

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

SURREBUTTAL TESTIMONY OF

DANTE MUGRACE

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

July 17, 2018

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1 **I. PURPOSE OF SURREBUTTAL TESTIMONY**

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

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

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET?**

6 **A.** Yes. I submitted Direct Testimony on June 7, 2018, which was marked as
7 OCA Statement No. 1. My qualifications and experience are attached to
8 my Direct Testimony.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 **A.** The purpose of my Surrebuttal Testimony is to address the Rebuttal
12 Testimonies of Company witnesses Mays, Miller, Covert, Fisher, Krajovic
13 Cartella, and Spanos. I am also making certain adjustments to proposals
14 in my testimony and a revised calculation of the Company's revenue
15 requirement that incorporates the effects of my adjustments. To the extent
16 that I do not respond to or address a particular issue or argument, I defer to
17 my direct testimony on those issues.

18
19 **Q. WITH YOUR ADJUSTMENTS TO YOUR DIRECT TESTIMONY, WHAT IS**
20 **YOUR REVISED COMPANY REVENUE REQUIREMENT?**

21 **A.** With my revised adjustments, I have calculated a revenue requirement of
22 \$3,218,584 or 0.56% over current rates of \$572,030,491. (See Revised
23 Schedules-DM-Surr attached). This includes OCA Witness Dr. Griffing's
24 overall rate of return of 7.28% which includes a common equity component
25 of 9.38%.

1 **II. REVENUE REQUIREMENT ISSUES**

2 **A. Average Rate Base – Utility Plant in Service, Working Capital**
3 **Components, Customer Deposits and DSIC.**

4 **Q. WHAT IS THE COMPANY’S POSITION ON YOUR USE OF AN AVERAGE**
5 **PLANT IN SERVICE BALANCE METHOD?**

6 **A.** Company witness Covert does not agree with my use of an average FPFTY rate
7 base methodology. She indicated that Act 11 of 2012 allows for the use of a
8 FPFTY, which states that the 12-month period that begins with the first month that
9 new rates will be placed in effect, after the application of the full suspension period
10 permitted under Section 1308(d). She stated that this approach reduces the risks
11 associated with regulatory lag because the new rates will be consistent with the
12 test year used to establish those rates for at least the first year (Columbia
13 Statement No. 6-R page 2). Ms. Covert stated that nothing in Act 11 of 2012
14 requires the use of an average rate base. Ms. Covert stated that my approach
15 does not include all plant to be installed in the FPFTY in rate base. Ms. Covert
16 stated that she does not agree that using an average rate base more accurately
17 reflects the period during which rates set in this proceeding will be in effect. Either
18 the rates will be in effect for longer than the FPFTY or the cost to serve customers
19 will increase enough to warrant another rate case (Columbia Statement No. 6-R
20 page 2-3). In either case the costs will exceed the average cost after mid-year of
21 the FPFTY. Ms. Covert stated that the use of an average test year complicates
22 the alignment of costs and revenues.

23
24 **Q. DO ANY OF THE REASONS CITED BY MS. COVERT CHANGE YOUR**
25 **POSITION WITH RESPECT TO THE USE OF AN AVERAGE TEST YEAR RATE**
26 **BASE METHODOLOGY?**

27 **A.** No, they do not. The use of an average rate base methodology is an appropriate
28 way to calculate rates under a fully projected future test year period. If the PAPUC
29 makes a determination on the Company rates in the fall of 2018, rates will become

1 effective in 2018. Thus, ratepayers will be charged for plant in service and other
2 costs in advance of the in-service dates. This is contrary to the used and useful,
3 prudent in nature and known and measurable ratemaking concepts. The
4 customers would wind up paying for plant that will not be in service throughout
5 2019. By reflecting the level of plant in service, on average, throughout the FPFTY
6 period, there is a better matching of actual cost of service, with the revenue
7 requirement being charged to customers.

8
9 **Q. WHAT ABOUT MS. COVERT'S ARGUMENT ABOUT THE COMPLICATIONS IN**
10 **ALIGNING COSTS AND REVENUES?**

11 **A.** I do not agree with her argument. It does not complicate costs and revenues. As
12 stated in Mr. Mays' rebuttal testimony, averaging out revenues between the FTY
13 and the FPFTY can be computed without complication, as well as, averaging out
14 Gas Supply Expenses.

15
16 **Q. WHAT DID MS. COVERT STATE REGARDING THE AVERAGE RATE BASE**
17 **CONCEPT?**

18 **A.** In Columbia Statement No. 6 page 5, Ms. Covert stated that I should have used
19 the average balance at December 31, 2018 and December 31, 2019, to calculate
20 the average rate base balance (Statement No. 6 page 5). However, the Company
21 presented its rate base balances for November 30, 2017, November 31, 2018 and
22 December 31, 2019. It did not present or provide a balance as of December 31,
23 2018. Ms. Covert addressed the use of a December 31, 2018 rate base balance
24 stating that plant placed in service in the month of December 31, 2018, should be
25 included in rates that bill customers during the FPFTY January-December 2019.
26 The Company is responsible for setting the test year periods. Although the
27 Company provided this information in its Exhibit No. 108, Schedule 1 page 7 of 13,
28 the average rate base balance should be the 13-month period between the
29 Company's FTY ending November 30, 2018, and the FPFTY period ending

1 December 31, 2019. Ms. Covert's Exhibit JEC-1R Page 1 attached to her rebuttal
2 testimony should be rejected.

3
4 **Q. WHAT IS YOUR RESPONSE?**

5 **A.** My recommendation has not changed. I am still recommending an average rate
6 base balance using November 31, 2018 and December 31, 2019. The Company
7 filed its rate application with an HTY ending November 30, 2017, a FTY ending
8 November 30, 2018 and a FPFTY ending December 31, 2019. The Company sets
9 the timing of the test year periods, and it should not change these test year periods
10 with the assumption that if an average rate base methodology were accepted, a
11 December 31, 2018 period should be used. The Company is simply trying to make
12 an argument that a 12-month average rate base balance is more reasonable than
13 a 13-month average rate base balance, because it provides them with a greater
14 Utility Plant In Service balance. My rate base balance is shown on my Schedule
15 DM-SURR-32.

16
17 **Q. WHAT DID MS. COVERT STATE REGARDING THE EFFECT YOUR AVERAGE
18 RATE BASE METHODOLOGY HAS ON THE COMPANY'S DISTRIBUTION
19 SYSTEM IMPROVEMENT CHARGE (DSIC)?**

20 **A.** Ms. Covert stated that my use of average rate base will affect the DSIC calculation.
21 (Columbia Statement No. 6-R page 4). As I understand the DSIC, the Company
22 is allowed to recover the cost of plant additions over and above the plant that is
23 included in rate base in the prior rate case. Therefore, whatever the rate base set
24 in this proceeding, the DSIC additions would be based upon the increase in plant
25 over the average balance rather than the increase in plant over the year-end
26 balance. The Company would essentially still be able to recover the costs
27 associated with its DSIC mechanism, not previously reflected in the utility's rate
28 base. As such, there would be no significant difference to the implementation of
29 the DSIC in using the average rate base approach.

1 **Q. WHAT DID MS. COVERT STATE REGARDING THE UPDATED BALANCES**
2 **FOR MATERIALS AND SUPPLIES, PREPAYMENTS AND CUSTOMER**
3 **DEPOSITS?**

4 **A.** Ms. Covert stated that the Company updated its balances as of April 30, 2018, for
5 these rate base components. These adjustments represent the balances as of
6 December 31, 2019.

7

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

9 **A.** I updated my balances to conform to the updated information related to the
10 Company's Working Capital Components. My updated information is shown on
11 my Schedule DM-SURR-32.

12

13 **Q. WHAT DID MS. COVERT STATE REGARDING YOUR REMOVAL OF**
14 **INFLATION FOR THESE RATE BASE COMPONENTS?**

15 **A.** Ms. Covert stated that these costs are based upon historical data that needs to
16 be adjusted for inflation to provide an appropriate project of costs.

17

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

19 **A.** As I stated in my direct testimony, I believe that inflationary adjustments are not
20 known and measurable and they do not accurately provide the true costs of
21 adjusting costs. Inflationary related costs are typically blanket increases that are
22 applied to all costs. Costs should be predicated upon known and measurable
23 concepts.

24

25

26

1 **B. Deferred Income Taxes – Tax Reform**

2 **Q. WHAT DID MS. KRAJOVIC STATE REGARDING YOUR ADJUSTMENT TO**
3 **THE COMPANY’S CREDIT TO RATE BASE REFLECTING THE RECOGNITION**
4 **OF THE DEFERRED TAX ASSET THAT RESULTED FROM THE TAXABILITY**
5 **OF THE RESERVE BEING CREATED ON THE BOOKS?**

6 **A.** Ms. Krajovic stated that I included the Company’s Credit to rate base of
7 \$16,943,974 reflecting the effect of the Tax Cuts and Jobs Act of 2017 (TCJA)
8 while also recommending that the Company refund the entire amount to customers
9 in this proceeding. Ms. Krajovic stated that the Company intended to hold the
10 \$23,828,450 in reserve on its balance sheet and proposed a credit to rate base.

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

13 **A.** I reviewed my exhibits and note that I should not have included the credit of the
14 \$16,943,974 in rate base given that I am recommending that the Company refund
15 the \$23,828,450 to customers in this proceeding. I have adjusted my Deferred
16 Income Taxes accordingly which is shown on my Schedule DM-SURR-35.

17
18 **Q. WHAT DID MS. KRAJOVIC STATE REGARDING YOUR RECOMMENDATION**
19 **THAT THE COMPANY SHOULD RETURN THE \$23,828,450 IN THIS**
20 **PROCEEDING?**

21 **A.** Ms. Krajovic stated that she did not entirely agree with the language in the
22 Commission’s May 17, 2018 Temporary Rates Order at M-2018-2641242. She
23 stated that the passage addresses suggestions for some utility that they be
24 permitted to retain the TCJA savings. Ms. Krajovic stated that the Company agrees
25 that the benefits of the TJCA should accrue to customers but not immediately
26 (Columbia Statement No. 10-R page 30). She stated that during the time the
27 Company holds the cash, the customers will benefit from a revenue requirement
28 that is reduced by \$1,729,500. Ms. Krajovic stated that even under its general rate

1 case proceeding the challenges caused by the TCJA will not be resolved absent
2 retention of the savings. Ms. Krajovic stated that the Company is in the midst of an
3 aggressive capital-intensive infrastructure replacement program. Annual funding
4 of the capital program requires the issuance of debt and equity. A base rate
5 increase will not replace that source of funding and must be replaced with
6 additional borrowing and infusions of equity. Having the option to temporarily retain
7 the 2018 value of the tax savings for a limited period of time would support the
8 Company's ability to avoid a potential rate downgrade and associated increase in
9 cost of debt and equity (Columbia Statement No. 10-R page 32).

10
11 **Q. WHAT IS YOUR RESPONSE?**

12 **A.** In the absence of the TCJA, the Company would still be in the midst of an
13 aggressive capital-intensive infrastructure replacement program and would need
14 to provide for additional borrowing and infusions of equity in order to fund its
15 program. The language in the Commission Order is very clear, "it does not deem
16 it appropriate to permit utilities to retain the TCJA savings due to a perceived risk
17 of possible negative outlooks from credit rating firms."¹ The Commission expects
18 the utility and the parties to address whether any surcharge or other measure is
19 necessary to account for the tax rate change. As such, my recommendation has
20 not changed. The Company should return the monies through a one-time rebate
21 following a final Order in this proceeding or through a 12-month consecutive rebate
22 concurrent with new rates from this proceeding.

23
24 **C. OPERATING INCOME**

25 **1. Operating Revenues**

¹ Tax Cuts and Jobs Act of 2017, Temporary Rates Order. Docket No. M-2018-2641242, dated May 17, 2018, pages 16-17.

1 **Q. WHAT HAS THE COMPANY STATED REGARDING YOUR USE OF THE**
2 **COMPANY'S OPERATING REVENUES AT PRESENT RATES?**

3 **A.** Company witness Mays stated that I should have utilized the average of the
4 Company's FTY and FPFTY revenues to derive an average operating revenue at
5 present rates. Mr. Mays also stated that if the average FPFTY methodology were
6 adopted, unadjusted revenues and billing determinants should be used that closely
7 align revenues with costs (Columbia Statement No. 3-R page 2).

8

9 **Q. WHAT IS YOUR RESPONSE?**

10 **A.** I accept Mr. Mays' and I&E witness Mr. Cline's recommendation that the use of
11 averaging the FTY and FPFTY revenues better aligns revenues with costs. (I&E
12 Statement No. 3 page 44). I also accept the Company's use of the unadjusted
13 revenues and billing determinants for the FPFTY. Given this, my revenue at
14 present rates is \$572,030,491 as shown on Mr. Mays' Statement No. 3-R page 3
15 Table DJM-1. My adjustment is shown on my Schedule DM-Surr-5.

16

17 **2. OPERATION AND MAINTENANCE EXPENSES**

18 **a. Gas Cost Expense**

19 **Q. WHAT DID MR. MAYS STATE REGARDING YOUR USE OF THE COMPANY'S**
20 **GAS COST EXPENSE DURING THE FPFTY PERIOD?**

21 **A.** Mr. Mays stated that if I use an average FPFTY methodology, I should have
22 adjusted the Gas Cost Expense accordingly.

23

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

25 **A.** I accept Mr. Mays' and I&E witness Mr. Cline's recommendation that the use of
26 average Gas Cost Expense closely aligns with average sales revenue. (I&E
27 Statement No. 3 page 47). As shown on Columbia Statement No. 3-R page 3, the

1 unadjusted average Gas Cost Expense is \$162,273,742. I adjusted my expense
2 to this amount. My adjustment is shown on my DM-Surr-1.

3
4 **b. Labor**

5 **Q. WHAT DID COMPANY WITNESS MILLER STATE WITH RESPECT TO YOUR**
6 **ADJUSTMENTS TO LABOR REGARDING THE FPFTY PERIOD OF \$446,256?**

7 **A.** Ms. Miller stated that the \$185,940 of FPFTY costs that I disallowed are for normal
8 pay increases only for labor charges prior to the timing of the annual budget
9 increases and represents adjustments up to the FPFTY period December 31,
10 2019, annualized. (Columbia Statement No. 4-R page 6). She stated that the
11 increases are annualized for the entire 12 months ending December 31, 2019.

12
13 **Q. WHAT IS YOUR RESPONSE?**

14 **A.** I am accepting the Company's adjustment and reasoning with respect to my
15 \$185,940 adjustment to the Company's labor for the FPFTY period. This
16 adjustment is reflected in DM-Surr-7.

17
18 **Q. WHAT DID COMPANY WITNESS KRAJOVIC STATE WITH RESPECT TO**
19 **YOUR ADJUSTMENTS TO BUDGET LABOR FOR THE FPFTY PERIOD OF**
20 **\$474,853?**

21 **A.** Ms. Krajovic stated that the \$474,853 represents 1.5% of the normalized FTY labor
22 expense that represents six months' worth of merit increases, and not a whole
23 year. (Columbia Statement No. 10-R, page 12).

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

2 **A.** I reviewed the Standard Data Request GASRR-026 and noted that the \$474,853
3 does represent a 1.5% adjustment or six months' worth of the 3.0% annual merit
4 increase, not a whole year. I am accepting the Company's reasoning with respect
5 to my disallowance of \$197,855. This adjustment is reflected in DM-Surr-7.

6

7 **Q. WHAT DID MS. KRAJOVIC STATE WITH RESPECT TO YOUR ADJUSTMENT**
8 **OF THE COMPANY'S STOCK AWARDS OF \$204,892?**

9 **A.** Ms. KrajoVIC stated that the Stock Awards are not a cumulative build-up of
10 expenses over two years, but rather an anticipated budget for one year of
11 expenses by expense category. The FPFTY period Stock Awards amount is
12 \$97,639 and the FTY period Stock Awards amount is \$107,253. (Columbia
13 Statement No. 10-R page 13).

14

15 **Q. WHAT IS YOUR RESPONSE?**

16 **A.** Given that the Stock Awards are not cumulative in nature and are for one year
17 only, I am removing the Stock Awards of \$97,639 for the FPFTY period. This
18 adjustment is reflected in DM-Surr-7.

19

20 **Q. WHAT IS THE IMPACT OF YOUR ADJUSTMENTS ON THE COMPANY'S**
21 **LABOR EXPENSE?**

22 **A.** My adjustments with respect to Labor Expense result in a decrease of \$97,639
23 related to the Profit Sharing Expense in the FPFTY period. My adjustment is
24 reflected on my Schedule DM-Surr-7.

25

26

1 **c. Incentive Compensation**

2 **Q. WHAT DID COMPANY WITNESS CARTELLA STATE WITH RESPECT TO**
3 **YOUR REMOVAL OF INCENTIVE COMPENSATION OF \$2,214,000?**

4 **A.** Ms. Cartella stated that all employees, not just Corporate Executives, are eligible
5 for incentive compensation. These compensation plans are designed to support
6 financial management, safety and customer initiatives. Ms. Cartella stated that the
7 Commission has allowed recovery of incentive compensation as part of payroll
8 where the compensation plan includes provisions that are designed to provide
9 benefits to customers. (Columbia Statement No. 15-R page 9). Ms. Cartella stated
10 that incentive compensation is an important component of total cash compensation
11 for the Company and NCSC to be effective in improving performance and in
12 recruiting and retaining employees.

13
14 **Q. WHAT IS YOUR RESPONSE?**

15 **A.** While I understand the importance of providing incentive compensation to
16 employees, I do not believe that incentive compensation should be recoverable
17 from ratepayers. I believe that incentive compensation should only be recovered
18 from ratepayers if it provides a specific benefit to ratepayers, but not if it benefits
19 the Company in the form of increasing Net Operating Earnings Per Share. Further,
20 Ms. Cartella stated that incentive compensation gives managers the power to
21 reward and retain its top executives which would be difficult to accomplish without
22 the element of incentive compensation. Ms. Cartella stated that in order to retain
23 key leaders and attract new talented individuals, offering stock-based programs is
24 an appropriate cost of providing reliable service to Columbia's customers, and
25 absent that, it would have a significant financial impact in the form of turnover
26 costs, recruiting costs, relocation costs and training costs. (Columbia Statement
27 No. 15-R page 8). It appears that the Company's total incentive compensation is
28 part of its total rewards philosophy (Columbia Statement No. 15-R page 5). In order
29 to remain competitive with other employers and to retain employees to further drive

1 requirements to provide safe, reliable and cost-effective service to its customers.
2 Part of the Company's argument is that in order to provide safe and reliable service
3 to its customers it has to incent employees. This appears to be an all or nothing
4 approach to compensation in that without appropriate incentive compensation,
5 employees would not be able to perform their duties.

6 While I agree that incentive compensation is embedded in all major companies'
7 compensation package, I believe that incentive compensation related to executive
8 management and corporate officers should be paid out by the shareholders of the
9 Company and not the ratepayers.

10

11 **Q. HAS THE COMPANY PROVIDED THE LEVEL OF INCENTIVE**
12 **COMPENSATION FOR EACH PARTICIPANT?**

13 **A.** No. According to the responses to OCA-2-015, 016, and 017, the incentive
14 compensation awards are not broken down by categories; therefore, there is no
15 way to discern how much incentive compensation is awarded to each category of
16 employee. The Company wants the parties to accept the level of incentive
17 compensation without a full and complete review of who receives the incentive
18 compensation.

19

20 **Q. HAVE THE COMPANY'S REBUTTAL WITNESSES CHANGED YOUR MIND**
21 **WITH RESPECT TO INCENTIVE COMPENSATION?**

22 **A.** No. My recommendation is the same as in my direct testimony. I am
23 recommending that only \$409,393, a portion of the Company's \$1,899,215
24 incentive compensation, be included in rates. I believe this portion is related
25 Customer Care, Safety, and Satisfaction. My recommendation is shown on my
26 Schedule DM-SURR-8.

27

1 **Q. WHAT DID MS. CARTELLA STATE REGARDING YOUR DISALLOWANCE OF**
2 **INCENTIVE COMPENSATION IN THE FTY AND FPFTY PERIODS?**

3 **A.** Ms. Cartella stated that the Company has a solid history of meeting and exceeding
4 performance targets. These targets are set at the beginning of each year based
5 upon year over year improvement.
6

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

8 **A.** As I stated in my direct testimony, there is no way the Company can determine if
9 the performance targets will be achieved now and until the end of the year, even
10 though it claims that it has consistently met and exceeded performance targets in
11 the past. It would be premature to allow incentive compensation in rates in the
12 absence of performance targets, regardless of past performance and
13 achievements. I am recommending removal of \$225,785 and \$99,000 for the FTY
14 and FPFTY periods, respectively, for a total of \$324,785.
15

16 **d. Pension Prepayment**

17 **Q. WHAT HAS THE COMPANY REBUT PROPOSED RELATED TO ITS PENSION**
18 **PREPAYMENT?**

19 **A.** Company witness Krajovic stated that cash payments related to its pension have
20 been historically averaged over two years to smooth volatility, not to associate the
21 recovery to any portions of pension planning horizon or expense. Mr. Krajovic
22 stated that timely recovery is still imperative, and the proposed three-year
23 amortization offers an element of mitigation, recognizing that the pre-payment was
24 significant (Columbia Statement No. 10-R, page 26). She stated that a 10-year
25 amortization period, in the context of not including the unamortized balance in the
26 rates, unfairly punishes the Company for actions that were undertaken to benefit
27 the customers.
28

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

2 **A.** As I stated in my direct testimony and given the response by the Company in OCA-
3 2-023 and 025, there is no relevant amortization period, nor does it impact the
4 Company's pension obligation. The Company's intention is to fully fund the
5 pension for the 10-year horizon through 2026, and it is not the Company's nor
6 NiSource's intention to make further payments throughout that period. I believe
7 the amortization period should be set with the 10-year horizon period. The
8 Company made this payment in 2017 and is proposing to include this payment in
9 this proceeding, pending the deferral request it has before the Commission that
10 has been consolidated with this rate case. If the Commission allows the deferral,
11 then the amortization period should begin at the time the costs were incurred,
12 (September 2017). My recommendation is shown on my Schedule DM-SURR-9.

13 .

14 **e. Other Employee Benefits**

15 **Q. WHAT HAS THE COMPANY STATED IN REGARD TO YOUR EMPLOYEE**
16 **BENEFITS ADJUSTMENT?**

17 **A.** Company witness Ms. Krajovic stated that the Company is only proposing to
18 recover on \$320,139 of Profit Sharing for the FPFTY period (Statement No. 10-R,
19 page 13).

20

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

22 **A.** I reviewed the Company's proposal and accept the Company's request to only
23 recover the profit sharing expense in the amount of \$320,139 in the FPFTY period.
24 Therefore, I am recommending only removing the Profit Sharing that is expected
25 to be paid out in that period of \$320,139, since the Company stated that is the level
26 it is seeking to recover. As I stated previously in my direct testimony, the Company
27 has not identified or provided a breakdown as to whom these Profit Sharing
28 benefits go. My recommendation is shown on my Schedule DM-SURR-10.

1 **f. Outside Services**

2 **Q. WHAT HAS THE COMPANY STATED IN REGARD TO YOUR ADJUSTMENT**
3 **TO OUTSIDE SERVICES?**

4 **A.** Company witness Ms. Krajovic stated that the increase to its Outside Services was
5 to bring the Company up to a normalized level of costs since the FTY period budget
6 was low, which understated the FPFTY projection. (Columbia Statement No. 10-
7 R, page 15). Ms. Krajovic provided a table that shows 5-years' worth of Outside
8 Services (Actual and Budgeted) (2014 through 2019). This table shows that the
9 Company's Budgeted Outside Services of \$25,620,000 is lower than the
10 Company's 2017 and 2016 Outside Services balance.

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

13 **A.** I reviewed the Company's 5-years of Outside Services and am accepting the
14 Company's response. I am removing my adjustment of \$1,102,754 to bring up the
15 Company's balance of its Outside Services for the FPFTY to \$25,389,024. My
16 recommendation is shown on my Schedule DM-SURR-11.

17
18 **g. Building Leases**

19 **Q. WHAT HAS THE COMPANY STATED WITH REGARD TO YOUR**
20 **ADJUSTMENT TO ITS BUILDING LEASES?**

21 **A.** Company witness Ms. Miller stated that I did not use the net monthly rental
22 expense for 4/1/2018 through 3/3/2019 at \$55,405.04 but used \$50,405.94. Ms.
23 Miller stated that I deducted the CAM charges of \$120,000 which was already
24 accounted for in the net rental amounts of \$55,405.94 and \$55,506.94 for the FTY
25 and the FPFTY periods. (Columbia Statement No. 4-R, page 8).

26
27 **Q. WHAT IS YOUR RESPONSE?**

1 **A.** I reviewed the response to OCA-5-009 and realized that I did not take into
2 consideration that these amounts were net rental amounts which already included
3 the removal of the CAM Charges. I also note that although I listed \$50,405.94
4 (page 27 of OCA Statement 1) for the period in question, the total lease payments
5 are correctly calculated. I am accepting the Company's adjustment to its Building
6 Leases, and I have no adjustments this expense. My recommendation is shown
7 on my Schedule DM-SURR-12.

8

9 **h. Corporate Insurance**

10 **Q. WHAT DID COMPANY WITNESS MS. KRAJOVIC STATE REGARDING YOUR**
11 **ADJUSTMENT WITH REGARD TO CORPORATE INSURANCE?**

12 **A.** Ms. Krajovic did not agree with my removal of the 1.5% inflation factor used to
13 calculate the mid-year premium changes. (Columbia Statement No. 10-R page
14 16). She claimed that the case is based upon a Fully Projected Future Test Year
15 derived from the budget for 2019, rather than a build-up of known and measurable
16 changes, that would be utilized in the development of a case claimed on a
17 Historical Test Year. She stated that past experience has shown that the
18 Company's Corporate Insurance Expense has grown at a pace substantially
19 exceeding the rate of inflation.

20

21 **Q. WHAT IS YOUR RESPONSE?**

22 **A.** As I indicated in my direct testimony, I believe that inflation related factors are not
23 appropriate in setting rates. Ms. Krajovic argues that since this rate case is based
24 upon a budget and not a build-up of known and measurable changes used in a
25 historical test year, that the known and measurable principle does not apply. I
26 believe it does apply. Rates are set based upon costs that are known and
27 measurable, regardless of what test year a company utilizes to set rates, and the
28 Company cannot argue that a budget, which is an estimate of costs, should be the
29 basis for setting rates. In response to OCA-2-035, the Company stated that

1 NiSource has not received notifications from any insurers of increased premium.
2 The Company stated that the exact premium is not known at this time, and most
3 likely be billed in June 2018. The Company's costs should be based upon known
4 premium quotes. I am recommending that the 1.5% inflation adjustment should
5 be removed from the Company's Corporate Insurance expense. My
6 recommendation is shown on my Schedule DM-SURR-14.

7
8 **i. Injury and Damages**

9 **Q. WHAT HAS COMPANY WITNESS MILLER STATED REGARDING YOUR**
10 **ADJUSTMENT TO INJURY AND DAMAGES?**

11 **A.** Ms. Miller stated that she does not agree with my removal of inflation-related
12 adjustments for the calculation of the Company's Injury and Damages expense.
13 She stated that the adjustments are actually building up upon the normalized levels
14 of expenses included in the HTY. Ms. Miller stated that the Company has used
15 inflation factors in every recent filing, including cases that were filed prior to the
16 passage of Act 11 to determine the appropriate test year levels of expense versus
17 using a budget. (Columbia Statement No. 4-R, page 9).

18
19 **Q. WHAT IS YOUR RESPONSE?**

20 **A.** As I indicated in my direct testimony (OCA Statement 1, page 30) the Company's
21 five-year average is a good indicator of costs without the use of inflation factors.
22 The Company's five-year average shows fluctuations in each year of the five-year
23 period (12/12-11/13 through 12/16-11/17) from a low of \$261,045 in period 12/13-
24 11/14, to a high of \$390,604 in period 12/15-11/16. As I indicated previously, I
25 believe that the use of inflation factors is not known and measurable and does not
26 reflect the true costs or adjustments to expenses. My recommendation is shown
27 on my Schedule DM-SURR-15.

28

1 **j. Employee Expenses**

2 **Q. WHAT HAS COMPANY WITNESS MS. KRAJOVIC STATED WITH REGARD TO**
3 **YOUR ADJUSTMENT TO EMPLOYEE EXPENSES?**

4 **A.** Ms. Krajovic stated that she does not agree with my 50% reduction to Employee
5 Expenses in the HTY period, my removal of \$23,632 of expenses that represent
6 merchandise and promotional items, and the \$117,471 Hire Spot Bonuses. She
7 does agree with the removal of \$10,473 related to entertainment costs. (Columbia
8 Statement No. 10-R page 18 and 19).

9
10 **Q. WHAT IS YOUR RESPONSE?**

11 **A.** Ms. Krajovic should be more specific in her characterization of what has been
12 included in Account 3101 and 3102. Account 3102 as identified in response to
13 OCA-5-010 indicates that some of the costs includes company sponsored events
14 for the benefit of employees, and there is no way to allocate out costs that may be
15 related to entertainment, sports or other recreational expenses. In Company
16 response to OCA-5-010, the Company provided a breakdown of each Employee
17 Expense category. It is still unclear what is actually included in Account No. 3102.
18 My recommendation has not changed, and I am still disallowing 50% of the
19 Company Meals/Entertainment under account 3102 or \$227,453.

20
21 **Q. WHAT ABOUT THE OTHER DISALLOWED EXPENSES YOU RECOMMENDED**
22 **IN YOUR DIRECT TESTIMONY?**

23 **A.** Ms. Krajovic agrees with my removal of the \$10,473 related to Cost Element 3103.
24 Ms. Krajovic stated that the \$23,632 of expenses charged to Cost Element 3106
25 represents merchandise and promotional items for external customers and
26 recognition for employees and indicated that this is a small amount given that the
27 Company has 700 employees and 429,000 customers. I believe these costs
28 should not be recovered even though it is a small amount related to all of the

1 Company's O&M Expenses. These costs should be borne by the shareholders if
2 they want to provide gifts and merchandise to its external customers. These
3 expenses provide no benefit to customers.

4
5 **Q. WHAT ABOUT THE COMPANY'S HIRE SPOT DISCRETIONARY BONUSES**
6 **OF \$117,471?**

7 **A.** Ms. Krajovic stated that these bonuses are utilized to secure desirable employees
8 and reward exceptional performance on specific work projects and initiatives and
9 are ordinary business expenses incurred in the operation of the Company
10 (Columbia Statement No. 10-R page 18).

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

13 **A.** I consider these bonuses as incentive in nature, akin to incentive compensation as
14 they do not provide any benefit to customers, but rather provide a benefit to
15 employees for providing exceptional performance on specific work projects. The
16 Company has not provided any specifics as to what work projects or initiatives
17 these employees performed to earn the bonus. In response to OCA-5-010,
18 Attachment B, line 52, the Company provided a one-line amount of \$117,471, with
19 no breakdown as to who has received these Hire Spot Discretionary Bonuses.
20 They may be ordinary business expenses and as such should be borne by the
21 shareholders and not the ratepayers. My recommendation is shown on my
22 Schedule DM-SURR-16.

23
24 **k. Company Memberships**

25 **Q. WHAT HAS MS. KRAJOVIC STATED WITH REGARD TO YOUR**
26 **ADJUSTMENTS TO COMPANY MEMBERSHIPS?**

1 **A.** Ms. Krajovic claimed that my disallowance of \$16,284 related to Company
2 Memberships should be rejected. She stated that these costs create
3 communication opportunities and relationships with its customers and the
4 neighborhood in its service territory where the infrastructure improvements will
5 take place, in order to educate and raise awareness around safety and reliability
6 and the work the Company must complete to satisfy its commitment to the
7 Commission to remove all cast iron and bare steel from its distribution system.
8 (Columbia Statement No. 10-R pages 19-20). Ms. Krajovic stated that the
9 projected 2.2% budget increase over the HTY should be included.

10

11 **Q. WHAT IS YOUR RESPONSE?**

12 **A.** My argument as stated in my direct testimony has not changed. These costs do
13 not comport to costs associated with Company Memberships, but rather to
14 organizations in the form of membership fees, such as Chamber of Commerce
15 dues, that make the Company good corporate citizens. In 66 Pa. C.S. Section
16 1316.1, regarding the recovery of club dues, it states that “no public utility may
17 charge to its customers as a permissible operating expense for ratemaking
18 purposes membership fees, dues or charges to fraternal, social or sports clubs or
19 organizations.” As such, ratepayers cannot be charged for costs associated with
20 these types of expenses. The Company in response to OCA-2-045 has stated that
21 the adjustments to its FTY of \$11,642 and its FPPTY of \$1,000 are due to the result
22 of balancing overall budgets. These costs are not known and measurable and the
23 Company has stated that there are no identifiable planned additional
24 memberships, therefore, these budgeted adjustments should be removed for
25 ratemaking purposes. My recommendation is shown on my Schedule DM-SURR-
26 17.

27

28

29

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

2 **Q. WHAT HAS MS. MILLER STATED WITH REGARD TO YOUR ADJUSTMENTS**
3 **TO UTILITIES AND FUEL USED IN COMPANY OPERATIONS?**

4 **A.** Ms. Miller stated that each of the adjustments actually build upon the normalized
5 levels of expenses included in the HTY, and each HTY adjustment is specific to
6 the type of expense and adjusts to an appropriate level of expense for ratemaking
7 purposes for the twelve months ending December 31, 2017 (Columbia Statement
8 No. 4-R page 9). She argues that the Company has used inflation factors in every
9 recent filing including cases that were filed prior to the passage of Act 11.

10
11 **Q. WHAT IS YOUR RESPONSE?**

12 **A.** As stated previously, I believe that the use of inflation related adjustments is not
13 a known and measurable adjustment in that they provide blanket increases (or
14 decreases) to costs. In this case, by removing the inflation deflators, the
15 Company's expense increases by nearly \$15,000. My adjustment has not
16 changed, I am continuing to recommend the removal of the Company's deflation
17 factors which increases the Company's FPFTY expense. My recommendation is
18 shown on my Schedule DM-SURR-18.

19
20 **m. Advertising**

21 **Q. WHAT HAS MS. MILLER STATED WITH REGARD TO YOUR PROPOSED**
22 **ADVERTISING EXPENSE ADJUSTMENT?**

23 **A.** Ms. Miller stated that each of the adjustments with respect to its Advertising
24 Expenses build upon the normalized level of expenses included in the HTY and
25 each HTY adjustment is specific to the type of expense and adjusts to an
26 appropriate level of expense for ratemaking purposes for the twelve months ending
27 December 31, 2017 (Columbia Statement No. 4-R, page 9). She stated that it is
28 prudent to include the HTY normalized level of expense, adjusted for inflation for

1 the Company's claim for Advertising Expense. (Columbia Statement No. 4-R page
2 10).

3
4 **Q. WHAT IS YOUR RESPONSE?**

5 **A.** My recommendation is the same as in my direct testimony – to remove the
6 Company's inflation factors for the FTY and the FPFTY periods of \$1,913 and
7 \$2,077, respectively. My reasons for the removal of inflation factors are stated
8 previously in my testimony. My recommendation is shown on my Schedule DM-
9 SURR-19.

10
11 **n. Fleet and Other Clearing**

12 **Q. WHAT HAS MS. KRAJOVIC STATE WITH REGARD TO YOUR ADJUSTMENT**
13 **TO FLEET AND OTHER CLEARING?**

14 **A.** Ms. Krajovic stated that I accepted the Company's reduction of \$63,346 for the
15 FTY period but did not accept the increase of \$131,000 for the FPFTY period. She
16 also stated that the Company has historically approved about 72% of eligible units
17 for replacement, with the remainder able to be deferred following inspection and
18 further maintenance. While the Company cannot at this time specify which of the
19 112 vehicles might not need to be replaced in 2019, experience confirms that most
20 will be replaced in 2019 (Columbia Statement No. 10-R page 20-21).

21
22 **Q. WHAT IS YOUR RESPONSE?**

23 **A.** Given that historically, the Company typically approves replacement of 72% of
24 eligible units in any specific year, I am recommending 72% of the \$131,000 be
25 included in the Fleet and Other Clearing expense, or an adjustment of \$36,680.
26 Moreover, the Company has not specifically or individually identified each and
27 every vehicle that is eligible for replacement in 2019. In response to OCA-5-014,

1 I asked for a further breakdown of the Company's Vehicle Costs, Truck Costs and
2 Tool Costs for the HTY period, as well as what types of vehicle replacement the
3 Company anticipates in the FPFTY period. The response stated that the Company
4 has 112 units (10 backhoe equipment, 12 trailers, 72 field operations trucks and
5 18 cars/SUVs/passenger trucks) that are eligible and in the plan for replacement
6 in the FPFTY period. (Attachment A). A review of Attachment A does not show or
7 indicate any specific vehicle identification.

8
9 **Q. WHAT OTHER ISSUE IN THE FLEET AND OTHER CLEARING DOES MS.**
10 **KRAJOVIC ADDRESS?**

11 **A.** Ms. Krajovic stated that I did not understand the concept of a budget for future test
12 period purposes, and that I misinterpreted the activity costs. I reviewed the
13 response to OCA-5-014, Attachment A, again. These costs appear to address
14 maintenance costs. My adjustments are related to what appear to be
15 administrative and customer service costs. My adjustment has not changed. I
16 note that Ms. Krajovic stated that the \$29,345 related to Government Affairs is
17 related to the use of personnel to conduct business for regulatory, rates and
18 compliance functions. I am including that back into the Company's proposal, and
19 my revised reduction is therefore \$79,462 (\$108,807-\$29,345). My
20 recommendation is shown on my Schedule DM-SURR-20.

21
22 **o. Materials and Supplies**

23 **Q. WHAT DID MS. KRAJOVIC STATE WITH REGARD TO YOUR MATERIALS**
24 **AND SUPPLIES ADJUSTMENT?**

25 **A.** Ms. Krajovic stated that the Company undertook additional work in 2017 that was
26 originally scheduled for 2018, and the adjustments with respect to the Company's
27 FTY budget level of (\$313,851) and FPFTY budget level of \$123,000 reflects the
28 adjustment to a normal level (Columbia Statement No. 10-R page 22).

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

2 **A.** As I adjusted the Company's Outside Services accordingly to bring the Company's
3 cost up to a normalized level, and I am accepting the Company's adjustment for
4 same. I have no adjustments to the Company's Materials and Supplies in the
5 amount of \$5,945,000. My recommendation is shown on my Schedule DM-SURR-
6 21.

7

8 **p. NCSC-Shared Services**

9 **Q. WHAT DID COMPANY WITNESS MS. CARTELLA STATE WITH REGARD TO**
10 **YOUR ADJUSTMENT RELATED TO ITS NCSC-SHARED SERVICES?**

11 **A.** Ms. Cartella stated that she does not agree with my removal of the Company's
12 Corporate Incentive Program of \$1,747,000 and Stock Incentive Program of
13 \$1,675,000 for the FPFTY period for a total disallowance of \$3,422,000 as per
14 OCA-2-063 Attachment A.² Ms. Cartella provides for the same argument she
15 provided in the Company's Incentive Compensation philosophy previously
16 addressed in my Surrebuttal Testimony. She stated that NiSource's total rewards
17 philosophy is to reward employees competitively in comparison with the utility
18 industry as well as general industry employers in order to attract, retain and
19 motivate qualified employees while consistently meeting its requirements to
20 provide safe, reliable and cost-effective service to its customers. (Columbia
21 Statement No. 15-R page 4). Ms. Cartella stated that Stock Awards allow the
22 Company to attract and retain individuals at executive levels which would be
23 difficult to accomplish without this element of compensation. She stated that if the
24 Commission disallows recovery of stock award compensation, its sends the
25 message that variable pay is not valued as a viable tool to encourage company
26 efficiencies and promote customer service and safety goals. Ms. Cartella stated
27 that retaining key leaders is critical to maintaining high quality of service, efficiency

² Adjustments were made to only disallow costs related to Corporate Incentive Program and Stock Compensation for the FPFTY. No adjustments were made in the HTY and FTY periods.

1 and safety, therefore, offering stock-based programs is an appropriate cost of
2 providing reliable service to its customers. (Columbia Statement No. 15-R page 8).
3 The potential departure of Company leadership would create a loss of valuable
4 skills and would have a significant financial impact in the form of turnover costs,
5 including recruiting costs, relocation costs and training costs. Leadership sets the
6 tone and direction for the Company and failure to retain and attract experienced
7 skilled leaders can adversely affect the Company's ability to continue to provide
8 safe and reliable service for its customers.

9
10 **Q. WHAT IS YOUR RESPONSE?**

11 **A.** As I stated previously in my Surrebuttal Testimony, I do not believe that ratepayers
12 should pay for Executive Based Incentive pay nor Stock Compensation for higher
13 level Corporate executives and officers. Ms. Cartella's argument that without stock
14 awards, the Company would be at a high risk of losing talent to competitors, and
15 the potential departure of Company leadership would create a loss of valuable
16 skills and have a significant financial impact is not supported. (Columbia Statement
17 No. 15-R page 8). The Company has not shown that without these stock awards
18 it would deteriorate the Company's ability to provide safe and reliable service to its
19 customers. The Company's employees were hired to do just that, provide safe
20 and reliable service to customers without the need for an incentive to do so. I
21 believe that Company shareholders should fund these executive level incentive-
22 based programs and not ratepayers.

23 Further, as stated in OCA-2-058, the incentive compensation awards are not
24 broken down by categories. If the incentive plan goals are met and the plan is
25 funded, then the payment of employee-specific incentive compensation for exempt
26 employees depends on the employee's satisfaction of his/her individual safety,
27 customer, financial, execution and engagement goals. This appears to be
28 speculative. In my opinion, the Company wants the Commission to require
29 ratepayers to pay for this incentive-based compensation in advance and in
30 anticipation that the plan will be funded, and the goals will be met by 2019 the

1 FPFTY period. This is not reasonable. My recommendation is shown on my
2 Schedule DM-SURR-24.

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

5 **Q. WHAT DID MS. CARTELLA STATE IN REGARD TO YOUR ADJUSTMENT TO**
6 **ITS NCSC-SHARED OPERATIONS?**

7 **A.** As in Ms. Cartella's response to the Company's NCSC-Shared Services and my
8 adjustments to remove the Company's Corporate Incentive Program, she is
9 arguing the same with respect to the Company's NCSC-Shared Operations and
10 my removal of \$1,470,000 related to Corporate Incentive Program shown on OCA-
11 2-065 Attachment A.³

12
13 **Q. WHAT IS YOUR RESPONSE?**

14 **A.** My response is the same as I stated above in the NCSC-Shared Services costs; I
15 do not believe that ratepayers should bear the burden of paying for Executive
16 Incentive compensation that appears to support shareholder interest and
17 corporate growth rather than customer service related goals. Therefore, my
18 recommendation is the same as in my direct, by removing approximately \$1.470
19 million from the Company's FPFTY period. My recommendation is shown on my
20 Schedule DM-SURR-25.

21
22 **r. Rate Case Expenses**

23 **Q. WHAT HAS COMPANY WITNESS MILLER STATED WITH REGARD TO YOUR**
24 **ADJUSTMENT TO RATE CASE EXPENSES?**

³ Adjustments were made to only disallow costs related to Corporate Incentive Program for the FPFTY period. No adjustments were made in the HTY and FTY periods.

1 **A.** Ms. Miller does not agree with my 24-month normalization period and stated that
2 my selection was biased and improper. (Columbia Statement No. 4-R, page 11).
3 She stated that my review of the Company's past history of rate case filings
4 excluded the 2015 filing.

5
6 **Q. WHAT IS YOUR RESPONSE?**

7 **A.** I reviewed the Company's past rate case proceeding since 2008. The Company
8 has filed about 8 rate case proceedings during that time period. This is equal to 1
9 rate case every 15 months. Therefore, I am recommending that Rate Case
10 Expenses be normalized over 15-months. This reduces the Company's Rate Case
11 Expense from \$1,060,000 to \$848,000, a reduction of \$212,000. My
12 recommendation is shown on my Schedule DM-SURR-26.

13
14 **s. Uncollectible Expense**

15 **Q. WHAT HAS MS. MILLER STATED WITH REGARD TO YOUR LEVEL OF**
16 **UNCOLLECTIBLE EXPENSE?**

17 **A.** Ms. Miller agreed with the method in which I computed my Uncollectible Expense.
18 She stated that the Company does not agree with the level of adjustments to
19 Uncollectible Expense that I computed, which is based upon all of the
20 recommended adjustments that impact the over revenue change (Columbia
21 Statement No. 4-R, page 11).

22
23 **Q. WHAT IS YOUR RESPONSE?**

24 **A.** I updated my level of Uncollectible Expense, since I updated my recommended
25 revenue requirement increase. My Uncollectible Expense is now calculated at
26 \$38,350 rather than the Company's \$534,670. My recommendation is shown on
27 my Schedule DM-SURR-27.

1 **3. DEPRECIATION AND AMORTIZATION EXPENSE**

2 **Q. WHAT DID COMPANY WITNESS SPANOS STATE WITH REGARD TO YOUR**
3 **ADJUSTMENTS TO DEPRECIATION AND AMORTIZATION EXPENSE?**

4 **A.** Mr. Spanos stated that my use of a 13-month average inconsistently calculates
5 amounts from various time periods. He stated that my adjustments are calculated
6 amounts or percentages as of December 31, 2019 and others are averages during
7 the 13-months ended December 31, 2019. He stated that the mixing and matching
8 of time periods produces an adjustment to depreciation expense which is
9 unjustified as well as a complete misrepresentation of the process of projected rate
10 base. (Columbia Statement No. 5-R pages 3-4).

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

13 **A.** In computing my average Depreciation Expense, I used a composite rate rather
14 than determining the Depreciation Expense for each individual account, which is a
15 reasonable approach in setting rates. I used the average of the Company's FTY
16 (November 30, 2018) and FPFTY (December 31, 2019) balances of its
17 Depreciation Expense and divided by two. These are the periods that the
18 Company has proposed with respect to its test year periods. While the Company
19 is trying to recalculate the Depreciation and Amortization Expense adjustment by
20 using a December 31, 2018 FTY period, instead of the as filed November 30, 2018
21 FTY period, the use of a thirteen-month average balance (November 30, 2018 FTY
22 period and December 31, 2019 FPFTY period) is a reasonable approach to set
23 rates for service. Using averages and composite rates is an appropriate and a
24 reasonable method to set Depreciation Expense. I have no changes to my
25 Depreciation Expense. My recommendation is shown on my Schedule DM-SURR-
26 29.

1 **4. TAXES OTHER THAN INCOME**

2 **Q. WHAT HAS COMPANY WITNESS MS. FISCHER STATED WITH REGARD TO**
3 **YOUR ADJUSTMENT TO TAXES OTHER THAN INCOME?**

4 **A.** Ms. Fischer stated that my Property Tax Expense adjustment of \$24,289 is
5 incorrect because the property that is subject to tax will remain the same whether
6 an end date or an average is used to calculate the FPFTY rate base. (Columbia
7 Statement No. 9-R page 4).

8
9 **Q. WHAT IS YOUR RESPONSE?**

10 **A.** Property Taxes should be based upon used and useful plant in service. Since I
11 computed an average Gas Plant in Service Balance, which reduces the
12 Company's Gas Plant in Service Balance, it is appropriate to reduce Property
13 Taxes accordingly. The Company's argument requires ratepayers to pay for
14 Property Tax Expenses for future plant that has not yet been placed into service.
15 The Company has not identified any specific property that is subject to Property
16 Tax.

17
18 **Q. DID MS. FISCHER ADDRESS YOUR ADJUSTMENTS TO PAYROLL TAXES?**

19 **A.** Yes. Ms. Fischer did not agree with my adjustments to Payroll Taxes due to the
20 reduction of Labor Expenses. Ms. Fischer did not address the methodology used
21 to compute my Payroll Taxes.

22
23 **Q. WHAT IS YOUR RESPONSE?**

24 **A.** Since I made adjustments to the Company's Labor Expense, I updated my balance
25 of the Company's Payroll Taxes. In making these adjustments my updated Payroll
26 Tax is now \$2,457,352. My recommendation is shown on my Schedule DM-
27 SURR-30.

1 **5. INCOME TAXES**

2 **Q. WHAT DID MS. FISHER STATE IN REGARD TO YOUR ADJUSTMENT TO THE**
3 **COMPANY’S INCOME TAXES?**

4 **A.** Ms. Fischer did not agree with my 40-year amortization period with respect to its
5 Property Excess Deferred Income Taxes (EDIT) of \$178,083,190. She stated that
6 pursuant to the IRS normalization rules, the property EDIT cannot be reduced
7 more rapidly or to a greater extent than such reserve would be reduced under the
8 average rate assumption method (ARAM). She stated that my 40-year
9 amortization period is a clear violation of the IRS normalization rules, which would
10 result in the Company being disallowed accelerated tax depreciation deductions in
11 the future which would be a detriment to ratepayers. (Columbia Statement No. 9-
12 R, page 2).

13

14 **Q. WHAT IS YOUR RESPONSE?**

15 **A.** I am accepting Ms. Fischer’s argument with respect to the calculation of the EDIT
16 over a 60.45-year period, related to its property related EDIT. The Company should
17 provide further information and documentation with respect to its 60.45-year period
18 and the specific components that are contained in the Company’s \$178,083,190
19 balance that is only shown on OCA-2-081 Attachment A. My adjustments are
20 shown on my Schedule-DM-Surr-31.

21

22 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

23 **A.** Yes, it does.

Schedules

STATEMENT OF INCOME

(1)

	Test Year		Test Year		Present Rates	References
	Present Rates	Adjustments	Proposed Rates	Adjustments	PAOCA	
<u>Operation Revenues</u>						
Base Rate Revenues	\$ 377,114,360	\$ 42,176,722	\$ 419,291,082			
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	\$ 573,772,155	\$ 44,812,746	\$ 618,584,901	\$ -	\$ 573,772,155	
Off System Sales	\$ -	\$ -	\$ -	\$ -	\$ -	
Late Payment Fees	\$ 1,246,120	\$ 97,324	\$ 1,343,444	\$ -	\$ 1,246,120	
Other Operating Revenues	\$ 344,604	\$ -	\$ 344,604	\$ -	\$ 344,604	
Total Operating Revenues	\$ 575,362,879	\$ 44,910,070	\$ 620,272,949	\$ (3,332,388)	\$ 572,030,491	NJDK-S3
<u>Operating Revenue Deductions</u>						
Gas Supply Expense	\$ 163,506,936	\$ -	\$ 163,506,936	\$ (1,233,194)	\$ 162,273,742	CPA NO 3-R
Off System Sales Expense	\$ -	\$ -	\$ -	\$ -	\$ -	
Gas Used in Co. Operations	\$ -	\$ -	\$ -	\$ -	\$ -	
O&M Expenses	\$ 191,017,256	\$ 534,670	\$ 191,269,561	\$ (10,429,862)	\$ 180,839,699	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	\$ -	\$ 3,457,422	\$ (165,583)	\$ 3,291,839	DM-30
Total O&M Revenue Deductions	\$ 435,282,902	\$ 534,670	\$ 435,535,827	\$ (15,882,264)	\$ 419,653,563	
Operating Income Before Income Taxes	\$ 140,079,977	\$ 44,375,400	\$ 184,737,122	\$ (32,360,194)	\$ 152,376,928	
Income Taxes	\$ 19,615,987	\$ 12,846,165	\$ 32,242,329	\$ (7,380,868)	\$ 24,861,461	DM-31
ITC	\$ (299,568)	\$ -	\$ (299,568)	\$ -	\$ (299,568)	
Operating Income	\$ 120,763,558	\$ 31,529,235	\$ 152,794,361	\$ (24,979,326)	\$ 127,815,034	
Rate Base	\$ 1,915,996,457	\$ -	\$ 1,899,075,978	\$ (111,677,340)	\$ 1,787,398,638	DM-32
Rate of Return	6.3029%		8.0457%		7.28%	DM-4

\$ 152,794,361

\$ 130,176,851

(1) Company Exhibit 102 Sch. 3 pg 3

<u>RATE OF RETURN ON RATE BASE</u>	(1)			
	Company Proposed	Adjustments	PAOCA	References
Rate Base	\$ 1,899,075,978	\$ (111,677,340)	\$ 1,787,398,638	DM-32
Rate of Return	8.10%		7.28%	DM-4
Operating Income	\$ 153,915,778	\$ (23,738,928)	\$ 130,176,851	DM-1
Operating Income at Present Rates	\$ 120,763,558	\$ 7,051,477	\$ 127,815,034	DM-1
Revenue Deficiency	\$ 33,152,221	\$ (30,790,404)	\$ 2,361,816	
Revenue Conversion Factor	1.36275816		1.36275816	DM-3
Gross Revenue Requirement	\$ 45,178,459	\$ (41,959,875)	\$ 3,218,584	
Current Rates	\$ 575,362,879		\$ 572,030,491	(2)
% Increase	7.85%		0.56%	

- (1) Company Exhibit 102 Sch. 3 pg 5
 (2) Average revenues FTY and FPFTY

<u>REVENUE CONVERSION FACTOR</u>	(1)			
	Company	Adjustments	PAOCA	References
	Proposed			
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)	Ratios	Cost Rate	Weighted Cost Rate	References
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)			
Adjustment Other	\$ 14,760	\$ 2,264,948	\$ 2,279,708			
Total Base Rate Revenues	\$ 377,114,360	\$ 42,176,722	\$ 419,291,082		\$ 375,539,081	(2)
C&I Network Revenues	\$ -	\$ -	\$ -			
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	\$ 573,772,155	\$ 44,812,746	\$ 618,584,901		\$ 573,772,155	
Forfeited Discounts	\$ 1,246,120	\$ 97,324	\$ 1,343,444		\$ 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	
Adjustment - Mays Rebuttal - unadjusted revenues and billing determinants					\$ (874,652)	CPA NO 3-R
Total Operating Revenues	\$ 575,362,879	\$ 44,910,070	\$ 620,272,949	\$ -	\$ 572,030,491	(2)

(1) Company Exhibit 103 Sch 8 pg 1
 Company Exhibit 103 page 9 of 15
 (2) Average of FTY and FPFTY Revenues

O&M EXPENSE TESTIMONY

	Test Year		Test Year		PAOCA	References
	Present Rates	Adjustments	Proposed Rates	Adjustments		
Labor	\$ 32,917,256	\$ -	\$ 32,917,256	\$ (97,639)	\$ 32,819,617	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	\$ (320,139)	\$ 6,630,861	DM-10
Outside Services	\$ 25,389,024	\$ -	\$ 25,389,024	\$ -	\$ 25,389,024	DM-11
Building Leases	\$ 2,871,366	\$ -	\$ 2,871,366	\$ -	\$ 2,871,366	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)	\$ 1,082,297	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	\$ (116,142)	\$ 6,324,858	DM-20
Materials & Supplies	\$ 5,945,000	\$ -	\$ 5,945,000	\$ -	\$ 5,945,000	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	\$ (3,421,000)	\$ 35,959,343	DM-24
NCSC - Shared Operations	\$ 27,311,762	\$ -	\$ 27,311,762	\$ (1,470,000)	\$ 25,841,762	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	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ 154,426,760	\$ -	\$ 154,426,760	\$ (10,003,907)	\$ 144,422,853	
Rate Case Expenses	\$ 1,060,000	\$ -	\$ 1,060,000	\$ (212,000)	\$ 848,000	DM-26
Uncollectible Accounts	\$ 4,733,676	\$ 534,670	\$ 5,268,346	\$ (496,321)	\$ 4,772,026	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
Adjustment						
Total O&M Expenses	\$ 191,017,256	\$ 534,670	\$ 191,551,927	\$ (10,712,228)	\$ 180,839,699	

LABOR	(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	\$ -	\$ 497,313	I&E RE-017
Budget Adjustment FPFTY				
Merit Increase - 3% over FTY	\$ 474,853	\$ -	\$ 474,853	OCA-2-012
Productivity Savings	\$ (41,165)	\$ -	\$ (41,165)	
Total Budget Adjustments FPFTY	\$ 433,688	\$ -	\$ 433,688	
Rate Making Adjustments - FPFTY				
Labor Adjustment - \$799,376 * 55.83%	\$ 446,256	\$ (97,639)	\$ 348,617	Exh 104 Sch 2 p1 GAS-RR-026 I&E RE-017
Total Labor - FPFTY	\$ 32,917,256	\$ (97,639)	\$ 32,819,617	

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

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

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

PENSION DEFERRAL AMORTIZATION

	(1) Company Proposed	Adjustment	PA OCA	References
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	\$ -	\$ 6,076,272	OCA 2-042
Budget Adjustment FTY	\$ 315,728	\$ -	\$ 315,728	I&E-RE-017-D
Subtotal	\$ 6,392,000	\$ -	\$ 6,392,000	
Budget Adjustment FPFTY	\$ 559,000	\$ (320,139)	\$ 238,861	I&E RE-017-D
Total Employee Benefits FPFTY	\$ 6,951,000	\$ (320,139)	\$ 6,630,861	

(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	\$ (204,170)	\$ -	\$ (204,170)	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	\$ -	\$ 2,988,000	I&E RE-021
C&I Network Expense	\$ 204,170	\$ -	\$ 204,170	
Budgeted Amount FPFTY	<u>\$ 3,192,170</u>	<u>\$ -</u>	<u>\$ 3,192,170</u>	
Rate Making Amount FPFTY				
C&I Network Expense	\$ (230,976)	\$ -	\$ (230,976)	
FPFTY Balance	<u>\$ 25,389,024</u>	<u>\$ -</u>	<u>\$ 25,389,024</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	\$ -	\$ 2,887,000	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	\$ -	\$ 2,953,000	Exh 104 Sch 2 p7
Rate Making Adjustment FPFTY	\$ (81,634)	\$ -	\$ (81,634)	
FPFTY Balance	\$ 2,871,366	\$ -	\$ 2,871,366	

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

<u>OTHER RENT AND LEASES</u>	(1)			
	Company			
	Proposed	Adjustments	PA OCA	References
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		PA OCA	References
	Proposed	Adjustments		
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)			References
	Company Proposed	Adjustments	PA OCA	
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			PA OCA	References
	Proposed	Adjustments			
HTY Balance 11/30/2017	\$ 1,571,274	\$ (379,144)	\$	1,192,130	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)	\$	1,082,297	

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

<u>COMPANY MEMBERSHIPS</u>	(1)				
	Company			PA OCA	References
	Proposed	Adjustments			
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

UTILITIES AND FUEL USED IN COMPANY OPERATIONS	(1)			References
	Company Proposed	Adjustments	PA OCA	
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 (2)
Budget Adjustment FPFTY	\$ 385,491	\$ -	\$ 385,491	
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		PA OCA	References
	Proposed	Adjustment		
HTY Balance 11/30/2017	\$ 6,370,346	\$ (79,462)	\$ 6,290,884	OCA-5-014
Budget Adjustment FTY	\$ (60,346)	\$ -	\$ (60,346)	
Rate Making Adjustment FTY	\$ -	\$ -	\$ -	
Budget Adjustment FPFTY	\$ 131,000	\$ (36,680)	\$ 94,320	OCA-2-049
Rate Making Adjustment FPFTY	\$ -	\$ -	\$ -	
FPFTY Balance	\$ 6,441,000	\$ (116,142)	\$ 6,324,858	

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

<u>MATERIALS AND SUPPLIES</u>	(1)			
	Company	Adjustment	PA OCA	References
	Proposed			
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	\$ -	\$ 5,945,000	

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

<u>OTHER O&M</u>	(1) Company Proposed	Adjustment	PA OCA	References
HTY Balance 11/30/2017	\$ 1,574,612	\$ -	\$ 1,574,612	
Budget Adjustment FTY	\$ (228,612)	\$ -	\$ (228,612)	
Rate Making Adjuster 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

PUC OCA OSBA FEES	(1)			References
	Company Proposed	Adjustment	PA OCA	
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	
	\$ 2,030,201	\$ -	\$ 2,030,201	
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	\$ 2,420,001	\$ (172,000)	\$ 2,248,001	

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

<u>NCSC-SHARED SERVICES</u>	(1)			
	Company Proposed	Adjustment	PA OCA	References
HTY Balance 11/30/2017 (2)	\$ 39,552,116	\$ -	\$ 39,552,116	
Rate Making Adjustments 11/30/2017	\$ 871,580	\$ -	\$ 871,580	Exh 4 Sch 2 p 17
HTY Balance adjusted 11/30/2017	\$ 40,423,696	\$ -	\$ 40,423,696	OCA Set 2-053
Budget Adjustments				
Labor /Benefits/Incentive Comp	\$ (60,000)	\$ -	\$ (60,000)	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	\$ (231,696)	\$ -	\$ (231,696)	OCA-2-062
Budget Adjustments FTY	\$ 39,201,000	\$ -	\$ 39,201,000	
Budget Adjustments				
Labor/Benefits/Incentive Comp	\$ (16,000)	\$ -	\$ (16,000)	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	\$ 3,000	\$ -	\$ 3,000	OCA-2-063
Budget Adjustments FPFTY	\$ 39,366,000	\$ (3,421,000)	\$ 35,945,000	OCA-2-062
Rate Making Adjustment FPFTY	\$ 14,343	\$ -	\$ 14,343	Exh 104 Sch 2 p12
FPFTY Balance	\$ 39,380,343	\$ (3,421,000)	\$ 35,959,343	

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

(2) Exhibit 4 Schedule 2 page 17

<u>NCSC - SHARED OPERATIONS</u>	(1)			
	Company Proposed	Adjustment	PA OCA	References
HTY Balance 11/30/2017 (2)	\$ 26,362,508	\$ -	\$ 26,362,508	
Rate Making Adjustment 11/30/2017	\$ 648,353	\$ -	\$ 648,353	Exh 4 Sch 2 p18
HTY Balance Adjusted 11/30/2017	\$ 27,010,861	\$ -	\$ 27,010,861	
Budget Adjustments				
Labor/Benefits/Incentive Comp	\$ 1,011,000	\$ -	\$ 1,011,000	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	\$ (107,861)	\$ -	\$ (107,861)	
Budget Adjustments FTY	\$ 27,039,000	\$ -	\$ 27,039,000	
Budget Adjustments				
Labor/Benefits/Incentive Comp	\$ 962,000	\$ -	\$ 962,000	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	\$ (14,000)	\$ -	\$ (14,000)	
Budget Adjustments FPFTY	\$ 27,919,000	\$ (1,470,000)	\$ 26,449,000	
Rate Making Adjustment FPFTY	\$ (607,238)	\$ -	\$ (607,238)	Exh 104 Sch 2 p15
FPFTY Balance	\$ 27,311,762	\$ (1,470,000)	\$ 25,841,762	

(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	1		1.25	
FPFTY Total	\$ 1,060,000	\$ (212,000)	\$ 848,000	

(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	\$ 534,672		\$ 38,350	

(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
FPPTY 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

<u>DEPRECIATION EXPENSE</u>		(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	\$ (140,675)	\$ 2,457,352	(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	\$ (164,963)	\$ 3,291,839	

- (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)				References
	Company Proposed				PA OCA		
	FPFTY Current Rates	Adjustments	FPFTY Proposed Rates	Adjustments	Current Rates		
Operating Revenues	\$ 575,362,879	\$ 44,910,070	\$ 620,272,949		\$ 572,030,491		
Net Gas Purchased for Resale	\$ (163,506,936)	\$ -	\$ (163,506,936)	\$ -	\$ (162,273,742)		
Operation & Maintenance Expense	\$ (191,017,256)	\$ (534,670)	\$ (191,269,561)	\$ 10,429,862	\$ (180,839,699)		
Depreciation and Amortization Expense	\$ (77,301,908)	\$ -	\$ (77,301,908)	\$ 8,798,337	\$ (68,503,571)		
Taxes Other Than Income	\$ (3,457,422)	\$ -	\$ (3,457,422)	\$ 165,583	\$ (3,291,839)		
Net Operating Income Before IT	\$ 140,079,357	\$ 44,375,400	\$ 184,737,122	\$ (27,615,481)	\$ 157,121,640		
Other Income and Charges	\$ -	\$ -	\$ -	\$ -	\$ -		
Net Income Before IT	\$ 140,079,357	\$ 44,375,400	\$ 184,737,122	\$ (27,615,481)	\$ 157,121,640		
Statutory Adjustments	\$ (126,299,802)	\$ 401,572	\$ (125,898,230)	\$ 2,646,196	\$ (123,252,034)		(3) OCA-5-017
Deductible State Income Tax	\$ (73,584)	\$ (2,700,150)	\$ (2,773,734)	\$ 697,280	\$ (2,076,454)		OCA-5-017
Taxable Income	\$ 13,705,970	\$ 42,076,822	\$ 56,065,158	\$ (24,272,005)	\$ 31,793,153		
Federal Income Tax @ 21%	\$ 2,878,254	\$ 8,836,133	\$ 11,773,683	\$ (5,097,121)	\$ 6,676,562		
Deferred Income Tax @21%	\$ 18,403,387	\$ -	\$ 18,403,387	\$ (555,701)	\$ 17,847,686		
Tax Refund Amortization	\$ -	\$ -	\$ -	\$ -	\$ -		
Flow Back of Excess DIT	\$ (1,747,266)	\$ -	\$ (1,747,266)	\$ (2)	\$ (1,747,268)		OCA-2-082
Effect of CBIT DIT	\$ (2,134)	\$ -	\$ (2,134)	\$ -	\$ (2,134)		
Total FIT Expense	\$ 19,532,241	\$ 8,836,133	\$ 28,427,670	\$ (5,652,824)	\$ 22,774,846		
Amortization of ITC	\$ (299,568)	\$ -	\$ (299,568)	\$ -	\$ (299,568)		
Net FIT Expense	\$ 19,232,673	\$ 8,836,133	\$ 28,128,102	\$ (5,652,824)	\$ 22,475,278		
State Income Tax	\$ 83,746	\$ 2,700,150	\$ 2,783,896	\$ (697,280)	\$ 2,086,616		OCA-5-017
Total Income Tax Expense	\$ 19,316,419	\$ 11,536,282	\$ 31,547,515	\$ (6,985,622)	\$ 24,561,893		

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

(2) OCA-5-017

(3) Rate Base \$1,787,398,638 x 2.37%
 Company Proposed \$45,007,544
 Adjustment \$ 2,646,196

STATEMENT OF RATE BASE	(1)		FPPTY		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	\$ 47,210	\$ 875,924	\$ (42,008)	\$ 833,916	Remove GDP Inf
Prepayments	\$ 2,318,286	\$ 767,679	\$ 3,085,965	\$ (442,374)	\$ 2,643,591	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	\$ 538,734	\$ 54,394,313	\$ (346,304)	\$ 54,048,009	
Deferred Income Taxes						
Income Taxes	\$ 80,373,465	\$ (1,318,228)	\$ 79,055,237	\$ 659,114	\$ 79,714,351	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)	\$ 21,630,937	\$ (377,044,962)	
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	\$ 257,088,755	\$ 1,899,075,978	\$ (111,677,340)	\$ 1,787,398,638	

(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	\$ 659,114	\$ 79,714,351	Exh NJDJ-S-4
Rate Base Reduction from Tax Reform				\$ (16,943,974)	\$ (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	\$ -	\$ -	\$ -	\$ -	\$ -	
Regulatory Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Accumulated Deferred Taxes	\$ (372,357,999)	\$ (26,317,899)	\$ (398,675,898)	\$ 21,630,937	\$ (377,044,962)	

(1) Exhibit 108 Schedule 8 page 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Columbia Gas of Pennsylvania, Inc.

Docket No. R-2018-2647577

VERIFICATION

I, DANTE MUGRACE, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement No. 1-SR, 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).

July 13, 2018
Date

Signed: Dante Mugrace
Dante Mugrace