

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility Commission)
v.) Docket No. R-2018-2647577
Columbia Gas of Pennsylvania, Inc.)**

DIRECT TESTIMONY OF

DANTE MUGRACE

**ON BEHALF OF THE
COMMONWEALTH OF PENNSYLVANIA
OFFICE OF CONSUMER ADVOCATE**

June 7, 2018

PUBLIC VERSION

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1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A.** My name is Dante Mugrace. My business address is 22 Brooks Avenue,
4 Gaithersburg, MD 20877.

5 **Q. WHAT IS YOUR PRESENT OCCUPATION?**

6 **A.** I am a Senior Consultant with the Economic and Management Consulting
7 Firm of PCMG and Associates, LLC. ("PCMG"). In my capacity as a Senior
8 Consultant, I am responsible for evaluating and examining rate and rate
9 related proceedings before various governmental entities, preparing expert
10 testimony recommending revenue requirement, as well as, offering opinions
11 on economic policy and policy issues and methodologies used to set a value
12 on a utility's rate base and cost of service components of revenue
13 requirement.

14 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

15 **A.** PCMG is an association of experts in utility regulation and policy,
16 economics, accounting and finance. PCMG's members have over 75 years
17 collective experience providing assistance to counsel and expert testimony
18 regarding the regulation of electric, gas, water and wastewater utilities that
19 operate under local, state and federal jurisdictions. PCMG focuses on areas
20 regarding revenue requirement, cost of service, rate design, cost of capital
21 and rate of return. Prior to my association with PCMG, I was employed as
22 a Senior Consultant with the consulting firm of Snavelly King Majoros and
23 Associates ("SKM") from 2013 to 2015, in the same capacity as PCMG.
24 Prior to SKM I was employed by the New Jersey Board of Public Utilities
25 ("NJBPU") from 1983 to my retirement in 2011. During my tenure at the
26 NJBPU, I held various Accounting, Rate Analyst, Supervisory and
27 Management Positions. My last position was Bureau Chief of Rates in the
28 Agency's Water Division (Bureau Chief of Rates). I held this position for
29 nearly 10 years. My resume is attached as Appendix A.

1 **Q. WHAT EXPERIENCE DO YOU HAVE IN THE AREA OF UTILITY RATE**
2 **SETTING PROCEEDINGS AND OTHER UTILITY MATTERS?**

3 **A.** In my capacity as Bureau Chief of Rates at NJBPU, I was responsible for
4 overseeing the rate process regarding administrative, financial, and
5 managerial functions of the Rates Bureau. My primary duties were to
6 ensure that the jurisdictional utilities had sufficient revenues to cover their
7 operating expenses, the ability to earn a reasonable rate of return on plant
8 investments, and to ensure that the provision of safe, adequate and proper
9 service at reasonable rates was met. During my time at the NJBPU, I was
10 involved in hundreds of rate and rate related proceedings. In my capacity
11 as a Senior Consultant previously with SKM and now with PCMG, I am
12 involved in rate and rate related proceedings before the Commissions in the
13 Commonwealth of Massachusetts, and the States of Maine, Maryland, New
14 Jersey, New York, North Dakota, and Ohio. I was involved in the Generic
15 Proceedings to Establish Parameters for the Next Generation Performance
16 Based Rate Plans before the Alberta Utilities Commission. I am currently
17 involved in a matter before the Federal Energy Regulatory Commission
18 (FERC) regarding a Transmission Formula Rate Plan.

19 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

20 **A.** I hold a Master of Business Administration (“MBA”) degree with a
21 concentration in Strategic Management from Pace University-Lubin School
22 of Business in New York, New York. I hold a Master of Public Administration
23 (“MPA”) degree from Kean University in Union, New Jersey. I hold a
24 Bachelor of Science (“BS”) degree in Accounting from Saint Peter’s
25 University in Jersey City, New Jersey.

26

27 **II. PURPOSE OF TESTIMONY**

28 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

1 **A.** I am testifying on behalf of the Pennsylvania Office of the Consumer
2 Advocate (“OCA”).

3 **Q.** **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 **A.** The purpose of my testimony is to calculate and recommend Columbia Gas
5 of Pennsylvania, Inc. (Columbia or Company) Rate Base and Proforma
6 Operating Income at Present Rates for the Fully Projected Future Test Year
7 Period Ending December 31, 2019. On March 16, 2018, Columbia filed a
8 base rate case with the Pennsylvania Public Utility Commission (PAPUC or
9 Commission) requesting an overall increase in rates for its gas distribution
10 service of \$46.9 million or 8.16% above current rates.¹ Included in my
11 recommended position on Rate Base and Operating Income, I am also
12 incorporating the recommendations of OCA witness Dr. Marlon Griffing on
13 the overall rate of return.

14

15 **III. REVENUE REQUIREMENT ISSUES**

16 **A. SUMMARY**

17 **Q.** **WHAT REVENUE DEFICIENCIES OR ADJUSTMENTS ARE YOU**
18 **RECOMMENDING?**

19 **A.** Based upon the use of the Company’s proposed fully projected future test
20 year ending December 31, 2019, I have the following recommendations:

- 21 • My recommended Rate Base balance is \$1,770,443,177
22 which is \$128,609,306 lower than the Company’s proposed Rate
23 Base balance of \$1,899,052,483.
- 24 • My overall Rate of Return is based upon OCA witness Dr. Griffing is
25 7.32%, which includes a Common Equity component of 9.38%.

¹ On April 20, 2018, the Company filed supplemental testimony to adjust the proposed revenue requirement to reflect the impact on the TCJA. The updated revenue requirement is \$45,207,748, or 7.85% above current rates.

- 1 • My recommended Rate of Return on Rate Base is \$128,941,979,
2 which is \$24,971,895 lower than the Company's Rate of Return on
3 Rate Base of \$153,913,874.
- 4 • My recommended Operating Revenue at Present Rates is computed
5 at \$575,348,119, which is the same as Company's Present Rate
6 Revenue of \$575,348,119.
- 7 • My recommended total Operating Expenses is \$417,739,010 which
8 is \$18,082,107 lower than the Company's proposed Operating
9 Expenses of \$435,821,116.
- 10 • My recommended Income Taxes is \$24,898,407, which is
11 \$6,312,661 lower than the Company's proposed Income Taxes of
12 \$31,211,068. This includes the Flow Back of Excess Deferred
13 Income Taxes pursuant to the Tax Cuts and Jobs Act of 2017.
- 14 • Overall, I recommend a revenue requirement decrease of
15 \$5,544,098 which is \$50,734,509 lower than the Company's
16 proposed revenue requirement increase of \$45,207,748.

17

18 **B. RATE BASE**

19 **1. Utility Plant in Service (UPIS)**

20 **Q. WHAT HAS THE COMPANY PROPOSED REGARDING ITS UTILITY PLANT IN**
21 **SERVICE ("UPIS")?**

22 **A.** The Company has proposed a UPIS balance in the amount of \$2,741,791,737 for
23 the fully projected future test year of twelve months ending December 31, 2019.
24 Included in that balance are plant additions the Company expects to place in
25 service in the amount of \$264,391,440 for the Future period ending November 30,
26 2018, and an additional \$306,273,953 for the Fully Projected Future Test period
27 ending December 31, 2019. (Company Exhibit 108, page 3 of 11). Included in that
28 balance are capital expenditures related to Distribution System Improvement
29 Charge (DSIC) Expenditures of \$15.6 million for the December 31, 2017 period.

1 (Exhibit JEC-4). The Company's Fully Projected Future Test Period (FPFTY) is in
2 accordance with Act 11 of 2012 and was used in prior rate case proceedings.

3
4 **Q. WHAT ARE THE REQUIREMENTS OF THE USE OF A FPFTY PERIOD?**

5 **A.** Pursuant to the prior filing in Docket No. R-2015-2468056, the Company was
6 required to provide to the Commission the actual capital expenditures, plant
7 additions and retirements by month for the twelve months ending December 31,
8 2016 and a comparison of actual expenses and rate base additions for the same
9 period. The Company is also required to provide to the Commission by April 1,
10 2018, an update of the Company's Exhibit 108 Schedule 1 which will include actual
11 capital expenditures, plant additions and retirements for the twelve months ending
12 December 31, 2017 (Columbia St. No. 6, page 5-6). The Company is required to
13 provide a comparison of its actual revenues, expenses and rate base additions for
14 the same period.

15 **Q. DID THE COMPANY COMPLY WITH THESE REQUIREMENTS?**

16 **A.** Yes.

17 **Q. WHAT CHANGES DO YOU HAVE WITH RESPECT TO THE COMPANY'S**
18 **PROPOSED LEVEL OF UPIS FOR FULLY PROJECTED FUTURE TEST YEAR**
19 **PERIOD ENDING DECEMBER 31, 2019?**

20 **A.** I made an adjustment to the Company's plant in service balance with the use of
21 an average test year UPIS balance instead of the Company's proposed test year
22 end balances.

23 **Q. DOESN'T ACT 11 ALLOW UTILITIES TO USE A FULLY PROJECTED FUTURE**
24 **TEST YEAR IN SETTING RATES?**

25 **A.** Yes, but this does not require using year end plant balances in setting rates. The
26 use of an average test year balance should be the method to calculate the
27 Company's revenue requirement. The use of an average test year balance closely
28 matches the revenue requirement when new rates are set. The Company will not

1 have the fully projected level of rate base in service throughout 2018, but rather at
2 the fully projected future test year period ending December 31, 2019. The purpose
3 of the use of a fully projected test year period is to calculate the Company's
4 revenue requirement that will be in effect, on average, for the first year of new rates
5 (on or about January 1, 2019). The use of an average test year balance better
6 reflects the matching of all components in the calculation of rate base.

7 **Q. ARE YOU AWARE OF OTHER STATES THAT PERMIT THE USE OF A FULLY**
8 **FORECASTED FUTURE TEST YEAR WITH THE USE OF AN AVERAGE TEST**
9 **YEAR UPIS BALANCE IN SETTING RATES?**

10 **A.** Other states that permit the use of a fully forecasted future test year in setting rates,
11 such as Illinois, Maine and North Dakota, utilize an average test year or mid-year
12 UPIS balance (with the average balance related to accumulated depreciation and
13 accumulated deferred income taxes).

14 **Q. WHY IS IT APPROPRIATE TO UTILIZE AN AVERAGE TEST YEAR UPIS**
15 **BALANCE APPROACH RATHER THAN THE TEST YEAR END BALANCES**
16 **(DECEMBER 31, 2019) THAT THE COMPANY HAS PROJECTED IN ITS**
17 **FILING?**

18 **A.** In this case, the Company filed for a base rate increase in March 16, 2018.
19 Evidentiary Hearings in this matter are set for July-August 2018, with an expected
20 PAPUC decision later this year. If rates go into effect at that time, and under the
21 Company's proposal to use fully forecasted test year end balances, ratepayers will
22 be charged for costs that are not yet in service and therefore, not used and useful
23 in the provision of utility service and may not be used and useful for another full
24 year. If the Company did not place all of its UPIS in service by December 31, 2019,
25 it would be difficult to recover those costs for ratepayers in a future rate proceeding.
26 It is not prudent to allow ratepayers to pay for costs that are not in service and may
27 not be in service until the end of the December 31, 2019, fully projected future test
28 year period.

1 Further, when the Company's rate base (utility plant in service) balance is
2 changing significantly during the test year period(s), it could affect the value of the
3 revenue requirement. In this case, the Company is expected to add approximately
4 \$264,391,440 of plant additions during the period ending November 30, 2018, and
5 an additional \$306,273,953 during the period ending December 31, 2019, almost
6 \$571,000,000 in this proceeding. This is a significant change. The use of an
7 average rate base methodology better matches the level of rate base when new
8 rates are expected to be set.

9 Further, the Company would not have that level of rate base/plant in service
10 throughout the fully projected forecasted test year period. This could cause a
11 discrepancy in the measurement of the Company's year-end values, i.e. rate base.
12 It is expected that new rates for this rate case proceeding will become effective the
13 fourth quarter 2018 and continuing throughout 2018 and into 2019. Therefore, if a
14 year-end rate base/plant in service balance is used, this would result in an
15 inconsistency of the utility's earnings and result in a windfall for the Company. The
16 use of an average test year UPIS balance will approximately match the collection
17 of the revenue requirement during the first year of new rates. The purpose of the
18 fully projected forecasted test year is to calculate the Company's revenue
19 requirement that will be in effect, on average, for the rate year.

20 **Q. USING YOUR AVERAGE UPIS TEST YEAR BALANCE APPROACH, WHAT IS**
21 **YOUR RECOMMENDATION?**

22 **A.** Using my average UPIS test year balance, my recommended UPIS balance before
23 any specific adjustments is computed in the amount of \$2,588,654,761 (Schedule
24 DM-33).

25 **Q. HOW DID YOU CALCULATE YOUR AVERAGE TEST YEAR UPIS BALANCE?**

26 **A.** I calculated my average test year UPIS balance by taking the Company's
27 November 30, 2018, balance of \$2,435,517,784 and the Company's December
28 31, 2019 balance of \$2,741,791,737 to arrive at an average balance of
29 \$2,588,654,761. This is \$153,136,977 less than the Company's proposal of

1 \$2,741,791,737. With this average balance computation, I am also adjusting the
2 accumulated depreciation and the accumulated deferred income taxes to reflect
3 the average test year balances in rate base. My recommendation is shown on my
4 Schedule DM-33.

5 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR UPIS BALANCE**
6 **ADJUSTMENT?**

7 **A.** The revenue requirement impact of my UPIS adjustment is: \$158,136,977 times
8 the Rate of Return of 7.28% multiplied by the Revenue Conversion Factor of
9 1.36275815x, which equals \$15,688,579.

10 **Q. WHAT OTHER UPIS HAS THE COMPANY INCLUDED IN ITS FPFTY**
11 **BALANCE?**

12 **A.** As shown on Company Exhibit 108, page 3, the Company included the following
13 balances:

14 Gas Storage Underground – Non-Current - \$3,794,693

15
16 **Q. WHAT IS YOUR RECOMMENDATION?**

17 **A.** The Company did not increase or adjust this balance for the FPFTY period.
18 Therefore, I am accepting the Company's balance as shown.

19
20 **2. Accumulated Depreciation**

21 **Q. WHAT HAS THE COMPANY CALCULATED WITH RESPECT TO ITS**
22 **ACCUMULATED DEPRECIATION?**

23 **A.** The Company computed accumulated depreciation in the amount of \$499,229,725
24 as shown on Company Exhibit 108, Schedule No. 3 page 1. In the same manner
25 as the Company used in the calculation of its UPIS, the Company calculated its
26 accumulated depreciation using the end of year balance at the fully projected test
27 year ending December 31, 2019.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 **A.** Consistent with what I used to compute the Company's UPIS balance using the
3 average test year balance, I am also using the same method for the computation
4 to develop the accumulated depreciation balance. I am applying those balances
5 to compute my accumulated depreciation recommendation. My recommended
6 accumulated depreciation expense is \$479,057,725 and is shown on my Schedule
7 DM-32. This is an adjustment of \$20,172,000 from the Company FPFTY period
8 balance.

9 In addition, the Company included a balance related to Accumulated Provision Gas
10 Lost – Underground Storage of \$163,467 (Company Exhibit 108, page 3 of 11). I
11 do not have any adjustments to this plant balance.

12 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT**
13 **TO THE COMPANY'S ACCUMULATED DEPRECIATION?**

14 **A.** The revenue requirement impact of my Accumulated Depreciation adjustment is:
15 \$20,172,000 times the recommended Rate of Return of 7.28% multiplied by the
16 Revenue Conversion Factor of 1.36275815x which equals to \$2,001,240.

17

18 **3. Working Capital**

19 **Q. WHAT IS INCLUDED IN THE COMPANY'S WORKING CAPITAL?**

20 **A.** The Company has included Materials and Supplies, Prepayments and Cloud
21 Based Assets, and Gas Storage Underground balances, shown on Company
22 Exhibit 108, Schedule 5-7, page 1 in the total amount of:

23	Materials and Supplies -	\$ 851,388
24	Prepayments/Cloud Based Assets	\$ 3,087,006
25	Gas Storage Underground	<u>\$50,432,424</u>
26	Total	<u>\$54,370,818</u>

27 **Q. HOW DID YOU CALCULATE YOUR RECOMMENDED WORKING CAPITAL?**

1 **A.** In calculating my recommended working capital, I used the average balances
 2 (November 30, 2018 – December 31, 2019), for each of the above Working Capital
 3 Components as I used for the Company’s UPIS balance, and the Accumulated
 4 Depreciation Reserve. In addition to averaging out the Materials and Supplies and
 5 the Prepayments, I also removed the GNP inflation factor of 2.14% (11/30/2018)
 6 and 2.27% (12/31/2019). There were no inflation factors used to compute the
 7 Company’s Gas Storage Underground balances. My balances compute as follows:

	<u>Company</u>	<u>PAOCA</u>
9	Materials and Supplies	\$ 851,388 – inflation = \$821,921
10	Prepayments	\$ 3,087,006 – inflation = \$2,644,100
11	Gas Storage Underground	<u>\$50,432,424</u> <u>\$50,570,502</u>
12	Subtotal	\$54,370,818 \$54,036,523

13
 14 **Q. WHAT IS YOUR REASONING FOR REMOVING THE COMPANY’S INFLATION**
 15 **FACTORS FOR THE FTY AND THE FPFTY PERIODS?**

16 **A.** I believe that including inflation types factors to adjust for costs are not reasonable
 17 because these types of increase adjustments are not known and measurable and
 18 they do not reflect the true costs of providing service. These types of costs are
 19 basically blanket type increases which do not directly relate to actual costs
 20 expected to be incurred by the Company in the period for which rates are to be
 21 set. Costs should be predicated on evidence or documentation that supports the
 22 Company’s proposed ratemaking adjustments. Costs should not be adjusted
 23 based upon a blanket type of increase and applied to all costs. More definitive
 24 types of increases are contractually related increases or escalation increases that
 25 are included in agreements or services contracts.

26 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR WORKING**
 27 **CAPITAL COMPONENTS?**

28 **A.** My recommended adjustments for the Working Capital Components is therefore,
 29 \$54,036,523: \$821,821 for Materials and Supplies; \$2,644,100 for Prepayments

1 and; \$50,570,502 for Gas Storage Underground, an overall reduction of \$334,295,
2 from the Company's balance of \$54,370,818. (Schedule DM-32).

3 The revenue requirement impact of my Working Capital Adjustments is: (\$334,295)
4 times the recommended Rate of Return of 7.28% multiplied by the Revenue
5 Conversion factor of 1.3627581x which equals \$33,165.

6
7 **4. Deferred Income Taxes**

8 **Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO ITS**
9 **ACCUMULATED DEFERRED INCOME TAXES (ADIT)?**

10 **A.** The Company proposed in its initial filing, an ADIT balance of \$381,731,924 as
11 shown on Company Exhibit 108, Schedule 8, page 1. (Columbia St. No. 9, page
12 3). The Company identified its ADIT by deferred income taxes and by depreciation
13 related taxes.

14 **Q. DID THE COMPANY ACCOUNT FOR ITS CALCULATION OF ITS ADIT WITH**
15 **RESPECT TO THE TAX CUTS AND JOBS ACT OF 2017 (TCJA) IN ITS INITIAL**
16 **FILING?**

17 **A.** No. However, in the Supplemental Testimony of Witness Nancy Krajovic
18 (Columbia St. No. 10-S), dated April 20, 2018, the Company provided the
19 adjustments to account for the impact of the TCJA on the Company's revenue
20 requirement (Exhibit NJDK-S1, S2, S3 and S4). In that Supplemental Testimony,
21 Ms. Krajovic has computed an adjustment to the Company's ADIT that reflects the
22 effect of the TCJA in the amount of (\$16,943,974). This adjustment offsets the
23 Company's deferred income tax balance within the ADIT Account from the as filed
24 balance of \$79,055,237, to the updated balance of \$62,111,263. The Company's
25 updated ADIT balance that includes the effects of the TCJA adjusts the ADIT
26 balance to \$398,675,898 shown on Company Exhibit NJDK-S4 page 1 of 1 and
27 reflected on my Schedule DM-35.

28 **Q. HOW DID YOU CALCULATE THE ADIT BALANCE?**

1 **A.** First, I accepted the Company's updated filing that includes the effect of the TCJA
2 of 2017, and the adjustment to the Company's ADIT of (\$16,943,974) as proposed
3 by the Company in the April 20, 2018, Supplemental Testimony of Ms. Krajovic. I
4 then averaged out the Company's ADIT in the same manner as I averaged out the
5 Company's UPIS balance for the FTY (\$80,373,465) and FPFTY (\$79,055,237)
6 periods that related to deferred income tax portion of the Company's ADIT, to
7 arrive at an average balance of \$79,714,351. I then subtracted the Company's
8 effect of the TCJA adjustment related to the ADIT of \$16,943,974, to arrive at an
9 average FPFTY deferred income tax balance of \$62,770,377.

10 **Q. WHAT IS YOUR SECOND ADJUSTMENT?**

11 **A.** My second adjustment is to the Company's ADIT related to depreciation. I
12 averaged out the Company's ADIT-Depreciation for the FTY (\$452,731,464) and
13 for the FPFTY (\$460,787,161) to arrive at an average FPFTY depreciation balance
14 of \$456,759,313, a difference of \$4,027,849.

15 **Q. WHAT IS YOUR TOTAL ADJUSTMENT RELATED TO THE COMPANY'S ADIT
16 BALANCE?**

17 **A.** My adjusted Company ADIT balance is \$393,988,936, a difference of \$4,686,963
18 from the Company's adjusted filing of \$398,675,898 balance. My adjustment is
19 reflected on my Schedule DM-35.

20 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

21 **A.** The revenue requirement impact of my Accumulated Deferred Income Taxes is:
22 \$4,686,963 multiplied by the Rate of Return of 7.28% times the Revenue
23 Conversion Factor of 1.3627581x or \$464,988.

24

25 **C. OPERATING INCOME**

26 **1. Operating Revenues**

1 **Q. WHAT HAS THE COMPANY PROPOSED AS ITS OPERATING REVENUE AT**
2 **PRESENT RATES AND PROPOSED RATES?**

3 **A.** As shown on Company Exhibit 102, Schedule 3, page 3 of 6, the Company has
4 projected pro-forma revenues at present rates in the amount of \$575,348,119. In
5 computing its present rate revenues, the Company used a 20-year weather
6 normalization period to normalize the revenues for the historic year ending
7 November 30, 2017 (Columbia St. No. 2, page 4). Consistent with the Company's
8 approach since 2008, the Company has proposed to use the 20-year average to
9 normalize sales and usage. The Company calculated its Operating Revenues at
10 proposed rates by adding its proposed revenue requirement increase of
11 \$46,937,247 (Exhibit 102, Schedule 3, page 3 of 6) to arrive at its FPFTY Operating
12 Revenues at proposed rates of \$622,285,366.

13 **Q. DID THE COMPANY UPDATE ITS OPERATING REVENUE SUBSEQUENT TO**
14 **THE INITIAL FILING?**

15 **A.** Yes. In Columbia witness Krajovic's Supplemental Testimony, Columbia St. No.
16 10-S, Ms. Krajovic adjusted the Company's Total Operating Revenues under its
17 proposed rates by reducing its proposed revenue requirement increase from
18 \$46,937,247 to \$45,207,748, a difference of \$1,729,499 (Exhibit NJDK-S3), to
19 account for the effect with respect to the TCJA of 2017. The Company's updated
20 Operating Revenues at proposed rates is now calculated at \$620,555,867. The
21 revenue requirement increase is now an increase of 7.86% over current rates.

22 **Q. DO YOU HAVE ANY ADJUSTMENTS TO THE COMPANY'S PRESENT RATE**
23 **REVENUE?**

24 **A.** No. I am accepting the Company's Present Rate Revenue of \$575,348,119.
25

26 **2. OPERATION AND MAINTENANCE EXPENSES**

27 **a. Labor**

1 **Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO ITS LABOR**
2 **EXPENSE?**

3 **A.** As shown on Company Exhibit 104, Schedule 1, page 2, the Company proposed
4 to increase Labor Expenses to \$32,917,256. Included in this amount are Merit
5 Increases of 3% for both the FTY and FPFTY periods, totaling \$930,989; Additional
6 Employee Headcount of \$310,644 occurring in the FTY; Ratemaking adjustments
7 to annualize normal pay for the FTY and the FPFTY periods totaling \$943,568;
8 and productivity savings for the FTY and the FPFTY periods of \$58,435. (Exhibit
9 104, Schedule 1, pages 3 and 4 of 6; and Schedule 10, pages 1 and 2).

10 **Q. WHAT ADJUSTMENTS DO YOU HAVE REGARDING THE COMPANY'S**
11 **TOTAL LABOR EXPENSE CLAIM OF \$32,917,256?**

12 **A.** I have three adjustments with respect to the Company's Labor level of
13 \$32,917,256. My first adjustment is to the Company's Budget Adjustment to Labor
14 for the FPFTY period ending December 31, 2019, in the amount of \$474,853 (Merit
15 Increase of 3%) and Productivity Savings of (\$41,165) for the same period (Exhibit
16 104, Schedule 10, Page 2). In response to OCA-2-012, the Company stated that
17 the Merit Increases take effect on June 1 of each year. The \$474,853 increase
18 and the related Productivity Savings of (\$41,165) therefore, take effect from June
19 1, 2019 through May 31, 2020. This is 5 months beyond the FPFTY period of
20 December 31, 2019. I am making an adjustment to exclude 5 months of the Merit
21 Increase from January 1, 2020 through May 31, 2020, a decrease of \$197,855,
22 and the related Productivity Savings adjustment of \$17,152. The adjustment that
23 the Company is proposing is an out of period adjustment that goes beyond the
24 Company FPFTY period ending December 31, 2019.

25 **Q. WHAT IS YOUR SECOND ADJUSTMENT TO THE COMPANY'S LABOR**
26 **COSTS?**

27 **A.** My second adjustment is to the Company's Rate Making Adjustment for the FPFTY
28 period ending December 31, 2019, in the amount of \$446,256 (Exhibit 104,
29 Schedule 2, page 1). The Company has included an adjustment to its Labor costs

1 that annualize costs beyond the FPFTY period of December 31, 2019. These
 2 annualized costs include 5 months beyond the FPFTY period of December 31,
 3 2019 to May 31, 2020. My adjustment excludes 5 months of the annualized Labor
 4 costs, which decreases the Company's adjustment by \$185,940. Again, the
 5 adjustment that the Company is proposing is an out of period adjustment that goes
 6 beyond the Company's FPFTY period ending December 31, 2019.

7 **Q. WHAT IS YOUR THIRD ADJUSTMENT RELATED TO LABOR COSTS?**

8 **A.** In response to I&E-RE-017 for the FTY and the FPFTY periods, the Company has
 9 included stock awards in is Labor Costs of \$107,253 and \$97,639, for the FTY and
 10 the FPFTY, respectively. I removed these costs because I believe that ratepayers
 11 should not be charged costs related to stock awards. The Company has not
 12 provided any reason that these stock awards benefit ratepayers.

13 **Q. WHAT ARE YOUR RECOMMENDATIONS RELATED TO LABOR COSTS?**

14 **A.** My adjustments to the Company's Labor Costs are as follows:

	<u>Company</u>	<u>PAOCA</u>	<u>Difference</u>
15 FPFTY Budget Adj. Merit Increase	\$474,853	\$276,998	(\$197,855)
17 Productivity	(\$41,165)	(\$24,013)	\$17,152
18 FPFTY Rate Making Adjustment	\$446,256	\$260,316	(\$185,940)
19 Stock Awards FTY	\$107,253	\$ 0	(\$107,253)
20 Stock Awards FPFTY	\$97,639	\$ 0	(\$97,639)
21 Total			<u>(\$571,535)</u>

22
 23 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

24 **A.** The revenue requirement impact of this adjustment is: (\$571,535) minus the tax
 25 effect of 30.99% (21.00% FIT plus 9.99% PA State) equals (\$394,416) and is
 26 shown on my Schedule DM-7.

1 **b. Incentive Compensation**

2 **Q. WHAT DID THE COMPANY PROPOSE TO INCLUDE REGARDING ITS**
3 **INCENTIVE COMPENSATION?**

4 **A.** The Company has proposed to include total Incentive Compensation of
5 \$2,214,000 for the FPFTY period as shown on Exhibit 104, Schedule 1, pages 3
6 and 4 of 6. The Company began with an Incentive Compensation Balance of
7 \$1,889,215 (GAS-RR-026) for the HTY normalized period. The Company
8 allocates its Incentive Compensation in the same manner as it allocates its Labor
9 Charges to Capital (OCA-2-020) using a 55.83% factor.

10 **Q. PLEASE DESCRIBE THE COMPANY'S INCENTIVE COMPENSATION**
11 **PROGRAM.**

12 **A.** In GAS-RR-027 Attachment D, the Company's Incentive Compensation is based
13 upon NiSource, Inc. 2010 Omnibus Incentive Plan, which in part states that the
14 Committee may grant Cash-Based Awards to participants. These Cash-Based
15 Awards are designated to covered officers of the Corporation and is a *Named*
16 *Executive Officer*. (page 1 of 2). The Performance Measure and Target is the
17 Corporation's operating income. In item 7, page 2, the Committee may consider
18 the following weightings for Corporate Covered Officers: 75% NOEPS, 15%
19 Customer Care and Customer Satisfaction, and 10% Safety and National Safety
20 Council Barometer Safety. In Attachment E, the Company's Cash-Based Awards
21 to participants cover *Officer Participants*. (page 1 of 6). The Performance Targets
22 and Cash-Based Award Payouts are: 75% NOEPS, 15% Customer Care and 10%
23 Safety. In Attachment F, the Company's Cash-Based Awards to participants cover
24 *Participants*. (page 1 of 6). The Performance Targets and Cash-Based Award
25 Payout is 85% NOEPS and 15% Customer Care. The Incentive Compensation is
26 accrued during the calendar year and then paid to employees during the first
27 quarter of the following year. (OCA-2-014).

1 **Q. DID YOU REVIEW THE COMPANY'S RESPONSES THAT PROVIDE**
2 **INFORMATION RELATED TO PERFORMANCE TARGETS AND CASH-BASED**
3 **AWARDS PAYOUTS?**

4 **A.** Yes. In responses to OCA-2-015, 016 and 017, the Company provided the
5 awarded amounts and whether the performance targets were met and achieved.

6 **[BEGIN CONFIDENTIAL]**

7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 **[END CONFIDENTIAL]**

15 **Q. HOW MUCH OF INCENTIVE COMPENSATION IS INCLUDED IN THIS FILING**
16 **RELATED TO COVERED OFFICERS, OFFICER PARTICIPANTS AND**
17 **PARTICIPANTS?**

18 **A.** According to the responses to OCA-2-015, 016, and 017, the incentive
19 compensation awards are not broken down by categories. Based on the
20 responses to OCA-2-015, 016 and 017 the Company's pays out:

21 **[BEGIN CONFIDENTIAL]**

22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]

27 **[END CONFIDENTIAL]**

1 Q. WHAT IS YOUR RECOMMENDATION REGARDING THE LEVEL OF
2 INCENTIVE COMPENSATION TO BE INCLUDED IN REVENUE
3 REQUIREMENT?

4 A. [BEGIN CONFIDENTIAL]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 [END CONFIDENTIAL]

9 I am recommending that the Incentive Compensation that was paid out for NOEPS
10 be removed from the Company's revenue requirement increase. My
11 recommendation is based upon the fact that the majority of the Company's
12 Incentive Compensation payments are aligned with the Company's financial goals
13 and earnings per share growth with minimal being attributable to the benefit of
14 customers. I do not believe that ratepayers should pay for incentive compensation,
15 which promotes shareholders' interest and the alignment of shareholder growth.

16 Q. HOW DID YOU CALCULATE THE ADJUSTMENT TO REMOVE THE
17 INCENTIVE COMPENSATION RELATED TO THE COMPANY'S NOEPS
18 PERFORMANCE TARGETS?

19 A. I took the Company's level of its Performance Target weights as a percentage to
20 the overall incentive compensation shown on OCA-2-015, 016 and 017. Those
21 percentages are as follows:

22 [BEGIN CONFIDENTIAL]

23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]

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[REDACTED]

[END CONFIDENTIAL]

Q. WHAT ARE YOUR ADJUSTMENTS RELATED TO THE COMPANY'S BUDGETED FTY INCENTIVE COMPENSATION OF \$225,785 AND THE BUDGETED FPFTY INCENTIVE COMPENSATION OF \$99,000?

A. In response to OCA-2-019, the Company stated that the incentive compensation awards adjustment is not broken down by categories (NOEPS, Customer Care, Safety, etc.). If the incentive goals are met, then the payment of employee-specific incentive compensation depends on the employee's satisfaction of his/her individual safety, customer, financial, execution and engagement goals. As indicated in the response to OCA-2-014, the Incentive Compensation accrued in 2017 is paid out in the first quarter of the following year (2018). For the Company's FTY period Incentive Compensation amount of \$225,785, this will be paid out in the first quarter 2019, (OCA-2-018) if the performance targets have been met. For the Company's FPFTY period, the Incentive Compensation of \$99,000 will be paid out during the first quarter of 2020, (OCA-2-018) beyond the Company's test year period December 31, 2019.

Since there is no way the Company can determine if the performance targets will be achieved now and until the end of the year, it is not reasonable to include any Incentive Compensation in rates until such time the Company will determine if the Performance Targets have been achieved. Therefore, I am recommending removal of \$225,785 and \$99,000 for the FTY and FPFTY periods, respectively, for a total of \$324,785. My recommendation is shown on my Schedule DM-8.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?

A. The revenue requirement impact based upon my adjustments is: \$1,804,607 minus the tax effect of 30.99% equals \$1,245,359.

1 **c. Pension Prepayment**

2 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS PENSION**
3 **PREPAYMENT?**

4 **A.** According to Columbia witness Miller, on September 15, 2017, NiSource elected
5 to make a \$277 million prepayment towards future combined pension plan
6 obligations. Columbia's share of this prepayment contribution is \$14,824,162.
7 56.99% or \$8,449,772 was recorded in Columbia's pension expense in the HTY
8 (Columbia St. No. 4, page 10). (OCA-2-027). The Company has proposed a three-
9 year amortization or \$2,816,591 to be included in the FPFTY period (Exhibit 104,
10 Schedule 2, page 4). The \$8,449,772 deferral amount is based upon the O&M
11 portion of a normalized pension contribution (Columbia St. No. 4, page 19). The
12 three-year amortization period is to average out or smooth out year-to-year
13 variations in normal pension payments (Columbia St. No. 4, page 20).

14 **Q. WHY DID THE COMPANY ACCOUNT FOR PENSION VIA THE PREPAYMENT**
15 **BY NISOURCE?**

16 **A.** Company witness Krajovic stated that historically, pension contributions have been
17 reflected in Columbia's base rates based on a two-year average of cash payments
18 made during the test periods (Columbia St. No. 10). The payment of \$8,449,772
19 falls outside the Company's FTY and FPFTY periods and the Company's was
20 advised by counsel that it was necessary for the Company to request this deferral
21 in order to preserve the Company's rights to request rate treatment and recovery
22 in its next base rate proceeding (Columbia St. No. 10, page 17). The Company is
23 seeking accounting deferral by petition filed with the Commission, but the
24 Commission has not acted on the petition yet and the petition has been
25 consolidated with this base rate proceeding. The Company is requesting that the
26 Commission permit Columbia to amortize and recover the \$8,449,772 over a three-
27 year period (Columbia St. No. 10, page 17).

28 **Q. WHAT WERE THE REASONS NISOURCE STATED THAT PROMPTED THIS**
29 **PREPAYMENT?**

1 **A.** In response to OCA-2-024, and in addition to Ms. Miller's testimony in Columbia
2 St. No. 4, page 18, the decision to make the prepayment of \$277 million reflects
3 the intent to fully fund the pension for the 10-year horizon through 2026. NiSource
4 has stated that it is its intention not to make further payments throughout that
5 period. However, NiSource further stated that financial market conditions and
6 employee data are not static or substantially within its control and will continuously
7 monitor the status of the pension funding obligation throughout the 10-year
8 planning horizon.

9 **Q. IS THE COMPANY'S PROPOSED THREE-YEAR AMORTIZATION PERIOD A**
10 **HARD PERIOD?**

11 **A.** No. The Company proposed a three-year amortization period to continue using a
12 methodology that smooths out the rate impact of variations in pension payments
13 between periods (OCA-2-023). In addition, the length of time of the amortization
14 period does not impact the Company's pension obligation. (OCA-2-025).

15 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S**
16 **PENSION PREPAYMENT?**

17 **A.** I am recommending that the 3-year amortization period be extended to 10 years
18 and that the amortization begin in September 2017, the date the prepayment was
19 made. Given the response by the Company in OCA-2-023 and 025, there is no
20 relevant amortization period, nor does it impact the Company's pension obligation.
21 The Company's intention is to fully fund the pension for the 10-year horizon
22 through 2026, and it is not the Company's nor NiSource's intention to make further
23 payments throughout that period.

24 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

25 **A.** My adjustment reduces the Company's expense by \$1,971,613, and the revenue
26 requirement impact is: \$1,971,613 minus the tax effect of 30.99% equals
27 \$1,360,610. My adjustment is shown on my Schedule DM-9.

28

1 **d. Other Employee Benefits**

2 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS OTHER**
3 **EMPLOYEE BENEFITS?**

4 **A.** The Company is proposing a level of Other Employee Benefits of \$6,951,000, an
5 increase of \$874,728 (\$315,728 for the FTY and \$559,000 for the FPFTY) over the
6 Company's HTY period ending November 30, 2017. The Company stated that
7 Employee Benefits are based upon information provided by NiSource's
8 independent actuary AON Hewitt (Columbia St. No. 10, page 10).

9 **Q. WHAT IS INCLUDED IN THE COMPANY'S OTHER EMPLOYEE BENEFITS?**

10 **A.** In response to OCA-2-042, Attachment A, the Company has included costs
11 associated with Employee Medical Health Insurance, 401K Plan, Dental, Long-
12 Term Disability, Profit Sharing and other costs related to Company Health and
13 Medical costs. In response to I&E-RE-017-D, the Company provided a breakdown
14 of the adjustments to the FTY period of \$315,728 and the FPFTY period of
15 \$559,000. Company witnesses Ms. Miller and Ms. Krajovic stated that the
16 budgeted adjustments were driven mostly by anticipated increases in the cost of
17 employee medical health insurance.

18 **Q. WHAT IS YOUR RECOMMENDATION?**

19 **A.** I am recommending removal of the Company's Profit Sharing costs for the
20 following periods: HTY - \$432,554, FTY - \$311,283 and FPFTY - \$320,139. I am
21 removing these expenses because there is no breakdown or further information
22 that indicates to whom these Profit Sharing benefits go to or accrue to.

23 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

24 **A.** My revenue requirement impact is a reduction of \$1,063,976 minus the tax effect
25 of 30.99% equals \$734,250 and is shown on my Schedule DM-10.

26

27

1 **e. Outside Services**

2 **Q. WHAT DID THE COMPANY PROPOSE RELATED TO ITS OUTSIDE**
3 **SERVICES?**

4 **A.** The Company has proposed a level of Outside Services of \$25,389,024 for the
5 FPFTY Period December 31, 2019, a decrease of \$2,814,283 from the Company's
6 HTY period ending November 30, 2017. (Exhibit 104, Schedule 1, pages 3 and 4
7 of 6).

8 **Q. WHAT IS INCLUDED IN THE COMPANY'S OUTSIDE SERVICES?**

9 **A.** As shown on Company's GAS-RR-052 Attachment A, the Company provided a
10 schedule showing a breakdown of its Outside Services from 2014-2017. The
11 Company reduced its Outside Services by \$5,572,136 for the FTY period to
12 account for accelerated work performed related to contractor labor, plant
13 replacements, GPS work, maintenance activities and leak inspection. (OCA-2-
14 040). In its FPFTY period, the Company has included approximately \$3 million to
15 normalize its work plan. Also included in the Company's Outside Services are
16 costs related to the Company's C&I Network Deferred costs of \$204,170 for the
17 FTY period, with an offset of \$204,170 for the same test year period, and an
18 additional \$339,762 for the FPFTY period for a total of \$543,932. The Company
19 is proposing to amortize these costs over a 5-year period or \$108,786 per year.
20 (Exhibit 104, Schedule 2, page 24).

21 **Q. PLEASE DESCRIBE THE COMPANY'S ADJUSTMENTS FROM ITS HTY**
22 **BALANCE TO ITS FTY BALANCE.**

23 **A.** The Company indicated that the reduction of \$5,572,136 is related to its
24 accelerated field work and the need to complete the work that was planned for the
25 HTY period. Since the planned work was accelerated and performed during the
26 HTY, the cost reductions reflect work completed in the HTY rather than the FTY
27 period. The accelerated work performed and completed during the HTY period is
28 related to replacement programs, meter protection, GPS work, M&R station
29 maintenance work and leak inspection activities.

1 **Q. PLEASE DESCRIBE THE COMPANY'S ADJUSTMENT FROM ITS FTY**
2 **BALANCE TO ITS FPFTY BALANCE.**

3 **A.** The Company has included an increase of \$2,988,000 (or 13%) over its FTY
4 balance of \$22,632,000 (excluding the C&I Network Expense) to return to a
5 normalized level of work activity and emerging work conditions discovered in the
6 FTY period, which will influence the work plan ultimately designed for the FPFTY
7 period. (I&E-RE-021).

8 **Q. WHAT IS YOUR RECOMMENDATION?**

9 **A.** I reviewed the Company's Exhibit RR-052 which shows the level of Outside
10 Services for the periods 2014 through 2017. I compared that level to the Company
11 level for its 2018 FTY and its 2019 FPFTY periods. For the periods 2014-2017 the
12 Company's Outside Services have increased as follows:

13 2014-2015 7% increase or \$1,538,211

14 2015-2016 10% increase or \$2,378,697

15 2016-2017 8% increase or \$2,184,130

16 Three-year average = 8.333%

17 The Company's Outside Services budgeted decreased by 19.75% for the FTY due
18 to accelerated work performed in HTY that was planned in the FTY. The Company
19 is now proposing to increase the Outside Services by \$2,988,000 or 13% over its
20 FTY period. This 13% increase is higher than past actual or historic increases. In
21 my opinion, an 8.33% increase seems to be the normalized level of work activity,
22 rather than a 13% increase as the Company is proposing or projecting.

23 Given this information, I am recommending that a three-year average of 8.333%
24 be used to set the Company's Outside Services normalized work plan budget. This
25 amounts to an increase of \$22,632,000 times 8.33% or \$1,885,246, a reduction
26 from the Company's proposed balance of \$2,988,000, or \$1,102,754. The
27 Company has stated that given that the "emerging field conditions discovered in
28 the FTY will influence the work plan ultimately designed in the FPFTY" period, it is
29 appropriate to use historical actual averages to set costs prospectively. It appears

1 that the Company is unsure about the outcome of its field conditions discovery in
2 the FTY period, and given such outcome, the work plan will be determined and
3 designed in the FFPY period. Also, Outside Services can fluctuate widely
4 depending on the pool of contractors, materials and costs needed, and resources
5 allocated. Not all the work may be performed as planned and within the time frame
6 stated by the Company.

7 **Q. WHAT IS THE STATUS OF THE COMPANY'S C&I NETWORK COSTS?**

8 **A.** According to OCA-2-036, the Company has not awarded the Project to a vendor.

9 **[BEGIN CONFIDENTIAL]**

10 [REDACTED]
11 [REDACTED]

12 **[END CONFIDENTIAL]**

13 The Company has not begun installation of the Project until such time as the
14 parties to this proceeding have evaluated the Company's proposal and before
15 substantial costs are incurred. If it is determined that the project will go forward,
16 the installation is expected to be completed in late 2018-2019. (OCA-2-038).

17 **Q. ARE THERE OTHER COSTS ASSOCIATED WITH THE COMPANY'S C&I**
18 **NETWORK PROJECT?**

19 **A.** Yes. The capital costs are shown on the Company's Exhibit 108 in plant account
20 303.30 (software spend) and 381.10 (hardware spend). The total expected dollars
21 to be expended as of September 2019 is \$6,213,418 (OCA-2-039).

22 **Q. WHAT IS YOUR RECOMMENDATION RELATED TO THE COMPANY'S C&I**
23 **NETWORK COSTS?**

24 **A.** I am recommending, at this point, inclusion of the Company's C&I Network Costs
25 as well as the amortization period of 5 years as shown on Exhibit 104, Schedule
26 2, page 24. I would like to have the Company update its selection of the vendor(s)
27 to perform this service and whether there will be any delay in the deployment of

1 these capital costs. Since I averaged the Company's UPIS balances, the
2 Company's capital costs related to software spend and hardware spend have also
3 been averaged and included in the average balance.

4 **Q. WHAT ARE YOUR ADJUSTMENTS RELATED TO THE COMPANY'S OUTSIDE**
5 **SERVICES?**

6 **A.** My adjustments related to the Company's Outside Services result in a reduction of
7 the Company's Normalized Work Plan for the FPFTY by \$1,102,754.

8 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR**
9 **ADJUSTMENTS?**

10 **A.** My revenue requirement impact is a reduction of \$1,102,754 minus the tax effect
11 of 30.99% equals \$761,011 and is shown on my Schedule DM-11.

12
13 **f. Building Leases**

14 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS BUILDING**
15 **LEASES?**

16 **A.** The Company proposed a total level of Building Leases of \$2,871,366 for the
17 FPFTY period December 31, 2019, an increase of \$86,669 from the Company's
18 HTY period ending November 30, 2017. (Exhibit 104, Schedule 1, pages 3 and 4
19 of 6).

20 **Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO ITS BUILDING LEASES**
21 **FOR THE FTY AND THE FPFTY PERIODS?**

22 **A.** The Company included a budgeted adjustment of \$102,303 and a ratemaking
23 adjustment of (\$37,222) for the FTY period. The Company included a budget
24 adjustment of \$103,222 and a ratemaking adjustment of (\$81,634) for the FPFTY
25 period. The Company stated that these net increases represent expected lease
26 payments for the Company's leased facilities and include known payments for the
27 FTY and the FPFTY periods. The Company also stated that the net increases are

1 the mathematical differences between the total calculated FTY and FPFTY
2 budgets and normalized proceeding test year. (OCA-2-029).

3 **Q. DO YOU HAVE ANY ADJUSTMENTS WITH RESPECT TO THE COMPANY'S**
4 **BUILDING LEASES?**

5 **A.** Yes. I have two adjustments related to the Company's York Operating Center
6 regarding information shown in response to OCA-5-009. My first adjustment is to
7 the Company's FTY Building Lease balance of \$2,887,000, and its Net Rental
8 balance for its York Operating Center of \$476,327 shown on Exhibit 104, Schedule
9 2, page 6 (line 24). According to the response to OCA-5-009, the monthly rental
10 for this lease site is \$50,379.78 effective 4/1/2017 through 3/31/2018, and
11 \$55,405.94 effective 4/1/2018 through 3/31/2019. The FTY lease is therefore:

12	12/1/2017 - 3/31/2018	\$50,379.78 x 4 months = \$201,519
13	4/1/2018 – 11/31/2018	\$50,405.94 x 8 months = <u>\$443,248</u>
14	FTY balance	\$644,767
15	Less CAM Charges	\$120,000
16	Less Charges to Others	<u>\$188,545</u>
17	Net Rental	\$336,221
18	Company Balance	<u>\$476,327</u>
19	Difference	<u>\$140,106</u>

20
21 Based upon the above, my adjustment reduces the Company's FTY Building
22 Lease expense from \$2,887,000 to \$2,746,894, a difference of \$140,106. It is
23 unclear how the Company calculated its Gross Rental Cost of \$784,871 (Exhibit
24 104, Schedule 2, page 6 of 25, line 24).

25 **Q. WHAT IS YOUR SECOND ADJUSTMENT TO THE COMPANY'S BUILDING**
26 **LEASES?**

27 **A.** My second adjustment is to the Company's FPFTY balance of \$2,953,000, and its
28 Net Rental balance for its York Operating Center of \$477,247 shown on Exhibit
29 104, Schedule 2, page 7 (line 24). According to the response to OCA-2-009, the

1 monthly rental for this lease site is \$55,405.94 effective 4/1/2018 through 3/3/2019
2 and \$55,506.94 effective 4/1/2019 through 3/31/2020. The FPFTY lease is
3 therefore:

4	12/1/2018 – 3/31/2019	\$50,405.94 x 4 months = \$221,624
5	4/1/2019 – 12/31/2019	\$55,506.94 x 8 months = <u>\$440,056</u>
6	FPFTY balance	\$665,680
7	Less CAM Charges	\$120,000
8	Less Charges to Others	<u>\$188,836</u>
9	Net Rental	\$356,843
10	Company Balance	<u>\$477,247</u>
11	Difference	<u>\$120,404</u>

12
13 Based upon the above, my adjustment reduces the Company's FPFTY Building
14 Lease expense from \$2,953,000 to \$2,832,596, a difference of \$120,404. As
15 above, it is unclear how the Company calculated its Gross Rental Cost of \$786,083
16 (Exhibit 104, Schedule 2, page 7 of 25, line 24). I have accepted the Company's
17 Rate Making Adjustment for the FTY of (\$37,222) and the Rate Making Adjustment
18 for the FPFTY of (\$81,834).

19 **Q. WHAT IS YOUR RECOMMENDATION?**

20 **A.** My recommendation with respect to the Company's Building Leases is an overall
21 reduction of \$120,403 and is shown on my Schedule DM-12.

22 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

23 **A.** The revenue requirement impact is a reduction of \$120,403 minus the tax effect of
24 30.99% equals \$83,090.

1 **g. Other Rents and Leases**

2 **Q. WHAT DID THE COMPANY PROPOSE REGARDING ITS RENTS AND**
3 **LEASES?**

4 **A.** The Company proposed a total level of Other Rents and Leases of \$321,000 for
5 the FPFTY period December 31, 2019, a decrease \$45,182 from the Company's
6 HTY period ending November 30, 2017 (Exhibit 104, Schedule 1, pages 3 and 4
7 of 6).

8 **Q. WHAT IS YOUR RECOMMENDATION?**

9 **A.** I have no adjustments to the Company's FPFTY balance. My recommendation is
10 shown on my Schedule DM-13.

11
12 **h. Corporate Insurance**

13 **Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO ITS CORPORATE**
14 **INSURANCE?**

15 **A.** The Company proposed a level of Corporate Insurance of \$3,614,000 as shown
16 on Exhibit 104, Schedule 1, pages 3 and 4 of 6. The Company has included a
17 budget adjustment of \$514,000 for the FTY period and an additional \$91,000 for
18 the FPFTY period. The Company provided a breakdown of its Corporate
19 Insurance in response to I&E-RE-24-D Attachment A.

20 **Q. DID THE COMPANY UPDATE ITS ADJUSTMENT TO ITS CORPORATE**
21 **INSURANCE?**

22 **A.** Yes. In response to OCA-2-034, the Company updated its adjustment related to
23 Corporate Insurance to an increase of \$345,000 for the FTY period and an
24 adjustment of \$140,000 for the FPFTY period.

25 **Q. WHAT IS YOUR RECOMMENDATION?**

26 **A.** I adjusted the Company's HTY Balance by \$459 in response to I&E-RE-024 that
27 reflects the actual Corporate Insurance balance for that period. I am accepting the

1 Company's adjustment to its FTY balance of \$345,000 and its FPFTY balance of
2 \$140,000 shown in response to OCA-2-034. I removed the 1.50% inflation factor
3 that the Company included to calculate its mid-year premium changes for its
4 FPFTY period. This results in a decrease of \$2,069 (\$140,000-\$137,931). As I
5 stated previously in my testimony, I believe inflation related increases are not
6 known and measurable and do not reflect the true costs of expenses. My
7 adjustment is a decrease to the Company's Corporate Insurance of \$122,528 (from
8 \$3,614,000 to \$3,491,472) and is shown on my Schedule DM-14.

9 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

10 **A.** The revenue requirement impact is a reduction of \$122,528 minus the tax effect of
11 30.99% equals \$84,557.

12
13 **i. Injury and Damages**

14 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS INJURY AND**
15 **DAMAGES?**

16 **A.** The Company proposed an Injury and Damage expense of \$352,959 as shown on
17 Exhibit 104, Schedule 1, pages 3 and 4 of 6.

18 **Q. WHAT IS YOUR RECOMMENDATION?**

19 **A.** I reviewed the Company's Exhibit 4, Schedule 2, page 11. I accept the Company's
20 five-year average to calculate its HTY balance, but I removed the inflation related
21 adjustments for those five-year periods. My adjustments reflect a starting HTY
22 balance of \$327,797, a reduction of \$10,091.

23 **Q. WHAT OTHER ADJUSTMENTS DID YOU MAKE?**

24 **A.** I removed the Budgeted and Rate Making Adjustments for the FPY and the FPFTY
25 periods. The Company's five-year average is a good indicator of costs without the
26 use of inflation factors and by using a budget expense (\$400,000) as a baseline
27 cost for the FTY and the FPFTY periods shown on Exhibit 104, Schedule 2, page

1 8. The Company's five-year average shows fluctuations in each year of the five-
2 year period (12/12-11/13 through 12/16-11/17) from a low of \$261,045 in period
3 12/13-11/14, to a high of \$390,604 in period 12/15-11/16. My total adjustment is
4 a decrease of \$25,162 and is shown on my Schedule DM-15.

5 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

6 **A.** The revenue requirement impact is a reduction of \$25,162 minus the income tax
7 effect of 30.99% equals \$17,364.

8
9 **j. Employee Expenses**

10 **Q. WHAT HAS THE COMPANY PROPOSED WITH RESPECT TO ITS EMPLOYEE**
11 **EXPENSES?**

12 **A.** The Company proposed a level of Employee Expenses in the amount of
13 \$1,549,241 for the FPFTY period as shown on Exhibit 104, Schedule 1, pages 3
14 and 4 of 6. This is a decrease of \$22,033 from the Company's HTY balance on
15 November 30, 2017.

16 **Q. DID THE COMPANY ADDRESS THE BUDGET ADJUSTMENTS FOR ITS FTY**
17 **AND ITS FPFTY PERIODS?**

18 **A.** Not really. In response to I&E-RE-043, the Company's response to the adjustment
19 of (\$10,274) for the FTY and the adjustment of \$100,498 for the FPFTY was that
20 documentation does not exist, and the adjustments reflect the assumption that
21 budgets are to be held relatively flat in the FTY and for the FPFTY the adjustment
22 reflects a normalized trend of increase in employee expenses over time.

23 **Q. WHAT ARE YOUR ADJUSTMENTS TO THE COMPANY'S EMPLOYEE**
24 **EXPENSES?**

25 **A.** I have several. My first adjustment is to the Company's HTY Balance of
26 \$1,571,274. In response to OCA-2-044, the Company has included Meal and
27 Entertainment expense of \$454,905, Non-Deductible Business Expenses of

1 \$10,473, Gifts of \$23,632 and a Hire-Spot Discretionary Bonus of \$117,586. In
2 OCA-5-010, I asked for a further breakdown of these specific accounts. The
3 Company responded that these accounts reflect entertainment costs, sports and
4 entertainment suite rentals, spouse travel, and various memberships. These costs
5 also include company sponsored events for the benefit of the employees and
6 employee meals while on travel status off of company premises. These accounts
7 also reflect gift cards, merchandise and promotional items, and discretionary
8 bonuses:

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
3102	Meals / Entertainment	\$454,905
3103	Non-Deductible Bus. Exp.	\$10,473
3106	Gifts	\$23,632
9020	Hire Spot Discretionary Bonus	\$117,471

14
15 **Q. WHAT IS YOUR RECOMMENDATION?**

16 **A.** I am recommending that 50% of the Company's Meal and Entertainment be
17 allowed in rates. The Company has not broken-down these costs related to either
18 and it is difficult to segregate out which expenses are meal-related and which are
19 entertainment-related. Also, I do not believe ratepayers should be paying for
20 entertainment related costs, company sponsored events for the benefit of the
21 employees which may include entertainment related expenses, or other sports
22 related entertainment. Therefore, I believe that allowing 50% of \$454,905 or
23 \$227,453 is reasonable. In Account 3103, all the \$10,473 in costs are sports-
24 related, including club memberships, airline and spousal travel. I do not believe
25 ratepayers should pay for these employee related costs. This also goes to Account
26 3106 – Gifts of \$23,632. Similarly, the Discretionary Bonus of \$117,471 in Account
27 9020 should be borne by the shareholders. My total recommendation is a
28 reduction of \$379,144 from the Company's balance of \$1,571,274 or \$1,192,131.

29 **Q. WHAT ARE YOUR OTHER ADJUSTMENTS?**

1 **A.** I am recommending removal of the (\$10,274) adjustment to the Company's FTY
2 balance and \$100,498 to the Company's FPFTY balance. As indicated in I&E-RE-
3 043, these costs are not known and measurable and do not reflect incremental
4 activities within this account. The Company has not provided any other
5 description. Finally, in the Company's Rate Making Adjustment shown on Exhibit
6 104, Schedule 2, page 9, I removed the inflation related factors of \$1,162 (FTY)
7 and \$1,262) FPFTY.

8 **Q. WHAT DO YOUR ADJUSTMENTS RESULT IN?**

9 **A.** My adjustments results in a total decrease of \$466,944, (from \$1,549,241 to
10 \$1,082,298) and is shown on my Schedule DM-16.

11 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR**
12 **ADJUSTMENTS?**

13 **A.** The revenue requirement adjustment is a reduction of \$466,944 minus the income
14 tax effect of 30.99% equals \$322,238.

15

16 **k. Company Memberships**

17 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS COMPANY**
18 **MEMBERSHIPS?**

19 **A.** The Company proposed a Company Membership expense of \$491,000 for the
20 FPFTY period as shown on Exhibit 104, Schedule 1, pages 3 and 4 of 6.

21 **Q. DID THE COMPANY PROVIDE A BREAKDOWN OF THESE COSTS?**

22 **A.** Yes. In Gas-RR-030 Attachment A, the Company provided an HTY period balance.

23 **Q. WHAT DID THE COMPANY STATE WERE THE ADJUSTMENTS TO ITS FTY**
24 **AND FPFTY BUDGET ADJUSTMENTS?**

25 **A.** In response to OCA-2-045, the Company stated that these adjustments are
26 mathematical differences between budget periods and there is no identifiable

1 planned additional membership and the differences may be driven by timing of
2 invoices and the balancing of overall budgets.

3 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

4 **A.** I am recommending removal of about \$16,284 of Company Membership costs for
5 the HTY period ending 11/30/2017. In reviewing GAS-RR-030, most of these
6 Membership dues reflect business network advocacy groups, chambers of
7 commerce that promote the Company in a particular territory or service area and
8 do not reflect any benefits to customers. With respect to Chamber of Commerce
9 (COC) Membership Fees, these relate to helping small businesses connect with
10 potential customers and promoting economic power in the communities.
11 Ratepayers should not pay for costs that appear to be related to contributions,
12 pledges, sponsorships and donations. My breakdown related to these costs are as
13 follows:

14	African American COC	\$3,000
15	Beaver County COC	\$ 400
16	Beaver County Corp. for Econ Develop	\$ 200
17	Bradford Area COC	\$ 158
18	Chamber of Business & Ind. Of Center County	\$ 512
19	Grainger	\$ 129
20	Greater Pittsburgh COC	\$2,200
21	Lawrence County COC	\$1,040
22	PA for Government Relations	\$ 350
23	Rochester COC	\$ 100
24	Southpointe CEO Association	\$2,000
25	The Chamber Pittsburgh Airport Area	\$ 658
26	PA Society	\$ 500
27	Utility State Govt Org	\$ 500
28	Wash County COC	\$ 510
29	York County Hispanic Coalition	\$ 45
30	York County Economic Alliance	\$1,129
31	Other	<u>\$ 786</u>
32		
33	Total	\$16,284
34		

35 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S**
36 **BUDGET ADJUSTMENTS TO ITS FTY AND FPFTY PERIODS?**

1 **A.** I am recommending removal of the \$11,642 related to the FTY period, and \$1,000
2 related to the FPFTY period. As the Company stated in OCA-2-045, these
3 adjustments have no planned additional membership costs, nor are they
4 attributable to a specific change.

5 **Q. WHAT IS YOUR TOTAL ADJUSTMENT TO THE COMPANY'S COMPANY**
6 **MEMBERSHIP?**

7 **A.** My adjustment is a reduction of \$26,926 (\$491,000 - \$464,074) and is shown on
8 my Schedule DM-17.

9 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THESE**
10 **ADJUSTMENTS?**

11 **A.** The revenue requirement impact is a reduction of \$26,926 minus the income tax
12 effect of 30.99%, equals \$18,590.

13

14 **I. Utilities – Fuel Used in Company Operations**

15 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS UTILITIES AND**
16 **FUEL USED IN COMPANY OPERATIONS?**

17 **A.** The Company proposed a balance of \$510,813 related to its Utilities and Fuel used
18 in Company Operations for the FPFTY period as shown on Exhibit 104, Schedule
19 1, pages 3 and 4 of 6.

20 **Q. WHAT ADJUSTMENTS DO YOU HAVE?**

21 **A.** With respect to the Company's HTY Balance of \$520,661 as shown on Exhibit 104,
22 Schedule 1, page 2, line 14, and the adjustments shown on Schedule 2, page 10,
23 I removed the deflation factors of 2.1383% (FTY) and 2.2735% (FPFTY) to arrive
24 at an adjustment of \$14,783, an increase over the Company's \$510,813 balance.
25 To be consistent with removing inflation factors, I am also making adjustments
26 related to deflation or increases in the Company's adjustments.

27 **Q. WHAT IS YOUR RECOMMENDATION?**

1 **A.** My adjustment increases the Company's costs related to Utilities – Fuel Used in
2 Company Operations to \$525,596 and is shown on my Schedule DM-18.

3 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

4 **A.** The revenue requirement impact is an increase of \$14,783 times the income tax
5 effect of 30.99% = \$10,202.

6

7 **m. Advertising**

8 **Q. WHAT HAS THE COMPANY PROPOSED REGARDING ITS ADVERTISING
9 EXPENSE?**

10 **A.** The Company has proposed a level of Advertising Expense of \$93,419 for the
11 FPFTY period as shown on Exhibit 104, Schedule 1, pages 3 and 4 of 6.

12 **Q. WHAT IS YOUR RECOMMENDATION?**

13 **A.** The only adjustment I have with respect to the Company's Advertising Expense is
14 the removal of the Company's inflation factors for the FTY and the FPFTY periods
15 of \$1,913 and \$2,077, respectively. My reasons for the removal of inflation factors
16 are stated previously in my testimony. My adjustments reduce the Company's
17 Advertising Expense from \$93,419 to \$89,429, a decrease of \$3,990, and is shown
18 on my Schedule DM-19.

19 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

20 **A.** My revenue requirement impact is a reduction of \$3,990 times the income tax
21 effect of 30.99% = \$2,753.

22

23 **n. Fleet and Other Clearing**

24 **Q. WHAT HAS THE COMPANY PROPOSED WITH RESPECT TO ITS FLEET AND
25 OTHER CLEARING?**

1 **A.** The Company has proposed a total Fleet and Other Clearing expense of
2 \$6,441,000 as shown on Exhibit 104, Schedule 1, pages 3 and 4 of 6. The
3 Company made an adjustment of (\$60,346) in the FTY period and \$131,000 in the
4 FPFTY period.

5 **Q. WHAT DID THE COMPANY STATE WERE THE REASONS FOR THESE**
6 **ADJUSTMENTS?**

7 **A.** The Company stated in response to OCA-2-049 that the (\$60,346) is a function of
8 the budget process and reflects the assumption that this account will remain stable
9 from HTY to FTY. With respect to the \$131,000 adjustment, the Company stated
10 that this reflects anticipated vehicle replacement through new leases in the FPFTY
11 period.

12 **Q. WHAT ADJUSTMENTS DO YOU HAVE REGARDING THE COMPANY'S FLEET**
13 **AND OTHER CLEARING?**

14 **A.** I reviewed the response to OCA-5-014, Attachment A. In reviewing this document,
15 I noticed costs that are not specifically identifiable or related to Vehicle Costs,
16 Truck Costs and Tool Costs in the HTY. These costs are as follows:

17	Line 53 – Union Meeting	\$10,972
18	Line 64 – Customer Line Survey	\$46,744
19	Line 82 – Union Meeting	\$ 20
20	Line 86 – Customer Consumption History	\$10,532
21	Line 88 – Billing Investigation Theft	\$ 1,389
22	Line 89 – High Bill Investigation	\$ 6,802
23	Line 102 – Customer Billing / Accounting	\$ 2,983
24	Line 109 – Government Affairs	<u>\$ 29,345</u>
25	Total	\$108,807
26		

27 **Q. WHAT IS YOUR RECOMMENDATION?**

28 **A.** First, I am recommending removal of the \$131,000 adjustment to the Company's
29 FPFTY period. The Company has not specifically identified what types of vehicles

1 are expected to be replaced in the FPFTY period. Second, I am removing the
2 expenses above in response to OCA-5-014 of \$108,807. These types of expenses
3 do not specifically fit or be reflective of fleet related costs, but rather administrative
4 and customer service related expenses. My total reduction to the Company's Fleet
5 and Other Clearing is, therefore, \$239,807 and is shown on my Schedule DM-20.

6 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

7 **A.** My revenue requirement impact is a reduction of \$239,807 minus the income tax
8 effect of 30.99% = \$165,491.

9
10 **o. Materials and Supplies**

11 **Q. WHAT HAS THE COMPANY PROPOSED WITH RESPECT TO ITS MATERIALS**
12 **AND SUPPLIES?**

13 **A.** The Company proposed a level of Materials and Supplies in the amount of
14 \$5,945,000 for the FPFTY period as shown on Exhibit 104, Schedule 1 page 3 and
15 4 of 6. This is a decrease from the Company's HTY balance (\$6,135,851) of
16 \$190,851. The Company stated in response to OCA-2-050 that the decrease in
17 FTY of \$313,851 was due to additional accelerated work that was performed in the
18 HTY period, which is not needed in the FTY period. The decrease is to reflect
19 work that was performed in the HTY and not required to be performed in the FTY.
20 The additional costs of \$123,000 for the FPFTY reflects the return to a normalized
21 level work plan level.

22 **Q. WHAT IS YOUR RECOMMENDATION?**

23 **A.** I am recommending the removal of the \$123,000 budget adjustment for the FPFTY
24 period. The Company removed \$313,851 of costs for its FTY period essentially
25 normalizing the costs in that period. The Company is not proposing to increase
26 the Materials and Supplies account by an additional \$123,000 for its FPFTY period
27 stating this is the amount to bring the Materials and Supplies account to a
28 normalized level or work plan. The Company has not specifically identified what

1 the \$123,000 represents or the type of work to be performed or when the work will
2 be performed. My adjustment is shown on Schedule DM-21.

3 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

4 **A.** My revenue requirement impact is a reduction of \$123,000 minus the tax effect of
5 30.99% = \$84,882.

6
7 **p. Other O&M**

8 **Q. WHAT HAS THE COMPANY PROPOSED WITH RESPECT TO ITS OTHER**
9 **O&M EXPENSES?**

10 **A.** The Company has proposed a balance to its Other O&M Expenses of (\$7,079,000)
11 for the FPFTY period as shown on Exhibit 104, Schedule 1, page 3 and 4 of 6.

12 **Q. WHAT DID THE COMPANY STATE REGARDING ITS REDUCTION OF ITS**
13 **OTHER O&M EXPENSES?**

14 **A.** In response to OCA-2-051, the Company stated that the decrease in its O&M
15 Expenses for the FPFTY period is due to the savings anticipated from the
16 Customer Value affordability initiative discussed in Ms. Krajovic's testimony,
17 Columbia St. No. 10, and in GAS-RR-053. The majority of the decrease which the
18 Company proposed for its budgeted adjustment to its FPFTY period of
19 (\$8,425,000) reflects the savings anticipated from the Customer Value affordability
20 initiative. This is being implemented in 2018 and focuses on optimizing resource
21 utilization (GAS-RR-053). The breakdown of the Company's proposed \$8,425,000
22 reduction of its O&M Expenses is related to the proposed reduction in corporate
23 services areas, materials and outside services spend and productivity gains.

24 **Q. WHAT IS YOUR RECOMMENDATION?**

25 **A.** I am accepting the Company's adjustment to its O&M Expenses. I would like to
26 see further development of this initiative when available since this has only been

1 implemented in March 2018, and work is underway in the first wave in the
2 diagnostic stage.

3
4 **q. NCSC-Shared Services**

5 **Q. WHAT DID THE COMPANY PROPOSE RELATED TO ITS NCSC-SHARED**
6 **SERVICES?**

7 **A.** The Company proposed a NCSC-Shared Services balance of \$39,380,343 for the
8 FPFTY period, a decrease of \$171,773 over the Company's HTY period of
9 November 30, 2017. (Exhibit 104, Schedule 1, pages 3 and 4 of 6).

10 **Q. PLEASE BRIEFLY DESCRIBE HOW THE COMPANY'S PARENT, NISOURCE,**
11 **ALLOCATES AND PROVIDES SUPPORT SERVICES TO ITS SUBSIDIARIES,**
12 **PARTICULARLY TO COLUMBIA.**

13 **A.** As indicated in Ms. Miller's testimony, Columbia St. No. 4, NiSource provides a
14 range of services to each of the operating companies within NiSource, including
15 Columbia, as well as coordinates the allocation and billing of charges to the
16 NiSource operating companies for services provided by both the NiSource
17 Corporate Service Company (NCSC) and third-party vendors (Columbia St. No. 4,
18 page 15). The Shared Services costs include traditional services that are provided
19 by a service company such as Accounting and Finance, Legal Services,
20 Information Technology, Human Resources and Executive. (Columbia St. No. 4,
21 page 18). The Company makes various adjustments to its HTY balance of
22 \$39,552,116 (Exhibit 104, Schedule 12, page 1) of (\$871,580) to arrive at its HTY
23 adjusted balance of \$40,423,696. (Exhibit 4, Schedule 2, page 17 of 34).

24 **Q. WHAT ADJUSTMENTS HAS THE COMPANY MADE TO ARRIVE AT ITS FTY**
25 **AND FPFTY BALANCES RELATED TO ITS NSCS-SHARED SERVICES OF**
26 **\$39,380,343?**

27 **A.** As shown on Exhibit 104, Schedule 12, page 1, the Company makes budgeted
28 adjustments to its NSCS Shared Services related to:

	<u>FTY (\$)</u>	<u>FPFTY (\$)</u>
• Labor/Benefits/Incentive Comp.	(60,000)	(16,000)
• External Services	(4,376,000)	(1,002,000)
• Other O&M Expense	2,561,000	892,000
• Depreciation/Other Taxes	884,000	288,000
• All Other Adjustments	(231,696)	3,000

7

8 The Company makes one ratemaking adjustment to its NSCS Shared Services of
9 \$14,343 for its FPFTY period that relates to labor shown on Exhibit 104, Schedule
10 2, page 12.

11 **Q. WHAT ADJUSTMENTS DO YOU HAVE WITH RESPECT TO THE COMPANY'S**
12 **SHARED SERVICES OF \$39,380,343?**

13 **A.** I have several adjustments related to the Company's Shared Services.
14 First, I reviewed the Company's breakdown of its HTY period balance 11/30/2017
15 of \$39,552,116, which is shown on OCA-2-062 Attachment A. This shows a
16 breakdown of costs by Direct Expenses of \$28,940,000, and Indirect Expenses of
17 \$8,261,000, along with Depreciation Expense of \$3,267,000 and Reclassification
18 of (\$43,000).² The Company also included a Rate Making adjustment of \$871,580.
19 (Exhibit 104, Schedule 12, page 1 of 2). Included in the balance was a level of
20 incentive compensation of \$2,550,000 related to Corporate Incentive Program and
21 \$1,383,000 related to Stock Compensation. In OCA-2-058, I asked for a
22 breakdown of the Incentive Compensation paid in 2017, and to identify the
23 individuals by title who received these Incentive Compensation payouts, the basis
24 for the awards, and the category (NOEPS, Customer Service, Safety, etc.). The
25 Company responded stating that the Incentive Compensation is inclusive of cash
26 awards, and that there is no breakdown by categories. If the incentive goals are
27 met, and the plan is funded, then the payment of employee-specific Incentive
28 Compensation for exempt employees depends upon the employee's satisfaction
29 of his/her individual safety, customer, financial, execution, and engagement goals.

² Difference due to rounding.

1 For non-exempt employees the award is non-discretionary. NCSC's Incentive
2 Compensation appears to be predominately geared towards the Corporate
3 Incentive and Stock Compensation, with no value accruing to the ratepayers of
4 Columbia.

5 Therefore, I am recommending that all of NCSC's Incentive Compensation related
6 to Corporate Incentive of \$2,550,000 and Stock Compensation of \$1,383,000 for
7 a total of \$3,933,000 that was paid out by NCSC to NCSC employees be removed
8 from the Company's revenue requirement increase and from the NCSC Shared
9 Services. My recommendation is based upon the fact that most, if not all of
10 NCSC's Incentive Compensation payments are aligned with NCSC's Corporate
11 executives with minimal or none being attributable to the benefit of customers. I
12 do not believe that ratepayers should pay for incentive compensation which
13 promotes NCSC's shareholders' interest and the alignment of NCSC's shareholder
14 growth.

15 **Q. WHAT IS YOUR NEXT ADJUSTMENT TO THE COMPANY'S NCSC'S SHARED**
16 **SERVICES?**

17 **A.** My next adjustment is to the Company's budgeted adjustments for the FTY period,
18 specifically Labor/Benefits/Incentive Compensation of (\$60,000). In response to
19 OCA-2-062, NCSC reduced its Corporate Incentive Program by \$804,000 and
20 increased its Stock Compensation by \$237,000 for a net decrease of \$567,000.
21 Since I removed all of the Company's NCSC Corporate Incentive Program and its
22 Stock Compensation in the HTY period, I adjusted the account by increasing it to
23 \$567,000, so as not to doubly remove this cost, just the incremental adjustment to
24 this account.

25 **Q. WHAT IS YOUR FINAL ADJUSTMENT TO THE COMPANY'S NCSC SHARED**
26 **SERVICES?**

27 **A.** My final adjustment is to the Company's FPFTY period budgeted adjustment,
28 specifically Labor/Benefits/Incentive Compensation of (\$16,000). In response to
29 OCA-2-063, NCSC increased its Corporate Incentive Program by \$2,000, and

1 increased its Stock Compensation by \$55,000 for a net increase of \$57,000. Since
2 I removed all of the Company's NCSC Corporate Incentive Program and its Stock
3 Compensation in the HTY period, I adjusted the account by decreasing it to
4 \$57,000, so as not to doubly remove this cost, just the incremental adjustment to
5 this account.

6 **Q. WHAT IS YOUR RECOMMENDATION?**

7 **A.** I am recommending an adjustment of \$3,423,000 related to the removal of all of
8 NCSC's Incentive Compensation related to Corporate Incentive Program and
9 Stock Compensation. As indicated above, I do not believe Columbia's ratepayers
10 should pay for compensation related to NCSC's corporate employees that appears
11 to support and promote shareholder interest and shareholder growth. My
12 recommendation is shown on my Schedule DM-24.

13 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

14 **A.** My revenue requirement is a reduction of \$3,423,000 minus the income tax effect
15 of 30.99% equals \$2,262,213.

16 **r. NCSC-Shared Operations**

17 **Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO ITS NCSC-**
18 **SHARED OPERATIONS?**

19 **A.** The Company proposed a NSCS-Shared Operations balance of \$27,311,762, an
20 increase of \$949,254 over the Company's HTY period of November 30, 2017.
21 (Exhibit 104, Schedule 1, pages 3 and 4 of 6). The Company makes various
22 adjustments to its HTY balance of \$26,362,508 (Exhibit 4, Schedule 1, page 21 of
23 34).

24 **Q. PLEASE EXPLAIN BRIEFLY WHAT IS INCLUDED IN THE COMPANY'S NCSC-**
25 **SHARED OPERATIONS?**

26 **A.** These costs include services such as Safety, Capital Execution, Customer
27 Service, New Business, Supply Chain, Facilities/Real Estate and Energy Supply
28 and Optimization. (Columbia St. No. 4, page 18). The Company made various

1 adjustments to its HTY balance of \$26,362,508 to arrive at its HTY adjusted
2 balance of \$27,010,861 (\$648,353 shown on Exhibit 4, Schedule 2, page 21 of
3 34).

4 **Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO ARRIVE AT FTY AND**
5 **FPFTY BALANCES RELATED TO ITS NCSC-SHARED OPERATIONS**
6 **BALANCE OF \$27,311,762?**

7 **A.** As shown on Exhibit 104, Schedule 13, pages 1 and 2, the Company made several
8 budgeted adjustments as shown below:

	<u>FTY (\$)</u>	<u>FPFTY (\$)</u>	
9			
10	• Labor/Benefits/Incentive Comp	1,011,000	962,000
11	• External Services	(934,000)	250,000
12	• Other O&M Expense	694,000	(383,000)
13	• Materials	(415,000)	120,000
14	• Depreciation, Other Taxes	(220,000)	(55,000)
15	• All Other Adjustments	(107,861)	(14,000)

16

17 The Company also made one ratemaking adjustment for the FPFTY period of
18 (\$607,238) that relates to labor and non-recoverable labor as shown on Exhibit
19 104, Schedule 2, page 15.

20 **Q. WHAT ADJUSTMENTS DO YOU HAVE REGARDING THE COMPANY'S NCSC**
21 **SHARED OPERATIONS OF \$27,311,762?**

22 **A.** I have several adjustments related to the Company's Shared Operations. First, I
23 reviewed the Company's breakdown of its HTY period balance of \$26,362,508,
24 which is shown on OCA-2-064 Attachment A. This shows a breakdown of costs
25 by Direct Expenses of \$19,471,000, and Indirect Expenses of \$6,434,000, along
26 with Depreciation Expense of \$1,314,000 and Reclassification of (\$208,000).³ The
27 Company also included a Rate Making adjustment of \$648,353. Including in the
28 balance was a level of incentive compensation of \$1,972,000 related to Corporate
29 Incentive Program. I asked for a breakdown of the Incentive Compensation paid

³ Difference due to rounding.

1 in 2017, and to identify the individuals by title who received these Incentive
2 Compensation payouts, the basis for the awards, and the category (NOEPS,
3 Customer Care, Safety, etc.). The Company responded stating that the Incentive
4 Compensation is inclusive of cash awards, and that there is no breakdown by
5 categories. If the incentive goals are met, and the plan is funded, then the payment
6 of employee-specific Incentive Compensation for exempt employees depends
7 upon the employee's satisfaction of his/her individual safety, customer, financial,
8 execution, and engagement goals. (OCA-2-060). NCSC's Incentive
9 Compensation appears to be predominately geared towards the corporate
10 shareholder with little or no value accruing to the ratepayers of Columbia.

11 I am therefore recommending that all of NCSC's Incentive Compensation related
12 to Corporate Incentive Program of \$1,972,000 be removed from the Company's
13 revenue requirement increase and from the NCSC Shared Operations.

14 My recommendation is based upon the fact that most, if not all, of NCSC's Shared
15 Operations – Incentive Compensation payments are aligned with NCSC's
16 Corporate executives with minimal or none being attributable to the benefit of
17 ratepayers. I do not believe that ratepayers should pay for incentive compensation
18 which promotes NCSC's shareholder interest and the alignment of NSCS's
19 shareholder growth.

20 **Q. WHAT IS YOUR NEXT ADJUSTMENT TO THE COMPANY'S NCSC'S SHARED**
21 **OPERATIONS?**

22 **A.** My next adjustment is to the Company's budgeted adjustment for the FTY period
23 specifically, Labor/Benefits/Incentive Compensation of \$1,011,000. In response
24 to OCA-2-064, NCSC reduced its Corporate Incentive Compensation by \$583,000.
25 Since, I removed all of the Company's NCSC Corporate Incentive Program in the
26 HTY period, I adjusted this account by increasing it to \$583,000, so as not to doubly
27 remove this cost, just the incremental adjustment to this account.

28 **Q. WHAT IS YOUR FINAL ADJUSTMENT TO THE COMPANY'S NCSC'S SHARED**
29 **OPERATIONS?**

1 **A.** My final adjustment is to the Company's FPFTY period budgeted adjustment,
2 specifically Labor/Benefits/Incentive Compensation of \$962,000. In response to
3 OCA-2-065, NCSC increased its Corporate Incentive Program by \$82,000. Since
4 I removed all of the Company's NCSC Corporate Incentive Program in the HTY, I
5 adjusted the account by decreasing it to \$82,000, so as not to doubly remove this
6 cost, just the incremental adjustment to this account.

7 **Q. WHAT IS YOUR RECOMMENDATION?**

8 **A.** I am recommending an adjustment of \$1,471,000 related to the removal of all of
9 NCSC's Incentive Compensation related to its Corporate Incentive Program. As I
10 indicated previously, I do not believe that Columbia's ratepayers should pay for
11 compensation related to NCSC's corporate employees that appear to support and
12 promote shareholder interest and shareholder growth. My recommendation is
13 shown on my Schedule DM-25.

14 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

15 **A.** My revenue requirement impact is a reduction of \$1,471,000 minus the income tax
16 effect of 30.99% equals \$1,015,137.

17

18 **s. Rate Case Expenses**

19 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS RATE CASE**
20 **EXPENSES?**

21 **A.** The Company proposed a total level of Rate Case Expenses of \$1,060,000 with a
22 normalization period of 1 year. (Exhibit 104, Schedule 2, page 20). The Company
23 calculated this level based upon a normalized level of rate case expenses and
24 based the one-year amortization period due to prior experience and the
25 expectation of future rate filings. (Columbia St. No. 4, page 23).

26 **Q. WHAT ADJUSTMENTS DO YOU HAVE?**

1 **A.** I reviewed the response to OCA-2-006 which asked for the level of rate case
2 expenses incurred by the Company for the past five base rate proceedings along
3 with the normalization periods associated with the rate case expenses. The
4 Company provided the following rate case costs:

<u>Case Year</u>	<u>Amount</u>
2018	\$174,948
2016	\$547,436
2015	\$571,692
2014	\$458,570
2012	\$587,487

11
12 **Q. WHAT IS YOUR RECOMMENDATION?**

13 **A.** In the response to OCA-2-006, the Company has been filing rate case petition
14 about every 2 years, with the exception of 2015. In this case, I am recommending
15 a two-year normalization period. This computes to an annual expense of \$530,000.
16 While the Company claims that it is expected to file more frequent rate case filings,
17 prior experiences indicate that, on average, the Company has been filing rate case
18 every two years. My adjustment is shown on my Schedule DM-26.

19 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

20 **A.** My revenue requirement adjustment is a reduction of \$530,000 minus the income
21 tax effect of 30.99% equals \$365,753.

22
23 **t. Uncollectible Expense**

24 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS UNCOLLECTIBLE**
25 **EXPENSE?**

26 **A.** The Company has proposed total Uncollectible Expenses – Base Rates of
27 \$4,733,676 and Unbundled Uncollectible Expenses of \$1,216,174 (Exhibit 104,

1 Schedule 2, page 21). The Company utilized a three-year average based on
2 experiences of net write-offs as a percentage of billed DIS revenues for the Base
3 Rate Uncollectible. For the Unbundled Uncollectible Expenses of \$1,216,174, the
4 Company will collect this expense through its Merchant Function Charge.

5 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

6 **A.** I am accepting the Company's FPFTY revenues at present rates and the
7 methodology used to compute this level of Uncollectible Expense. What I am
8 adjusting is my recommended revenue requirement decrease of \$5,544,098 times
9 the Uncollectible Expense Write-Off Rate of \$0.0119054 equals \$65,797. This
10 adjusts the Company's Uncollectible Expense from \$538,214 to (\$47,753) a
11 difference of \$604,011. My recommendation is shown on my Schedule DM-27.

12 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS ADJUSTMENT?**

13 **A.** My revenue requirement adjustment is a reduction of \$604,011 minus the income
14 tax effect of 30.99% equals \$416,828.

15
16 **u. Prepaid Asset Amortization**

17 **Q. WHAT HAS THE COMPANY PROPOSED RELATED TO ITS PREPAID ASSET**
18 **AMORTIZATION?**

19 **A.** The Company has included in rate base a prepayment related to cloud-based
20 assets (Columbia St. No. 4, page 43). The Company is proposing to amortize this
21 prepayment over a five-year period. Company witness Miller stated that this
22 prepayment is not included in Mr. Spanos' calculation of depreciation expense.
23 The Company is including a prepaid asset amount of \$831,580 with a yearly
24 amortization expense of \$166,316 (Exhibit 104, Schedule 2, page 25). Company
25 witness Covert stated that this new Cloud-Based system will allow for replacement
26 of multiple, fragmented and obsolete technology systems related to sourcing,
27 procuring and paying for goods and services (Columbia St. No. 6, page 12). This
28 new system will allow the Company to automate and standardize business

1 processes, manage standard settlement terms with suppliers and take advantage
2 of new methods of settled payments, leverage centralized purchasing data and
3 manage spend on goods and services. Ms. Covert stated that Cloud-Based
4 Assets system is a means to enhance security, and increase flexibility and
5 reliability, and is becoming more prevalent.

6 **Q. WHAT COSTS ARE INCLUDED IN THE COMPANY'S PREPAID ASSET**
7 **BALANCE?**

8 **A.** According to the response to OCA-2-068, development costs and fees paid in
9 advance to the cloud service provider are included in the \$831,580 balance. This
10 is in accordance with current GAAP, which states that implementation costs, such
11 as configuring the cloud-based solution to the Company's IT environment will be
12 expensed as the implementation activities are performed and the equipment
13 purchased by the Company.

14 **Q. WHEN DOES THE COMPANY EXPECT DEPLOYMENT OF THESE CLOUD-**
15 **BASED ASSETS?**

16 **A.** According to the response to OCA-2-069 Attachment A:

17 **[BEGIN CONFIDENTIAL]**

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 **[END CONFIDENTIAL]**

22 **Q. HAS THE COMPANY CONTRACTED WITH VENDORS TO PROVIDE SERVICE**
23 **WITH RESPECT TO ITS CLOUD BASED ASSETS?**

24 **[BEGIN CONFIDENTIAL]**

25 **A.** [REDACTED]
26 [REDACTED]

27

1 **[END CONFIDENTIAL]**

2 **Q. WHAT IS YOUR RECOMMENDATION?**

3 **A.** I am accepting the Company's Pre-Paid Asset balance of \$851,580 and the related
4 amortization period of 5 years for an annual expense of \$166,316. The Company
5 should update its understanding regarding the Financial Accounting Standards
6 Board on any future guidance with respect to capitalization of cloud-based assets
7 to on-premised software.

8
9 **3. DEPRECIATION AND AMORTIZATION EXPENSE**

10 **Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO ITS**
11 **DEPRECIATION AND AMORTIZATION EXPENSE?**

12 **A.** The Company proposed a Depreciation and Amortization Expense of \$72,557,195
13 as shown on Exhibit 105, page 9 of 10. Company witness Mr. Spanos calculated
14 total depreciation expense of \$67,460,556 for the FPFTY and total amortization
15 expense of \$5,096,639 for the FPFTY for a total expense of \$72,557,195. The
16 Company has proposed a five-year amortization of negative net salvage of
17 \$4,744,712 as shown on Exhibit 105 page 10.

18 **Q. DID THE COMPANY HAVE A DEPRECIATION STUDY PERFORMED FOR USE**
19 **IN THIS RATE PROCEEDING?**

20 **A.** Yes. In Mr. Spanos' testimony, Columbia St. No. 5, page 3, a 2017 depreciation
21 study was performed to calculate depreciation expense as related to the original
22 cost at November 30, 2017. A 2018 depreciation study was performed that
23 includes the results related to the estimated original cost at November 30, 2018.
24 A 2019 depreciation study was performed to include the results of the estimated
25 original cost at December 31, 2019. (Exhibits 9, Schedule 1, 109 Schedule 1
26 Attachment A, and 109 Schedule 1 Attachment B, respectively).

27 **Q. WHAT ARE YOUR RECOMMENDATIONS RELATED TO THE COMPANY'S**
28 **DEPRECIATION AND AMORTIZATION EXPENSE?**

1 **A.** In order to calculate the depreciation expense associated with my recommended
2 plant in service balance, I took the average UPIS balance I calculated with respect
3 to Rate Base of \$2,588,654,761 (Schedule DM-33) and composite depreciation
4 rate of 2.6463%⁴ to compute a Depreciation Expense of \$68,503,571. This is
5 \$4,053,624 less than the Company's proposed Depreciation Expense of
6 \$72,557,195. My adjustment is shown on my Schedule DM-29.

7 **Q. DO YOU HAVE ANY ADJUSTMENTS TO THE COMPANY'S NEGATIVE NET**
8 **SALVAGE VALUE OF \$4,744,712?**

9 **A.** No. I accept the Company's level of its Negative Net Salvage Value of \$4,744,712.

10 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTED**
11 **DEPRECIATION AND AMORTIZATION EXPENSE?**

12 **A.** The revenue requirement impact of the adjusted Depreciation Expense is
13 \$4,053,624 minus the income tax effect of 30.99% equals \$2,797,741.

14

15 **4. TAXES OTHER THAN INCOME**

16 **Q. WHAT HAS THE COMPANY PROPOSED WITH RESPECT TO TAXES OTHER**
17 **THAN INCOME TAXES?**

18 **A.** The Company proposed total Taxes Other than Income in the amount of
19 \$3,456,803 as shown on Exhibit 106, Schedule 2, page 2. These taxes are
20 comprised of related payroll taxes, property taxes, license and franchise, sales and
21 use taxes and other. This is an increase of \$211,288 over the Company's HTY
22 period ending November 30, 2017.

23 **Q. WHAT IS YOUR RECOMMENDED LEVEL OF TAXES OTHER THAN INCOME**
24 **TAXES?**

⁴ Company Depreciation Expense of \$72,557,195/Company Projected Gas Plant in Service of \$2,741,791,737.

1 **A.** I accepted all the Company's Taxes Other than Income with the exception of the
2 Payroll Taxes, mainly, Social Security, FUTA and SUTA. Since I adjusted labor
3 and incentive compensation, I am making the associated adjustments to reflect my
4 recommended levels using the Company's Payroll Tax Rate of 7.3952% (Exhibit
5 106, Schedule 2, page 3. My Payroll Tax balance is \$2,422,306, a reduction of
6 \$175,720. I also adjusted the Property Taxes to reflect the changes in my
7 recommended UPIS balance. I used the Company's Property tax level of
8 \$435,885 to the Company's proposed UPIS balance of \$2,741,791,737 and
9 calculated a composite tax rate of 0.000159%. Using my recommended UPIS
10 balance of \$2,588,654,761 times the composite tax rate of 0.000159%, I computed
11 a Property Tax expense of \$411,596, a reduction of \$24,289. My total adjustment
12 to the Company's Taxes Other Than Income is a reduction of \$200,009. My
13 recommendation is shown on my Schedule DM-25.

14 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?**

15 **A.** The revenue requirement impact of my adjusted Taxes Other Than Income is:
16 \$200,009 minus the income tax effect of 30.99%, which equals \$138,026.

17

18 **5. INCOME TAXES**

19 **Q. WHAT DID THE COMPANY CALCULATE WITH RESPECT TO ITS INCOME**
20 **TAXES?**

21 **A.** The Company proposed total Income Taxes of \$30,911,500. This is comprised of
22 Net Federal Income Taxes of \$28,127,604 and State Income Taxes of \$2,783,896
23 shown on OCA-5-017 Attachment A. On Exhibit NJDK-S3, the Company showed
24 an Income Tax Expense of \$31,211,068, and reduced this amount by \$299,568
25 related to the Investment Tax Credit.

26 **Q. DID THE COMPANY ADJUST ITS PROPOSED REVENUE REQUIREMENT TO**
27 **ACCOUNT FOR THE TAX CUTS AND JOBS ACT OF 2017 (TCJA)?**

1 **A.** Yes. The Company adjusted and updated its revenue requirement via its
2 supplemental April 20, 2018, filing with Company Witness Ms. Krajovic providing
3 the calculation. (Columbia St. No. 10-S).

4 **Q. DID THE COMPANY PROVIDE THE CALCULATION REGARDING THE**
5 **REMEASUREMENT OF THE ACCUMULATED DEFERRED TAX INCOME AND**
6 **THE FLOW-BACK OF THE EXCESS DEFERRED INCOME TAXES (EDIT) AS A**
7 **REDUCTION TO REVENUES IN THIS CASE?**

8 **A.** Yes. In response to OCA-2-080, the Company provided the information and re-
9 measured the accumulated deferred income taxes at December 31, 2017, with
10 respect to the change in the Federal Income Tax rate from 35% to 21%. In
11 response to OCA-2-081, Company Witness Fischer provided the following:

12	Property Related - Excess DIT – difference	\$178,083,190 – 60 yr. ⁵
13	Non-Property Related – Excess DIT:	
14	Inventory Capitalization – difference	\$ 6,269,611 – 10 yr.
15	Customer Advances – difference	\$ 23,998,532 – 42 yr.

16 **Q. WHAT AMORTIZATION PERIODS DID THE COMPANY USE FOR ITS RE-**
17 **MEASUREMENT AND THE AMOUNT INCLUDED IN THE INCOME TAX**
18 **CALCULATION?**

19 **A.** As shown on OCA-2-081, and above, the Company used a 60-year amortization
20 period for its Property Related EDIT, a 10-year amortization period for its Non-
21 Property Related – Inventory, and a 42-year amortization period for its Customer
22 Advances. Using these amortization periods, the Company has calculated the
23 following balances:

24	Property Related	(\$2,945,624)
25	Non-Property Related – Inventory	\$ 626,961
26	Non-Property Related – Customer Adv.	<u>\$ 571,394</u>
27	Total	(\$1,747,269)

⁵ Per OCA-5-020, the 60 year period is the Life of the Property under ARAM.

1 **Q. WHAT METHOD DID THE COMPANY USE TO RE-MEASURE ITS EDITs?**

2 **A.** In response to OCA-2-082, the Company used the Average Rate Assumption
3 Method (ARAM). The Company included this adjustment in Exhibit 107, page 8 of
4 19, line 20. The Company confirmed this adjustment in response to OCA-5-020
5 with a further breakdown of its Non-Property (Unprotected) EDITs. The Company
6 stated that the amortization periods shown in OCA-5-020 are consistent with the
7 amortization of the flow back of EDITs discussed in OCA-5-017.

8 **Q. WHAT IS YOUR RECOMMENDED INCOME TAXES FOR FEDERAL AND**
9 **STATE?**

10 **A.** I reviewed the methodology that the Company used to compute its Federal and
11 State Income Taxes. Using the Company's methodology shown in the response
12 to OCA-5-017 (which is the update to Exhibit 107, page 8) with a Federal Income
13 Tax Rate (FIT) of 21% and a PA State Income Tax Rate (SIT) of 9.99%, I compute
14 the following:

15 Net Federal Income Tax \$21,949,384

16 State Income Tax \$ 2,649,455

17 With respect to the Company's Statutory Adjustments of (\$125,898,230), I made
18 an adjustment to the Company's Interest Expense, in that I used my recommended
19 Rate Base Balance of \$1,770,443,177 times the recommended weighted Cost of
20 Short-Term and Long-Term Debt of 2.37%, which equals \$41,959,503. This is
21 \$3,048,041 less than the Company's proposed balance of \$45,007,544.

22 **Q. WHAT IS YOUR RECOMMENDED STATUTORY ADJUSTMENTS USING**
23 **YOUR RECOMMENDED RATE BASE BALANCE AND WEIGHTED COST OF**
24 **SHORT-TERM AND LONG-TERM DEBT?**

25 **A.** My recommended Statutory Adjustments is \$122,850,189. This is shown on my
26 Schedule DM-31.

27 **Q. WHAT IS YOUR RECOMMENDATION FOR THE COMPANY'S EDIT OR FLOW-**
28 **BACK OF THE EXCESS EDIT?**

1 **A.** With respect to the Company's Property (Protected) EDITs shown on OCA-2-081
2 in the amount of \$178,083,190, I am recommending an amortization period of 40
3 years rather than the Company's proposed 60-year amortization period. The
4 Company has not provided sufficient information with respect to its use of a 60-
5 year amortization period. The Company should provide additional documentation
6 to support the use of a 60-year amortization period. Given this, I believe that a 40-
7 year amortization period is a reasonable term period to account for the refund of
8 the Company's EDITs with respect to the TCJA of 2017. Under the ARAM the
9 excess tax reserve is to be amortized over the remaining regulatory lives of the
10 property at a rate that follows reversal of the deferred taxes. While a 60-year
11 amortization period appears to be excessive in terms of the reversal of the deferred
12 taxes, a 40-year amortization is what utilities that I reviewed are typically using to
13 account for its EDITs with respect to the TJCA of 2017.

14 **Q. DO YOU HAVE ANY ADJUSTMENTS WITH RESPECT TO THE COMPANY'S**
15 **USE OF A 10-YEAR AMORTIZATION PERIOD FOR INVENTORY AND A 42-**
16 **YEAR AMORTIZATION PERIOD FOR ITS CUSTOMER ADVANCES?**

17 **A.** No, I am accepting the Company's amortization periods for those non-property
18 (unprotected) EDITs.

19 **Q. WHAT IS YOUR ADJUSTMENT WITH RESPECT TO THE COMPANY'S**
20 **PROPERTY (PROTECTED) EDIT OR FLOW-BACK OF THE EXCESS EDIT?**

21 **A.** Using my recommended 40-year amortization period my recommended EDIT
22 related to the Property (Protected) is \$178,083,190/ 40 years equals \$4,452,080.
23 This is an increase of \$1,506,456 over the Company's balance of \$2,945,624.

24 **Q. WHAT IS YOUR TOTAL FLOW BACK OF EXCESS DEFERRED INCOME**
25 **TAXES?**

26 **A.** My total Flow Back of Excess Deferred Income Taxes are as follows:

27	Property (Protected) Related	(\$4,452,080)
28	Inventory (Unprotected) Related	\$ 626,611

1 Customer Advances (Unprotected) Related \$ 571,394
2 Total (\$3,253,724)

3 **Q. WHAT IS YOUR RECOMMENDED TOTAL INCOME TAX EXPENSE WHICH**
4 **INCLUDES THE ADJUSTMENTS MADE IN ACCORDANCE WITH THE TCJA?**

5 **A.** My recommended total Income Tax Expense is \$24,598,839 which is shown on
6 my Schedule DM-31. This is \$6,312,661 less than the Company's proposed
7 balance of \$30,911,500.

8

9 **6. TAX CUTS AND JOBS ACT OF 2017 (TCJA)**

10 **Q. DID THE COMPANY SUPPLEMENT ITS FILING TO INCLUDE THE IMPACT ON**
11 **THE COMPANY'S RATE PROCEEDING WITH RESPECT TO THE TAX CUTS**
12 **AND JOBS ACT OF 2017 (TCJA)?**

13 **A.** Yes. On April 20, 2018, the Company provided supplemental testimony by
14 Company witness Ms. Krajovic to support the Company's calculation of the tax
15 effect of the TCJA. (Columbia St. No. 10-S). In Exhibit NJDK-S3 page 1, Ms.
16 Krajovic computed a \$336,447 reduction to the Company's Income Tax Expense
17 or \$31,211,068.

18 **Q. DID THE COMPANY SUPPLEMENT ITS EXHIBIT 107, PAGES 8, 9, 16 AND 17**
19 **TO CONFORM TO THE REVISED REVENUE REQUIREMENT INCREASE**
20 **INCORPORATING THE TCJA?**

21 **A.** Yes. In response to OCA-5-017 the Company restated the above Exhibits to
22 conform to the TCJA.

23 **Q. DID THE COMPANY CALCULATE THE REVENUES TO BE RETURNED TO**
24 **CUSTOMERS DUE TO THE TCJA?**

25 **A.** Yes. In Exhibit NJDK-S2, page 1 of 3, Ms. Krajovic calculated that \$23,828,450 is
26 the amount to be returned to customers.

1 **Q. WHEN DOES THE COMPANY PROPOSE TO RETURN THE \$23,828,450 TO**
2 **CUSTOMERS?**

3 **A.** Ms. Krajovic stated that the Company will begin the refund process no later than
4 three years after calendar year 2018.

5 **Q. WHAT DID THE COMPANY STATE THE REASON FOR THE THREE-YEAR**
6 **GIVE BACK?**

7 **A.** Ms. Krajovic stated that the TCJA resulted in unintended effects on the Company's
8 and its parent's financial metrics and their capital needs, and by delaying the return
9 of the \$23,828,450 will mitigate these adverse effects (Columbia St. No. 10-S,
10 page 4). The Company further explained the reasonings in the three-year delay
11 due to the Company's aggressive infrastructure improvements program and the
12 need for sufficient cash funding to complete the modernization of its system, the
13 elimination of bonus depreciation on capital investments, and the need to issue
14 additional debt and equity in future years that will be reflected in the Company's
15 future rate requests. Ms. Krajovic stated that the availability and cost of credit for
16 operations may be greatly affected by credit ratings. (Columbia St. No. 10-S, page
17 6). Having the option to temporarily retain the 2018 value of the tax savings for a
18 limited period of time would support the Company's ability to avoid potential rating
19 downgrade and associated increase in cost of debt. (Columbia St. No. 10-S, page
20 6).

21 **Q. HOW DOES THE COMPANY PROPOSE TO ACCOUNT FOR THE \$23,828,450**
22 **DURING THE DELAYED PERIOD FOR BEGINNING THE REFUND?**

23 **A.** Company witness Ms. Krajovic stated that the Company proposes to hold the
24 amount in reserve on its balance sheet and for ratemaking purposes as a credit to
25 rate base in this proceeding.

26 **Q. HOW DID THE COMPANY PROPOSE TO REFUND THE TAX LIABILITY**
27 **INCURRED BY THE COMPANY FROM JANUARY 1, 2018 UNTIL THE FINAL**
28 **APPROVED DATE FOR RATES IN THIS CASE?**

1 **A.** The Company has proposed to use the Federal Tax Adjustment Credit (FTAC), a
2 mechanism similar to its State Tax Adjustment Surcharge (STAS) which applies a
3 percentage adjustment to billed distribution revenues.

4 **Q. DOES THE COMPANY INCLUDE INTEREST IN OVER/UNDER PASS-BACK?**

5 **A.** Yes. Ms. Krajovic proposed to record interest based on the prime rate of interest
6 for commercial banking, not to exceed the legal rate of interest, in effect on the last
7 day of the month the over/under pass-back occurs.

8 **Q. DID THE PAPUC ISSUE AN ORDER ADDRESSING THE TAX SAVINGS WITH
9 RESPECT TO THE TCJA?**

10 **A.** Yes. On May 17, 2018, the PAPUC issued a Temporary Rates Order (TCJA
11 Order) (Docket No. M-2018-2641242), which the PAPUC stated:

12 The Commission does not deem it appropriate to permit utilities
13 to retain TCJA savings due to a perceived risk of possible negative
14 outlooks from credit rating firms. Once again, if a utility's cash flow is
15 of concern, a general rate increase is the appropriate vehicle to address
16 such a concern. But as pointed out by BI&E, an increased cash flow
17 realized because a utility is permitted to retain revenues resulting
18 from customers paying a "phantom 35%" income tax rate would not be
19 lawful or appropriate. Indeed, while utilities are entitled to recover in
20 rates all reasonable and prudently incurred expenses, there is no
21 warrant for the recovery of taxes or other expenses from consumers
22 that are not incurred. Accordingly, the Commission declines to allow rates
23 for non-existent tax expenses for the purpose of artificially augmenting
24 a utility's cash flow.⁶
25

26 **Q. WHAT DID THE PAPUC STATE WITH RESPECT TO THE REFUND
27 MECHANISM – IN THIS CASE, THE RETURN OF \$23,828,450?**

28 **A.** As stated in the TCJA Order, utilities who have pending rate cases need not file a
29 negative surcharge mechanism, but must "address the effect of the federal tax rate
30 reduction on the justness and reasonableness of the consumer rate charge during

⁶ Tax Cuts and Jobs Act of 2017, Temporary Rates Order, Docket No. M-2018-2641242, dated May 17, 2018, page 16-17.

1 the term of the suspension period.”⁷ The Commission expects the public utility
2 and the parties to address whether a retroactive surcharge or other measure is
3 necessary to account for the tax rate changes that became effective on January 1,
4 2018.⁸

5 **Q. HAS THE COMPANY CALCULATED THE REFUND OF \$23,828,540 FROM**
6 **JANUARY 1, 2018?**

7 **A.** Yes. The Company has calculated the refund from January 1, 2018 (Columbia St.
8 No. 10-S, page 8).

9 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY’S**
10 **ADJUSTMENTS RELATED TO THE TCJA OF 2017?**

11 **A.** I am recommending that the Company refund the \$23,828,450 through a one- time
12 rebate following the issuance of a final PAPUC Decision in this matter, or during
13 the months of September/October 2018. I do not agree with Ms. Krajovic that the
14 Company should retain and delay this refund until 2021 (three years after the
15 calendar year 2018). The Company has received the benefit of a reduced Federal
16 Income Tax from 35% to 21% (a 40% reduction) and I am of the opinion that the
17 Company should begin refunding the \$23,828,450 immediately or as soon as the
18 PAPUC issues a final Decision in this matter. Under a one-time rebate, customers
19 would receive a reduction of 4.14% (\$23,828,450/current revenues of
20 \$575,348,119).⁹ Alternately, I would recommend a 12-month (consecutive) rebate
21 beginning the first month in which the PAPUC implements new rates in this matter
22 or \$1,985,704 per month.

23 **D. Act 40 Requirements (Act 40 of 2016)**

24 **Q. WHAT ARE THE ACT 40 REQUIREMENTS?**

⁷ Ibid, page 20.

⁸ Ibid, page 20-21.

⁹ If the PAPUC authorizes a revenue requirement greater than the Company’s current rates, the rebate customers would receive will be based upon those authorized rates, and the percentage would change. My recommendation is based upon a revenue requirement decrease of \$5,544,098, thus the reason for the use of current rates to calculate the percentage.

1 **A.** Act 40 changes the way that federal income tax expense is computed for
2 ratemaking purposes for many Pennsylvania utilities that participate in a
3 consolidated federal income tax return. In part, Act 40 states:

4 If an expense or investment is allowed to be included in a public
5 utility's rates for ratemaking purposes, the related income tax
6 deductions and credits shall also be included in the computation of
7 current or deferred income tax expense to reduce rates. If an
8 expense or investment is not allowed to be included in a public
9 utility's rates, the related income tax deductions and credits,
10 including tax losses of the public utility's parent or affiliated
11 companies, shall not be included in the computation of income tax
12 expense to reduce rates. The deferred income taxes used to
13 determine the rate base of a public utility for ratemaking purposes
14 shall be based solely on the tax deductions and credits received by
15 the public utility and shall not include any deductions or credits
16 generated by the expenses or investments of a public utility's parent
17 or any affiliated entity. The income tax expense shall be computed
18 using the statutory income tax rates.

19 Act 40 further states:

20 REVENUE USE- If a differential accrues to a public utility resulting
21 from applying the ratemaking methods employed by the commission
22 prior to the effective date of subsection (a) for ratemaking purposes,
23 the differential shall be used as follows:

- 24 (1) Fifty percent to support reliability or infrastructure related to the rate-
25 base eligible capital investment as determined by the commission;
26 and
27 (2) Fifty percent for general corporate purposes.

28
29 **Q. HAS THE COMPANY CALCULATED A CONSOLIDATED TAX EXPENSE
30 ADJUSTMENT?**

31 **A.** No. According to Ms. Fischer's testimony, Columbia St. No. 9, page 10, and
32 Exhibit 7, pages 2 through 4, the Company has not included a Consolidated Tax
33 Adjustment in accordance with Act 40. The Company claimed that it was a loss
34 company on average for the three-year period 2014-2016 as a result of 50-100%
35 bonus depreciation allowed under federal tax laws. Ms. Fischer stated that Act 40,

1 which became effective on August 10, 2016, eliminated the Consolidated Tax
2 Adjustment in ratemaking. She stated that Title 66 of the Pennsylvania
3 Consolidated Statutes Section 1301.1 stated that for the computation of income tax
4 expense for ratemaking purposes, if an expense or investment is not allowed to be
5 included in a public utility's rates, the tax losses of a public utility's parent or
6 affiliated companies should not be included in the computation of income tax
7 expense to reduce rates (Columbia St. No. 9, pages 13-14).

8
9 **Q. DO YOU HAVE ANY CHANGES TO THE COMPANY'S ARGUMENT WITH**
10 **RESPECT TO A CONSOLIDATED TAX ADJUSTMENT?**

11 **A.** No. In reviewed the Company's Exhibit 7 pages 2-4, it appears that the Company
12 has been in an operating loss in 2014, 2015 and 2016. Therefore, there are no
13 consolidated tax savings.

14
15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 **A.** Yes, it does.

17
18 251324

Schedules

STATEMENT OF INCOME	(1)					
	Test Year Present Rates	Adjustments	Test Year Proposed Rates	Adjustments	Present Rates PAOCA	References
<u>Operation Revenues</u>						
Base Rate Revenues	\$ 377,099,600	\$ 42,473,752	\$ 419,573,352			
Fuel Revenues	\$ 163,506,936	\$ -	\$ 163,506,936			
Rider USP	\$ 29,305,816	\$ 2,636,024	\$ 31,941,840			
Gas Procurement Charge	\$ 2,581,692	\$ -	\$ 2,581,692			
Merchant Function Charge	\$ 1,216,174	\$ -	\$ 1,216,174			
Rider CC	\$ 47,177	\$ -	\$ 47,177			
Total Sales and Transportation	\$ 573,757,395	\$ 45,109,776	\$ 618,867,171	\$ -	\$ 573,757,395	
Off System Sales	\$ -	\$ -	\$ -	\$ -	\$ -	
Late Payment Fees	\$ 1,246,120	\$ 97,972	\$ 1,344,092	\$ -	\$ 1,246,120	
Other Operating Revenues	\$ 344,604	\$ -	\$ 344,604	\$ -	\$ 344,604	
Total Operating Revenues	\$ 575,348,119	\$ 45,207,748	\$ 620,555,867	\$ -	\$ 575,348,119	NJDK-S3
<u>Operating Revenue Deductions</u>						
Gas Supply Expense	\$ 163,506,936	\$ -	\$ 163,506,936	\$ -	\$ 163,506,936	NJDK-S3
Off System Sales Expense	\$ -	\$ -	\$ -	\$ -	\$ -	
Gas Used in Co. Operations	\$ -	\$ -	\$ -	\$ -	\$ -	
O&M Expenses	\$ 191,017,256	\$ 538,214	\$ 191,555,470	\$ (13,828,473)	\$ 177,726,997	DM-6
Depreciation and Amortization	\$ 72,557,195	\$ -	\$ 72,557,195	\$ (4,053,624)	\$ 68,503,571	DM-29
Net Salvage Amortized	\$ 4,744,713	\$ -	\$ 4,744,713	\$ -	\$ 4,744,713	DM-29
Taxes Other Than Income	\$ 3,456,802	\$ -	\$ 3,456,802	\$ (200,009)	\$ 3,256,793	DM-30
Total O&M Revenue Deductions	\$ 435,282,902	\$ 538,214	\$ 435,821,116	\$ (18,082,107)	\$ 417,739,010	
Operating Income Before Income Taxes	\$ 140,065,217	\$ 44,669,534	\$ 184,734,751	\$ (27,125,641)	\$ 157,609,109	
Income Taxes	\$ 19,611,902	\$ 11,599,166	\$ 31,211,068	\$ (6,312,661)	\$ 24,898,407	DM-31
ITC	\$ (299,568)	\$ -	\$ (299,568)	\$ -	\$ (299,568)	
Operating Income	\$ 120,752,883	\$ 33,070,368	\$ 153,823,250	\$ (20,812,980)	\$ 133,010,270	
Rate Base	\$ 1,915,996,457	\$ -	\$ 1,899,052,483	\$ (128,609,306)	\$ 1,770,443,177	DM-32
Rate of Return	6.3024%		8.1000%		7.28%	DM-4
			\$ 153,823,250		\$ 128,941,979	

(1) Company Exhibit 102 Sch. 3 pg 3

<u>RATE OF RETURN ON RATE BASE</u>	(1)			
	Company Proposed	Adjustments	PAOCA	References
Rate Base	\$ 1,899,052,483	\$ (128,609,306)	\$ 1,770,443,177	DM-32
Rate of Return	8.10%		7.28%	DM-4
Operating Income	\$ 153,913,874	\$ (24,971,895)	\$ 128,941,979	DM-1
Operating Income at Present Rates	\$ 120,752,883	\$ 12,257,387	\$ 133,010,270	DM-1
Revenue Deficiency	\$ 33,160,991	\$ (37,229,283)	\$ (4,068,292)	
Revenue Conversion Factor	1.36275816		1.36275816	DM-3
Gross Revenue Requirement	<u>\$ 45,190,411</u>	<u>\$ (50,734,509)</u>	<u>\$ (5,544,098)</u>	
Current Rates	\$ 575,348,119		\$ 575,348,119	
% Increase	7.85%		-0.96%	

(1) Company Exhibit 102 Sch. 3 pg 5

<u>REVENUE CONVERSION FACTOR</u>	(1) Company Proposed	Adjustments	PAOCA	References
Operating Revenue	1.00000000		1.00000000	
Less: Uncollectibles	-0.01190535		-0.01190535	
Plus: Late Payments	0.00217186		0.00217186	
Income Before State Taxes	0.99026651		0.99026651	
State Income Tax Effect Rate	0.06200175		0.06200175	
Less: State Income Tax	0.06139826		0.06139826	
Income Before Federal Taxes	0.92886825		0.92886825	
Less: Federal Income Taxes @ 21%	0.19506233		0.19506233	
Adjusted Operating Income	0.73380592		0.73380592	
Revenue Conversion Factor	1.36275816		1.36275816	

(1) Company Exhibit No. 102 Sch. 3 pg 5

RATE OF RETURN

Company Proposed (1)			Weighted Cost Rate	References
	Ratios	Cost Rate		
Long-Term Debt	44.42%	5.11%	2.27%	
Short-Term Debt	3.24%	3.20%	0.10%	
Total Debt	47.66%		2.37%	
Common Equity	52.34%	10.95%	5.73%	
Total	100.00%		8.10%	

PA OCA Proposed (2)

Long-Term Debt	44.42%	5.11%	2.27%	
Short-Term Debt	3.24%	3.20%	0.10%	
Total Debt	47.66%		2.37%	
Common Equity	52.34%	9.38%	4.91%	
Total	100.00%		7.28%	

(1) Paul R. Moul Statement No. 8 p 2 of 46

(2) Dr. Marlon Griffing OCA Statement No. 2

OPERATING REVENUES	(1)				Present Rates PAOCA	References
	Test Year Present Rates	Adjustments	Test Year Proposed Rates	Adjustments		
Residential Sales	\$ 217,609,715	\$ 27,499,828	\$ 245,109,543			
Small General Service	\$ 41,980,112	\$ 2,492,918	\$ 44,473,030			
Large General Sales Service	\$ 2,051,972	\$ 97,875	\$ 2,149,847			
Negotiated Sales	\$ 20,600	\$ -	\$ 20,600			
Residential Distribution Service	\$ 53,757,368	\$ 7,494,295	\$ 61,251,663			
Small Commercial Distribution Service	\$ 11,573,229	\$ 700,236	\$ 12,273,465			
Small General Distribution Service	\$ 15,388,153	\$ 822,594	\$ 16,210,747			
Small Distribution Service	\$ 15,635,794	\$ 753,184	\$ 16,388,978			
Large Distribution Service	\$ 17,899,205	\$ 1,780,343	\$ 19,679,548			
Main Line Distribution Service	\$ 1,183,452	\$ -	\$ 1,183,452			
Adjustment (TCJA)	\$ -	\$ (1,729,499)	\$ (1,729,499)			
Total Base Rate Revenues	\$ 377,099,600	\$ 39,911,774	\$ 417,011,374		\$ 377,099,600	
C&I Network Revenues	\$ -	\$ 2,558,065	\$ 2,558,065			
Total STAS	\$ -	\$ -	\$ -			
Total Rider CC	\$ 47,177	\$ -	\$ 47,177			
Total Gas Procurement Charge	\$ 2,581,692	\$ -	\$ 2,581,692			
Total USC	\$ 29,305,816	\$ 2,636,024	\$ 31,941,840			
Total Merchant Function Charge	\$ 1,216,174	\$ -	\$ 1,216,174			
Total Gas Cost	\$ 163,506,936	\$ -	\$ 163,506,936			
Total Sales and Transportation Revenues	\$ 573,757,395	\$ 45,105,863	\$ 618,863,258		\$ 573,757,395	
Forfeited Discounts	\$ 1,246,120	\$ 101,720	\$ 1,347,840		\$ 1,246,120	
Misc. Service Revenues	\$ 105,936	\$ -	\$ 105,936		\$ 105,936	
Rent from Gas Property	\$ 9,600	\$ -	\$ 9,600		\$ 9,600	
Other Gas Revenues	\$ 229,068	\$ -	\$ 229,068		\$ 229,068	
Total Operating Revenues	\$ 575,348,119	\$ 45,207,583	\$ 620,555,702	\$ -	\$ 575,348,119	

(1) Company Exhibit 103 Sch 8 pg 1
 Company Exhibit 103 page 9 of 15

O&M EXPENSE TESTIMONY

	Test Year		Test Year		PAOCA	References
	Present Rates	Adjustments	Proposed Rates	Adjustments		
Labor	\$ 32,917,256	\$ -	\$ 32,917,256	\$ (571,535)	\$ 32,345,721	DM-7
Incentive Compensation	\$ 2,214,000	\$ -	\$ 2,214,000	\$ (1,804,607)	\$ 409,393	DM-8
Pension	\$ -	\$ -	\$ -	\$ -	\$ -	
Pension Deferral Amortization	\$ 2,816,591	\$ -	\$ 2,816,591	\$ (1,971,614)	\$ 844,977	DM-9
OPEB	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Employee Benefits	\$ 6,951,000	\$ -	\$ 6,951,000	\$ (1,063,976)	\$ 5,887,024	DM-10
Outside Services	\$ 25,389,024	\$ -	\$ 25,389,024	\$ (1,102,754)	\$ 24,286,270	DM-11
Building Leases	\$ 2,871,366	\$ -	\$ 2,871,366	\$ (120,404)	\$ 2,750,962	DM-12
Other Rent and Leases	\$ 321,000	\$ -	\$ 321,000	\$ -	\$ 321,000	DM-13
Corporate Insurance	\$ 3,614,000	\$ -	\$ 3,614,000	\$ (122,528)	\$ 3,491,472	DM-14
Injury and Damages	\$ 352,959	\$ -	\$ 352,959	\$ (25,162)	\$ 327,797	DM-15
Employee Expenses	\$ 1,549,241	\$ -	\$ 1,549,241	\$ (466,944)	\$ 1,082,298	DM-16
Company Memberships	\$ 491,000	\$ -	\$ 491,000	\$ (26,926)	\$ 464,074	DM-17
Utilities / Fuel Used in Co. Operations	\$ 510,813	\$ -	\$ 510,813	\$ 14,783	\$ 525,596	DM-18
Advertising	\$ 93,419	\$ -	\$ 93,419	\$ (3,990)	\$ 89,429	DM-19
Fleet & Other Clearing	\$ 6,441,000	\$ -	\$ 6,441,000	\$ (239,807)	\$ 6,201,193	DM-20
Materials & Supplies	\$ 5,945,000	\$ -	\$ 5,945,000	\$ (123,000)	\$ 5,822,000	DM-21
Other O&M	\$ (7,079,000)	\$ -	\$ (7,079,000)	\$ -	\$ (7,079,000)	DM-22
PUC, OCA, OSBA Fees	\$ 2,420,000	\$ -	\$ 2,420,000	\$ (171,999)	\$ 2,248,001	DM-23
NCSC - Shares Services	\$ 39,380,343	\$ -	\$ 39,380,343	\$ (3,423,000)	\$ 35,957,343	DM-24
NCSC - Shared Operations	\$ 27,311,762	\$ -	\$ 27,311,762	\$ (1,471,000)	\$ 25,840,762	DM-25
Deferred OPEB Refund Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	
NCSC OPEB Costs Amortization	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ 90,000	
NIFIT Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	
Lobbying	\$ (174,014)	\$ -	\$ (174,014)	\$ -	\$ (174,014)	
Charitable Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	
	<u>\$ 154,426,760</u>	<u>\$ -</u>	<u>\$ 154,426,760</u>	<u>\$ (12,694,463)</u>	<u>\$ 141,732,297</u>	
Rate Case Expenses	\$ 1,060,000	\$ -	\$ 1,060,000	\$ (530,000)	\$ 530,000	DM-26
Uncollectible Accounts	\$ 4,733,676	\$ 538,214	\$ 5,271,890	\$ (604,011)	\$ 4,667,880	DM-27
Uncollectible Accounts - Unbundled Gas	\$ 1,216,174	\$ -	\$ 1,216,174	\$ -	\$ 1,216,174	DM-27
Total Rider USP	\$ 29,305,816	\$ -	\$ 29,305,816	\$ -	\$ 29,305,816	
Interest on Customer Deposits	\$ 108,514	\$ -	\$ 108,514	\$ -	\$ 108,514	
Amortization of Prepaid Asset	\$ 166,316	\$ -	\$ 166,316	\$ -	\$ 166,316	DM-28
Total O&M Expenses	<u>\$ 191,017,256</u>	<u>\$ 538,214</u>	<u>\$ 191,555,471</u>	<u>\$ (13,828,473)</u>	<u>\$ 177,726,997</u>	

<u>LABOR</u>	(1)			
	Company Proposed	Adjustments	PA OCA	References
HTY Labor - 11/30/2017	\$ 30,790,490	\$ -	\$ 30,790,490	
Budget Adjustments FTY				
Merit Increase - 3% over HTY	\$ 456,136	\$ -	\$ 456,136	
Additional Headcount	\$ 310,644	\$ -	\$ 310,644	OCA-2-010
Productivity Savings	\$ (17,270)	\$ -	\$ (17,270)	
Total Budget Adjustments FTY	\$ 749,510	\$ -	\$ 749,510	
Rate Making Adjustments - FTY				
Labor Adjustment - \$890,834 * 55.83%	\$ 497,313	\$ (107,253)	\$ 390,060	I&E RE-017
Budget Adjustment FPFTY				
Merit Increase - 3% over FTY	\$ 474,853	\$ (197,855)	\$ 276,998	OCA-2-012
Productivity Savings	\$ (41,165)	\$ 17,152	\$ (24,013)	
Total Budget Adjustments FPFTY	\$ 433,688	\$ (180,703)	\$ 252,985	
Rate Making Adjustments - FPFTY				
Labor Adjustment - \$799,376 * 55.83%	\$ 446,256	\$ (283,579)	\$ 162,677	Exh 104 Sch 2 p1 GAS-RR-026 I&E RE-017
Total Labor - FPFTY	\$ 32,917,256	\$ (571,535)	\$ 32,345,721	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>INCENTIVE COMPENSATION</u>	(1)			
	Company		PA OCA	References
	Proposed	Adjustment		
HTY Balance 11/30/2017	\$ 1,889,215	\$ (1,479,822)	\$ 409,393	
Budget Adjustment FTY				
Annualized Adjustment	\$ 225,785	\$ (225,785)	-	OCA 2-019 OCA 2-014
Budget Adjustment FPFTY				
Annualized Adjustment	\$ 99,000	\$ (99,000)	-	OCA 2-018
Total Incentive Compensation FPFTY	\$ 2,214,000	\$ (1,804,607)	\$ 409,393	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>PENSION DEFERRAL AMORTIZATION</u>	(1)			
	Company		PA OCA	References
	Proposed	Adjustment		
2017 Pension Prepayment	\$ 8,449,772	\$ -	\$ 8,449,772	
Amortization Period	3		10	OCA 2-023
FPFTY Adjustment to Amortize	\$ 2,816,591	\$ (1,971,613)	\$ 844,977	

(1) Exhibit 104 Schedule 2 page 4

<u>OTHER EMPLOYEE BENEFITS</u>	(1)			
	Company			
	Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017	\$ 6,076,272	\$ (432,554)	\$ 5,643,718	OCA 2-042
Budget Adjustment FTY	\$ 315,728	\$ (311,283)	\$ 4,445	I&E-RE-017-D
Subtotal	\$ 6,392,000	\$ (743,837)	\$ 5,648,163	
Budget Adjustment FPFTY	\$ 559,000	\$ (320,139)	\$ 238,861	I&E RE-017-D
Total Employee Benefits FPFTY	\$ 6,951,000	\$ (1,063,976)	\$ 5,887,024	

(1) Exhibit 104 Schedule 1 page 3 and 4 of 6

<u>OUTSIDE SERVICES</u>	(1)			
	Company			
	Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017	\$ 28,203,307	\$ -	\$ 28,203,307	
Miscellaneous Adjustment	\$ 829	\$ -	\$ 829	
Budgeted Adjustments FTY				
Outside Services overspend	\$ (1,200,000)	\$ -	\$ (1,200,000)	
Time Shift of work (riser and cross bore)	\$ (2,300,000)	\$ -	\$ (2,300,000)	
Meter Protection	\$ (730,000)	\$ -	\$ (730,000)	
M&R Station	\$ (420,000)	\$ -	\$ (420,000)	
GPS Work	\$ (400,000)	\$ -	\$ (400,000)	
Leak Inspection	\$ (350,000)	\$ -	\$ (350,000)	
All Other Variances	\$ (172,136)	\$ -	\$ (172,136)	
	<u>\$ (5,572,136)</u>	<u>\$ -</u>	<u>\$ (5,572,136)</u>	OCA-2-040
Budgeted FTY Outside Services	<u>\$ 22,632,000</u>	<u>\$ -</u>	<u>\$ 22,632,000</u>	
Rate Making Adjustment FTY				
C&I Network Expense	<u>\$ (204,170)</u>	<u>\$ -</u>	<u>\$ (204,170)</u>	Exh 104 Sch 2 p 25
FTY Balance 11/30/2018	<u>\$ 22,427,830</u>	<u>\$ -</u>	<u>\$ 22,427,830</u>	
Budgeted Amount FPFTY				
Normalized Work Plan	\$ 2,988,000	\$ (1,102,754)	\$ 1,885,246	I&E RE-021
C&I Network Expense	\$ 204,170	\$ -	\$ 204,170	
Budgeted Amount FPFTY	<u>\$ 3,192,170</u>	<u>\$ (1,102,754)</u>	<u>\$ 2,089,416</u>	
Rate Making Amount FPFTY				
C&I Network Expense	<u>\$ (230,976)</u>	<u>\$ -</u>	<u>\$ (230,976)</u>	
FPFTY Balance	<u>\$ 25,389,024</u>	<u>\$ (1,102,754)</u>	<u>\$ 24,286,270</u>	

(1) Exhibit 104 Schedule 1 page 3-4 of 6

<u>BUILDING LEASES</u>	(1)				
	Company				
	Proposed	Adjustments		PA OCA	References
HTY Balance 11/30/2017	\$ 2,784,697				OCA 2-028
Budget Adjustment FTY	\$ 102,303				OCA 2-029
Per Exhibit 104 Schedule 2 page 6	\$ 2,887,000	\$ (140,106)		\$ 2,746,894	Exh 104 Sch 2 p6 OCA-5-009
Rate Making Adjustment FTY	\$ (37,222)	\$ -		\$ (37,222)	
Budget Adjustment FPFTY	\$ 103,222				OCA 2-029
Per Exhibit 104 Schedule 2 page 7	\$ 2,953,000	\$ (120,404)		\$ 2,832,596	Exh 104 Sch 2 p7
Rate Making Adjustment FPFTY	\$ (81,634)	\$ -		\$ (81,634)	
FPFTY Balance	\$ 2,871,366	\$ (120,404)		\$ 2,750,962	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>OTHER RENT AND LEASES</u>	(1)			
	Company		PA OCA	References
	Proposed	Adjustments		
HTY Balance 11/30/2017	\$ 366,182	\$ -	\$ 366,182	OCA-2-032
Budget Adjustment FTY	\$ (7,182)	\$ -	\$ (7,182)	
Rate Making Adjustment FTY	\$ -	\$ -	\$ -	
Budget Adjustment FPFTY	\$ (38,000)	\$ -	\$ (38,000)	
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	
FPFTY Balance	\$ 321,000	\$ -	\$ 321,000	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>CORPORATE INSURANCE</u>	(1)			
	Company			
	Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017	\$ 3,009,000	\$ (459)	\$ 3,008,541	I&E RE 024
Budget Adjustments FTY	\$ 514,000	\$ (169,000)	\$ 345,000	OCA 2 034
Rate Making Adjustment FTY	\$ -	\$ -	\$ -	
Budget Adjustment FPFTY	\$ 91,000	\$ 46,931	\$ 137,931	OCA 2 034
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	
FPFTY Balance	\$ 3,614,000	\$ (122,528)	\$ 3,491,472	

(1) Exhibit 104 Schedule 1

<u>INJURY AND DAMAGES</u>	(1)			
	Company Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017	\$ 337,888	\$ (10,091)	\$ 327,797	I&E RE 027
Budget Adjustment FTY	\$ 62,112	\$ (62,112)	-	Exh 104 Sch 2 p 8
Rate Making Adjustment FTY	\$ (54,887)	\$ 54,887	-	Exh 104 Sch 2 p 8
Budget Adjustment FPFTY	\$ 54,887	\$ (54,887)	-	Exh 104 Sch 2 p 8
Rate Making Adjustment FPFTY	\$ (47,041)	\$ 47,041	-	Exh 104 Sch 2 p 8
FPFTY Balance	\$ 352,959	\$ (25,162)	\$ 327,797	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>EMPLOYEE EXPENSES</u>	(1)			
	Company Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017	\$ 1,571,274	\$ (379,144)	\$ 1,192,131	OCA 2-044/5-010
Budget Adjustment FTY	\$ (10,274)	\$ 10,274	\$ -	I&E RE-043
Rate Making Adjustment FTY	\$ (55,498)	\$ 1,162	\$ (54,336)	Exh 104 Sch 2 p 9
Budget Adjustment FPFTY	\$ 100,498	\$ (100,498)	\$ -	I&E RE-043
Rate Making Adjustment FPFTY	\$ (56,759)	\$ 1,262	\$ (55,497)	Exh 104 Sch 2 p 9
FPFTY Balance	\$ 1,549,241	\$ (466,944)	\$ 1,082,298	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>COMPANY MEMBERSHIPS</u>	(1)			
	Company Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017	\$ 480,358	\$ (16,284)	\$ 464,074	GAS-RR-030
Budget Adjustments FTY	\$ 11,642	\$ (11,642)	-	OCA 2-045
Rate Making Adjustment FTY	\$ -	\$ -	-	
Budget Adjustments FPFTY	\$ (1,000)	\$ 1,000	-	
Rate Making Adjustment FPFTY	\$ -		\$ -	
FPFTY Balance	\$ 491,000	\$ (26,926)	\$ 464,074	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>UTILITIES AND FUEL USED IN COMPANY OPERATIONS</u>	(1) Company			PA OCA	References
	Proposed	Adjustments			
HTY Balance 11/30/2017	\$ 520,661	\$ -	\$ 520,661		
Budget Adjustment FTY	\$ 289,339	\$ -	\$ 289,339		
Rate Making Adjustment	\$ (338,491)	\$ 7,087	\$ (331,404)		Exh 104 Sch 2 p 10
Budget Adjustment FPFTY	\$ 385,491	\$ -	\$ 385,491		(2)
Rate Making Adjustment FPFTY	\$ (346,187)	\$ 7,696	\$ (338,491)		Exh 104 Sch 2 p 10
FPFTY Balance	\$ 510,813	\$ 14,783	\$ 525,596		

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

(2) Removed the deflation factors of 2.1383% FTY
 Removed the deflation factors of 2.2735% FPFTY

<u>ADVERTISING</u>	(1)				
	Company				
	Proposed	Adjustment		PA OCA	References
HTY Balance 11/30/2017	\$ 89,430	\$ -	\$	89,430	I&E RE 034
Budget Adjustment FTY	\$ 70,570	\$ -	\$	70,570	
Rate Making Adjustment FTY	\$ (68,657)	\$ (1,913)	\$	(70,570)	Exh 104 Sch 2 p 1
Budget Adjustment FPFTY	\$ 78,657	\$ -	\$	78,657	
Rate Making Adjustment FPFTY	\$ (76,581)	\$ (2,077)	\$	(78,658)	Exh 104 Sch 2 p 1
FPFTY Balance	\$ 93,419	\$ (3,990)	\$	89,429	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>FLEET AND OTHER CLEARING</u>	(1)			
	Company			
	Proposed	Adjustment	PA OCA	References
HTY Balance 11/30/2017	\$ 6,370,346	\$ (108,807)	\$ 6,261,539	OCA-5-014
Budget Adjustment FTY	\$ (60,346)	\$ -	\$ (60,346)	
Rate Making Adjustment FTY	\$ -	\$ -	\$ -	
Budget Adjustment FPFTY	\$ 131,000	\$ (131,000)	\$ -	OCA-2-049
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	
FPFTY Balance	\$ 6,441,000	\$ (239,807)	\$ 6,201,193	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>MATERIALS AND SUPPLIES</u>	(1) Company		PA OCA	References
	Proposed	Adjustment		
HTY Balance 11/30/2017	\$ 6,135,851	\$ -	\$ 6,135,851	OCA-2-050
Budget Adjustment FTY	\$ (313,851)	\$ -	\$ (313,851)	
Rate Making Adjustment FTY	\$ -	\$ -	\$ -	
Budget Adjustment FPFTY	\$ 123,000	\$ (123,000)	\$ -	OCA-2-050
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	
FPFTY	\$ 5,945,000	\$ (123,000)	\$ 5,822,000	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>OTHER O&M</u>	(1)			
	Company		PA OCA	References
	Proposed	Adjustment		
HTY Balance 11/30/2017	\$ 1,574,612	\$ -	\$ 1,574,612	
Budget Adjustment FTY	\$ (228,612)	\$ -	\$ (228,612)	
Rate Making Adjusterment FTY	\$ -	\$ -	\$ -	
Budget Adjustment FPFTY	\$ (8,425,000)	\$ -	\$ (8,425,000)	OCA-2-051
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	GAS-RR-053
FPFTY Balance	\$ (7,079,000)		\$ (7,079,000)	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>PUC OCA OSBA FEES</u>	(1)			
	Company Proposed	Adjustment	PA OCA	References
HTY Balance 11/30/2017				
PUC Assessment	\$ 1,760,226	\$ -	\$ 1,760,226	
OCA Assessment	\$ 187,298	\$ -	\$ 187,298	
OSBA Assessment	\$ 82,677	\$ -	\$ 82,677	
	<u>\$ 2,030,201</u>	<u>\$ -</u>	<u>\$ 2,030,201</u>	
Budget Adjustment FTY	\$ 218,800	\$ (160,000)	\$ 58,800	OCA 2-052
	\$	\$ -	\$ -	
Rate Making Adjustment FTY	\$ -	\$ -	\$ -	
	\$	\$ -	\$ -	
Budget Adjustment FPFTY	\$ 171,000	\$ (12,000)	\$ 159,000	OCA 2-052
	\$	\$ -	\$ -	
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	
	\$	\$ -	\$ -	
FPFTY Balance	<u>\$ 2,420,001</u>	<u>\$ (172,000)</u>	<u>\$ 2,248,001</u>	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

<u>NCSC-SHARED SERVICES</u>	(1)			References
	Company Proposed	Adjustment	PA OCA	
HTY Balance 11/30/2017 (2)	\$ 39,552,116	\$ (3,933,000)	\$ 35,619,116	
Rate Making Adjustments 11/30/2017	<u>\$ 871,580</u>	<u>\$ -</u>	<u>\$ 871,580</u>	Exh 4 Sch 2 p 17
HTY Balance adjusted 11/30/2017	<u>\$ 40,423,696</u>	<u>\$ (3,933,000)</u>	<u>\$ 36,490,696</u>	OCA Set 2-053
Budget Adjustments				
Labor /Benefits/Incentive Comp	\$ (60,000)	\$ 567,000	\$ 507,000	OCA-2-062
External Services	\$ (4,376,000)	\$ -	\$ (4,376,000)	
Other O&M Expense	\$ 2,561,000	\$ -	\$ 2,561,000	OCA-2-062
Depreciation, Other Taxes	\$ 884,000	\$ -	\$ 884,000	
All Other Adjustments	<u>\$ (231,696)</u>	<u>\$ -</u>	<u>\$ (231,696)</u>	OCA-2-062
Budget Adjustments FTY	<u>\$ 39,201,000</u>	<u>\$ (3,366,000)</u>	<u>\$ 35,835,000</u>	
Budget Adjustments				
Labor/Benefits/Incentive Comp	\$ (16,000)	\$ (57,000)	\$ (73,000)	OCA-2-063
External Services	\$ (1,002,000)	\$ -	\$ (1,002,000)	
Other O&M Expenses	\$ 892,000	\$ -	\$ 892,000	OCA-2-063
Depreciation, Other Taxes	\$ 288,000	\$ -	\$ 288,000	
All Other Adjustments	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	OCA-2-063
Budget Adjustments FPFTY	<u>\$ 39,366,000</u>	<u>\$ (3,423,000)</u>	<u>\$ 35,943,000</u>	
Rate Making Adjustment FPFTY	\$ 14,343	\$ -	\$ 14,343	Exh 104 Sch 2 p12
FPFTY Balance	<u><u>\$ 39,380,343</u></u>	<u><u>\$ (3,423,000)</u></u>	<u><u>\$ 35,957,343</u></u>	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

(2) Exhibit 4 Schedule 2 page 17

<u>NCS - SHARED OPERATIONS</u>	(1)			
	Company Proposed	Adjustment	PA OCA	References
HTY Balance 11/30/2017 (2)	\$ 26,362,508	\$ (1,972,000)	\$ 24,390,508	
Rate Making Adjustment 11/30/2017	<u>\$ 648,353</u>	<u>\$ -</u>	<u>\$ 648,353</u>	Exh 4 Sch 2 p18
HTY Balance Adjusted 11/30/2017	<u>\$ 27,010,861</u>	<u>\$ (1,972,000)</u>	<u>\$ 25,038,861</u>	
Budget Adjustments				
Labor/Benefits/Incentive Comp	\$ 1,011,000	\$ 583,000	\$ 1,594,000	OCA-2-064
External Services	\$ (934,000)	\$ -	\$ (934,000)	
Other O&M Expense	\$ 694,000	\$ -	\$ 694,000	
Materials	\$ (415,000)	\$ -	\$ (415,000)	
Depreciation, Other Taxes	\$ (220,000)	\$ -	\$ (220,000)	
All Other Adjustments	<u>\$ (107,861)</u>	<u>\$ -</u>	<u>\$ (107,861)</u>	
Budget Adjustments FTY	<u>\$ 27,039,000</u>	<u>\$ (1,389,000)</u>	<u>\$ 25,650,000</u>	
Budget Adjustments				
Labor/Benefits/Incentive Comp	\$ 962,000	\$ (82,000)	\$ 880,000	OCA-2-065
External Services	\$ 250,000	\$ -	\$ 250,000	
Other O&M Expense	\$ (383,000)	\$ -	\$ (383,000)	
Materials	\$ 120,000	\$ -	\$ 120,000	
Depreciation, Other Taxes	\$ (55,000)	\$ -	\$ (55,000)	
All Other Adjustments	<u>\$ (14,000)</u>	<u>\$ -</u>	<u>\$ (14,000)</u>	
Budget Adjustments FPFTY	<u>\$ 27,919,000</u>	<u>\$ (1,471,000)</u>	<u>\$ 26,448,000</u>	
Rate Making Adjustment FPFTY	<u>\$ (607,238)</u>	<u>\$ -</u>	<u>\$ (607,238)</u>	Exh 104 Sch 2 p15
FPFTY Balance	<u>\$ 27,311,762</u>	<u>\$ (1,471,000)</u>	<u>\$ 25,840,762</u>	

(1) Exhibit 104 Schedule 1 pages 3-4 of 6

(2) Exhibit 4 Schedule 2 page 21

<u>RATE CASE EXPENSES</u>	(1)			
	Company			
	Proposed	Adjustments	PA OCA	References
Gannett Fleming	\$ 45,000			
Moul and Associates	\$ 65,000			
Post and Schell	\$ 900,000			
Legal Notices	\$ 20,000			
Travel Expenses	\$ 5,000			
Miscellaneous	\$ 25,000			
Total	\$ 1,060,000	\$ -	\$ 1,060,000	OCA 2-006
Amortization Period	<u>1</u>		<u>2</u>	
FPFTY Total	\$ 1,060,000	\$ (530,000)	\$ 530,000	

(1) Exhibit 104 Schedule 2 page 20

<u>UNCOLLECTIBLES</u>	(1)			
	Company			
	Proposed	Adjustments	PA OCA	References
HTY Balance 11/30/2017				
Base Rate Uncollectibles	\$ 4,750,566	\$ -	\$ 4,750,566	
Unbundled Uncollectibles	\$ 1,196,405	\$ -	\$ 1,196,405	
FTY Balance 11/30/2018				
Base Rate Uncollectibles (2)	\$ 4,688,186	\$ -	\$ 4,688,186	
Unbundled Uncollectibles (2)	\$ 1,209,223	\$ -	\$ 1,209,223	
FPFTY Balance 12/31/2019				
Base Rate Uncollectibles	\$ 4,733,676	\$ -	\$ 4,733,676	
Unbundled Uncollectibles	\$ 1,216,174	\$ -	\$ 1,216,174	
FPFTYP Proforma Balance 12/31/2019	\$ 538,216		\$ (65,797)	

(1) Exhibit 104 Schedule 1 page 3

(2) Exhibit 104 Schedule 2 page 21

<u>PREPAID ASSET AMORTIZATION CLOUD BASED ASSETS</u>	(1) Company Proposed	Adjustment	PA OCA	References
FPFTY Balance 12/31/2019	\$ 831,580	\$ -	\$ 831,580	
Amortization Period	5	0	5	
Annual Amortization	\$ 166,316	\$ -	\$ 166,316	

(1) Exhibit 104 Schedule 2 page 25

DEPRECIATION EXPENSE	(1)					
	COMPANY PROPOSED					
	Original Cost	Rate	Expense	Adjustments	PA OCA	References
FPFTY Balance						
Underground Storage	\$ 5,832,580	4.8827%	\$ 284,786			
Distribution Plant						
Land and Land Rights (374)	\$ 6,367,727	1.3840%	\$ 88,132			
Structures and Improvements (375)	\$ 15,442,273	2.8480%	\$ 439,795			
Mains (376)	\$ 1,805,445,496	2.1595%	\$ 38,987,848			
Meas & Reg Equip (378)	\$ 91,432,170	3.9578%	\$ 3,618,744			
Services (380)	\$ 592,417,063	2.9194%	\$ 17,295,002			
Meters (381)	\$ 39,768,798	2.3579%	\$ 937,707			
Meters AMR (381)	\$ 24,332,583	6.5925%	\$ 1,604,131			
Meter Installations (382)	\$ 43,214,950	1.9103%	\$ 825,547			
House Regulators (383)	\$ 13,305,975	2.2397%	\$ 298,012			
House Regulator Installations (384)	\$ 3,864,772	0.9640%	\$ 37,255			
Industry Meas & Reg Equip Other (385)	\$ 9,569,200	4.6962%	\$ 449,389			
Other General (387)	\$ 136,698	2.3109%	\$ 3,159			
Other CIS (387)	\$ 8,228,024	4.7745%	\$ 392,849			
GPS Equip (387)	\$ 2,053,366	11.7821%	\$ 241,930			
Total Distribution Plant	\$ 2,655,579,095		\$ 65,219,500			
General Plant						
Structures -Improvements (390)	\$ 120,070	1.4950%	\$ 1,795			
Office Furn & Fix (391)	\$ 6,169,938	14.1713%	\$ 874,363			
Transportation (392)	\$ 25,617	10.3018%	\$ 2,639			
Tools, Shop & Garage (394)	\$ 19,227,133	3.4970%	\$ 672,366			
Laboratory (395)	\$ 269,030	5.2061%	\$ 14,006			
Power Operated Equip (396)	\$ 1,036,104	1.2309%	\$ 12,753			
Communication-Telemetry (397)	\$ 4,307,096	6.8964%	\$ 297,034			
Misc (398)	\$ 1,212,199	6.7080%	\$ 81,314			
Total General Plant	\$ 32,367,187		\$ 1,956,270			
Subtotal	\$ 2,693,778,862		\$ 67,460,556			
Amortizable Plant	\$ 47,840,462	10.6534%	\$ 5,096,639			
Non Depreciable Plant	\$ 172,413					
Total Gas Plant	\$ 2,741,791,737		\$ 72,557,195	\$ (4,053,624)	\$ 68,503,571	(2)
Five Year Amortization of NNS			\$ 4,744,713	\$ -	\$ 4,744,713	

(1) Exhibit 105 pages 7-10

(2) Average Plant Balance shown on
 Schedule DM-33 times composite rate
 of 2.6463%
 (\$72,557,195/\$2,741,791,737)

<u>TAXES OTHER THAN INCOME</u>	(1)			
	Company			
	Proposed	Adjustment	PA OCA	References
FICA	\$ 2,598,027	\$ (175,720)	\$ 2,422,306	(3)
FUTA & SUTA	\$ 137,971	\$ -	\$ 137,971	
Property Taxes	\$ 435,885	\$ (24,289)	\$ 411,596	(2)
License and Franchise	\$ 275	\$ -	\$ 275	
Sales and Use	\$ 284,465	\$ -	\$ 284,465	
Other	\$ 180	\$ -	\$ 180	
Total	\$ 3,456,802	\$ (200,009)	\$ 3,256,793	

- (1) Exhibit 106 Schedule 2 page 2
- (2) Average Plant in Service balance times the ratio of \$435,885/\$2,741,791,737 or 0.000159%
- (3) Recommended Labor and Incentive Compensation times FICA Factor of 7.39520%

FEDERAL AND STATE INCOME TAX	(1)		(2)		PA OCA Current Rates	References
	Company Proposed					
	FPFTY Current Rates	Adjustments	FPFTY Proposed Rates	Adjustments		
Operating Revenues	\$ 575,348,119	\$ 45,207,748	\$ 620,555,867		\$ 575,348,119	
Net Gas Purchased for Resale	\$ (163,506,936)	\$ -	\$ (163,506,936)	\$ -	\$ (163,506,936)	
Operation & Maintenance Expense	\$ (191,017,256)	\$ (538,214)	\$ (191,555,470)	\$ 13,828,473	\$ (177,726,997)	
Depreciation and Amortization Expense	\$ (77,301,908)	\$ -	\$ (77,301,908)	\$ 8,798,337	\$ (68,503,571)	
Taxes Other Than Income	\$ (3,456,802)	\$ -	\$ (3,456,802)	\$ 200,009	\$ (3,256,793)	
Net Operating Income Before IT	\$ 140,065,217	\$ 44,669,534	\$ 184,734,751		\$ 162,353,822	
Other Income and Charges	\$ -	\$ -	\$ -		\$ -	
Net Income Before IT	\$ 140,065,217	\$ 44,669,534	\$ 184,734,751	\$ (22,380,929)	\$ 162,353,822	
Statutory Adjustments	\$ (126,299,802)	\$ 401,572	\$ (125,898,230)	\$ 3,048,041	\$ (122,850,189)	(3) OCA-5-017
Deductible State Income Tax	\$ (72,172)	\$ (2,701,562)	\$ (2,773,734)	\$ 134,441	\$ (2,639,293)	OCA-5-017
Taxable Income	\$ 13,693,243	\$ 42,369,544	\$ 56,062,787	\$ (19,198,447)	\$ 36,864,340	
Federal Income Tax @ 21%	\$ 2,875,581	\$ 8,897,604	\$ 11,773,185	\$ (4,031,674)	\$ 7,741,511	
Deferred Income Tax @21%	\$ 18,403,387	\$ -	\$ 18,403,387	\$ (640,089)	\$ 17,763,298	
Tax Refund Amortization	\$ -	\$ -	\$ -		\$ -	
Flow Back of Excess DIT	\$ (1,747,266)	\$ -	\$ (1,747,266)	\$ (1,506,458)	\$ (3,253,724)	OCA-2-082
Effect of CBIT DIT	\$ (2,134)	\$ -	\$ (2,134)	\$ -	\$ (2,134)	
Total FIT Expense	\$ 19,529,568	\$ 8,897,604	\$ 28,427,172	\$ (6,178,220)	\$ 22,248,952	
Amortization of ITC	\$ (299,568)	\$ -	\$ (299,568)	\$ -	\$ (299,568)	
Net FIT Expense	\$ 19,230,000	\$ 8,897,604	\$ 28,127,604	\$ (6,178,220)	\$ 21,949,384	
State Income Tax	\$ 82,334	\$ 2,701,562	\$ 2,783,896	\$ (134,441)	\$ 2,649,455	OCA-5-017
Total Income Tax Expense	\$ 19,312,334	\$ 11,599,166	\$ 30,911,500	\$ (6,312,661)	\$ 24,598,839	

(1) Exhibit 107 pages 8, 9, 16, 17

(2) OCA-5-017

(3) Rate Base \$1,770,443,177 x 2.37%

Company Proposed	\$ (41,959,503)
Adjustment	\$ 45,007,544
	\$ 3,048,041

STATEMENT OF RATE BASE	(1)		FPFTY		PA OCA	References
	FTY 11/30/2018	Adjustment	12/31/2019	Adjustment		
Gas Plant In Service	\$ 2,435,517,784	\$ 306,273,953	\$ 2,741,791,737	\$ (153,136,977)	\$ 2,588,654,761	DM-33
CWIP	\$ -	\$ -	\$ -	\$ -	\$ -	-
Gas Storage Underground - NC	\$ 3,794,693	\$ -	\$ 3,794,693	\$ -	\$ 3,794,693	
Depreciation Reserve	\$ (458,885,725)	\$ (40,344,000)	\$ (499,229,725)	\$ 20,172,000	\$ (479,057,725)	DM-34
Accumulated Provision Gas Lost US	\$ (163,467)	\$ -	\$ (163,467)	\$ -	\$ (163,467)	
Net Plant In Service	\$ 1,980,263,285	\$ 265,929,953	\$ 2,246,193,238	\$ (132,964,977)	\$ 2,113,228,262	
Working Capital						
Materials and Supplies	\$ 828,714	\$ 22,674	\$ 851,388	\$ (29,467)	\$ 821,921	Remove GDP Inf
Prepayments	\$ 2,318,286	\$ 768,720	\$ 3,087,006	\$ (442,906)	\$ 2,644,100	Remove GDP Inf
Gas Storage Underground	\$ 50,708,579	\$ (276,155)	\$ 50,432,424	\$ 138,078	\$ 50,570,502	
Total Working Capital	\$ 53,855,579	\$ 515,239	\$ 54,370,818	\$ (334,295)	\$ 54,036,523	
Deferred Income Taxes						
Income Taxes	\$ 80,373,465	\$ (1,318,228)	\$ 79,055,237	\$ (16,284,860)	\$ 62,770,377	DM-35
Depreciation	\$ (452,731,464)	\$ (8,055,697)	\$ (460,787,161)	\$ 4,027,849	\$ (456,759,313)	DM-35
Other	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Deferred Income Taxes	\$ (372,357,999)	\$ (9,373,925)	\$ (398,675,898)	\$ 4,686,963	\$ (393,988,936)	
Customer Deposits 13-month average	\$ (2,832,220)	\$ (6,007)	\$ (2,838,227)	\$ 3,004	\$ (2,835,224)	
Customer Advances - Cash Deposits	\$ 2,552	\$ -	\$ 2,552	\$ -	\$ 2,552	
Total Rate Base	\$ 1,658,931,197	\$ 257,065,260	\$ 1,899,052,483	\$ (128,609,306)	\$ 1,770,443,177	

(1) Exhibit 108 page 3

GAS PLANT IN SERVICE

(1)

	Balance at 11/30/2018	Adjustments	Balance at 12/31/2019	Adjustments	PA OCA	References
Intangible Plant	\$ 34,051,939	\$ 8,345,632	\$ 42,397,571	\$ (4,172,816)	\$ 38,224,755	
Underground Storage Plant	\$ 5,856,463	\$ -	\$ 5,856,463	\$ -	\$ 5,856,463	
Distribution Plant	\$ 2,364,499,941	\$ 297,224,989	\$ 2,661,724,930	\$ (148,612,495)	\$ 2,513,112,436	
General Plant	\$ 31,109,441	\$ 703,332	\$ 31,812,773	\$ (351,666)	\$ 31,461,107	
Total Gas Plant In Service	\$ 2,435,517,784	\$ 306,273,953	\$ 2,741,791,737	\$ (153,136,977)	\$ 2,588,654,761	

(1) Exhibit 108 Shedule 1 page 6 and 13

DEPRECIATION RESERVE

(1)

	Balance at 11/30/2018	Adjustments	Balance at 12/31/2019	Adjustments	PA OCA	References
Underground Storage	\$ 3,971,459	\$ 309,139	\$ 4,280,598	\$ (154,570)	\$ 4,126,029	
Distribution Plant	\$ 426,467,606	\$ 37,325,302	\$ 463,792,908	\$ (18,662,651)	\$ 445,130,257	
General Plant	\$ 14,502,926	\$ (383,539)	\$ 14,119,387	\$ 191,770	\$ 14,311,157	
Amortizable Plant	\$ 13,943,734	\$ 3,093,098	\$ 17,036,832	\$ (1,546,549)	\$ 15,490,283	
Total Depreciation Reserve	\$ 458,885,725	\$ 40,344,000	\$ 499,229,725	\$ (20,172,000)	\$ 479,057,725	

DEFERRED INCOME TAXES

(1)

	Balance at 11/30/2018	Adjustments	Balance at 12/31/2019	Adjustments	PA OCA	References
Account 190 - DIT						
LIFO Inventory Adj. - Federal	\$ 12,390,573	\$ (68,069)	\$ 12,322,504			
LIFO Inventory Adj. - State	\$ 3,929,145	\$ -	\$ 3,929,145			
Capitalized Inventory - Federal	\$ 1,702,233	\$ (495,623)	\$ 1,206,610			
Capitalized Inventory - State	\$ 539,791	\$ -	\$ 539,791			
Customer Advances - Federal	\$ 1,563,594	\$ (82,477)	\$ 1,481,117			
Customer Advances - State	\$ 492,101	\$ (10,162)	\$ 481,939			
Federal Net Operating Loss	\$ 59,756,028	\$ (661,897)	\$ 59,094,131			
Total Account 190	\$ 80,373,465	\$ (1,318,228)	\$ 79,055,237	\$ (16,284,860)	\$ 62,770,377	Exh NJDJ-S-4
Rate Base Reduction from Tax Reform			\$ (16,943,974)			Exh NJDJ-S-4
Account 282 - DIT - Depreciation						
Excess Accelerated Tax Depreciation Fed	\$ (452,731,464)	\$ (8,055,697)	\$ (460,787,161)	\$ 4,027,849	\$ (456,759,313)	
Total Account 282	\$ (452,731,464)	\$ (8,055,697)	\$ (460,787,161)	\$ 4,027,849	\$ (456,759,313)	
Account 283 - DIT Other	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Account 283- DIT Other	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Accumulated Deferred Taxes	\$ (372,357,999)	\$ (26,317,899)	\$ (398,675,898)	\$ 4,686,963	\$ (393,988,936)	

(1) Exhibit 108 Schedule 8 page 1

Appendix A

PCMG and Associates LLC

DANTE MUGRACE

Education

Master Business Administration, MBA Strategic Management, Pace University, Lubin School of Business, New York, NY, 2010

Master Public Administration, MPA, Kean University, Union, NJ, 2001

Bachelor of Science, BS. Accounting, St. Peter's University, Jersey City, NJ, 1983

Position

Senior Consultant – PCMG and Associates	2014 – present
Senior Consultant – Snavelly King Majoros and Associates	2013 – 2014
Independent Consultant	2012 – 2013
Bureau Chief/Administrative Analyst/Accountant – New Jersey Board of Public Utilities	1983 – 2011

Professional Experience

Mr. Mugrace has 34 years' experience in all aspects of regulatory accounting and policy including processing, analyzing and evaluating utility rate case petitions before Public Service Commissions. Mr. Mugrace examines and evaluates rate filings, contracts, agreements and rate matters regarding utility operations and provides recommendations as to best course of action. Additionally, Mr. Mugrace analyzes and reviews utility regulatory matters and sets forth recommendations for resolution of issues, calculates total revenue requirement needed to cover operating expenses and rate of return, and researches, and evaluates regulatory utility matters to assess impact on various classes of customers, regarding rates, service, compliance and cost of service provisions, as well as annual true-up and tracking mechanisms.

Prior to undertaking consulting assignments, Mr. Mugrace was the Bureau Chief Utility Rate Manager for the New Jersey Board of Public Utilities, in which role he managed and assigned tasks to a staff of 12 professionals and supervisory personal in the daily administrative, financial and managerial functions of the Division. Mr. Mugrace's primary duties were to determine whether the utility had sufficient revenues to cover its operating expenses and earn a return on its plant investment and to ensure that the utility provided safe, reliable and continuing utility service to its customers. Mr. Mugrace set rates and charges for utility companies, which had revenues of up to \$500 million, and ensured that the revenue requirement provided for recovery of all operating expenses, return on investment and depreciation. Mr. Mugrace was also responsible for reviewing and verifying that the companies' property, plant and equipment (up to \$2.5 billion) were used and useful in providing service to its customers. Mr. Mugrace coordinated and met with the New Jersey State Department of Environmental Protection to determine whether water and wastewater utilities were complying with state regulations and

PCMG and Associates LLC

were adhering to any regulatory agency directives or orders. Mr. Mugrace developed ways to minimize the rising costs of water utility services by investigating alternative rate structures, analyzing engineering mechanisms and techniques, looking into the feasibility of mergers and acquisitions within the water industry and reviewing financing, and rate alternatives to minimize the impact on ratepayers. Mr. Mugrace was responsible for ensuring that the rate-case process adhered the statutory timeframe for preparing, reviewing and recommending findings to the Board Commissioners on financial operations, costs, revenues and operating expenses, prior to the litigation proceedings. Mr. Mugrace also examined alternative rate recovery mechanisms and clauses, phase-ins of revenue requirements, deferral mechanisms and pass-through of rate charges. Mr. Mugrace assumed the role of Director during transition periods and Administrative changes. Finally, Mr. Mugrace conducted the recruitment and hiring of employees for placement within the Division and the Board.

Professional and Business Affiliations

- Institute of Public Utilities (IPU) Michigan State University (MSU), National Association of Regulatory Utility Commissioners (NARUC), National Association of State Utility Consumer Advocates (NASUCA)

References

Felicia Thomas-Friel, Esq.
Managing Attorney, Gas
NJ Division of Rate Counsel
140 East Front Street, 4th Floor
Trenton, NJ 08625
(609) 984-1460
ftomas@rpa.nj.gov

William Stevens, Esq.
Assistant Attorney General
Office of Ratepayer Advocacy
Massachusetts Attorney General's Office
One Ashburton Place
Boston, MA 02108
Massachusetts Attorney General's Office
(617) 963-2402
William.Stevens@state.ma.us

Debra Robinson, Esq.
Managing Attorney, Water
NJ Division of Rate Counsel
140 East Front Street, 4th Floor
Trenton, NJ 08625
(609) 984-1460
drobinso@rpa.nj.gov

Agnes Gormley, Esq.
Deputy Public Advocate
State of Maine
Office of the Public Advocate
112 State House Station
Augusta, ME 0433300112
(207) 624-3687
Agnes.Gormley@maine.gov

PCMG and Associates LLC

Candis Tunilo, Esq.
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
Ctunilo@paoca.org

Jeanne M. Fox, Esq.
Former NJ BPU President
(973) 271-0500
Jeannefox1@aol.com

Maria Moran, Director, Water Division
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625
(609) 292-2422
Maria.moran@bpu.state.nj.us

Connie Hughes
Former NJ BPU President/Commissioner
(609) 366-3421
Co.hughes47@gmail.com

Fred Butler, Butler Advisor Services
Former NJ BPU Commissioner
176 Grayson Drive
Belle Mead, NJ 08502
(908) 874-6312
Frederickbutler@comcast.net

Jeff Genzer, Esq., Partner
Duncan, Weinberg, Genzer & Pembroke, P.C.
1615 M. Street, N.W., Suite 800
Washington, D.C. 20036
(202) 467-6370
JCG@dwgp.com

Michael Schuler, Esq.
Office of the Ohio Consumer Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
(614) 466-9547
Michael.Schuler@occ.ohio.gov

Brian Weeks, Esq.
NJ Division of Rate Counsel
140 East Front Street, 4th Floor
Trenton, NJ 08625
(609) 984-1460
bweeks@rpa.nj.gov

PCMG and Associates LLC

Regulatory Projects and Appearances

1. In Re: The Matter of the Merger of SUEZ Water NJ, SUEZ Water Toms River, SUEZ Water Arlington Hills, SUEZ Water West Milford, SUEZ Water Princeton Meadows and SUEZ Water Matchaponix (Appearance: Positive Benefits related to the Merger on behalf of the NJ Division of Rate Counsel)
New Jersey Board of Public Utilities – BPU Docket No. WR18030266
2. In Re: The Matter of the Columbia Gas of Pennsylvania for a General Rate Increase in Distribution Gas Service (Appearance; Accounting Issues and Revenue Requirement on behalf of the Pennsylvania Office of Consumer Advocate)
Pennsylvania Public Utility Commission – Docket No. R-2018-2647577
3. In Re: The Matter of the New Jersey Board of Public Utilities Consideration of the Tax Cuts and Jobs Act of 2017 – Generic Proceeding (Appearance: Revenue Requirement on behalf of the NJ Division of Rate Counsel)
New Jersey Board of Public Utilities – BPU Docket No. AX18010001
4. In Re: Acquisition of Elizabethtown Gas, a Division of Pivotal Utilities Holdings, Inc. by ETG Acquisition Corp., a Division of South Jersey Industries, Inc., and Related Transactions. (Appearance: Customer Service Issues/Employee and Labor Relations on behalf of the NJ Division of Rate Counsel)
New Jersey Board of Public Utilities – BPU Docket No. GM17121309.
5. In Re: Middlesex Water Company – Base Rate Case Proceeding for Water Service. (Appearance: revenue requirement on behalf of the NJ Division of Rate Counsel).
New Jersey Board of Public Utilities – BPU Docket No. WR17101049.
6. In Re: Township of East Brunswick – Sewer Rate Study – (Evaluation of the existing sewer rate structure and examining and quantify costs for future expansion).
7. In Re: Montana-Dakota Utilities – Base Rate Case Proceeding for Gas Service. (Appearance: revenue requirement on behalf of the North Dakota Public Service Commission). NDPSD Docket No. PU-17-295.
8. In Re: Andover Utility Company – Base Rate Case Proceeding for Wastewater Services. (Appearance: revenue requirement on behalf of the New Jersey Division of Rate Counsel).
New Jersey Board of Public Utilities – BPU Docket No. WR17070726.
9. In Re: Public Service Electric and Gas Company- Approval of Changes in its Electric and Gas Green Programs Recovery Charges “2017 Public Service Electric & Gas Green Programs Cost Recovery Filing. (Appearance: revenue requirement on behalf of the New Jersey Division of Rate Counsel).
New Jersey Board of Public Utilities – BPU Docket Nos. ER17070724 and GR17070725.

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10. In Re: Bay States Gas Company d/b/a Columbia Gas of Massachusetts, 2016 Gas System Enhancement Program Reconciliation Filing, (Appearance: revenue requirement on behalf of the Massachusetts Attorney General's Office of Ratepayer Advocacy).
Commonwealth of Massachusetts Department of Public Utilities – Docket No. D.P.U. 17-GREC-05.
11. In Re; NSTAR Gas Company d/b/a Eversource Energy, 2016 Gas System Enhancement Program Reconciliation Filing (Appearance: revenue requirement on behalf of the Massachusetts Attorney General's Office of Ratepayer Advocacy).
Commonwealth of Massachusetts Department of Public Utilities – Docket No. D.P.U. 17-GREC-06.
12. In Re: Petition of Columbia Gas of Maryland – Increase in rates for Distribution Service – (Appearance: revenue requirement on behalf of the Office of People's Counsel) Public Service Commission of Maryland – Case No. 9447
13. In re: Petition of South Jersey Gas Company – Increase in base rates for gas services – (Appearance: revenue requirement on behalf of the NJ Division of Rate Counsel)
New Jersey Board of Public Utilities – Docket No. GR17010071
14. In re: Petition of UGI Penn Natural Gas – Increase in base rates for gas services – (Appearance: revenue requirement on behalf of the Pennsylvania Office of Consumer Advocate)
Pennsylvania Public Utilities Commission Docket No. R-2016-2580030
15. In re: Petition of PJM Interconnection, LLC. – Mid-Atlantic Interstate Transmission, LLC. Formula Rate Filing. (Appearance on behalf of the Pennsylvania Office of Consumer Advocate).
FERC Docket No. ER17-211-000
16. In re: Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company for approval of Increased Base Tariff Rates and Charges for Gas Service and Other Tariff Revisions (Appearance: revenue requirement on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket No. GR16090826
17. In re: Petition of SUEZ Water New Jersey, et al – Approval of a Management and Services Agreement pursuant to N.J.S.A 48: 3-7.1 (Appearance on the reasonableness of contract agreements on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket No. WO16080806
18. In re: Petition of SUEZ Water Arlington Hills Inc. – Approval of an Increase in Rates for Wastewater Services and other Tariff Changes (Appearance: revenue requirement on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket No. WR16050510

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19. In re: Petition of Public Service Electric and Gas Company – 2016 Marginal Adjustment Clause (MAC) (Appearance; reconciliation and rate setting on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket No. GR16060484
20. In re: Petition of Public Service Electric and Gas Company for Approval of Changes in its Electric Green Programs Recovery Charges and its Gas Green Program Recovery Charges 2016 PSEG Program Cost Recovery Filing (Appearance: reconciliation and rate setting on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket Nos. ER16070613 and GR16070614
21. In re: Petition of the Mount Olive Village Sewer Company, Inc., for Approval of an Increase in Rates for Service (Appearance: revenue requirement on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket No. WR16050391
22. In re: Petition of the Mount Olive Village Water Company, Inc. for Approval of an Increase in Rates for Service (Appearance; revenue requirement on behalf of the New Jersey Division of Rate Counsel)
New Jersey Board of Public Utilities Docket No. WR16050390
23. In re: Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil for Approval of its 2015 Gas System Enhancement Plan Reconciliation Filing (2016) - (Analysis and Advice to Counsel: computation of the revenue requirement and rate impact on behalf of the Massachusetts Attorney General Office of Ratepayer Advocacy)
MA Department of Public Utilities Docket No. D.P.U. 16-GREC-01
24. In re: Petition of Bay State Gas Company d/b/a Columbia Gas of Massachusetts for Approval of its 2015 Gas System Enhancement Plan Reconciliation Filing (2016) - (Appearance: computation of the revenue requirement and rate impact on behalf of the Massachusetts Attorney General Office of Ratepayer Advocacy)
MA Department of Public Utilities Docket No. D.P.U. 16-GREC-05
25. In re: Petition for Approval of Gas Infrastructure Contract Between Public Service Company of New Hampshire d/b/a Eversource Energy and Algonquin Gas Transmission, LLC (2016) - (Analysis and Advice to Counsel: compliance with statutes and regulations, review of contract, and ratemaking on behalf of the New Hampshire Office of Consumer Advocate)
NH Public Utilities Commission Docket No. DE 16-241
26. In re: Central Maine Power Company, Annual Compliance Filing and Price Change (2016) - (Analysis and Advice to Counsel; tax normalization regulatory asset on behalf of the Maine Office of the Public Advocate)
ME Public Service Commission Docket No. 2016-00035

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27. In re: Bulletin 2015-10 Generic Proceeding to Establish Parameters for the Next Generation PBR Plans (Appearance: productivity adjustments/performance based ratemaking on behalf of the Alberta Utilities Consumer Advocate)
Alberta Utilities Commission Proceeding 20414
28. In the Matter of Request by Emera Maine for Approval of a Rate Change (2016) - (Appearance: revenue requirement on behalf of the Maine Office of the Public Advocate)
Maine Public Utilities Commission Docket No. 15-00360
29. In the Matter of the Joint Application of the Southern Company, AGL Resources Inc., and Pivotal Holdings, Inc. d/b/a Elkton Gas (2015-2016) - (Analysis and advice to counsel: customer service impacts, employee impacts, supplier diversity on behalf of the Maryland Office of People's Counsel)
MD PSC Case No. 9404
30. In the Matter of the Merger of Southern Company and AGL Inc. (2015-2016) - (Appearance: customer service impacts and employee impacts on behalf of the NJ Division of Rate Counsel)
New Jersey BPU Docket No. GM15101196
31. In the Matter of the United Water New Jersey, Inc., for Approval of an Increase in Rates for Water Service and Other Tariff Changes (2015-2016) - (Appearance: revenue requirements, rate base issues and operating income on behalf of the NJ Division of Rate Counsel)
New Jersey BPU Docket No. WR15101177
32. In re: Petition of Boston Gas Company and Colonial Gas Company d/b/a National Grid for Approval of Precedent Agreements with Millennium Pipeline Company, LLC (2015) - (Analysis: review of contract and compliance of the Gas Supply Plan on behalf of the Massachusetts Attorney General Office of Ratepayer Advocacy)
MA D.P.U. 15-130
33. In re: Petition of Boston Gas Company and Colonial Gas Company d/b/a National Grid for Approval of Agreements for LNG or Liquefaction Services with GDF Suez Gas NA, LLC; Northeast Energy Center, LLC; Metro LNG, L.P.; and National Grid LNG (2015) - (Analysis: review of contract and compliance of the Gas Supply Plan on behalf of the Massachusetts Attorney General Office of Ratepayer Advocacy)
MA D.P.U. 15-129
34. In re: Columbia Gas of Massachusetts CY2014 Targeted Infrastructure Reinvestment Factor (TIRF) Compliance Filing (2015) - (Appearance: computation of the revenue requirement impact on the TIRF on behalf of the Massachusetts Attorney General Office of Ratepayer Advocacy)
MA D.P.U. 15-55

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35. In the Matter of the Bay State Gas Company d/b/a Columbia Gas of Massachusetts for Approval of its Targeted Infrastructure Reinvestment Factor (TIRF) for CY 2013 (2014) - (Appearance: computation of the revenue requirement impact on the TIRF)
MA D.P.U. 14-83
36. In the Matter of the Merger of Exelon Corporation and Pepco Holdings, Inc. (Atlantic City Electric Company) (2014-2015) - (Appearance: customer service impacts)
New Jersey BPU Docket No. EM14060581
37. Public Utilities Commission of Ohio, in the Matter of the Application of Aqua Ohio, Inc. to Increase its Rates and Charges for its Waterworks Service. – Revenue and Rates (2014) - (Appearance: operating income, certain rate base issues and income taxes on behalf of the Ohio Office of Consumer Counsel)
PUCO Case No. 13-2124-WW-AIR
38. New York Public Service Commission, as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. Revenue Requirement (2013-2014) – (Appearance: revenue requirement, rate base issues and operating income on behalf of the Intervenor, the County of Westchester)
NYPSC Case Nos. 13-E-0030, 13-G-0031 and 13-S-0032, et al
39. North Dakota Public Service Commission, - Application of Northern States Power Company for Authority to Increase Rates for Electric Service in North Dakota, On-Going Revenue Requirement (2013) - (Appearance: revenue requirement and rate base, operating income, operating and maintenance expenses on behalf of the North Dakota Public Service Commission Staff)
North Dakota Case No. PU-12-813
40. In the Matter of the Petition of New Jersey American Water Company for Authorization to Implement a Distribution System Improvement Charge (DSIC) Order Denying Petition and Instituting Stakeholder Process (2008) - (Case manager on policy decision and revenue requirement impact on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WO08050358
41. In the Matter of the Joint Petition of the City of Trenton, New Jersey and New Jersey-American Water Company, Inc. for Authorization of the Purchase and Sale of the Assets of the Outside Water Utility System ("OWUS") of the City of Trenton, New Jersey and for Other Relief Order Adopting Initial Decision, (2008) - (Case manager on the revenue requirement impact on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WM08010063
42. In the Matter of the Petition of United Water New Jersey, United Water Toms River, United Water Lambertville, United Water Mid-Atlantic and Gaz de France for Approval as Need for a Change in Ownership and Control (2007) - (Case manager on customer impact, employee impact and impact on rates on behalf of the Staff of the NJ Board of Public Utilities)

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BPU Docket No. WM06110767

43. In the Matter of the Petition of United Water Arlington Hills Sewerage, Inc. for an Increase in Rates for Waste Water Service and Other Tariff Changes (2009) - (Case manager on revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR08100929
44. In the Matter of the Petition of United Water New Jersey Inc. for Approval of an Increase in Rates for Water Service and Other Tariff Changes, (2009) - (Case manager on revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR08090710
45. In the Matter of the Petition of United Water Toms River, Inc. for Approval of an Increase in Rates for Water Service and Other Tariff Changes (2008) - (Case manager on the revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR08030139
46. In the Matter of the Joint Petitioners of New Jersey-American Water Company, Inc., S.J. Services, Inc., South Jersey Water Company, Inc. and Pennsgrove Water Supply Company, Inc. for Among Other Things Approval of a Change in Control of South Jersey Water Supply Company, Inc. and Pennsgrove Water Supply Company, Inc. (2007) - (Case manager on the overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WM07020076
47. In the Matter of the Petition of Aqua, New Jersey, Inc. for Approval of an Increase in Rates for Water Service and Other Tariff Changes (2008) - (Case manager on revenue requirement and the overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR0712095

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48. I/M/O the Joint Petition of Thames Water, Aqua Holdings GMBH, on Behalf of Itself and Its Parent Holdings Company, RWE Aktiengesellschaft, Thames Water Aqua US Holdings, Inc., American Water works Company Inc., Thames Water Holdings Incorporated, E'town Corporation, New Jersey-American Water Company, Inc., Elizabethtown Water Company, the Mount Holly Water Company and Applied Wastewater Management, Inc. for Confirmation that the Board of Public Utilities Does Not Have Jurisdiction Over, or, Alternatively, for Approval of a Proposed Transaction Involving, Among Other Things, the Sale by Thames Water Aqua Holdings GMBH of Up to 100% of the Shares of the Common Stock of American Waterworks Company, Inc. in One or More Public Offerings (2007) - (Case manager on revenue requirement impacts, effect on rates and effect on service on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WM06050388
49. In the Matter of the Petition of Elizabethtown Water Company for Approval of an Increase in Rates for Water Service (2007) - (Case manager on revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR03070510
50. In the Matter of the Petition of New Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Sewer Service; Increased Depreciation Rates and Other Tariff Revisions (2008) - (Case manager on revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR08010020
51. In the Matter of Middlesex Water Company for Approval of an Increase in its Rates for Water Service and Other Tariff Changes (2007) - (Case manager on overall revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR07040275
52. In the Matter of the Joint Petition of United Water New Jersey, Inc., United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Water Hills, Inc., and United Water Lambertville, Inc. for an Increase in Rates and Charges for Water Service and Other Tariff Changes and for Approval to Merge the Operations of the Joint Petitioners into and with United Water New Jersey, Inc. (2007) - (Case manager on revenue requirement and overall rate proceeding on behalf of the Staff of the NJ Board of Public Utilities)
BPU Docket No. WR07020135

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-2647577
	:	
Columbia Gas of Pennsylvania, Inc.	:	

VERIFICATION

I, DANTE MUGRACE, hereby state that the facts set forth in my Direct Testimony, OCA Statement No. 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date June 7, 2018

Signed: *Dante Mugrace*
Dante Mugrace