

1 **Q. Please state your name and business address.**

2 **A.** My name is Kimberly K. Cartella, and my business address is 3101 North Ridge
3 Road East, Lorain, OH 44055.

4 **Q. By whom are you employed and in what capacity?**

5 **A.** I am employed by Nisource Corporate Services Company (“NCSC”) as the Manager
6 Compensation. I develop and implement strategies for compensation and other
7 plans provided to the employees of NiSource Inc. (“NiSource”) and its subsidiaries,
8 including Columbia Gas of Pennsylvania (“CPA” or the “Company”).

9 **Q. Please describe your educational background and professional**
10 **experience.**

11 **A.** I received a Bachelor of Science degree in Financial Planning from Purdue
12 University in 1992. I am a certified Professional in Human Resources (“PHR”) and
13 a Certified Compensation Professional (“CCP”). I have worked for NiSource in a
14 human resources capacity since 1999.

15 I have held the position of Manager Compensation at NiSource since October 2010.
16 Prior to that, I was a Senior Compensation Analyst, a Senior Human Resource
17 Consultant, and a College Recruiter.

18 **Q. Have you previously filed testimony in this matter?**

19 **A.** No.

20 **Q. What is the purpose of your rebuttal testimony?**

1 **A.** I will respond to the testimony served in this proceeding by the Bureau of
2 Investigation and Enforcement (“I&E”) witness Christopher Keller and to the
3 testimony filed in this proceeding by the Office of the Consumer Advocate (“OCA”)
4 witness Lafayette Morgan with respect to incentive compensation matters.

5 **Q.** **Please briefly describe the position of Mr. Keller regarding profit**
6 **sharing and stock awards.**

7 **A.** Mr. Keller proposed disallowing 100% of profit sharing and 100% of stock rewards
8 for Direct and NCSC employees from the determination of the Company’s revenue
9 requirement because payouts appear to be made independent of quality of service,
10 efficiency, or safety goals.

11 **Q.** **Please briefly describe the position of Mr. Morgan regarding profit**
12 **sharing and stock rewards.**

13 **A.** Mr. Morgan proposed disallowing the costs associated with the Company’s profit
14 sharing and stock rewards. Mr. Morgan claims that the costs associated with the
15 Company’s stock rewards are based exclusively on the attainment of achievement of
16 business unit and company financial goals. Mr. Morgan also claims that profit
17 sharing is not dependent on meeting quality of service, efficiency, or salary goals.

18 **Q.** **Does Columbia agree with either Mr. Keller’s or Mr. Morgan’s proposed**
19 **adjustments?**

1 **A.** No. Profit sharing and stock rewards are part of the Company's design of its total
2 rewards programs to remain competitive with other employers and further drive
3 operational effectiveness within the Company.

4 **Q.** **Please describe NiSource's total rewards philosophy.**

5 **A.** NiSource's total rewards philosophy is to compensate employees competitively in
6 comparison with the utility industry, as well as general industry employers, in order
7 to attract, retain and motivate qualified employees, while consistently meeting its
8 requirements to provide safe, reliable and cost-effective service to its customers.

9 **Q.** **Does NiSource employ a compensation and benefits consultant to assist**
10 **with its total rewards programs?**

11 **A.** Yes. NiSource regularly relies on the advice and guidance provided by Mercer, a
12 global human resources consulting firm. Mercer assists NiSource in setting
13 competitive compensation, evaluating and recommending changes to the employee
14 benefit plans, and providing salary and variable pay survey information.

15 **Q.** **Do you agree with Mr. Keller's or Mr. Morgan's proposal to disallow the**
16 **Company's entire claim for Profit Sharing?**

17 **A.** No. The Profit Sharing plan is an element of the Company's Retirement Savings
18 Plan, and as such supports employees' saving for retirement. Company
19 contributions for Profit Sharing are deposited into employees' Retirement Savings
20 Plan accounts, which provide an important element of employee savings. The Profit
21 Sharing plan supplements employees' contributions to their retirement accounts.

1 These contributions to the Savings Plan have become even more important as more
2 traditional elements of retirement savings, including defined benefit plans, are no
3 longer offered to exempt new hires on or after January 1, 2010 and nonexempt new
4 hires on or after January 1, 2013. Absent these contributions, the Company would
5 have to make other adjustments to its total rewards package, such as increases to
6 base pay or 401(K) contributions, to remain competitive in the market for quality
7 employees. As an element of a balanced competitive benefits program, profit
8 sharing contributions into the Retirement Savings Plan should be allowed.

9 **Q. Do you agree with Mr. Keller's or Mr. Morgan's proposal to disallow the**
10 **Company and NCSC's entire claim for stock rewards?**

11 **A.** No. Stock rewards are a common element of compensation at certain levels of
12 organizations throughout the U.S. and, as such, the costs should be allowed. These
13 stock awards allow NiSource to attract and retain individuals at executive levels
14 which would be difficult to accomplish without this element of compensation. This
15 competitive requirement is seen clearly in the following excerpt from the Aon
16 Hewitt survey "U.S. Total Compensation Measurement (TCM) - Executive
17 Compensation Policies and Programs U.S. Edition" (2013), which included
18 participation by 503 companies:

19 Of these 503 companies, 88% reported at least one form of long-term
20 incentive. Topics covered for each long-term incentive plan include
21 eligibility, grant frequency, range of award opportunity, exercise
22 restrictions, form and timing of payment, and treatment of dividends.

23
24 Of those companies reporting a long-term incentive plan, 81% have

1 two or more vehicles in 2013 compared to 77% in 2012. Three or
2 more plans were reported by 49% of the companies this year.

3
4 With 88% of companies surveyed providing at least one form of long-term
5 (generally stock) incentive, the Company and NCSC would be at a major
6 disadvantage in attracting new executives or retaining current leaders without the
7 ability to also provide such forms of compensation. Retaining key leaders and
8 attracting new talented individuals is critical to maintaining high quality of service,
9 efficiency and safety and, therefore, offering stock based programs is an appropriate
10 cost of doing business.

11 **Q. Does this complete your rebuttal testimony?**

12 **A.** Yes.