSE:

- a. Please see Exhibits ALR-1 through ALR-5 in Excel Spreadsheet format being filed contemporaneously with the discovery responses that are in “2026.06.30 - Columbia Cost of Capital (RFC Gas PG).xlsx.”
- b. May 22, 2026, for financial data for proxy group data.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 9
Page 1 of 2

Refer to the Rothschild Direct Testimony, page 9, lines 13-17. Explain why using the absolute median of the return-on-equity (ROE) results would constitute a reasonable strict mathematical approach. Identify the factors that would support selecting a different percentile within the range.

RESPONSE:

The median is my estimate of Columbia Gas of Kentucky's market-based cost of equity. As explained at pages 9–11 in my direct testimony, I do not recommend that the Commission adopt the median immediately. The factor that supports selecting a percentile above the median is the regulatory principle of gradualism. Authorized returns across the industry have not yet adjusted to the decline in market-based costs of equity. Moving in a single proceeding from prevailing authorized levels to the market median would be an abrupt change. The principle of gradualism, which the Commission has applied in the context of rate adjustments, supports a measured transition toward the market-based cost of equity rather than an immediate one. This is the reason my recommendation lies in the upper portion of my results. This factor supports a return above the median. It does not support a return above the range of my results, and it does not support treating authorized returns in other jurisdictions as

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 9
Page 2 of 2

evidence of the cost of equity, for the reasons given at pages 82–84 of my direct testimony. Authorized returns are accounting returns on book value; investors purchase equity at market value, and the price they pay already reflects their expectations regarding regulatory treatment. Other jurisdictions' authorized returns are therefore relevant to the pace at which authorized returns should converge toward market costs, not to what those costs are. My recommendation of 8.44%, the 70th percentile of my results, reflects my judgment as to how far above the market median gradualism warrants moving.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 10
Page 1 of 1

Refer to the Rothschild Direct Testimony, page 10, lines 17-18. Explain, in further detail, how the distribution of results supports a range between the 60th and 80th percentiles, rather than a different range, specifically as it relates to this proceeding.

RESPONSE:

The percentile range I apply is not selected in the abstract. The regulatory principle of gradualism, discussed at pages 9–11 of my direct testimony, establishes the objective: a recommendation that moves toward the market-based cost of equity, which my results place at a median of 7.33%, without an abrupt departure from prevailing authorized returns, and that remains within the results my models produce. The distribution of results determines where that objective falls in percentile terms.

In this proceeding, the fourteen results in Table 2 and Exhibit ALR-2 fall into two groups. The eight CAPM results and the two option-implied-growth DCF results cluster between 5.35% and 7.38%. The non-constant-growth DCF results (8.47% and 8.53%) and the sustainable-growth DCF results (9.57% and 9.61%) lie above them. The 54th percentile, 7.39%, is the point at which the distribution moves from the first group into the second; beginning the range there gives effect to the upper portion of the distribution, consistent with gradualism. The 80th percentile, 8.50%, is slightly below where the range ends because above that point the distribution consists of the sustainable-growth DCF results alone, and a recommendation above the 80th percentile would rest mostly on a single method rather than on the distribution of results.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 11
Page 1 of 2

Refer to the Rothschild Direct Testimony, page 10, lines 22-23. Explain the reasonableness of giving the same weight to all ROE analyses performed. In the response, include whether any of the analyses are more reasonable than others and why.

RESPONSE:

The referenced passage states that my results, "do not depend on selecting any one model or result over another." This is not a weighting scheme. I do not compute a weighted average. I present every result produced by the models I apply, no results are removed at any stage, and I apply a percentile range to the complete set, so each result enters the distribution once.

I treat the results this way for two reasons. First, each model in my analysis is already the version of that model I consider most reliable, for the reasons explained in my testimony (for example, at pages 24-25 and Appendix D). Those judgments are made at the model-design stage; they are not applied a second time by discarding or discounting results after the fact. Second, the DCF and CAPM rely on different inputs and assumptions, and the variations within each capture different information. A recommendation drawn from the full distribution is less sensitive to the estimation error of any single model, and applying a transparent percentile range avoids the subjective and readily disputed judgment that explicit weighting would require.

As to whether any of the analyses are more reasonable than others: the comparisons drawn

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 11
Page 2 of 2

in my testimony are between the methods I apply and alternatives I do not apply. Among the methods I do apply, each has recognized strengths and limitations, and I do not consider any of them so much more reliable than the others that its results should displace theirs.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 12
Page 1 of 2

Refer to the Rothschild Direct Testimony, page 27, lines 1-3.

- a. Explain whether all methods of obtaining the stock price were considered equally, or if more weight was given to the average stock price or spot value.
- b. Compare and contrast this methodology with only using an average stock price such as the six-month average stock price or three-month average stock price.

RESPONSE:

a. Both methods were considered equally. As shown in Exhibit ALR-3, page 1, I calculated the DCF cost of equity twice: once using the closing stock price on June 30, 2026 and once using the average of the high and low stock prices for the twelve months ending June 30, 2026. Each calculation produces its own result, and each result enters my overall distribution once, on the same terms as every other result. No additional weight is given to either the spot price or the average price. This is consistent with my general approach, described at pages 19–22 of my direct testimony, of using both recent spot data and historical averages for market inputs wherever possible.

b. Using only an average stock price, whether over three, six, or twelve months, treats the price as though it were stationary over that period and discards the information contained in where the price currently is relative to that average. As illustrated at page 20 of my direct testimony, two stocks can have identical average prices over a period while one has risen and the other has fallen, and a forward-looking analysis that used only the average would treat them identically even though the most recent data points

WITNESS RESPONSIBLE:

AARON ROTHSCILD

QUESTION NO. 12

Page 2 of 2

toward different near-term prices. Conversely, using only a spot price exposes the result to the fluctuations of a single day. Using both, as I do, captures the stability of the average and the recency of the spot value, and presenting both results rather than blending them allows the Commission to see the effect of the choice directly. A single three- or six-month average would provide neither the recency of a spot value nor the smoothing of a full-year average.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 13
Page 1 of 2

Refer to the Rothschild Direct Testimony, page 34, lines 15-17.

- a. Explain whether all methods of obtaining the stock price were considered equally, or if more weight was given to the average stock price or spot value.
- b. Compare and contrast this methodology with only using an average stock price such as the six-month average stock price or three-month average stock price.

RESPONSE:

a. As explained at pages 19–21 of my direct testimony, market inputs such as stock prices, betas, and risk premia fluctuate, and a forward-looking analysis should reflect both the stability of averages and the information in the most recent data. My Weighted Average CAPM uses the three months ending June 30, 2026, with more weight given to the more recent weeks, as shown in Exhibit ALR-4, page 3. A three-month, recency-weighted average is long enough to smooth day-to-day fluctuations but short enough that the result reflects current market conditions; a six-month or one-year average would give greater weight to conditions that may no longer prevail. The three-month period also corresponds to the period over which the option-implied inputs are measured (pages 43–44).

b. See attached Excel files "2026.06.30 - Columbia Cost of Capital (RFC Gas PG) - 6 MOS" and "2026.06.30 - Columbia Cost of Capital (RFC Gas PG) - 12 MOS," which update Exhibit ALR-4, page 2 to use six-month and one-year weighted averages, respectively, and include

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 13

Page 2 of 2

the inputs for each. Because page 2 feeds the other pages of the exhibit, the files carry the updated inputs through Exhibit ALR-4, pages 1 through 4. Under both scenarios, the low end of my recommended ROE range (60th percentile of my cost of equity model results) decreases by one basis point, while the high end of the range (80th percentile) and my recommended ROE of 8.44% (70th percentile) do not change.

WITNESS RESPONSIBLE:
AARON ROTHSCILD

QUESTION NO. 14
Page 1 of 1

Refer to the Rothschild Direct Testimony, page 38 and Exhibit ALR-4, page 3. Provide the sources of the data used to calculate the Historical Blend and Forward Betas. In the response, include the date the data was accessed or, If applicable, the publication date.

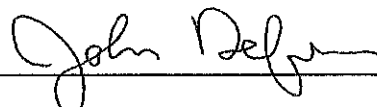
RESPONSE:

The Historical Blended and Forward Betas in Exhibit ALR-4, page 3 were calculated from publicly available market data. Stock and market index price data were obtained from EOD Historical Data (Unicorn Data Services), and stock option data were obtained from Delta Neutral, both through paid subscriptions. Data for June 2026 were downloaded on July 7, 2026, and data for July and August 2026 were downloaded on September 7, 2026.

AFFIDAVIT

STATE OF MICHIGAN)
COUNTY OF WAYNE)

John Defever, Senior Regulatory Consultant, being duly sworn, states that his responses in the above referenced case are true and accurate to the best of his knowledge, information and belief.



John Defever

Sworn to and subscribed before me on this 23rd day of September 2026.



Notary Public

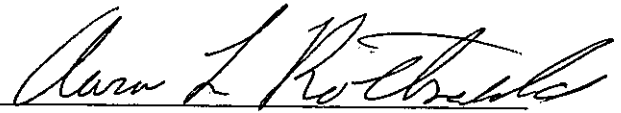
CHRISTINE MILLER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Nov 8, 2028
ACTING IN COUNTY OF *Wayne*

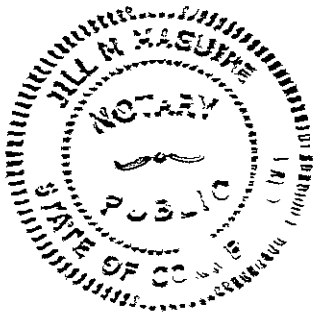
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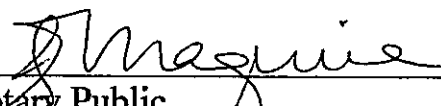
COUNTY OF FAIRFIELD

AARON L. ROTHSCILD, being duly sworn, states that his responses in the above referenced case are true and accurate to the best of his knowledge, information, and belief.


Aaron L. Rothschild



Sworn to and subscribed before me on this 22nd day of September 2026.


Notary Public

