COLUMBIA STATEMENT NO. 6-RJ

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

REJOINDER TESTIMONY OF
KEVIN JOHNSON
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

July 28, 2022

I. Introduction

Q. Please state your name and business address.

A. My name is Kevin L. Johnson. My business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

Q. Have you previously filed testimony in this matter?

A. Yes.

Q. What is the purpose of your Rejoinder testimony?

A. I will respond to the Surrebuttal Testimony served in this proceeding by Jerome D. Mierzwa on behalf of the Pennsylvania Office of Consumer Advocate and Mark D. Ewen and Robert D. Knecht on behalf of the Pennsylvania Office of Small Business Advocate.

Q. Mr. Mierzwa stated on page 2 of his Surrebuttal testimony that your analysis in your Rebuttal testimony of the Peak & Average study assigning an average of 13 miles of mains pipe to the LDS rate class was incomplete and, therefore your claims should be dismissed. Do you agree with Mr. Mierzwa's statement?

A. No. Mr. Mierzwa is referring to my analysis in which I point out on page 9 of my rebuttal testimony that when dividing the $273,298,657 of mains cost assigned to the LGS/LDS rate class by the Peak & Average allocated cost of service study by the average cost per foot of $52.97 for 3" and greater diameter pipe results in the assignment of 5,159,499 feet or about 977 miles of mains pipe to the LDS/LGSS class. The Company's Exhibit 111, Schedule 2, Page 12, Line 11 shows there are 76 LDS/LGSS customers. Dividing the 977 miles of mains pipe assigned to the LDS/LGSS rate class by the 76 customers that make up the LDS/LGSS rate class results in the assignment of approximately 13 miles of mains for each LDS/LGSS customer.

Mr. Mierzwa states that my analysis is incomplete because I only compared the 13 miles of pipe to the 0.04 to 1.4 miles of pipe that the top 10 customers require to extend the gas main from the next upstream customer meter and did not consider the mains investment upstream of the next upstream customer that is utilized to serve each large customer. I agree with Mr. Mierzwa that there is mains investment upstream to the next upstream customer and therefore there is shared pipe that should also be accounted for in the assignment of mains cost to the LGS/LDS rate class. However, the 13 miles of pipe assigned to the LGS/LDS rate class by the Peak & Average method assumes there are <u>no</u> other customers sharing upstream mains from the LGS/LDS customers and therefore assigns 100% of the cost of the 13 miles of pipe for each of the 76 LGS/LDS customers to the LGS/LDS rate class. There are <u>no</u> LGS/LDS customers served off gas mains 13 miles away from a transmission line and yet the Peak & Average study assigns 100% of the cost of the 13 miles of pipe to <u>each</u> LGS/LDS customer to the LGS/LDS rate class.

Q. Was your analysis presented in Columbia's 2020 rate case when the Peak & Average study was accepted by the Commission as a basis of allocating cost to the rate classes?

A. No. It is because of this analysis that Columbia believes the Commission should not use the Peak & Average study as the sole basis of allocating revenue requirement to the rate classes, especially to the LGS/LDS rate class.

Q. Do you have any comments regarding Table IEc-s2 in Mr. Ewen and Mr. Knecht's Surrebuttal testimony?

A. Yes. As a point of clarification, Mr. Ewen and Mr. Knecht's table IEc-S2 shows data for a 2017 case and 2019 case. Columbia in fact filed rate cases in 2016 and 2018.

Q. Do you agree with Mr. Ewen and Mr. Knecht's conclusions on page 4 and 5 of their Surrebuttal testimony about the Company's design day demand allocators in this proceeding?

A. No. Mr. Ewen and Mr. Knecht recommend that the Company's method for allocating design day demand allocators among the rate classes in future base rate cases should be modified to reflect design day conditions. However, Mr. Ewen and Mr. Knecht use past years' load factors when comparing to this year's load factors in their Table IEc-S2. The methodology used by the Company to determine design day volumes by rate class is the same in each of the years Mr. Ewen and Mr. Knecht is using in their comparison, the only year that Mr. Ewen and Mr. Knecht are contesting is in the current rate case. Although in the current case the 2022 load factors deviate from the historical average it makes no sense for Columbia to change its methodology that it has been using for many years.

Q. Did any other witnesses in this proceeding agree with the Company that Mr. Ewen and Mr. Knecht's proposal to adjust the Company's design day allocator be denied?

A. Yes. On Page 13 of his Surrebuttal Testimony (I&E Statement No. 3-SR), Mr. Ethan H. Cline, witness for the Bureau of Investigation of Enforcement ("I&E"), noted;

> "The Company provided a response to OSBA's claim regarding the design day demand shift on pages 16-30 of Columbia Gas Statement No. 6-R. The Company's response to OSBA's claim appears to be reasonable, therefore I support the Company's position that the OSBA's adjustment should be denied."

Q. Both Mr. Mierzwa and Mr. Ewen and Mr. Knecht in their Surrebuttal testimonies have recommended that the concept of gradualism should be extended to 2 times the system average increase. Do you agree?

A. No, for three reasons. First as stated in my direct testimony, Mr. Mierzwa's allocated revenue requirement to the LDS/LGSS class is in excess of the 1.5 times average system increase, which represents the upper bound for rate gradualism used by the Commission in Columbia's 2020 rate case (Docket No. R-2020-3018835). Second, with the Peak & Average study producing an allocation of mains cost to the LGS/LDS rate class that is beyond the maximum allocation of footage of pipe for any one LGS/LDS customer let alone all of them, it seems this is not the case where the Commission should be more aggressive in its interpretation of gradualism in comparison to what was used in the 2020 rate case. Finally, reading Mr. Plank's testimony on the impact to Knouse Foods by increasing the LGS/LDS rates by approximately 20% in 2020 and 2021, Columbia does not see an urgent need to accelerate the increase to the LGS/LDS rate class beyond the 1.5 times average system increase established it the 2020 rate case.

Q. Does this complete your Prepared Rejoinder Testimony?

A. Yes, it does.

Statement No. 8-RJ

COLUMBIA GAS OF PENNSYLVANIA, INC.

Rejoinder Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning

Cost of Equity and
Fair Rate of Return

DOCKET NO. R-2022-3031211

August 1, 2022

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REJOINDER TESTIMONY OF PAUL R. MOUL

Q. Please state your name, occupation and business address.

A. My name is Paul R. Moul and I am Managing Consultant at the firm P. Moul & Associates. My business address is 251 Hopkins Road, Haddonfield, NJ 08033-3062.

Q. Mr. Moul, have you previously submitted direct and rebuttal testimony in this proceeding?

A. Yes. My direct testimony CPA Statement No. 8 was submitted with the Company's case-in-chief on March 18, 2022 and my rebuttal testimony, CPA Statement No. 8-R was submitted on May 17, 2022.

Q. What is the purpose of your rejoinder testimony?

A. Columbia Gas of Pennsylvania, Inc. ("CPA" or the "Company") has requested that I respond to the surrebuttal testimony presented by Mr. Christopher Keller, a witness appearing on behalf of the Bureau of Investigation and Enforcement ("I&E"), and Mr. David J. Garrett a witness appearing on behalf of the Office of Consumer Advocate ("OCA"). If I fail to address each and every issue in the surrebuttal testimony of Mr. Garrett and Mr. Keller, it does not imply agreement with those issues.

Q. Based on your review of the surrebuttal testimony of Mr. Keller and Mr. Garrett, do you propose any change in your recommended return for CPA in this proceeding?

A. No. There was nothing contained in the surrebuttal testimony of Messrs. Keller and Garrett that changes my position that CPA is entitled to an 11.20% rate of return on common equity. The proposals of Messrs. Keller and Garrett of 9.61% and 8.75%, respectively, are entirely too low by reference to returns set by the Commission in recent rate cases and Distribution Service Improvement Charge ("DSIC") proceedings that I describe in my rebuttal testimony. Mr. Keller's argument that the

DSIC rate is merely a benchmark to identify "overearning" and that it provides an incentive for investment in infrastructure replacement and betterment is misplaced. The actual collection of revenues from the DSIC can only occur if earnings are below the DSIC rate. And it makes no sense that once DSIC assets enter the rate base that they should be penalized with a lower return which seems to be Mr. Keller's position because his 9.61% equity return is well below the 10.15% DSIC rate (Docket No. M-2022-3032405). So, although the Commission has stated that the DSIC return is not company specific and is determined on a quarterly basis (see page 178 in its Order Entered May 16, 2022 in Docket No. R-2021-3027385) it does provide an overall benchmark to gauge the reasonableness of the proposed return. Moreover, referencing the DSIC return when setting the cost of equity in a base rate case would not promote an over-earnings status that would preclude its use (see page 5 of Mr. Keller's Surrebuttal testimony). This situation is unlikely because base rates are adjusted periodically through the rate case process that provides only an opportunity to experience a fair return. Between rate cases, investment and expense change and there is no true up available to reconcile for those variations. This would occur with or without a DSIC return. Furthermore, Mr. Keller is incorrect to believe that "the DSIC rate is routinely higher than any return on equity approved in such base rate proceedings." In the UGI Electric rate case at Docket No. R-2017-2640058, the Commission set the rate of return on common equity at 9.85% when the DSIC return was 9.65% for electric utilities. In the PPL Electric Utilities rate case at Docket No. R-2012-2290597, the Commission set the return on equity at 10.40% when the DSIC return was 10.20% for electric utilities. In the PECO gas rate case at Docket No. R-2020-3018929, the equity return was set at 10.24% when the DSIC rate was 10.20%. Mr. Keller has also acknowledged that the return in the Aqua

Pennsylvania rate case at Docket No. R-2021-3027385 was 10.00% when the DSIC rate was 9.80%. So, this evidence supports a higher return in a base rate case than the prevailing DSIC return, contrary to Mr. Keller's opinion expressed on pages 3 and 4 of his surrebuttal testimony.

Q. At pages 3-5 of his surrebuttal, Mr. Keller provided a lengthy discussion of the DSIC return and its relevance, or lack thereof, to base rate cases. Please respond.

A. Mr. Keller goes to some length discussing the Quarterly Earnings Report. He acknowledges that the Commission awarded an equity return in the Aqua case that was above the DSIC quarterly rate for water utilities. This is not the first instance that the Commission has done so, as noted above. In a variety of cases, the Commission has set the ROE near or above the DSIC rate. This long series of rate cases support returns higher than the prevailing DSIC return.

Q. Do you agree with Mr. Keller where he states on page 4 of his surrebuttal testimony that the DSIC mechanism serves to lower a utility's risk?

A. No. I explain on page 9 of my direct testimony why this is not correct.

Q. At pages 6-9 of his surrebuttal testimony, Mr. Keller discusses the relative weight that should be assigned to the DCF. Please respond.

A. His discussion as to the weight that should be given DCF is somewhat difficult to follow. As near as I can tell, he proposes that the CAPM should only be used as a comparison to DCF, but not as additional input. As I understand it, Mr. Keller is essentially arguing for exclusive weight to DCF. This position is contrary to the Commission's recent Aqua order that established a range of equity returns using DCF and CAPM. While Mr. Keller seems troubled by alternative models, including CAPM, there are many assumptions associated with the specification of the DCF that I describe in my rebuttal (see page 17-18 of CPA Statement No. 8-R). Many of the assumptions, especially the constant price-earnings multiple, constant payout rate, and constant earned return, are particularly unrealistic. My point is that all models have their strengths and weaknesses, and it is important to rely on more than one model in determining the cost of common equity.

Q. At page 8 of his surrebuttal, Mr. Keller acknowledges that the Commission has used the CAPM as setting the ceiling of the range of reasonableness in determining the return in the Aqua order. What arguments does he present there?

A. Mr. Keller continues to insist that DCF alone be used to set the return in this case. But if the CAPM evidence submitted by I&E shows that the average DCF result is too low, then the Commission should consider moving to within the top of the range of DCF returns submitted in this case. This process would preserve use of DCF, but also accommodates the tendency of the DCF model to understate the required return in this market. Mr. Keller's DCF return range is from 7.79% for ONE Gas to 11.30% for Spire, Inc. Since Mr. Keller's CAPM result is 12.14%, then it stands to reason that the top half of the range of DCF results should be used in this case, because the average DCF by itself is too low. Hence if DCF is to be used exclusively, as argued by Mr. Keller, then the proper DCF return should be 10.46% which is within the top half of the range, i.e., 9.61% + 11.30% = 20.91%÷ 2.

Q. On pages 9-10 of his surrebuttal testimony, Mr. Keller criticizes you for making specific exclusions to his DCF calculations. Please respond.

A. There is just no way that the DCF returns that I listed on page 20 of my rebuttal testimony can play any role in the determination of the equity return in this case. Mr. Keller claims that the removal of the return for Chesapeake Utilities and ONE

Gas only serves to inflate the DCF result. But an 8.59% DCF return for Chesapeake Utilities and 7.79% for ONE Gas cannot be useful to determine a fair return in this case. We know that 8.59% and 7.79% is too low based upon the other rate case decisions that I report in my rebuttal testimony.

Q. At page 13 of his surrebuttal testimony, Mr. Keller claims that "financial risk does not relate to the capital structure of a company." Is this correct?

A. That is definitely incorrect. The well recognized measure of a company's financial risk is revealed by the balance sheet capital structure of a company. Indeed, it is the balance sheet that provides the foundation for calculating the weighted average cost of capital, which is the basis for a public utility's fair rate of return established in rate cases. As stated in The Regulation of Public Utilities[1]:

> "…it is widely held that the cost of capital is related to a utility's capital structure. As the proportion of debt increases, "the added *financial risks* for both the debt and equity holders result in higher and higher costs for both debt and equity capital"

Q. At page 18 of I&E Statement No. 2-SR, Mr. Keller claims that the market capitalization of a utility does not offer support for my leverage adjustment. Please respond.

A. Mr. Keller cites to the Value Line reports where those amounts are related to the market value of equity and excludes debt. However, the Yahoo! Finance reports show that the "Enterprise Value" of a utility includes both its debt capital as well the market value of equity. This supports the fact that investors are well aware of the market value of a utility's total capitalization, including both debt and equity.

Q. On page 21 of his surrebuttal testimony, Mr. Keller claims that less weight should be given to more distant forecasts because they are less reliable.

[1]Charles F. Phillips, Jr., The Regulation of Public Utilities (Public Utilities Reports, Inc. 1993) 233

Please respond.

A. I find his observations to conflict with his use of five-year projections of earnings growth in his DCF analysis. If reliance upon five-year projections, whatever their reliability, is okay for DCF purposes, then there is no reason to discount any of the projections of Treasury yields when looking for the appropriate risk-free rate of return in the CAPM.

Q. At pages 22-26 of his surrebuttal testimony, Mr. Keller seems to imply that the evidence you used to support the size adjustment in the CAPM is not specific to utility stocks. Is this correct?

A. No. Mr. Keller states on page 24 that the Fama/French study is not specific to utility stocks. But what Mr. Keller has not acknowledged is that utility stock performance was used in the Fama/French study that makes the size adjustment relevant to utilities, and appropriate to consider in this case. Furthermore, the article by Annie Wong was deficient because it attempted to correlate betas with size. As Fama/French subsequently established, beta is not the correct measure to identify returns associated with the relative size of a company, either utility or non-regulated. Beta measures systematic risk, and the size of a company is an unsystematic risk. In addition, the size adjustment to the CAPM has been embraced by the Federal Energy Regulatory Commission ("FERC").[2]

Q. At pages 29-31 of his surrebuttal (I&E Statement No. 2-SR), Mr. Keller opposes any recognition of the Company's management performance. Please respond.

A. Mr. Keller asserts that a utility's management should not be rewarded for doing what

[2] *See, e.g.*, Association of Businesses Advocating Tariff Equity, 171 FERC ¶61,154 (May 21, 2020).

they are required to do. The Commission has a long history of recognizing management performance (either positively or negatively) in rate case decisions. The Commission has an Above Average/3 ranking by RRA. If the Commission were to abandon its constructive ratesetting approaches, such as recognition of management performance, then its ranking by RRA would surely suffer.

Q. What issues were contained in the surrebuttal testimony of OCA witness Garrett that require a response?

A. Mr. Garrett has addressed the following issues: capital structure, the DCF growth rate, results of the CAPM, leverage adjustment, and management performance.

Q. Has Mr. Garrett presented any new evidence that would justify departure from the Commission's well-established practice of using Company's actual capital structure if it is reasonable?

A. No. At page 5 of his surrebuttal testimony (OCA Statement 2-SR), Mr. Garrett claims that he is not aware of a specific Commission policy on capital structure. In fact, the Company's FPFTY capital structure complies with the Commission's policy that supports the actual capital structure. The Commission has recently reiterated its position in the Order Entered May 16, 2022 in Docket No. R-2021-3027385, citing earlier orders in PPL Electric Utilities (2012), Columbia Gas Pennsylvania (2021), and PECO Energy-Gas Division (2021). On page 5 of OCA Statement 2SR, Mr. Garrett says that the average debt ratio of my Gas Group supports a higher debt ratio than proposed by the Company in this case. Regardless, the range of capital structure ratios is the controlling factor that should be used to determine whether the Company's actual ratios are reasonable. The indicated debt ratios are 30.0% to 60.2% in 2020. Moreover, the Value Line forecasts show a range of 39.5% to 60.0% common equity for 2025-27 (see page 13 of CPA Statement No. 8-R). With this range, the Company's actual 54.38% common equity ratio for the FPFTY is reasonable and should be accepted in this case.

Q. Mr. Garrett suggests (see page 11 of OCA Statement 2-SR) that witnesses representing utility companies are inclined to use forward-looking or projected Treasury bond yields in the CAPM. He does not. Please respond.

A. As a preliminary matter, interest rates and indeed all capital cost rates are influenced by investor expectations associated with future inflation. It has been reported recently that inflation has reached a 41-year high of 9.1% in June 2022. These inflation rates have not been seen since November 1981. Future capital costs will be influenced by this fact and hence interest rate forecasts must be considered. Indeed, the yield on 30-year Treasury bonds moved up to 3.25% in June 2022 and the yield on A-rated public utility bonds was 4.86% in that month. It is necessary to understand the fundamentals surrounding those forecasts before making the blanket statement that the witnesses representing utility companies are inclined to use them in an attempt to increase the CAPM result. I do not dispute that in a low interest rate environment that forecasts of future interest rates generally trend toward higher rates than current rates. With the Fed Funds rate now moving higher as revealed by an increase of 0.25% on March 16, 2022, 0.50% on May 4, 2022, 0.75% on June 15, 2022, and 0.75% on July 27, 2022, the pattern is clear. There is an increasing trend toward higher interest rates. There is little room for lower interest rates, at a time of increasing inflation and Fed Funds rates. Likewise, during periods of high interest rates, which we have not seen for a long period, forecasts would trend toward lower rates. So the absolute level of interest rates must be considered when assessing the validity of the forecasts.

Q. Mr. Garrett further disputes your position regarding the Value Line betas and

the market risk premium. Please respond.

A. On page 12 of his surrebuttal, Mr. Garrett disputes my adjustment to the Value Line betas. Notably, I have used the Value Line betas as a foundation just like all witnesses. I merely reflected the difference in financial risk attributed to the market value of the capitalization and book value of the capitalization. As to his arguments involving the equity risk premium ("ERP,") on page 12 of his surrebuttal there is no support for the notion that the current ERP must be lower than the historical ERP, because the historical data is widely employed in the investment and academic publications to provide a foundation for comparative performance. Moreover, I specifically analyzed the historical data in light of current and prospective interest rates. I incorporated the basic fact that risk premiums increase with lower interest rates and they decrease with higher rates. Mr. Garrett has failed to incorporate this reality in his analysis. Furthermore, I only used the historical data for one-half of my risk premium analysis. I also gave equal weight to forecasts in developing a risk premium that reflects investor-expectations of their required returns.

Q. Does this conclude your rejoinder testimony?

A. Yes.

COLUMBIA STATEMENT NO. 10-RJ

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
	)	
v.	)	Docket No. R-2022-3031211
	)	
Columbia Gas of Pennsylvania, Inc.	)	
	)	

REJOINDER TESTIMONY OF
JENNIFER HARDING
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

August 1, 2022

I. Introduction

Q. Please state your name and business address.

A. My name is Jennifer Harding. My business address is 290 W. Nationwide Blvd, Columbus, Ohio 43215.

Q. Have you previously filed testimony in this matter?

A. Yes.

Q. What is the purpose of your Rejoinder testimony?

A. I will respond to the surrebuttal testimony served in this proceeding by I&E Witness Patel's related to the change in Pennsylvania law resulting in a decrease in the state corporate net income tax rate. I will also respond to OCA Witness Morgan's computation of state income taxes included on Schedule LKM-1 SR with his surrebuttal testimony.

Q. Did OCA Witness Patel have a recommendation pertaining to the change in Pennsylvania law resulting in a decrease in the state corporate income tax rate?

A. Yes. As indicated in I&E Witness Patel's surrebuttal testimony, Act 53 of 2022 was signed into law on July 8, 2022, decreasing the current state corporate income tax rate of 9.99% to 8.99% beginning on January 1, 2023. I&E Witness Patel recommended a Pennsylvania corporate income tax rate of 8.99% that will be in effect for the FPFTY be used to compute the state tax expense.

Q. Does Columbia agree with I&E Witness Patel's recommendation?

A. Yes. In response to discovery request OCA 11-001, which is included as Exhibit JAH 1-RJ, the Company has provided a revised computation of the state income tax based on the Company's original filing on March 18, 2022 and rebuttal filing on July 6, 2022 and noted a decrease of the Company's revenue requirement of approximately $1,061,694, respectively, because of the decrease in the Pennsylvania corporate income tax rate from 9.99% to 8.99% for the FPFTY beginning on January 1, 2023. However, this does not include the offsetting increase in the revenue requirement related to the Deficient ADIT for the remeasurement of state deferred income taxes included in rate base for inventory and customer advances discussed below.

Q. Does I&E Witness Patel indicate whether there are other impacts to the Company's proposed revenue requirement because of the decrease in the Pennsylvania state income tax rate?

A. Yes. I&E Witness Patel indicated that Columbia needs to identify whether the Company will recognize an impact to the Company's proposed revenue requirement as a result of restating state deferred income tax balances from current corporate state tax rate of 9.99% to the future corporate state tax rate at which the balance is expected to reverse.

Q. What is the difference between the normalization and flow through tax accounting method for rate making purposes?

A. The difference between normalization and flow-through method tax accounting for rate making purposes relates to when the income or deduction is recognized for book compared tax purposes. For example, under the normalization method a utility will recognize accelerated tax depreciation over book depreciation as a current tax benefit in the current year that will be offset by a deferred tax expense for the future liability that will be recognized as the remaining book depreciation is reversed, resulting in a deferred tax liability on the balance sheet. This is indicative of the taxpayer's income tax obligation to the government reported on its tax return each year under FASB GAAP accounting. Under the flow-through method, a utility will recognize a permanent current tax benefit for accelerated tax depreciation over book depreciation in the current year and a permanent current tax expense as the book depreciation is reversed in future periods.

Q. What is the Commission's policy for utilities to apply a normalization or flow-through method of accounting for state income tax purposes?

A. Normalization is required by federal income tax laws[1] for a utility to be able to claim accelerated tax depreciation or a recapture of the investment tax credit (ITC). Generally, the Commission's current policy is to use normalization for federal income tax purposes and the flow through method for state income tax purposes.

Q. Does Columbia utilize normalization or flow through method for state income tax purposes?

A. Columbia utilizes the flow through method for temporary book/tax differences related to plant in service for state income tax purposes. However, Columbia applies

[1] IRC §§ 50(d)(2) and 168(i)(9)

normalization accounting to temporary book/tax differences related to inventory and customer advances as depicted in the Company's Exhibit 107 pg 5.

Q. Does the re-measurement of the Accumulated Deferred Income Tax asset balance for inventory and customer advances result in Deficient ADIT?

A. Yes, re-measurement of the state accumulated deferred income tax (ADIT) asset balances for inventory and customer advances as of the end of the FTY[2] results in Deficient ADIT of approximately $356,417 (net of the Federal benefit). The Company proposes to record a Regulatory Asset of approximately $495,727, which represents the product of the Deficient ADIT and the gross-up factor for income taxes[3] presented on Exhibit JAH 2-RJ . The Company proposes to amortize over the same period 10-year period as the Excess ADIT from TCJA[4], which would result in an increase in tax expense of $35,642.

The journal entry to remeasure the state Account 190 ADIT balances as of December 31, 2022 and record the Regulatory Asset would be:

DR. 182 Regulatory Asset – PA Act 53	$495,727	
CR. 190 Deferred Tax Asset		($356,417)
CR. 283 Deferred Tax Gross-up		($139,310)

[2] The Company used the balances as of the twelve months ended December 31, 2022 which represents the FTY in the current preceding.
[3] The gross up factor is based on the Federal income tax rate of 21% and Pennsylvania income tax rate of 8.99% beginning January 1, 2023 to December 31, 2023.
[4] Docket R-2018-2647577

The journal entry to record the first-year Deficient ADIT amortization[5] beginning January 1, 2023 would be:

DR. 410/411 Deferred Tax Expense	$35,642	
DR. 283 Deferred Tax Gross-up	$13,931	
CR. 182 Regulatory Asset – PA Act 43		($49,573)

Q. Did OCA Witness Morgan reflect the decrease in the Pennsylvania corporate income tax rate as a result of the enactment of Act 53?

A. No. OCA Witness Morgan's surrebuttal testimony did not address the decrease in the Pennsylvania corporate income tax rate from 9.99% to 8.99% beginning January 1, 2023.

Q. Does the Company agree with OCA Witness Morgan's computation of state tax expense at the current state tax rate of 9.99%?

A. No. As indicated above, the Company responded to discovery request OCA 11-001 and provided a revised computation of the state income tax based on the Company's original filing and rebuttal filing resulting in a decrease of the Company's revenue requirement of approximately $1,061,694 for the FPFTY.

Q. Does Columbia expect to reflect the reduce Pennsylvania corporate income tax rate of 8.99% in the revenue requirement for FPFTY?

[5] Based on proposed 10-year amortization period

A. Yes. The Company's expects the proposed revenue requirement for the FPFTY will be inclusive of the reduction of the Pennsylvania current corporate tax rate from 9.99% to 8.99% beginning January 1, 2023.

Q. Does this complete your Prepared Rejoinder Testimony?

A. Yes, it does.

COLUMBIA GAS OF PENNSYLVANIA, INC
REMEASUREMENT OF
STATE DEFERRED INCOME TAXES (Inventory & Customer Advances)
BALANCE ENDING
December 31, 2023

Line No	Description	Reference		January 1, 2023 to Decemember 31, 2023		
1			(1)	(2)	(3)	(4)
2				9.99%	8.99%	
3			**Gross Balance**	**DTA at**	**DTA at**	**Deficient**
4			**at 12/31/2022**	**12/31/2022**	**12/31/2022**	**ADIT**
5	Account 190					
6	LIFO Inventory Adj - State	Exh 107, pg 5a	36,893,981	3,685,709	3,316,769	(368,940)
7	Capitalized Inventory - St	Exh 107, pg 5a	5,374,418	536,904	483,160	(53,744)
8	Cust. Advances - St	Exh 107, pg 5a	2,847,672	284,482	256,006	(28,477)
9	State ADIT			4,507,095	4,055,935	(451,161)
10	Federal Benefit of State (FBOS) Deferred Tax			5,328,482	(851,746)	94,744
11	State ADIT, net FBOS in Rate Base			9,835,578	3,204,188	(356,417)
12						
13	Proposed Regulatory Asset for PA Act 53 (Before Gross-up)					356,417
14						
15	Proposed Amortization Period - 10-Year					10
16						
17	Annual State Deficient ADIT Amortization (Increase to State Tax Expense)					35,642
18						
19	ROR					8.08%
20						
21	Estimated Impact of the Increase in Rate Base for FPFTY 12/31/2023					2,880
22						
23	Gross-up Factor					1
23						
24	Proposed Regulatory Asset for PA Act 53 (After Gross-Up)					495,727

Footnotes

1/ There are no state deferred tax balances from Account 282 or Account 283 that are included in rate base

Federal Income Tax Rate	21.00%
Pennsylvania Income Tax Rate	8.99%
Federal Benefit of State Tax	-1.89%
Total Statutory Tax Rate	28.10%
Gross-up Factor	1.39086121

EXHIBIT JAH-2RJ

Exhibit No. 102
Schedule 3
Page 3 of 6
Witnes: K.K. Miller

Columbia Gas of Pennsylvania, Inc.
Statement of Income at Present and Proposed Rates
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.	Description	Reference (1)	TME November 30, 2021 Per Books (2) $	HTY Adjustments @ Present Rates (3) $	Pro Forma Historic Test Year @ Present Rates (4) $	FTY Adjustments @ Present Rates (5) $	Pro Forma Future Test Year @ Present Rates (6) $	FPFTY Adjustments @ Present Rates (7) $	Pro Forma Fully Projected Future Test Year @ Present Rates (8) $	Adjustments @ Proposed Rates (9) $	FPFTY @ Proposed Rates (10) $			
1	Operation Revenues													
2	Base Rate Revenues (Incl. Transportation)	Exhibit 3 / 103	448,348,019	73,932,616	522,280,635	10,235,116	532,515,751	1,518,694	534,034,445	77,323,436	611,357,881			
3	Fuel Revenues	Exhibit 3 / 103	169,945,749	56,235,898	226,181,647	7,134,283	233,315,930	1,850,268	235,166,198	-	235,166,198			
4	Rider USP	Exhibit 3 / 103	27,633,359	13,597,763	41,231,122	975,780	42,206,902	(8,558)	42,198,344	3,675,618	45,873,962			
5	Gas Procurement Charge	Exhibit 3 / 103	1,057,905	(625,294)	432,611	15,225	447,836	5,471	453,307	-	453,307			
6	Merchant Function Charge	Exhibit 3 / 103	785,026	718,622	1,503,648	54,771	1,558,419	23,152	1,581,571	-	1,581,571			
7	Rider CC	Exhibit 3 / 103	46,478	(461)	46,017	1,105	47,122	(24)	47,098	-	47,098			
8	Pipeline Penalty Refund	Exhibit 3	-	-	-	-	-	-	-	-	-			
9	Total Sales and Transportation Revenue		647,816,536	143,859,144	791,675,680	18,416,280	810,091,960	3,389,003	813,480,963	80,999,054	894,480,017			
10	Off System Sales Revenue	Exhibit 3 / 103	4,328,883	(4,328,883)	-	-	-	-	-	-	-			
11	Late Payment Fees	Exhibit 3 / 103	451,085	440,342	891,427	20,737	912,164	3,816	915,980	91,205	1,007,185			
12	Other Operating Revenues (Excl. Transportation)	Exhibit 3 / 103	108,496	-	108,496	-	108,496	-	108,496	-	108,496			
13	Total Operating Revenues		652,705,000	139,970,603	792,675,603	18,437,017	811,112,620	3,392,819	814,505,439	81,090,259	895,595,698	As Filed	82,151,953	
							-					Updated	81,090,259	(1,061,694)
14	Operating Revenue Deductions													
15	Gas Supply Expense	Exhibit 3 / 103	169,945,749	56,235,898	226,181,647	7,134,283	233,315,930	1,850,268	235,166,198	-	235,166,198			
16	Off System Sales Expense	Exhibit 3 / 103	4,328,883	(4,328,883)	-	-	-	-	-	-	-			
17	Gas Used in Company Operations		(595,855)	595,855	-	-	-	-	-	-	-			
18	Operating and Maintenance Expense	Exhibit 4 / 104	207,141,559	10,825,423	217,966,981	10,656,872	228,623,853	16,991,522	245,615,375	1,016,893	246,632,268			
19	Depreciation and Amortization	Exhibit 5 / 105	82,004,532	3,651,083	85,655,615	12,529,133	98,184,748	13,405,185	111,589,933	-	111,589,933			
20	Net Salvage Amortized	Exhibit 5 / 105	4,860,731	(131,437)	4,729,294	275,190	5,004,484	129,814	5,134,298	-	5,134,298			
21	Taxes Other Than Income Taxes	Exhibit 6 /106	3,699,459	(147,752)	3,551,707	(714)	3,550,993	29,980	3,580,973	-	3,580,973			
22	Total Operating Revenue Deductions		471,385,059	66,700,186	538,085,245	30,594,764	568,680,008	32,406,769	601,086,777	1,016,893	602,103,670			
23	Operating Income Before Income Taxes		181,319,942	73,270,417	254,590,359	(12,157,747)	242,432,612	(29,013,950)	213,418,663	80,073,366	293,492,029			
24	Income Taxes	Exhibit 7 / 107	30,244,426	18,433,564	48,677,990	(5,170,070)	43,507,920	(11,327,071)	32,180,849	22,502,297	54,683,146			
25	Investment Tax Credit	Exhibit 7 / 107	(259,544)	-	(259,544)	15,331	(244,213)	22,859	(221,354)	-	(221,354)			
26	Operating Income		151,335,060	54,836,853	206,171,913	(7,003,007)	199,168,905	(17,709,737)	181,459,168	57,571,069	239,030,237	239,030,237		
												(0) Check		
27	Rate Base	Exhibit 8 / 108	2,474,085,788	(165,918,204)	2,308,167,584	301,780,017	2,609,947,601	348,347,412	2,958,295,013	-	2,958,295,013			
28	% Rate of Return Earned on Rate Base		6.12%		8.93%		7.63%		6.13%		8.08%			

Columbia Gas of Pennsylvania, Inc.
Calculation of Proforma Interest Expense
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.	Description	Pro Forma (1) $
	FTY Calculation	
1	Rate Base	2,609,947,601
2	Weighted Cost of Short &	
3	Long Term Debt	1.990%
4	Interest Expense	51,937,957
	FPFTY Calculation	
5	Rate Base	2,958,295,013
6	Weighted Cost of Short &	
7	Long Term Debt	1.990%
8	Interest Expense	58,870,071

Columbia Gas of Pennsylvania, Inc.
Rate of Return on Rate Base
Proposed Revenue Requirement
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.	Description	Detail	Amount (1) $
1	Proforma Rate Base at Present Rates		2,958,295,013
2	Return on Rate Base		8.080%
3	Total Requirement		239,030,237
4	Less: Net Operating Income at Present Rates		181,459,168
5	Net Required Operating Income		57,571,069
6	Revenue Conversion Factor		1.40852446
7	Gross Revenue Requirement		81,090,259
8	Revenue Conversion Factor:		
9	Operating Revenue		1.00000000
10	Less: Uncollectibles		0.01254026
11	Income Before State Taxes		0.98745974
12	State Income Tax Effect Tax Rate		**0.08990000**
13	Less: State Income Tax		0.08877263
14	Income Before Federal Taxes		0.89868711
15	Less: Federal Tax @ 21%		0.18872429
16	Adjusted Operating Income		0.70996282
17	Revenue Conversion Factor		1.40852446

Exhibit No. 102
Schedule 3
Page 6 of 6
Witnes: K.K. Miller

Columbia Gas of Pennsylvania, Inc.
Additional Revenue Requirement Adjustments
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.		Description	Amount
			(1)
			$
1		Additional Revenue Requirement	80,999,054
2	Plus:	Late Payments	91,205
3		Total Revenue Requirement	81,090,259
4	Less:	Uncollectible Accounts Expense	
5		Line 3 X Uncollectible Rate	1,016,893
6		Income Before State Income Tax	80,073,366
7		State Income Taxes	
8		Exh 107, Pg 17, Col 3 Less Exh 107, Pg 17, Col 2	**7,198,595**
9		Income Before Federal Income Tax	72,874,771
10		Federal Income Taxes	
11		Line 9 Times 21%	15,303,702
12		Net Required Operating Income	57,571,069

Exhibit JAH-2RJ

Exhibit No. 102
Schedule 3
Page 3 of 6
Witnes: K.K. Miller

Columbia Gas of Pennsylvania, Inc.
Statement of Income at Present and Proposed Rates
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.	Description	Reference (1)	TME November 30, 2021 Per Books (2) $	HTY Adjustments @ Present Rates (3) $	Pro Forma Historic Test Year @ Present Rates (4) $	FTY Adjustments @ Present Rates (5) $	Pro Forma Future Test Year @ Present Rates (6) $	FPFTY Adjustments @ Present Rates (7) $	Pro Forma Fully Projected Future Test Year @ Present Rates (8) $	Adjustments @ Proposed Rates (9) $	FPFTY @ Proposed Rates (10) $			
1	Operation Revenues													
2	Base Rate Revenues (Incl. Transportation)	Exhibit 3 / 103	448,348,019	73,932,616	522,280,635	10,235,116	532,515,751	1,518,694	534,034,445	78,682,090	612,716,535			
3	Fuel Revenues	Exhibit 3 / 103	169,945,749	56,235,898	226,181,647	7,134,283	233,315,930	1,850,268	235,166,198	-	235,166,198			
4	Rider USP	Exhibit 3 / 103	27,633,359	13,597,763	41,231,122	975,780	42,206,902	(8,558)	42,198,344	3,675,618	45,873,962			
5	Gas Procurement Charge	Exhibit 3 / 103	1,057,905	(625,294)	432,611	15,225	447,836	5,471	453,307	-	453,307			
6	Merchant Function Charge	Exhibit 3 / 103	785,026	718,622	1,503,648	54,771	1,558,419	23,152	1,581,571	-	1,581,571			
7	Rider CC	Exhibit 3 / 103	46,478	(461)	46,017	1,105	47,122	(24)	47,098	-	47,098			
8	Pipeline Penalty Refund	Exhibit 3	-	-	-	-	-	-	-	-	-			
9	Total Sales and Transportation Revenue		647,816,536	143,859,144	791,675,680	18,416,280	810,091,960	3,389,003	813,480,963	82,357,708	895,838,671			
10	Off System Sales Revenue	Exhibit 3 / 103	4,328,883	(4,328,883)	-	-	-	-	-	-	-			
11	Late Payment Fees	Exhibit 3 / 103	451,085	440,342	891,427	20,737	912,164	3,816	915,980	92,735	1,008,715	Rebuttal As Filed	83,512,136	
12	Other Operating Revenues (Excl. Transportation)	Exhibit 3 / 103	108,496	-	108,496	-	108,496	-	108,496	-	108,496	Rebuttal As Updat	82,450,443	(1,061,693)
13	Total Operating Revenues		652,705,000	139,970,603	792,675,603	18,437,017	811,112,620	3,392,819	814,505,439	82,450,443	896,955,882			
							-							
14	Operating Revenue Deductions													
15	Gas Supply Expense	Exhibit 3 / 103	169,945,749	56,235,898	226,181,647	7,134,283	233,315,930	1,850,268	235,166,198	-	235,166,198			
16	Off System Sales Expense	Exhibit 3 / 103	4,328,883	(4,328,883)	-	-	-	-	-	-	-			
17	Gas Used in Company Operations		(595,855)	595,855	-	-	-	-	-	-	-			
18	Operating and Maintenance Expense	Exhibit 4 / 104	207,141,559	10,825,423	217,966,981	10,656,872	228,623,853	18,334,648	246,958,501	1,033,950	247,992,451			
19	Depreciation and Amortization	Exhibit 5 / 105	82,004,532	3,651,083	85,655,615	12,529,133	98,184,748	13,405,185	111,589,933	-	111,589,933			
20	Net Salvage Amortized	Exhibit 5 / 105	4,860,731	(131,437)	4,729,294	275,190	5,004,484	129,814	5,134,298	-	5,134,298			
21	Taxes Other Than Income Taxes	Exhibit 6 /106	3,699,459	(147,752)	3,551,707	(714)	3,550,993	29,980	3,580,973	-	3,580,973			
22	Total Operating Revenue Deductions		471,385,059	66,700,186	538,085,245	30,594,764	568,680,008	33,749,895	602,429,903	1,033,950	603,463,853			
23	Operating Income Before Income Taxes		181,319,942	73,270,417	254,590,359	(12,157,747)	242,432,612	(30,357,076)	212,075,537	81,416,493	293,492,030			
24	Income Taxes	Exhibit 7 / 107	30,244,426	18,433,564	48,677,990	(5,170,070)	43,507,920	(11,704,517)	31,803,403	22,879,743	54,683,146			
25	Investment Tax Credit	Exhibit 7 / 107	(259,544)	-	(259,544)	15,331	(244,213)	22,859	(221,354)	-	(221,354)			
26	Operating Income		151,335,060	54,836,853	206,171,913	(7,003,007)	199,168,905	(18,675,417)	180,493,488	58,536,750	239,030,238	239,030,237		
												(1) Check		
27	Rate Base	Exhibit 8 / 108	2,474,085,788	(165,918,204)	2,308,167,584	301,780,017	2,609,947,601	348,347,412	2,958,295,013	-	2,958,295,013			
28	% Rate of Return Earned on Rate Base		6.12%		8.93%		7.63%		6.10%		8.08%			

Columbia Gas of Pennsylvania, Inc.
Calculation of Proforma Interest Expense
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.	Description	Pro Forma (1) $
	FTY Calculation	
1	Rate Base	2,609,947,601
2	Weighted Cost of Short &	
3	Long Term Debt	1.990%
4	Interest Expense	51,937,957
	FPFTY Calculation	
5	Rate Base	2,958,295,013
6	Weighted Cost of Short &	
7	Long Term Debt	1.990%
8	Interest Expense	58,870,071

Columbia Gas of Pennsylvania, Inc.
Rate of Return on Rate Base
Proposed Revenue Requirement
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.	Description	Detail	Amount (1) $
1	Proforma Rate Base at Present Rates		2,958,295,013
2	Return on Rate Base		8.080%
3	Total Requirement		239,030,237
4	Less: Net Operating Income at Present Rates		180,493,488
5	Net Required Operating Income		58,536,749
6	Revenue Conversion Factor		1.40852446
7	Gross Revenue Requirement		82,450,443
8	Revenue Conversion Factor:		
9	Operating Revenue		1.00000000
10	Less: Uncollectibles		0.01254026
11	Income Before State Taxes		0.98745974
12	State Income Tax Effect Tax Rate		**0.08990000**
13	Less: State Income Tax		0.08877263
14	Income Before Federal Taxes		0.89868711
15	Less: Federal Tax @ 21%		0.18872429
16	Adjusted Operating Income		0.70996282
17	Revenue Conversion Factor		1.40852446

Columbia Gas of Pennsylvania, Inc.
Additional Revenue Requirement Adjustments
FTY = Future Test Year TME 11/30/22, FPFTY = Fully Projected Forecasted Test Year Period Ended December 31, 2023

Line No.		Description	Amount (1) $
1		Additional Revenue Requirement	82,357,708
2	Plus:	Late Payments	92,735
3		Total Revenue Requirement	82,450,443
4	Less:	Uncollectible Accounts Expense	
5		Line 3 X Uncollectible Rate	1,033,950
6		Income Before State Income Tax	81,416,493
7		State Income Taxes	
8		Exh 107, Pg 17, Col 3 Less Exh 107, Pg 17, Col 2	7,319,342
9		Income Before Federal Income Tax	74,097,151
10		Federal Income Taxes	
11		Line 9 Times 21%	15,560,402
12		Net Required Operating Income	58,536,749

COLUMBIA GAS OF PENNSYLVANIA, INC.

CALCULATION OF FEDERAL AND REVISED STATE INCOME T
BEGINNING ON JANUARY 1, 2023 TO DECEMBER 31
PRO FORMA AT PROPOSED BASE RATES
FPFTY = FULLY PROJECTED FUTURE TEST YEAR PERIOD ENDED

Line No.	Description	Rebuttal 9.99% State Rate Pro Forma At Forecasted FPFTY Base Rates	Rebuttal 9.99% State Rate Pro Forma At Forecasted Proposed Base Rates
		(1)	(2)
		$	$
1	Operating Income Before Income Taxes (Exh. 102, Sch.3, F	212,075,537	293,492,030
2	Pennsylvania Corporate Net Income Tax Deductible (P17, L	(1,293,517)	(9,427,025)
3	Statutory Adjustments		
4	Flow-Through Adjustments		
5	Book/ Tax Depreciation, Net	8,977,675	8,977,675
6	Book Depreciation- Net Salvage Amts	5,134,298	5,134,298
7	Property Removal Costs - ADR Property	(499,515)	(499,515)
8	Loss on Retirement - ACRS/MACRS Removal Costs	(5,256,466)	(5,256,466)
9	Interest on Debt (1)	(58,870,071)	(58,870,071)
10	Employee Business Expense Disallowance	232,142	232,142
11	AFUDC Equity	0	-
12	Employee Stock Purchase Plan	45,029	45,029
13	NCS Allocation- Perm Taxes	0	-
14	Parking	23,493	23,493
15	Total Flow Through Adjustments	(50,213,415)	(50,213,415)
16	Deferred Adjustments		
17	Excess Tax Depreciation Over Book	(32,057,651)	(32,057,651)
18	Repairs on Gas Pipeline	(76,263,053)	(76,263,053)
19	Bonus Depreciation	-	-
20	Sec 263A Mixed Service Costs	(1,654,603)	(1,654,603)
21	Loss on Retirement - ACRS/MACRS Property Basis	(4,365,396)	(4,365,396)
22	Avoided Cost Interest	(84,072)	(84,072)
23	Builder Incentives Capitalized	-	-
24	Stored Gas Losses	-	-
25	Contributions In Aid of Construction	1,593,344	1,593,344
26	Tax Inventory Adj	-	-
27	Capitalized Inventory	-	-
28	Customer Advances	(873,929)	(873,929)
29	Total Deferred Adjustments	(113,705,360)	(113,705,360)
30	Taxable Income (Lines 1,2,15,29)	46,863,245	120,146,230
31	Federal Income Tax Payable @ 21%	9,841,281	25,230,708
32	Deferred Income Taxes (Line 29 @ 21%)	23,878,126	23,878,126
33	Tax Refund Amortization	0	0
34	Flow Back Of Excess Deferred Taxes	(3,107,233)	(3,107,233)
35	Effect of CNIT Deferred Tax on FIT (P17, Lines 9-12 @21%	0	0
36	Net Federal Income Tax Expense (Lines 31-35)	30,612,175	46,001,602
37	State Income Tax Expense (P17, L13)	1,427,695	9,531,758
38	Total Income Tax Expense Before Investment Tax Credit	32,039,870	55,533,360
	Investment Tax Credit	(221,354)	(221,354)
	Total Income Tax Expense	31,818,516	55,312,006

(1) Interest expense for rate purposes has been calculated as follows: 1.99% weighted cost of short-term and long-term debt x original cost rate base of $2,958,295,013= $58,870,071

COLUMBIA GAS OF PENNSYLVANIA, INC.

CALCULATION OF REVISED STATE INCOME TAXES AT 8.99%
BEGINNING ON JANUARY 1, 2023 TO DECEMBER 31, 2023
PRO FORMA AT PROPOSED BASE RATES
FPFTY = FULLY PROJECTED FUTURE TEST YEAR PERIOD ENDED DECEMBER 31, 2023

Line No	Description	Rebuttal 9.99% State Rate Pro Forma At Forecasted FPFTY Base Rates (1) $	Rebuttal 9.99% State Rate Pro Forma At Forecasted Proposed Base Rates (2) $	Revised 8.99% State Rate Pro Forma At Forecasted FPFTY Base Rates (3) $	Revised 8.99% State Rate Pro Forma At Forecasted Proposed Base Rates (4) $	Decrease in State Tax Expense Pro Forma At Forecasted FPFTY Base Rates (5) = (3 - 1) $	Decrease in State Tax Expense Pro Forma At Forecasted Proposed Base Rates (6) = (4 - 2) $
1	Calculation of Pennsylvania Corporate Net Income Tax						
2	Operating Income Before Income Taxes (Page 16, Line 1)	212,075,537	293,492,030	212,075,537	293,492,030	0	0
3	Statutory Adjustments (Page 16, Lines 15 & 29)	(163,918,775)	(163,918,775)	(163,918,775)	(163,918,775)	0	0
4	Pennsylvania Bonus Depreciation Adj	(27,410,719)	(27,410,719)	(27,410,719)	(27,410,719)	0	0
5	CNIT Taxable Income	20,746,043	102,162,536	20,746,043	102,162,536	0	0
6	Net Operating Loss Deduction	7,797,926	7,797,926	7,797,926	7,797,926	0	0
7	PA Taxable Income	12,948,117	94,364,610	12,948,116	94,364,609	(0)	(0)
8	CNIT Payable at PA Corporate Tax Rate	1,293,517	9,427,025	1,164,036	8,483,378	(129,481)	(943,647)
9	Deferred Tax On Net Operating Loss Deduction	0	0	0	0	0	0
10	Deferred Tax on Inventory Adj	0	0	0	0	0	0
11	Deferred Tax on Capitalized Inventory	0	0	0	0	0	0
12	Deferred Tax on Customer Advances	0	0	0	0	0	0
13	Pennsylvania Corporate Income Tax Expense	1,293,517	9,427,025	1,164,036	8,483,378	(129,481)	(943,647)

	PA NOLC as of 11/30/2020	104,719,229
		(53,781,871)
HTY	PA NOLC as of 11/30/2021	50,937,358
		(43,139,432)
FTY	PA NOLC as of 11/30/2022	7,797,926
		(7,797,926)
FPFTY @ Current	PA NOLC as of 12/31/2023	0

COLUMBIA STATEMENT NO. 13-RJ

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

REJOINDER TESTIMONY OF
DEBORAH A. DAVIS
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

July 28, 2022

I. Introduction

Q. Please state your name and business address.

A. Deborah Davis, 121 Champion Way, Suite 100, Canonsburg, PA 15317.

Q. Have you previously filed testimony in this matter?

A. Yes.

Q. What is the purpose of your Rejoinder testimony?

A. I will respond to the surrebuttal testimony served in this proceeding from Mr. Harry Geller representing the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"). I will specifically clarify the LIURP recovery mechanism. I will address Mr. Geller's assertion that the Company has restrictions on its biannual review process that are not stipulated in the settlement agreement. Finally, I will address Mr. Geller's suggestion that Columbia is in violation of its vendor agreement with the Department of Human Services.

Q. Mr. Geller states on page 5 line 6 of his testimony, "Columbia files an annual reconciliation which adjusts its universal service rider for any over/under spending based on actual spend. Thus, ratepayers are not required to pay for the LIURP funds if they are not spent." Please clarify how the Company recovers funds for the Low Income Usage Reduction Program (LIURP) through the Rider USP.

A. Mr. Geller's statement is mostly correct. However, to clarify, the reconciliation process is after the funds have been collected. Therefore, the Company collects the anticipated budget from non- CAP ratepayers for the current year. If the Company does not spend the funds, the Company credits the difference of what was collected versus what was spent in the beginning of the next year, but also begins collecting for the new year which includes any rollover.

Q. Please address Mr. Geller's statement on page 18, line 3 that the Company has added "arbitrary restrictions that appear to be inconsistent with Columbia's statutory duty to provide customers with the best available rate" and which was not contained in the settlement agreement of the 2018 rate case.

A. Columbia does not exclude any customers that the Company is required to review. Upon review, in rare instances the Company does not lower the payment plan. These few exceptions result from customers that have agreed to not have their payment plan lowered to help alleviate the negative consequences of not being weatherized or already do not pay a gas bill due to a LIHEAP credit or other credit. Though these were not outlined in the two sentences outlining the bi-annual review in the 2018 rate case settlement document, these exceptions demonstrate cost effective program management and do not penalize the customers.

In response to CAUSE PA 4-016, included as Exhibit DD-1RJ, the Company pointed out that Mr. Geller's member organizations have seen the statistics of the review at every Universal Service Advisory Council meeting and have not, in any of the eight meetings, expressed concern over the process which was outlined in great detail. Those USAC members are aware of the small number of customers whose discounts are not increased.

On average eight customers have large credits and/or LIHEAP grants that cover the entire bill during the review process and do not receive a higher discount. These customers continue to be reviewed twice per year to make sure their credit is still sufficient to cover their annual bill. Further discounting a bill the customer is not paying provides no value to the CAP customer. However, if the Company were to discount the bill even more, the non-CAP rate payer would have to pay a higher rate.

Since the first biannual review was conducted in October 2018, the Company has not reduced 5 customers' discounts due to not cooperating with weatherization. These customers verbally refused weatherization with a member of the Universal Service team and agreed that their payment would not be further reduced in the future while still being offered a discounted approved CAP payment plan. The Company has the right to remove customers from CAP for failing to cooperate with weatherization. These customers have been able to stay in the program and receive an approved discounted bill while still refusing weatherization.

Q. Please address Mr. Geller's insinuation that the Company is in violation of its Department of Human Services LIHEAP vendor agreement by not reducing a CAP customer's payment plan even lower when the customer's entire CAP bill is being paid by the LIHEAP grant.

A. The Company has three automated payment options as outlined and approved in its Universal Service and Energy Conservation Program. The lowest available option is selected at the time of enrollment. LIHEAP receipt or lack thereof is not considered at the time of enrollment. Therefore, his assertion on page 19 beginning on line 2 of his surrebuttal testimony that the Company is using LIHEAP when determining a CAP payment plan amount is inaccurate. When conducting its bi-annual review, the Company verifies the existing LIHEAP credit on a customer's account is sufficient to cover the following six months of billing. Any further discount is deemed unnecessary. If at the time of review, the Company is scheduled to refund any unused LIHEAP funds as required by the LIHEAP State Plan and Vendor Agreement, further review and possible reduction of a CAP customer's payment plan may occur.

Q. Does this complete your Prepared Rejoinder Testimony?

A. Yes, it does.

COLUMBIA STATEMENT NO. 19-RJ

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
	)	
v.	)	Docket No. R-2022-3031211
	)	
Columbia Gas of Pennsylvania, Inc.	)	
	)	

REJOINDER TESTIMONY OF
STACY DJUKIC
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

July 28, 2022

PUBLIC VERSION

I. Introduction

Q. Please state your name and business address.

A. My name is Stacy Djukic. My business address is 1500 165th Street, Hammond IN 46324.

Q. Have you previously filed testimony in this matter?

A. Yes.

Q. What is the purpose of your Rejoinder testimony?

A. I will respond to the testimony served in this proceeding by Dan Caravetta on behalf of the Natural Gas Suppliers and Retail Energy Supply Association proposing that CPA be required to provide the same confirmations for the Evening, Intraday-1 and Intraday-3 cycles as the Company does for Timely and Intraday-2 cycles. Specifically, I will be addressing his assertion regarding the use of NAESB contracts.

Q. On page 3 of Mr. Caravetta's surrebuttal testimony, he contends that suppliers do not use NAESB form of contracts exclusively. Do you wish to respond?

A. Yes. In response to discovery request RESA/NGS Parties-IV-1, NRG and Shipley identified that BEGIN HIGHLY CONFIDENTIAL [redacted] END HIGHLY CONFIDENTIAL These discovery responses are provided as HIGHLY CONFIDENTIAL Exhibit SD-1RJ to my rejoinder testimony. BEGIN HIGHLY CONFIDENTIAL [redacted] END HIGHLY CONFIDENTIAL there is no reason for Columbia to provide all of the requested confirmations for the reasons I explained in my rebuttal testimony. BEGIN HIGHLY CONFIDENTIAL [redacted] END HIGHLY CONFIDENTIAL Further, suppliers could choose to utilize NAESB contracts exclusively or require that these protective provisions be included as terms in any non-NAESB contract. Therefore, and as I explained in my rebuttal testimony, my position continues to be that RESA/NGS Parties' recommendation that Columbia confirm all five NAESB cycles is unnecessary.

Q. Does this complete your Prepared Rejoinder Testimony?

A. Yes, it does.