Columbia Exhibit No.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters.	)	Case No. 21-637-GA-AIR
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation.	)	Case No. 21-638-GA-ALT
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of a Demand Side Management Program for its Residential and Commercial Customers.	)	Case No. 21-639-GA-UNC
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods.	)	Case No. 21-640-GA-AAM

PREPARED DIRECT TESTIMONY OF
TAMALEH L. SHAEFFER
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

☐ Management policies, practices, and organization
☒ Operating income
☐ Rate base
☐ Allocations
☐ Rate of return
☐ Rates and tariffs
☐ Other

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July 14, 2021

PREPARED DIRECT TESTIMONY
OF TAMALEH L. SHAEFFER

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tamaleh (Tami) L. Shaeffer. My business address is 290 West Nationwide Blvd., Columbus, OH 43215.

Q. By whom are you employed?

A. I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource") and affiliate of Columbia Gas of Ohio, Inc. ("Columbia" or the "Company"), as a Regulatory Rate Case Execution Manager in the Regulatory and Utilities Planning Department.

Q. Will you please state briefly your educational background and experience?

A. I graduated from The Ohio State University in 2003 with a Bachelor of Science degree in Business Administration, with a major in Finance. I have seventeen (17) years of experience working in the regulatory and accounting departments supporting the NiSource gas distribution companies, including Columbia Gas of Ohio, Inc. In August of 2015, I was named as a Manager in the Regulatory Department for NCSC, which is the position I currently hold.

Q. What are your current job responsibilities?

A. As a Manager in the Regulatory Department for NCSC, my principal responsibilities include planning, preparation, and oversight of the revenue requirement and cost of service for base rate proceedings, providing support for various informational and rate filings, and other duties as assigned. NCSC provides, among other services, accounting and regulatory-related services for the NiSource distribution companies, including Columbia.

II. STATEMENT OF PURPOSE

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present Columbia's revenue requirement and cost of service analysis, including quantification of the Company's existing revenue deficiency based on adjusted test year operating revenues

and expenses. As part of the cost of service analysis, my testimony supports Columbia's operations and maintenance ("O&M") expenses, including the test year actual expenses allocated and billed to Columbia Gas of Ohio, Inc. from NCSC.

The table below provides a list of the schedules I am sponsoring along with a brief description of each. The schedules were either prepared by me or under my direct supervision.

Schedule	**Description**
A-1	Overall Financial Summary
A-2	Calculation of the Gross Revenue Conversion Factor
A-3	Calculation of the Mirrored CWIP Revenue Sur-Credit
C-1	Jurisdictional Pro Forma Income Statement
C-2	Jurisdictional Adjusted Test Year Operating Income
C-2.1	Jurisdictional Unadjusted Income Statement
C-3	Summary of Adjustments to Operating Income
C-3.1	Annualized Base, Regulatory Assessment Rider (RAR), Infrastructure Replacement Rider (IRP) and Capital Expenditure Plan (CEP) Rider Revenues
C-3.2	Annualized Default Sales Service (DSS) Gas Cost Revenue
C-3.3	Elimination of Non-Traditional Revenue
C-3.4	Elimination of O&M Expense Riders Revenue
C-3.5	Elimination of Tax Expense Riders Revenue
C-3.6	Elimination of Infrastructure Development Rider (IDR) Base Revenue
C-3.7	Elimination of IDR Other Gas Department Revenue (OGDR)
C-3.8	Elimination of Unbilled Revenue
C-3.9	Elimination of Non-Jurisdictional Revenue
C-3.10	Annualized Gas Cost Expense
C-3.11	Elimination of Fuel Used in Company Operations
C-3.12	Elimination of O&M Tracker Expenses
C-3.13	O&M Expense Exclusions
C-3.14	Annualized Labor Expense
C-3.15	Normalized Incentive Compensation Expense
C-3.16	Annualized Employee Benefits Expense
C-3.17	Adjustment for Columbia Headcount Complement
C-3.18	Annualized Corporate Insurance Expense
C-3.19	Normalized Uncollectible Accounts Expense
C-3.20	Safety Operations O&M Expense Adjustments
C-3.21	NCSC O&M Expense Adjustment

Schedule	Description
C-3.22	Rate Case Expense Adjustment
C-3.23	NiFiT Expense Deferral Amortization
C-3.24	Pension and OPEB Expense Deferral Amortization
C-3.25	Environmental Remediation Expense Deferral Amortization
C-3.26	Pipeline Safety Program (PSP) Expense Deferral Amortization
C-3.27	COVID-19 Deferral Amortization
C-5	Social and Service Club Dues
C-6	Charitable Contributions
C-7	Customer Service and Informational, Sales and General Advertising Expense
C-8	Rate Case Expense
C-9	Operation and Maintenance Payroll Costs
C-9.1	Total Company Payroll Analysis By Employee Classification/ Payroll Distribution
C-10.1	Comparative Balance Sheet For Most Recent 5 Calendar Years
C-10.2	Comparative Income Statement For Most Recent 5 Calendar Years
C-12	Analysis of Reserve For Uncollectible Accounts
S-2	Five-Year Financial Forecast

The cost of service analysis includes the following additional information supported, or co-sponsored, by other Company's witnesses to generate the proposed revenue increase:

- Russell Feingold - Revenues;
- Jeffery Gore - Rate Base, Depreciation and Amortization Expense, Post-In-Service Carrying Cost Expense, and O&M Expense Deferrals;
- Marc Okin - O&M Environmental Expense Deferral;
- Bryan Trapp - Accumulated Deferred Income Taxes included in Rate Base, Taxes Other Than Income, and Income Taxes;
- John Spanos - Depreciation Study;
- Kimberly Cartella - Compensation and Benefits, and the wage increase for customer service representatives at the Customer Care Center;
- Scott Tustin - Cross Bore program and expenses;
- Donald Ayers - Technical Training program and expenses, as well as certain positions included in the Columbia Gas of Ohio, Inc. Headcount Complement adjustment;

- George Dice - Wage increase for customer service representatives at the Customer Care Center; and
- Melissa L. Thompson - Quantification of the revenue requirement roll-in of the Infrastructure Replacement Program ("IRP") and Capital Expenditure Program ("CEP") related investments into the Rate Base supported by Columbia witness Gore.

In addition to supporting revenue, the revenue allocation and typical customer bill impacts associated with the Company's proposed revenue requirement are discussed in the allocated cost of service study and rate design testimony of Columbia witness Feingold.

III. STANDARD FILING REQUIREMENTS

Q. What is the test year and date certain in this proceeding?

A. The test year in this proceeding is the twelve months ended December 31, 2021, and the date certain is March 31, 2021. The test year represents three months of actual financial data for the months of January, February and March 2021, and nine months of budgeted data through December 2021. The Commission approved the test year and date certain in its entry dated July 7, 2021. Additionally, the Company will file a comparison of the twelve-month actual income statement versus the partially forecasted income statement, and any variances, within three months after the end of the test year.

Q. Are the Company's books and records kept in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts?

A. Yes. The Company's books and records are kept in accordance with the FERC Uniform System of Accounts as adopted by this Commission.

Q. What is the source of the information contained in the schedules you are sponsoring?

A. The source of the information is primarily Columbia's General Ledger accounting records for actual data and its approved budget for forecasted data. When data comes from another source, I will note that in my testimony if not made clear in the referenced schedules of the Application.

IV. OVERALL FINANCIAL SUMMARY

A. A SCHEDULES

Q. Please describe the information shown on Schedule A-1.

A. Schedule A-1 is an overall financial summary of the Application including rate base, current operating income, earned rate of return and the proposed revenue increase, which is referred to as the revenue deficiency. Specific schedule references are made on Schedule A-1 to each of the various supporting schedules. As indicated on this summary schedule, the current earned rate of return of 2.94 percent is significantly below the level required to provide Columbia with a reasonable rate of return. Evidence on the cost of capital and required rate of return (i.e., weighted average cost of capital) is summarized on Schedule D-1 and supported by the testimony of Columbia witness Moul. The revenue increase supported by the details of the Application totals $221.4 million, which is net of the transfer of IRP Rider and CEP Rider investments and related costs to base rates, and is consistent with the increase derived from the noticed rates reflected in Schedule E-1, which is supported by Columbia witness Feingold.

Q. How was the above-referenced Revenue Deficiency determined?

A. Columbia's revenue deficiency, or proposed revenue increase, was determined by comparing the test year's adjusted operating income at current rates with the level of operating income required to produce the required rate of return. The required operating income is calculated based on the rate base (date certain as of March 31, 2021) reflected in the Company's B Schedules supported by the testimony of Columbia witnesses Gore and Trapp, and multiplied by the required rate of return of 7.85 percent supported in the testimony of Columbia witness Moul.

The revenue shortfall, or operating revenue deficiency, is derived from comparing the required return to the calculated operating income after taxes at current rates. The revenue shortfall is then multiplied by the Gross Revenue Conversion Factor shown on Schedule A-2 for recognition of the related taxes resulting from Columbia's proposed revenue deficiency.

Q. How did you determine the appropriate adjustments to Operating Revenues, including Gas Cost?

A. Annualized Operating Revenues, including Gas Cost Revenues, are adjusted according to the calculations in Schedules E-4 and E-4.1 supported by the testimony of Columbia witness Feingold.

Q. What adjustments have you made to the Revenue Requirement calculation?

A. The computation of the revenue deficiency reflects adjustments to utility operating income reasonably expected to occur during the twelve-month period following the test year, which are explained in detail later in my testimony.

Q. Please explain Schedule A-2.

A. Schedule A-2 sets forth the calculation of the Gross Revenue Conversion Factor used on Schedule A-1 to compute the revenue deficiency. The Gross Revenue Conversion Factor is a multiplier used to convert after-tax operating income to the revenue requirement needed to generate that operating income. In other words, for Columbia to earn $1.00 of operating income, the Commission must provide for $1.26582 of revenue to be recovered through rates in order to account for the federal income taxes that the Company will incur on each $1.00 of operating income. The Gross Revenue Conversion Factor uses the current statutory federal income tax rate of 21 percent.

Q. Please explain Schedule A-3 and why Columbia indicated that there is nothing to report?

A. Schedule A-3 presents the calculation of the Mirrored Construction Work in Progress ("CWIP") Revenue Sur-Credit Rider proposed for inclusion in rates, if applicable. As confirmed by Columbia witness Gore, the Company is not proposing to include CWIP in its rate base in this Application. The statement of "nothing to report" on Schedule A-3 is made in recognition that the Company's Application does not include CWIP in rate base. In addition, the Company did not include a provision for recognition of CWIP in rate base in the establishment of rates in the Company's last base rate case, Case No. 08-0072-GA-AIR.

Q. Have you made any changes to the Revenue Requirement since the Company's Notice of Intent ("NOI") filing on May 28, 2021 having any impact on the proposed rates submitted in the NOI?

A. Yes. After the filing of the NOI, I received revised Rate Base (B Schedules), and a corresponding update to the Depreciation and Amortization Expense (Schedule C-3.28), from Columbia witness Gore. The revised B and C Schedules were utilized in this Application in the calculation of the proposed $221.4 million revenue deficiency, and associated revenue requirement. Please refer to the testimony of witness Gore for an explanation of the change to rate base, and depreciation and amortization expense. Additionally, Columbia witness Feingold's testimony contains an explanation of the reductions to proposed rates in Columbia's May 28, 2021 NOI compared to the June 30, 2021 Application.

B. C SCHEDULES

Q. Please describe the information shown in Schedule C-1.

A. Schedule C-1 is a jurisdictional pro forma income statement for the test year. This schedule summarizes Columbia's adjusted revenues under existing customer rates and expenses. Under current rates Columbia's rate of return is 2.94 percent, which is an inadequate yield of reasonable compensation for the provision of the service, including a return on its used and useful property in the provision of gas service, to its customers. In adjusting the test year adjusted operating income statement by the proposed revenue increase (deficiency) calculated on Schedule A-1, the resulting pro forma income statement will yield a required rate of return of 7.85 percent. The Company's required rate of return is reflected in Schedule D-1, which is supported by Columbia witness Moul. The revenue increase in Section E is based on the rates submitted in Columbia's proposed tariff under Schedule E-1, which is supported by Columbia witness Thompson. In addition, Columbia's gas operations are 100 percent jurisdictional because the rates proposed in this proceeding apply to all the areas Columbia serves, and all of the impacted customers are subject to the Commission's jurisdiction.

Q. Please describe the information shown in Schedule C-2.

A. Schedule C-2 is a summary of Columbia's jurisdictional adjusted operating income for the test year. This schedule includes per book unadjusted jurisdictional revenue and expense amounts from Schedule C-2.1, and a summary of the adjustments presented in Schedule C-3. The unadjusted test

year income and the related adjustments arrive at adjusted test year operating revenues at current rates and adjusted expenses presented on Schedule C-1. I will address each of the Schedule C-3 adjustments later in my testimony.

Q. Please describe the information shown in Schedule C-2.1.

A. Schedule C-2.1 details the unadjusted jurisdictional operating income statement for the test year, by FERC account number. The test year revenues and expenses comprise three months of actual data and nine months of forecasted data. These amounts were derived from Columbia's General Ledger records and budget, respectively, and are summarized and carried forward to Schedule C-2.

Q. Please describe the information shown in Schedule C-3.

A. The amounts shown on Schedule C-3 represent a summary of the adjustments detailed on Schedules C-3.1 through C-3.35. Additionally, as previously discussed, the adjustments shown on Schedule C-2 are supported by the summary information contained in Schedule C-3. The ratemaking adjustments to revenues and expenses are necessary in order to derive an income statement for the test year that accurately portrays Columbia's financial condition under current rates, and provides an appropriate basis for setting rates. The income tax effect of each of the adjustments is detailed on Schedule C-3, Lines 18 through 21.

Q. Please describe the revenue adjustments shown in Schedules C-3.1 through C-3.9.

A. The various adjustments to Columbia's test year operating revenues are presented in Schedules C-3.1 through C-3.9. Below is a brief summary of each adjustment and its application in the cost of service.

<u>Schedule C-3.1</u> annualizes test year base revenue, Regulatory Assessment Rider ("RAR"), IRP Rider, and the CEP Rider revenues based on adjusted customer bills, normalized billed volumes, and the latest known and most current rates calculated in Schedule E-4.1 sponsored by Columbia witness Feingold. The resulting adjustment to base revenue compares the total annualized revenue to the total test year revenue. (See C Schedules work paper WPC-3.1a for a summary of Schedule E-4.1.)

<u>Schedule C-3.2</u> annualizes the test year Default Sales Service (DSS) Gas Cost Revenue by utilizing the normalized DSS volumes from Schedule E-4.1,

multiplied by the latest known May 2021 Expected Gas Cost (EGC) rate of $4.6250 per Mcf. The resulting annualized DSS gas cost revenue matches the gas cost revenue presented in Schedule E-4, which is sponsored by witness Feingold.

Schedule C-3.3 eliminates the test year Non-Traditional Revenue from other gas department revenues as it has been addressed separately. Non-traditional revenue is complex because it is dependent on changing market conditions and several operational constraints. As a result, treatment of the revenue has been addressed in a separate stipulation in Case No. 12-2637-GA-EXM, and thereby removed from the Cost of Service.

Schedules C-3.4 and C-3.5 eliminate the test year O&M Expense, Taxes Other than Income Expense Rider Revenue included in base revenue for the costs recovered through the Commission approved Uncollectible Expense ("UEX"), Percentage of Income Plan ("PIPP"), Demand Side Management ("DSM") Riders, Excise (Distribution) and Gross Receipts (Ohio Excise) Tax Expense Riders. In other words, these revenues are removed as the recovery of these costs is addressed separately and does not have any impact on the calculation of the revenue deficiency in this case.

Schedules C-3.6 and C-3.7 eliminate the test year Infrastructure Development Rider ("IDR") Revenue included in base revenue and other gas department revenue, respectively, for the costs recovered through the Commission approved rider. As the recovery of the costs is addressed separately, and does not have any impact on the calculation of the revenue deficiency in this case, the revenues have been appropriately removed from the cost of service.

Schedule C-3.8 eliminates the test year unbilled revenues from the Company's operating revenue. The revenue computations in Schedules E-4 and E-4.1, and utilized in the revenue annualization adjustments in Schedules C-3.1 and C-3.2 described above, are based on the adjusted number of test year customers billed and the associated billed volumes, and do not include unbilled estimates. As such, the removal of unbilled revenue is consistent with the revenue computations contained in Schedules E-4 and E-4.1.

Schedule C-3.9 includes the statements "Nothing to report. The Company's revenues are 100 percent jurisdictional." This recognizes that the test year

does not contain any non-jurisdictional revenue to be removed from the cost of service.

Q. Please describe the adjustments related to Gas Cost Expense shown in Schedules C-3.10 and C-3.11.

A. The adjustment presented on Schedule C-3.10 synchronizes the test year operating gas cost expense recovered through Columbia's Choice / Standard Choice Offer ("SCO") Reconciliation Rider ("CSRR") with the adjusted test year gas cost revenues, and also eliminates the test year non-traditional gas cost expense. The portion of revenues related to gas cost expense recovery described above on Schedule C-3.2 is sponsored by Columbia witness Feingold. The annualized gas cost expense on Schedule C-3.10 matches the annualized gas cost revenue on Schedule C-3.2. It was necessary to eliminate non-traditional gas cost expenses because non-traditional revenues were eliminated on Schedule C-3.3.

The Schedule C-3.11 adjustment eliminates costs associated with contra gas cost expense Account 812, Fuel Used in Company Operations, for activity related to company used gas recovered through the CSRR. This adjustment recognizes the inclusion of the amounts as both gas cost recovery and gas purchase expense. Columbia includes the expenses associated with gas used in company operations when establishing its gas cost recovery rates. The purchased gas is recorded as system supply and reclassified from gas purchase (by a credit to Account 812) to various O&M expense accounts. As a result, it is necessary to remove the test year O&M expense activity associated with contra gas cost expense Account 812 for the purpose of calculating base rates to appropriately reflect the proper level of gas purchase expense along with the offsetting gas recovery level.

In other words, the O&M expense adjustments shown on Schedules C-3.10 and C-3.11 relating to gas cost do not have an impact on the calculation of the base revenue deficiency in this Application.

Q. Please describe the adjustment for O&M Expense Riders shown in Schedule C-3.12.

A. The adjustment to O&M expense shown on Schedule 3.12 removes the test year expenses related to the Company's riders, specifically the UEX, PIPP and DSM Riders, in order to exclude the costs from base rates. The second part of the adjustment shown on Schedule C-3.12 reflects Columbia's proposal to continue to recover its current DSM WarmChoice® annual base

rate level of expense of $7.1 million approved in the Company's last base rate case, Case No. 08-0072-GA-AIR.

Q. Please describe the adjustment for O&M Expense Exclusions shown in Schedule C-3.13.

A. The adjustment to O&M expense shown on Schedule C-3.13 represents items found to be out-of-period, one-time that are unlikely to be on-going, or costs that have been determined to be non-recoverable and consequently have been removed from the Cost of Service. Items identified as O&M expense exclusions on Schedule C-3.13 represent actual O&M expenses in the first three months of the test year, and projected O&M expenses for the last nine months. O&M expense exclusions for the projected period of April through December were based on a review of historical actual expenses for the period April through December 2020. A projected inflation rate of 2.28 percent (based on the calendar year 2021 annual average compared to the calendar year 2020 annual average) was applied to the identified historical O&M expense exclusion items to arrive at the representative amount to be removed from the projected test year period. As these types of adjustments can vary due to the type of cost incurred, the categories of O&M expense exclusions are listed on Schedule C-3.13. (See C Schedules work paper WPC-3.13a through WPC-3.13j for details by account, and by vendor / description, for each of the O&M expense exclusions categories listed on Schedule C-3.13.)

Q. Please describe the adjustment to O&M Labor Expense shown in Schedule C-3.14.

A. The adjustment to test year O&M labor expense was separated into the following four components:

1) Annualization of labor for Columbia Gas of Ohio, Inc.'s 1,169 active employees at March 31, 2021, based on actual wages/salaries provided by the Payroll Department. This component of the adjustment to labor annualizes straight-time pay;

2) The anticipated wage increase for each union, as well as non-union increase, expected to occur in the first quarter of 2022, as provided by the Human Resources/Compensation Department and supported by Columbia witness Cartella. Ms. Cartella's testimony describes and supports the market competitiveness of Columbia's base salaries and annual merit increases in comparison to utilities and other employers, for

both Ohio and nationwide, as well as supports the Company's compensation structure;

3) A level of overtime and premium (or shift) pay calculated based on the historical three-year (2018 to 2020) ratio of overtime and premium to straight-time labor as applied to the March 31, 2021 adjusted base salaries (annualized straight-time pay plus wage increases); and

4) Allocation of the annualized wages/salaries to O&M labor expense utilizing a historical three-year (2018 to 2020) experience ratio of labor O&M expense to gross payroll of 49.83 percent.

The annualized wages/salaries adjustments reflect labor cost increases that are known and measurable, and representative of the levels of expense that will be incurred when the proposed rates become effective. The resulting annualized O&M labor expense was compared to the test year O&M labor expense to determine the adjustment shown on Schedule C-3.14. The wage levels utilized for the labor annualization calculation will be updated during this proceeding to reflect the wage levels experienced at December 31, 2021, the end of the test year.

Additional adjustments to the Company's O&M labor expense in Schedules C-3.17, C-3.20, and C-3.26 are discussed later in my testimony.

Q. Please describe the adjustment to O&M Incentive Compensation Expense shown in Schedule C-3.15.

A. As discussed in Columbia witness Cartella's testimony, incentive compensation is part of the "total rewards" philosophy Columbia uses to ensure that it competitively compensates and is able to attract, retain, and motivate qualified employees. Columbia has paid incentive rewards to employees in each of the past five years. Ms. Cartella additionally describes how the Company's incentive compensation program involves three performance tiers; the "trigger" tier, the "target" tier and the "stretch" tier. Since the target level is designed to be representative of Company's incentive compensation expenses over time, I have reduced the test year O&M incentive compensation expense to equal the payments at the target level tier for the Columbia Gas of Ohio, Inc. eligible employees, and based on the employee wages as of December 31, 2020 (see C Schedules work paper WPC-3.15b for supporting documentation of calendar year 2021 incentive compensation at target). In addition to reducing the test year level of incentive compensation

expense to the target level, I have included an adjustment for the known and anticipated payroll increases for calendar years 2021 and 2022 provided by Columbia witness Cartella. This adjustment also uses the 49.83 percent O&M labor expense experience ratio discussed earlier in my testimony to arrive at the pro forma level of O&M incentive compensation expense.

Additional adjustments to the Company's O&M incentive compensation expense in Schedules C-3.17, C-3.20, and C-3.26 are discussed later in my testimony.

Q. Please describe the adjustment to O&M Employee Benefits Expense shown in Schedule C-3.16.

A. Employee benefits include employee insurance plan expenses (medical, dental, vision, and life insurance), retirement income plan expenses (pension) and Other Post-Employment Benefits ("OPEB") and thrift plan expenses, or 401(k). Columbia witness Cartella describes the benefit plans offered to Columbia and NCSC employees, including insurance and retirement. Ms. Cartella also explains how benefit costs are managed while balancing a competitive benefit structure for employees. O&M employee benefits expense, with exception of the OPEB medical benefits expenses, has been annualized to reflect the most recent projected calendar year 2022 benefit elections for active enrolled Columbia Gas of Ohio, Inc. employees, as provided by Aon and Alight Solutions, referred to herein as Aon. This adjustment next applies the transfer ratio (costs primarily transferred to FERC Accounts 107 & 108), or the inverse of the 49.83 percent O&M labor expense experience ratio discussed earlier in my testimony, to the employees' insurance plans costs, pension, and OPEB service costs to arrive at the pro forma level of O&M expense. The adjusted test year O&M employee benefits expense shown on Schedule C-3.16 (and detailed in work paper WPC-3.16a), reflects the levels of expense that will be incurred for employee benefits when the proposed rates become effective, net of anticipated employee/retiree contributions.

Additional adjustments to the Company's O&M incentive compensation expense in Schedules C-3.17, C-3.20, and C-3.26 are discussed later in my testimony.

Please note, updates of the expected future benefit costs can, on occasion, occur earlier in the year as Aon provides a projection of the expected future benefit costs each year mid-summer. In the event that a benefits update

from Aon is received during the course of this proceeding, the proposed benefits costs adjustment will be updated accordingly.

Q. Please explain why capitalization (the transfer ratio) is only applied to the pension and OPEB service costs.

A. The Company adopted ASU 2017-07, a Financial Accounting Standards Board ("FASB") standard that changed the income statement presentation of pension and OPEB expense by limiting the amount of expense eligible for capitalization. The FASB standard required disaggregation of the cost components of pension and OPEB and only the service cost component is eligible for capitalization to Property, Plant, and Equipment. In 2018, the Company began to present pension and OPEB costs in its financial statements as service and non-service. Non-service costs represent interest, asset returns, and other costs. Service costs represent the expected benefit employees earn through their years of service. The Company is accounting for the costs consistent with guidance from the FERC Docket No. AI18-1-000, which states, "Jurisdictional public utilities and licensees, natural gas companies, and centralized service companies should record pension and OPEB costs in their entirety in Account 926." This same treatment applies to the pension and OPEB costs allocated to the Company from NCSC.

Q. Please briefly explain Columbia's adjustment to deferred O&M Pension and OPEB Expense included within the adjustment in Schedule C-3.16.

A. As explained in the testimony of Columbia witness Gore, Columbia has deferred to Regulatory Asset / Liability accounts the difference between the annual pension and OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits (SFAS No. 87, Employers' Accounting for Pensions, and SFAS No. 106, Employers' Accounting for Retirement Benefits Other Than Pensions)," and the annual pension and OPEB expense allowance in base rates from its last base rate case, Case No. 08-0072-GA-AIR, of ($2,528,000) and $4,419,000, respectively. As such, the adjustment in Schedule C-3.16 additionally removes the deferred O&M pension and OPEB expenses recorded / budgeted during the test year. Amortization of the deferred O&M pension and OPEB expenses are discussed later in my testimony, and in the testimony of Columbia witness Gore.

Q. Please briefly explain Columbia's proposed O&M OPEB Medical Benefits Expense adjustment included within Schedule C-3.16.

A. In addition to removing the deferred O&M pension and OPEB expense as previously discussed, the cumulative O&M OPEB medical benefits expense (service and non-service) is adjusted to reflect a zero ($0) cost recovery. As explained in the testimony of Columbia witness Gore, the net negative (credit) OPEB medical benefits cost is the product of non-cash events. The testimony of Mr. Gore additionally provides support for the zero ($0) level cost recovery of O&M OPEB medical benefits in the Cost of Service. Please note, O&M OPEB group life benefit expense is not adjusted similarly. Akin to the adjustments of other employee benefits expenses described above, O&M OPEB group life benefit expense reflects Aon's projected cost level for calendar year 2022.

Q. Please explain and state the Company's proposed base rate allowance for O&M Pension and OPEB Expense and accounting deferral treatment.

A. Please refer to Columbia witness Gore's testimony for Columbia's proposed continuation of O&M pension expense deferred accounting treatment. The Company's annual O&M pension expense base rate allowance proposed in this Application is $856,895. As explained in Mr. Gore's testimony, the Company seeks to cease deferred authority for O&M OPEB expense (medical and group life benefits).

Q. Please describe Columbia's O&M Headcount Complement Expense adjustment shown in Schedule C-3.17.

A. Schedule C-3.17 provides for projected on-going labor and labor-related O&M expense recovery of forty-seven positions Columbia anticipates to hire between April 1, 2021 and the end of the test year, December 31, 2021. Twenty-one positions relate to Meter and Regulation ("M&R") activities that are necessary due to regulations and safety requirements, while twenty-four positions are roles to support Columbia's gas operations. The forty-five M&R and gas operations positions were provided to me by the Safety Management System ("SMS") Central Support and Human Resources departments. The two other positions are Manager of Community Engagement and Regulatory Analyst.

The calculation supporting Columbia's headcount complement adjustment is included in C Schedules work paper WPC-3.17a. Work paper WPC-3.17a provides a listing and total O&M expense calculation of each position. Identification and allocation of labor to Columbia, as well as applicable O&M

expense experience ratios, are based on current position payroll allocations provided by SMS Central Support and Human Resources departments. Target-level incentive compensation percentages for each role were provided by the Human Resources, and Compensation and Benefits departments. The annual average employee benefits cost utilized in the adjustment calculation is based on Aon's projected calendar year 2022 benefits costs, excluding pension, divided by Columbia's actual May 2020 employee enrollment upon which Aon's projection was based. The benefits cost per employee is calculated in work paper WPC-3.16a. For the positions requiring a truck, the projected annual vehicle cost was calculated based on the actual productive time for the twelve-month period ended March 31, 2021, and the hourly vehicle rate for trucks as of March 31, 2021, provided by the Accounting department. Total O&M expense (labor, incentive compensation, benefits and vehicle costs) for the test year complement for Columbia's positions is reflected in Schedule C-3.17. Total O&M expenses for labor and incentive compensation were advanced to C Schedules work paper WPC-3.30a in order to calculate the impact on payroll tax expense supported by Columbia witness Trapp.

Q. Please describe the adjustment to O&M Corporate Insurance Expense shown in Schedule C-3.18.

A. The adjustment to O&M corporate insurance expense in Schedule C-3.18 annualizes the current premium costs for the anticipated policy payment changes to occur during the test year, or within the twelve months following the test year. Corporate insurance includes property insurance, workers compensation, medical stop-loss premiums, and other miscellaneous premiums. Property and liability insurance coverage includes protection from first and third-party losses or damages that Columbia may incur in the conduct of its business. NCSC manages the NiSource corporate insurance program through which Columbia secures insurance coverage. The corporate insurance program includes both premium-based and self-insured coverage, in order to obtain the most cost-effective loss protection. Most of Columbia's policy periods are either effective June 1 through May 31, July 1 through June 30, or November 1 through October 31 of each year. Premium payments are generally made the same month as the policy effective date. The prepayment of these costs is recorded and amortized over the appropriate fiscal period. The latest annual premium payments by type of coverage provided by the Corporate Insurance Department were compared to the test year expenses to arrive at the adjustment to the cost of service.

Q. Please describe the adjustment to O&M Uncollectible Accounts Expense shown in Schedule C-3.19.

A. The purpose of the O&M uncollectible accounts expense adjustment presented on Schedule C-3.19 is to provide Columbia, through its base rates, the ability to recover a normalized annual level of uncollectible accounts expense (also referred to as bad debt expense) for customers served under the Large General Service ("LGS"), Large General Transportation Service ("LGTS"), and Full Requirements Large General Transportation ("FRLGTS") rate schedules, which are collectively referred to herein as the LGS rate schedules. The O&M uncollectible accounts expense normalization adjustment is based on a three-year average (2017 to 2019) of the O&M uncollectible accounts expense experience for the LGS rate schedules as compared to the test year expense. The use of the actual annual average O&M expense of LGS uncollectible accounts expense eliminates any unusual or one-time test year occurrences, while providing a representative on-going level of expense.

Q. Doesn't Columbia recover its uncollectible expense for customers served under its LGS rate schedules through its Annual Uncollectible Expense Rider Applications?

A. No. Pursuant the Commission's Opinion and Order issued in Case Nos. 03-1127-GA-UNC and 03-2572-GA-ATA, recovery of uncollectible expense through the UEX rider is limited to customers served under its Small General Service and General Service rate schedules.[1]

Q. Please explain why the calendar year 2020 O&M Uncollectible Accounts Expense for LGS rate schedules was excluded from the three-year average normalization.

A. LGS rate schedules O&M uncollectible accounts expense for calendar 2020 was omitted from the three-year average historical normalization basis due to the higher-than-normal level of customer accounts charged-off due to the impact of the COVID-19 pandemic.

[1] Uncollectible expenses for Columbia's rate schedules Small General Service ("SGS"), General Service ("GS"), Small General Transportation Service ("SGTS"), General Transportation Service ("GTS"), Full Requirements Small General Transportation Service ("FRSGTS"), and Full Requirements General Transportation Service ("FRGTS") are recovered in the Uncollectible Expense Rider.

Q. Please describe the O&M Safety Operations Expense adjustment shown in Schedule C-3.20.

A. Schedule C-3.20 presents the O&M Safety Operations Expenses cost recovery proposals of Columbia's Cross Bores and Field/System Operations Technical Training Programs provided and supported by Columbia witnesses Tustin and Ayers, respectively. Note, Technical Training O&M Safety Operations Expense projections are reflected in Schedule C-3.20 and in Schedule C-3.26 - O&M Expense recovery for the Pipeline Safety Program ("PSP"). PSP expenses are discussed in the testimony of Columbia witness Thompson. Additionally, internal/external resource expense allocation of the Cross Bore Program budget was provided by witness Tustin. Columbia's total calendar year 2020 O&M expense for labor, incentive compensation, employee benefits, vehicle and tool clearing was utilized as the allocation basis of internal resource expenses for both programs. To calculate pro forma payroll tax expense, the allocated O&M labor and incentive expenses for the Cross Bores Program and Technical Training were carried-forward to C Schedules work paper WPC-3.30a supported by Columbia witness Trapp.

Please refer to the testimony of witnesses Tustin and Ayers for explanations of Columbia's Cross Bore Program and Field / System Operations Technical Training and O&M expense projections included in the Cost of Service, respectively.

Q. Please describe the O&M NiSource Corporate Services Expense adjustment shown in Schedule C-3.21.

A. Schedule C-3.21 summarizes the O&M expense adjustments to the test year level of costs allocated and billed to Columbia by NCSC. The adjustment to NCSC O&M expense includes ratemaking adjustments for the following items:

1) O&M Expense Exclusions;
2) Annualized Labor, Employee Benefits, and Payroll Taxes;
3) Normalized Incentive Compensation;
4) Annual Base Salary Increase of Customer Service Representatives;
5) Annualized NCSC Headcount Complement Expense;
6) Annualized Pension and OPEB Expense;
7) Annual Residential Customer Transaction Fees Expense; and
8) Amortization of the Columbia Gas of Ohio, Inc. NCSC Regulatory Asset for deferred OPEB Expenses.

Q. Please explain the structure and role of NCSC, and its relationship to Columbia.

A. NCSC is a subsidiary of NiSource and an affiliate of Columbia within the NiSource corporate organization. NCSC provides a range of centralized services to the individual operating companies within NiSource, including Columbia, and also coordinates the allocation and billing of charges to the NiSource operating companies for services provided by both NCSC directly and by third-party vendors. The rendering of services on a centralized basis enables the affiliates to realize benefits, including use of personnel and equipment, and the availability of personnel with specialized areas of expertise. Thus, NCSC offers Columbia, as well as the other NiSource distribution companies, access to a depth and breadth of professional experience that may not otherwise be available, or available from consultants at much higher costs.

Q. How are costs billed to affiliates?

A. There are two types of billings made to affiliates, including Columbia: (1) contract billing; and (2) convenience billing.

Q. Can you please explain contract and convenience billing?

A. Contract billing represents NCSC labor and costs billed to the respective affiliates, and are identified by billing pools. Contract billed charges may be direct-billed (billed directly to a single affiliate or function) or allocated (split between or among several affiliates) depending upon the nature of the expense. Of note, all of the NCSC charges in Schedule C-3.21 and accompanying work papers are O&M costs generated by contract billings, as described in this section of my testimony.

Convenience billing reflects payments that are routinely made on behalf of affiliates on an ongoing basis, including employee benefits, corporate insurance, leasing, and external audit fees. Each affiliate is billed for its proportional share of the payments made in that respective month. As the name implies, convenience billing is intended as a convenience to vendors because it eliminates the need for a separate invoice to be generated for each affiliate entity receiving the same services. NCSC makes the payment to the vendor and the charges for the services are recorded directly on the books of the affiliate.

Q. Is contract billing rendered pursuant to an executed contract?

A. Yes. NCSC has executed an individual Service Agreement with each affiliate, which designates the types of services to be performed and the method of calculating the charges for those services. The Service Agreement is updated from time to time so that all affiliates that receive service from NCSC are subject to the same Service Agreement. A copy of the current Service Agreement between NCSC and Columbia, effective January 1, 2015, is attached hereto as Attachment TLS-1. The services provided to Columbia are described in the 2015 Agreement in Article 1 and in Appendix A (Article 2).

Q. How does NCSC determine the charges applicable to the Company?

A. The Securities Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935 ("PUHCA") regulated NCSC until February 8, 2006, when the Public Utility Holding Company Act of 2005 ("PUHCA 2005") was enacted. PUHCA 2005 transferred regulatory jurisdiction over public utility holding companies from the SEC to the Federal Energy Regulatory Commission ("FERC"). Pursuant to FERC Order No. 684 issued October 19, 2006, centralized service companies must use a cost-accumulation system, provided such system supports the allocation of expenses to the services performed, and readily identifies the source of the expense and the basis for allocation.

In compliance with PUHCA 2005 and FERC standards, NCSC uses a billing pool system to collect costs that are applicable and billable to affiliates, including Columbia. NCSC directs all personnel to charge an affiliate directly whenever possible so that costs associated with services rendered to affiliates can be directly billed. Some projects or services necessarily involve more than one affiliate, and in that case, the billing pool system details how expenses are allocated among the participating affiliates. NCSC allocates costs for a particular billing pool in accordance with the bases of allocation that have been previously approved by the SEC and filed annually with the FERC. A description of each basis of allocation is provided in the Service Agreement.

Q. Are charges for services rendered to Columbia billed at cost?

A. Yes. In accordance with the 2015 Agreement (Article 2, Section 2.2) all services are provided at cost, including compensation for use of capital.

Q. Please explain the NCSC O&M Expense Exclusions adjustment made to the test year NCSC O&M Expense included in Schedule C-3.21.

A. The first adjustment to NCSC O&M expense within Schedule C-3.21 removes items identified as out-of-period, one-time and unlikely to be ongoing, or costs that have been determined to be non-recoverable. The NCSC O&M expense exclusions adjustment is supported by C Schedules work papers WPC-3.21b through WPC-3.21j and includes details by FERC account, and by vendor / description, for each of the categories listed on WPC-3.21b. This adjustment was performed in a similar manner to the Company's direct O&M expense exclusions adjustment discussed earlier in my testimony in Schedule C-3.13. Items identified represent actual expenses in the first three months of the test year, and projected expenses for the last nine months based on a review of historical actual expenses for the period April through December 2020. A projected inflation rate of 2.28 percent was applied to the 2020 historical period O&M expense exclusion items to arrive at the representative amount to be removed from the projected test year period. As these type of adjustments can vary due to the type of cost incurred, the categories of O&M expense exclusions are listed on WPC-3.21b.

Q. Please explain the NCSC O&M Expense adjustment to Annualize Labor, Employee Benefits and Payroll Taxes contained in Schedule C-3.21.

A. The second NCSC O&M Expense adjustment included in Schedule C-3.21, supported by C Schedules work papers WPC-3.21k to WPC-3.21m, provides a current and on-going annual level of Columbia's allocated portion of NCSC labor, benefits, and payroll tax expense. The adjustment contains the following components:

1) Annualized labor for NCSC's 1,886 active employees at March 31, 2021, based on the gross wages/salaries provided by the Payroll Department. In addition to annualizing straight-time pay, a level of overtime and premium (or shift) pay based actual expense for the twelve-month period ended, March 31, 2021 is included. Next, in order to arrive at Columbia's level of labor costs billed by NCSC, the adjusted historical three-year (2018 to 2020) average ratio of 36.25 percent for Columbia's labor expense compared to total NCSC labor expense was applied to the NCSC March 31, 2021 total gross salaries, overtime, and premium pay. The anticipated first quarter 2022 wage increase, supported by Columbia witness Cartella, and 76.58 percent experience ratio of Columbia's NCSC allocated O&M labor expense to gross payroll for the historical three-year average (2018 to 2020) were utilized to reach a representative level

of NCSC O&M labor expense that will be incurred when the proposed rates become effective.

2) Annualized employee benefits (specifically, employee insurance plan expenses including medical, dental, vision, life insurance, and thrift), and payroll taxes were calculated based on the experience ratios of Columbia's NCSC allocated test year expense compared to Columbia's test year's NCSC O&M labor expense. The 19.88 percent and 7.23 percent benefits and payroll tax test year expense experience ratios, respectively, were applied to the annualized level of Columbia's NCSC O&M labor expense.

The resulting annualized levels of Columbia's NCSC O&M labor, benefits, and payroll tax expenses were compared to the NCSC test year expenses to determine the adjustment within Schedule C-3.21. The wage, benefits, and payroll tax levels utilized for Columbia's NCSC labor, benefits, and payroll tax annualization calculation will be updated during this proceeding to reflect the actual experience at December 31, 2021, the end of the test year.

Additional adjustments to the Company's NCSC O&M labor, benefits, and payroll tax expense are discussed in the fourth and fifth NCSC O&M expense adjustments later in my testimony.

Q. Please explain the NCSC O&M Expense adjustment for Normalized NCSC Incentive Compensation Expense included in Schedule C-3.21.

A. The third NCSC O&M Expense adjustment included in Schedule C-3.21, supported by C Schedules work paper WPC-3.21n, provides for an on-going annual target-level of Columbia's allocated NCSC incentive compensation expense. As explained and supported in the testimony of Columbia witness Cartella, the target level is designed to be representative of incentive compensation expenses over time. Accordingly, I have adjusted Columbia's NCSC allocated test year O&M incentive compensation expense to equal the payments at the target level tier for NCSC incentive eligible employees. The target level incentive tier is based on eligible NCSC employee wages as of December 31, 2020 (see C Schedules work paper WPC-3.15b for supporting documentation of calendar year 2021 incentive compensation at the target-level tier). Similar to the Columbia direct incentive compensation adjustment discussed earlier in my testimony (Schedule C-3.15), next I included an adjustment for the known and anticipated payroll

increases for calendar years 2021 and 2022, which were provided by Columbia witness Cartella. In order to arrive at Columbia's portion of the NCSC target-level gross incentive compensation, I then applied Columbia's historical experience ratio of NCSC labor of 36.25 percent. In order to achieve a pro forma level of O&M incentive compensation expense, the adjustment next utilizes the 23.42 percent capitalization ratio (or transfers, costs primarily transferred to FERC Accounts 107 & 108) to exclude the expected portion of costs to be recorded to the balance sheet; in other words, the inverse of Columbia's NCSC O&M labor expense experience ratio is applied to arrive at the pro forma O&M incentive compensation expense. Similar to Columbia, NCSC has paid incentive rewards to employees in each of the past five years.

Additional adjustments to the Company's NCSC O&M incentive compensation expense are explained in the fourth and fifth NCSC O&M expense adjustments discussed next in my testimony.

Q. Please explain the NCSC O&M Expense adjustment for the Annual Base Salary Increase of Customer Service Representatives included in Schedule C-3.21.

A. The fourth NCSC O&M Expense adjustment included in Schedule C-3.21, provides for recovery of the anticipated wage increase of customer service representative ("CSR") employees, and the associated increase in labor-related costs (including incentive compensation, employee benefits and payroll taxes). The NCSC O&M Expense CSR base salary increase is supported in the calculation contained in C Schedules work paper WPC-3.21o. The amount of the projected CSR base salary increase, percentage of labor allocated to Columbia for each CSR position, and target-level percentage incentive compensation were provided by Columbia witnesses Dice and Cartella. In addition, the 19.88 percent and 7.23 percent test year experience ratios utilized in the calculation of benefits and payroll tax expense, respectively, and described earlier in my testimony, are located on work paper WPC-3.21k. As it becomes known during the proceeding, this adjustment will be updated to reflect the actual experience at December 31, 2021, the end of the test year.

Q. Please explain the NCSC O&M adjustment for Annualized Corporate Services Headcount Complement included in Schedule C-3.21.

A. An on-going level of labor and labor-related costs for anticipated NCSC headcount complement to be allocated to Columbia is the fifth NCSC O&M

Expense adjustment included in Schedule C-3.21. Between April 1, 2021 and the end of the test year, December 31, 2021, NiSource Corporate Services anticipates hiring approximately two hundred positions; of these positions, one hundred and sixty-one are expected to perform work on behalf of Columbia Gas of Ohio, Inc. Twenty-seven positions are resources to be added to the SMS Central Support department while the remaining one hundred and thirty-four provided by the Human Resources department will support various centralized functions in across the NiSource corporate services organization, including Engineering, Information Technology and Finance, among others.

The calculation supporting NCSC's headcount complement adjustment is included in C Schedules work paper WPC-3.21p. Work paper WPC-3.21p provides a listing, and total O&M expense calculation of each position. Allocations of NCSC labor to Columbia, by position, for the twenty-seven SMS Central Support additions are based on current position payroll allocations provided by SMS Central Support and Human Resources departments. As a basis of allocation, Columbia's 36.25 percent historical, three-year NCSC average labor allocation described previously in my testimony (and utilized in other NCSC labor adjustments) was applied to the base salary of the remaining positions. Target-level incentive compensation percentages for each role were provided by the Human Resources, and Compensation and Benefits departments based on job title. The 19.88 percent and 7.23 percent benefits and payroll tax test year expense experience ratios, respectively, located on work paper WPC-3.21k were applied to the annualized level of Columbia's NCSC O&M labor expense.

To summarize, the resulting annualized NCSC O&M expense adjustment for Corporate Services headcount complement within Schedule C-3.21 provides for recovery of labor, incentive, benefits, and payroll tax expenses to be allocated to Columbia for the anticipated one hundred and sixty-one positions. This information will be updated during this proceeding to reflect the actual experience at December 31, 2021, the end of the test year.

Q. Please explain the NCSC O&M Expense adjustment for Annualized Pension and OPEB Expenses included in Schedule C-3.21.

A. The sixth NCSC O&M Expense adjustment included in Schedule C-3.21, sets an on-going annual level of Columbia's allocated NCSC O&M pension and OPEB benefits expense. The annual level is reflective of the most recent active enrolled NCSC employees' benefit elections for projected calendar

year 2022 provided by Aon. Columbia's allocation was derived by utilizing the historical experience ratio of NCSC labor of 36.25 percent discussed earlier in my testimony. Next, in accordance with FASB standard ASU 2017-07, which limited the amount of pension and OPEB expense eligible for capitalization to only the service cost component, the transfer ratio of 23.42 percent was applied to the gross pension and OPEB service costs to arrive at the pro forma level of O&M expense. The adjusted test year of Columbia's allocated NCSC O&M pension and OPEB benefits expense contained within Schedule C-3.21 (and detailed in work paper WPC-3.21q), reflects the expense levels that will be incurred when the proposed rates become effective, net of anticipated employee/retiree contributions. Please refer to Columbia witness Cartella's testimony for a description of the benefit plans.

Please note, as explained earlier in my testimony, updates of the expected future benefit costs is likely to occur as Aon provides a projection of the expected future benefit costs each year mid-summer. In the event that a benefits update from Aon is received during the course of this proceeding, the proposed benefits costs adjustment will be updated accordingly.

Q. Please explain the adjustment for Customer Transaction Fees made to the NCSC billed O&M expense included in Schedule C-3.21.

A. Currently, Columbia customers can make bill payments via regular mail, through monthly debits from their financial accounts, at authorized walk-in locations, via one-time electronic payments as a registered on-line account holder, and through a third-party processor via debit card, credit card, or Automated Clearing House ("ACH") electronic payments. The processing fees associated with all but the third-party credit card, debit card, ACH, and walk-in locations are included in the Cost of Service calculation. In this case, Columbia is proposing that all costs, including those associated with credit card, debit card, ACH electronic payments, and walk-in customer payments, be included in the Cost of Service calculation. If approved, all residential customers will be able to select the payment channel of their choice without consideration of additional convenience or transaction fees.

Q. Please describe the residential customer benefits resulting from Columbia's absorption of all payment channel fees.

A. The elimination of these fees is designed to enhance the overall experience of Columbia's residential customers. Benefits include the following:

- Elimination of the convenience fee to residential customers for electronic payment through our third-party processor for credit card, debit card, and ACH transactions;
- Elimination of transaction fees for bill payment at one of Columbia's authorized walk-in locations;
- Residential customers will be encouraged to use our authorized payment channels, thus avoiding delays in processing payments made through unauthorized channels; and,
- Increased customer satisfaction by allowing residential customers to pay via the channel of their choice at no additional charge.

Q. What is Columbia's long term customer bill payment channel strategy?

A. Customer expectations are constantly changing as companies focus on improving customer satisfaction and addressing changing needs due to technological advancements (e.g., tablets, smart phones, etc.). Columbia's goal is to work diligently to offer a variety of customer-focused payment options to address evolving payment expectations and improve the customer experience.

Q. What is the amount of the residential transaction fee costs that are included in this rate case proceeding?

A. This Application covers the transaction fees associated with projected payment volumes resulting from the elimination of fees for credit card, debit card, ACH electronic payments, and walk-in customer payments for residential customers. Columbia estimates that credit card, debit card, and ACH payment volumes will increase by 21.88 percent as a result of plans to offer these payment channels at no additional charge per transaction. This percentage increase is based on the historical residential customer credit/debit card and ACH payment volume increases experienced by affiliate operating companies. The payment volume increase was applied to Columbia's credit card, debit card and ACH payment volumes experienced for the twelve-month period ending February 29, 2020. The historical transactions for this twelve-month period were chosen due to the impact of COVID-19 on customer payment behavior beginning in March 2020. The payment volume increase is off-set by the reduction in lockbox, in-house, and walk-in transactions experienced by affiliate operating companies. The projected costs on an annual basis for credit cards, debit cards, ACH, and walk-in payments in the initial year, and included in the Company's pro forma level of NCSC billed O&M expense in this Application, are estimated to be $3.1 million. The calculation and supporting documentation utilized

to project the annual level of residential transaction fee costs are included in C Schedules work papers WPC-3.21r through WPC-3.21aa.

Q. Please explain the NCSC O&M Expense adjustment for the Amortization of the Columbia's Regulatory Asset for deferred NCSC Allocated OPEB Expenses included in Schedule C-3.21.

A. The final adjustment to Columbia's test year allocated NCSC O&M expenses, and supported by C Schedules work paper WPC-3.21ab, provides for a proposed five-year amortization of Columbia's portion of NCSC's OPEB-related deferred costs. Please refer to the testimony of Columbia witness Gore for explanation of Columbia's NCSC OPEB Regulatory Asset.

Q. Please describe the information shown in Schedule C-3.22.

A. The adjustment to O&M expense in Schedule 3.22 provides for recovery of the estimated expenses for this base rate case proceeding. As detailed by type of expenditure on Schedule C-8, the total estimated rate case expenses for this proceeding are anticipated to be $1.756 million. Columbia's rate case expenses are proposed to be amortized over a period of five years.

Q. Why did Columbia use a five-year period for the amortization of rate case expense?

A. A five-year period for recovery of these expenses was selected because it is representative of the annual recovery of rate case expenses comparable to those approved by the Commission in recent base rate cases. In addition, the proposed five-year amortization of rate case expenses for this Application is the same amortization period for the deferred Regulatory Asset amortizations, with exception of the PSP, described in the Schedules C-3.23 and C-3.27 adjustments below.

Q. Please describe the Regulatory Asset / Liability Deferral Amortization O&M Expense adjustments shown in Schedules C-3.23 through C-3.27.

A. The adjustments presented in Schedules C-3.23 through C-3.27 provide for amortization of various Commission-approved deferred O&M expenses, as well as on-going projected expenses for the Pipeline Safety Program.

Please refer to the testimony of Columbia witnesses Gore, Okin, Ayers, and Thompson for explanation and support of the Regulatory Assets/Liability, and projected expenses, as follows:

1) Schedule C-3.23 – NiFiT: Gore;
2) Schedule C-3.24 – Pension and OPEB: Gore;
3) Schedule C-3.25 – Environmental Remediation: Gore and Okin;
4) Schedule C-3.26 – Pipeline Safety Program: Thompson and Ayers; and
5) Schedule C-3.27 – COVID-19: Gore.

As discussed previously in my testimony, the Field/System Operations Technical Training Program O&M expense adjustment included in Schedule C-3.26 is a proposal supported by Columbia witness Ayers. The projected PSP Technical Training Program O&M expenses provided by witness Ayers were allocated to labor, incentive compensation, employee benefits, vehicle and tool clearing based on Columbia's total O&M expense actuals for calendar year 2020. Note, the Field/System Operations Technical Training O&M labor and incentive expenses were carried-forward to C Schedules work paper WPC-3.30a, supported by Columbia witness Trapp, to calculate pro forma payroll tax.

Columbia's deferred O&M expenses, with exception of the PSP Regulatory Asset, are proposed to be amortized over a five-year period. The annual recovery of these costs are comparable to similar deferred cost amortizations approved by the Commission in recent base rate cases. Please refer to the testimony of Columbia witness Thompson for explanation of the PSP Regulatory Asset.

Q. Please describe the information shown in Schedules C-3.28 and C-3.29.

A. The Cost of Service adjustments shown in Schedules C-3.28 and C-3.29, which present the annualization of Depreciation and Amortization Expense and amortization of Post In-Service Carrying Charges ("PISCC"), were provided to me by Columbia witness Gore. Please refer to Mr. Gore's testimony for detailed explanation and support of the adjustments to depreciation and amortization expense, including PISCC.

Q. Please describe the information shown in Schedules C-3.30 to C-3.34.

A. Schedules C-3.30, C-3.31, C-3.32, C-3.33, and C-3.34 were provided to me by Columbia witness Trapp and utilized in the calculation of the Cost of Service. These schedules contain adjustments to Taxes Other Than Income including payroll taxes, property taxes, non-Ohio state income tax, Excise (Distribution) and Gross Receipts (Ohio Excise) Tax Expense Riders, and PUCO and OCC tax assessments. Please refer to Mr. Trapp's testimony for

detailed explanation and support of the Taxes Other Than Income adjustments.

Q. Please describe the information shown in Schedule C-3.35, and in Schedules C-4 and C-4.1.

A. Schedule C-3.35, Federal Statutory Deductions Adjustment, and Schedules C-4 and C-4.1, Adjustments to Federal Statutory Deductions and Deferred Income Tax, capture the changes required to federal income tax expense based on the requested revenue increase in this proceeding. Explanations of the figures in these schedules are provided and supported in the testimony of Columbia witness Trapp.

Q. Please describe the Social and Service Club Dues in Schedule C-5.

A. Schedule C-5 requires a listing of all Social and Service Club Dues for which the Company requests recovery in its O&M expense. As Columbia has excluded all Social and Service Club Dues from its adjusted test year O&M expenses, this schedule includes the statement, "the Company has not included any social or service club dues in this rate case."

Q. Please describe the Charitable Contributions in Schedule C-6.

A. Schedule C-6 requires a listing of all Charitable Contributions for which the Company requests recovery in its O&M expense. As Columbia has excluded all Charitable Contributions from its adjusted test year O&M expenses, this schedule includes the statement, "the Company has not included any charitable contributions in this rate case."

Q. Please describe Customer Service and Informational, Sales, and General Advertising Expense in Schedule C-7.

A. Schedule C-7 sets forth a listing of all Customer Service and Informational, Sales and General Advertising expenses for which the Company requests recovery as a part of O&M expense in its Application, separated by labor and non-labor. Columbia has excluded all Sales and Promotional Advertising from its adjusted test year O&M expenses.

Q. Please describe the Rate Case Expense information in Schedule C-8.

A. Schedule C-8 sets forth, for comparative purposes, the projected expenses of this proceeding and Columbia's most recent rate case. This schedule further provides identification of costs by the type of expenditure. As mentioned previously in my testimony, this schedule is the basis of the rate case expense amortization presented on Schedule C-3.22.

Q. Please describe the O&M labor and labor-related expenses shown in Schedule C-9.

A. Schedule C-9 details, by type of expenditure, the test year unadjusted and adjusted O&M expenses for labor (inclusive of incentive compensation expense), employee benefits, and payroll taxes. The summarized adjustment figures shown on Schedule C-9 and used in determination of the adjusted test year expenses were populated from the labor-related adjustments on Schedules C-3.14, C-3.15, C-3.16, C-3.20, C-3.21 (specifically C Schedules work papers WPC-3.21k and WPC-3.21n through WPC-3.21q), C-3.26, and C-3.30. The combined total test year O&M payroll costs for Columbia employees and costs allocated to Columbia by NCSC are presented on Schedule C-9, Page 1. Identification of Columbia's (direct) employees payroll costs and costs allocated from NCSC are shown on Schedule C-9, Pages 2 and 3, respectively.

Q. Please describe the Payroll Analysis shown in Schedule C-9.1.

A. Schedule C-9.1 provides the five most recent calendar years (2016 to 2020) and the test year, man-hours, labor dollars, employee benefits, payroll taxes, and employee levels by month, total for the year, annual average, and year-end. In addition, Schedule C-9.1 contains the ratios of overtime to straight-time for man-hours and total (gross) labor dollars, O&M expense labor dollars to total labor, employee benefits expensed to total employee benefits costs, and payroll taxes expensed to total payroll taxes.

The historical five-year and test year combined total payroll analysis for Columbia employees and costs allocated to Columbia by NCSC are presented on Schedule C-9.1, Page 1. Summary and detailed identification of Columbia (direct) employee payroll costs for each of the unions, and non-union, are shown in Schedule C-9.1, Pages 2 through 9. The payroll analysis of man-hours, labor dollars, employee benefits, and payroll taxes allocated to Columbia from NCSC is presented on Schedule C-9, Page 10. Please note that the NCSC employee levels on Page 10 are representative of total NCSC employees while the NCSC employee payroll costs are allocated based on the work performed on behalf of Columbia Gas of Ohio.

Q. Have you made any changes to Schedule C-9 since the Company's filing Application on June 30, 2021?

A. Yes. After the Application was filed, an administrative error in the population of the adjustments for total employee benefits and payroll taxes on

Schedule C-9, Page 3 (Total Company Allocated Corporate Services Operation and Maintenance Payroll Costs) was discovered and corrected. This amendment is also reflected on Schedule C-9, Page 1. Note, the amendment of Schedule C-9 has no bearing on the calculation of the revenue deficiency.

Q. Please describe the Five-Year Financial Forecast shown in Schedules C-10.1 and C-10.2.

A. Schedule C-10.1 provides comparative balance sheets for the most recent five calendar years (2016 to 2020) and date certain (March 31, 2021). The source of the information shown on these schedules was Columbia's annual reports and General Ledger.

Schedule C-10.2 shows comparative income statements for the most recent five calendar years and test year. The source of the information shown on these schedules was Columbia's annual reports, General Ledger and budget. The amounts shown for test year Net Operating Income correspond to those amounts set forth on Schedule C-2.1.

Q. Please describe the information shown in Schedule C-12.

A. Schedule C-12 is an Analysis of Reserve for Uncollectible Accounts for the most recent three years. There are no ratios shown on this schedule as this information was not computed or used in the computation of the revenue requirement in case. Uncollectible reserve ratios were not used due to the fact that uncollectible accounts are tracked through either the PIPP or UEX Riders (with exception of uncollectible expense for LGS customer accounts discussed earlier in my testimony); therefore, activity for uncollectible reserves net to zero.

C. <u>S SCHEDULES</u>

Q. Please describe the information shown in Schedule S-2.

A. Schedule S-2 contains Columbia's projected five-year financial budget for the period 2021 to 2025. This schedule includes, by calendar year, the following:

Projected Comparative Balance Sheets
Projected Comparative Income Statements
Projected Comparative Statement of Cash Flows
Forecast Assumptions

Please note, the calendar year 2021 Income Statement shown on Page 3 of Schedule S-2 represents twelve months of projected information as opposed to the three months actual and nine months 2021 projected test year utilized in this case. The source of the information used for preparation of these documents is Columbia's current approved budget.

V. CONCLUSION

Q. Do you plan to continue to monitor and update items noted within this testimony?

A. Yes. Within this testimony and schedules I am sponsoring or co-sponsoring, several adjustments were made based on projections of O&M expenses. These costs will be monitored and updated throughout this proceeding, in addition to any other issues raised in discovery, audit or at hearings.

Q. Does this complete your Prepared Direct Testimony?

A. Yes, it does. However, I reserve the right to supplement this testimony to respond to additional any issues raised during the course of the proceeding.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned hereby certifies that a copy of the foregoing document is also being served via electronic mail on the 14th day of July, 2021, upon the persons listed below.

/s/ Joseph M. Clark
Joseph M. Clark

Attorney for
COLUMBIA GAS OF OHIO, INC.

SERVICE LIST

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Service Agreement

BETWEEN

NISOURCE CORPORATE SERVICES COMPANY

AND

COLUMBIA GAS OF OHIO, INC.

Dated January 1, 2015

(To Take Effect Pursuant to Article 3 Hereof)

SERVICE AGREEMENT

This SERVICE AGREEMENT (the "Service Agreement" or "Agreement") is made and entered into effective the 1st day of January, 2015 by and between Columbia Gas of Ohio, Inc., its subsidiaries, affiliates and associates ("Client", and together with other associate companies that have or may in the future execute this form of Service Agreement, the "Clients") and NiSource Corporate Services Company ("Company").

WITNESSETH:

WHEREAS, each Company and Client is a direct or indirect wholly owned subsidiary of NiSource Inc., a Delaware corporation and a "holding company" as defined in the Public Utility Holding Company Act of 2005 ("Act") that is subject to regulations adopted by the Federal Energy Regulatory Commission ("FERC") pursuant to the Act;

WHEREAS, the Client is an affiliate of the Company; and

WHEREAS, the Company and Client agree to enter into this Service Agreement whereby the Client may seek certain services from the Company and the Company agrees to provide such services upon request and upon the Company's conclusion that it is able to perform such services. Further, the Client agrees to pay for the services as provided herein at cost; and

WHEREAS, the rendition of such services set forth in Article 2 of Appendix A on a centralized basis enables the Clients to realize economic and other benefits through (1) efficient use of personnel and equipment, (2) coordination of analysis and planning, and (3) availability of specialized personnel and equipment which the Clients cannot economically maintain on an individual basis.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Service Agreement covenant and agree as follows:

ARTICLE 1

SERVICES

1.1 The Company shall furnish to Client, as requested by Client, upon the terms and conditions hereinafter set forth, such of the services described in Section 2 of Appendix A hereto (the "Services"), at such times, for such periods and in such manner as Client may from time to time request and that the Company concludes it is able to perform. The Company shall also provide Client with such services, in addition to those services described in Appendix A hereto, as may be requested by Client and that the Company concludes it is able to perform. In supplying such services, the Company may arrange, where it deems appropriate in consultation with Client, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services ("Additional Services").

1.2 Client shall take from the Company such of the Services, and such Additional Services, whether or not now contemplated, as are requested from time to time by Client and that the Company concludes it is able to perform.

1.3 The cost of the Services described herein or contemplated to be performed hereunder shall be allocated to Client in accordance with Exhibit A, which is filed annually with the FERC. Client shall have the right from time to time to amend or alter any activity, project, program or work order provided that (i) Client pays and remunerates the Company the full cost for the services covered by the activity, project, program or work order, including therein any expense incurred by the Company as a direct result of such amendment or alteration of the activity, project, program or work order, and (ii) Client accepts that no amendment or alteration of an activity, project, program or work order shall release Client from liability for all costs already incurred by or contracted for by the Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

1.4 The Company shall hire, train and maintain an experienced staff able to perform the Services, or shall obtain experience through third-party resources, as it shall determine in consultation with Client.

1.5 The Company routinely makes payments on behalf of affiliates on an ongoing basis, including payroll, employee benefits, corporate insurance, leasing, and external audit fees. Each affiliate receives on a monthly basis a Convenience Bill for its proportional share of the payments made in that respective month. As the name implies, convenience billing is intended as a convenience to vendors because it eliminates the need for a separate invoice to be generated for each affiliate entity receiving the same services. Therefore, the Company makes the payment to the vendor and the charges for the services are recorded directly on the books of the affiliate and not by the Company.

ARTICLE 2

COMPENSATION

2.1 As compensation for the Services to be rendered hereunder, Client shall compensate and pay to the Company all costs, reasonably identifiable and related to particular Services performed by the Company for or on Client's behalf. The methods for allocating the Company costs to Client, as well as to other associate companies, are set forth in Appendix A.

2.2 It is the intent of this Service Agreement that charges for Services shall be billed, to the extent reasonably possible, directly to the Client or Clients benefiting from such Service. Any amounts remaining after such direct billing shall be allocated using the methods identified in Appendix A. The methods of allocation of cost shall be subject to review annually, or more frequently if appropriate. Such methods of allocation of costs may be modified or changed by the Company without the necessity of an amendment to this Service Agreement; provided that, in each instance, all services rendered hereunder shall be at actual cost and include compensation for use of capital thereof, fairly and equitably allocated. The Company shall review with the

Client any proposed change in the methods of allocation of costs hereunder and the parties must agree to any such changes before they are implemented.

2.3 The Company shall make available monthly billing information to the Client that shall reflect all information necessary to identify the costs charged and Services rendered for that month. Client shall undertake a review of the charges and identify all questions or concerns regarding the charges reflected within a reasonable period of time. Client shall remit to the Company all charges billed to it within a period of time not exceeding 30 days of receipt of the monthly billing information.

2.4 Client agrees to provide the Company, from time to time, as requested such financial and statistical information as the Company may need to compute the charges payable by Client consistent with the method of allocation set forth on Appendix A.

2.5 It is the intent of this Service Agreement that the payment for services rendered by the Company to Client under this Service Agreement shall cover all the costs of its doing business including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, insurance, injuries and damages, employee and retiree pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and reasonable compensation for use of capital.

ARTICLE 3

TERM

3.1 This Service Agreement shall become effective as of the date first written above, subject only to the receipt of any required regulatory approvals from the State Commissions and federal agencies as needed, and shall continue in force until terminated by the Company or Client, upon not less than one year's prior written notice to the other party. This Service Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Service Agreement may conflict with (1) the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Service Agreement, or (2) any state or federal statute, or any rule, decision, or order of any state or federal regulatory agency having jurisdiction over one or more Clients. Further, this Service Agreement shall be terminated with respect to the Client immediately upon the Client ceasing to be an associate company of the Company. The parties' obligations under this Service Agreement which by their nature are intended to continue beyond the termination or expiration of this Service Agreement shall survive such termination or expiration.

ARTICLE 4

SERVICE REVIEW

4.1 Upon request of the Client, the Company shall meet with the Client to review and assess the quality, costs, and/or allocations of the services being provided pursuant to this

Service Agreement. The Client shall also have the right to amend the scope of services as it determines to be necessary or desirable.

4.2 NiSource maintains an Internal Audit Department that will conduct periodic audits of the Company administration and accounting processes ("Audits"). The Audits will include examinations of Service Agreements, accounting systems, source documents, methods of allocation of costs and billings to ensure all Services are properly accounted for and billed to the appropriate Client. In addition, the Company's policies, operating procedures and controls will be evaluated annually. Copies of the reports generated by the Company as part of the Audits will be provided to Client upon request.

ARTICLE 5

MISCELLANEOUS

5.1 All accounts and records of the Company shall be kept in accordance with the FERC's Uniform System of Accounts ("USofA") for centralized service companies .

5.2 New direct or indirect subsidiaries of NiSource Inc., which may come into existence after the effective date of this Service Agreement, may become additional Clients of the Company and subject to a service agreement with the Company. The parties hereto shall make such changes in the scope and character of the services to be rendered and the method of allocating costs of such services as specified in Appendix A, subject to the requirements of Section 2.2, as may become necessary to achieve a fair and equitable allocation of the Company's costs among all Clients including any new subsidiaries. The parties shall make similar changes if any Client ceases to be associated with the Company.

5.3 The Company shall permit Client reasonable access to its accounts and records including the basis and computation of allocations.

5.4 The Company and Client shall comply with the terms and conditions of all applicable contracts managed by the Company for the Client, individually, or for one or more Clients, collectively, including without limitation terms and conditions preserving the confidentiality and security of proprietary information of vendors.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

NISOURCE CORPORATE SERVICES COMPANY

By: Susanne M. Taylor
Name: Susanne M. Taylor
Its: Controller

COLUMBIA GAS OF OHIO, INC.

By: _____
Name: John W. Partridge
Its: President

APPENDIX A

NISOURCE CORPORATE SERVICES COMPANY

Services Available to Clients
Methods of Charging Therefor and
Miscellaneous Terms and Conditions of Service Agreement

ARTICLE 1

DEFINITIONS

1 The term "Company" shall mean NiSource Corporate Services Company and its successors.

2 The term "Service Agreement" shall mean an agreement, of which this Appendix A constitutes a part, for the rendition of services by the Company.

3 The term "Client" shall mean any corporation to which services may be rendered by the Company under a Service Agreement.

ARTICLE 2

DESCRIPTION OF SERVICES

Descriptions of the expected services to be provided by the Company are detailed below. The descriptions are deemed to include services associated with, or related or similar to, the services contained in such descriptions. The details listed under each heading are intended to be illustrative rather than inclusive and are subject to modification from time to time in accordance with the state of the art and the needs of the Clients.

1 *Accounting and Statistical Services.* The Company will advise and assist the Clients in all aspects of accounting, including financial accounting, asset accounting, regulatory accounting, tax accounting, maintenance of books and records, safeguarding of assets, accounts payable, accounts receivable, reconciliations, accounting research, reporting, operations and maintenance analysis, payroll services, business applications support, and other related accounting functions. The Company will also provide services related to developing, analyzing and interpreting financial statements, directors' reports, regulatory reports, operating statistics and other financial reports. The Company will ensure compliance with generally accepted accounting principles and provide guidance on exposure drafts, financial accounting standards, and interpretations issued by the Financial Accounting Standards Board. The Company will advise and assist the Clients in the formulation of accounting practices and policies and will conduct special studies as may be requested by the Clients.

2 *Auditing Services.* The Company will conduct periodic audits of the general records of the Clients, will supervise the auditing of local and field office records of the Client, and will coordinate the audit programs of the Clients with those of the independent accountants

in the annual examination of their accounts. The Company will ensure compliance, monitor business risk, and coordinate internal control structure.

3 *Budget Services.* The Company will advise and assist the Clients in matters involving the preparation and development of forecasts, budgets and budgetary controls, and other financial planning activities.

4 *Business Services.* The Company will advise and assist the Clients in the preparation and use of educational and advertising materials; in the development of processes to increase residential, commercial and industrial customers, as well as maintenance of business in those areas; and providing information to customers regarding Clients' products and services.

5 *Corporate Services.* The Company will advise and assist the Clients in connection with corporate matters including corporate secretary services, business continuity planning, shareholder services, corporate records management, proceedings involving regulatory bodies, and other corporate matters.

6 *Customer Billing, Collection, and Contact Services.* The Company will render calculating, bill exception processing, back office processing, posting, printing, inserting, mailing and related services to Client associated with the preparation and issuance of customer bills, notices, inserts and similar mailings. The Company will provide cash processing, revenue recovery, account reconciliations and adjustments, and related services to Client associated with the collection of revenue and management of accounts receivable. The Company will provide customer contact and related services to Client, including alternative pricing services, customer contact center management, operation and administration; management of key customer relationships; communications associated with the commencement, transfer, maintenance and disconnection of service; sales of optional products and services; the receipt and processing of emergency calls; the handling of customer complaints; and responses to customer billing, credit, collection, order take and inquiry, outage, meter reading, retail choice and other inquiries.

7 *Depreciation Services.* The Company will advise and assist the Clients in matters pertaining to depreciation practices, including (1) the making of studies to determine the estimated service life of various types of plant, annual depreciation accrual rates, salvage experience, and trends in depreciation reserves indicated by such studies; (2) assistance in the organization and training of the depreciation departments of the Clients; and (3) dissemination to the Clients of information concerning current developments in depreciation practices.

8 *Economic Services.* The Company will advise and assist the Clients in matters involving economic research and planning and in the development of specific economic studies.

9 *Electronic Communications Services.* The Company will advise and assist the Clients in connection with the planning, installation and operation of radio networks, remote control and telemetering devices, microwave relay systems and all other applications of electronics to the fields of communication and control.

10 *Employee Services.* The Company will advise and assist the Clients in connection with organizational, leadership, and strategic development, employee relations matters, including recruitment, employee placement and retention, training, compensation, safety, labor relations

and health, welfare and employee benefits. The Company will also advise and assist the Clients in connection with temporary labor matters, including assessment, selection, contract negotiation, administration, service provider relationships, compliance, review and reporting.

11 *Engineering and Research Services.* The Company will advise and assist the Clients in connection with the engineering phases of all construction and operating matters, including estimates of costs of construction, preparation of plans and designs, engineering and supervision of the fabrication of natural gas facilities, standardization of engineering procedures, and supervision and inspection of construction. The Company will also conduct both basic and specific research in fields related to the operations of the Clients.

12 *Facility Services.* The Company will manage and effectively execute facility operations, facility maintenance, provide suitable space in its offices for the use of the Clients and their officers and employees, provide delivery services, security services, print services, and other facility services.

13 *Gas Dispatching Services.* The Company will advise and assist the Clients in the dispatching of the gas supplies available to the Clients, and in determining and effecting the most efficient routing and distribution of such supplies in the light of the respective needs therefor and the applicable laws and regulations of governmental bodies. If requested by the Clients, the Company will provide a central dispatcher or dispatchers to handle the routing and dispatching of gas.

14 *Information Services.* The Company will advise and assist the Clients in matters involving the furnishing of information to customers, employees, investors and other interested groups, and to the public generally, including the preparation of booklets, photographs, motion pictures and other means of presentation, and assistance to Clients in their advertising programs.

15 *Information Technology Services.* The Company will advise and assist Clients in matters involving information technology, including management, operations, control, monitoring, testing, evaluation, data access security, disaster recovery planning, technical research, and support services. The Company will also provide and assist the Client with application development, maintenance, modifications, upgrades and ongoing production support for a portfolio of systems and software that are used by the Clients. In addition, the Company will identify and resolve problems, ensure efficient use of software and hardware, and ensure that timely upgrades are made to meet the demands of the Clients. The Company will also maintain information concerning the disposition and location of Information Technology assets.

16 *Insurance Services.* The Company will advise and assist the Clients in general insurance matters, in obtaining policies, making inspections and settling claims.

17 *Land/Surveying Services.* The Company will provide land asset management, land contract management, and surveying services in connection with Clients' acquisition, leasing, maintenance, and disposal of interests in real property, including the maintenance of land records and the recording of instruments relating to such interests in real property, where necessary.

18 *Legal Services.* The Company will provide Clients with legal services (including legal services, as necessary or advisable, in connection with or in support of any of the other services provided hereunder), including, but not limited to, general corporate matters and internal corporate maintenance, contract drafting and negotiation, litigation, liability and risk assessment, financing, securities offerings, state and federal regulatory compliance, state and federal regulatory support and rule interpretation and advice, including, without limitation, interpretation and advice concerning the regulations or orders of the Securities and Exchange Commission, the Federal Energy Regulatory Commission, the Environmental Protection Agency, and the Pipeline and Hazardous Materials Safety Administration, bankruptcy and collection matters, employment and labor relations investigations, union contracting, Equal Employment Opportunity Commission issues, compliance with state and federal legislative requirements, and all other matters for which Clients require legal services.

19 *Officers.* Any Client may, with the consent of the Company, elect to any office of the Client any officer or employee of the Company whose compensation is paid, in whole or in part, by the Company. Services rendered to the Client by such person as an officer shall be billed by the Company to the Client and paid for as provided in Articles 3 and 4, and the Client shall not be required to pay any compensation directly to any such person.

20 *Operations Support and Planning Services.* The Company will advise and assist the Clients in connection with operations support and planning, including logistics, scheduling & dispatching; workforce planning; corrosion and leakage programs; estimates of gas requirements and gas availability; gas transmission, measurement, storage and distribution; construction requirements; construction management; operating standards and practices; regulatory and environmental compliance; pipeline safety and compliance; employee and system safety programs; sustainability; training; management of transportation and sales programs; negotiation of gas purchase and sale contracts; energy marketing and trading, including off-system sales and capacity release activities contemplated in a Client's revenue sharing mechanism; security services; measurement, regulation and conditioning equipment; meter testing, calibration and repair; hydraulic gas network modeling, facility mapping and GIS technologies; and other operating matters.

21 *Purchasing, Storage and Disposition Services.* The Company will render advice and assistance to the Clients in connection with supply chain activities, including the standardization, purchase, lease, license and acquisition of equipment, materials, supplies, services, software, intellectual property and other assets, as well as shipping, storage and disposition of same. The Company will also render advice and assistance to the Client in connection with the negotiation of the purchase, sale, acquisition or disposition of assets and services and the placing of purchase orders for the account of the Client.

22 *Regulatory Services.* The Company will advise and assist the Clients in all regulatory and rate matters, including the design and preparation of schedules and tariffs, the analysis of rate filings, the preparation and presentation of testimony and exhibits to regulatory authorities, and other regulatory activities.

23 *Tax Services.* The Company will advise and assist the Clients in tax matters, in the preparation of tax returns and in connection with proceedings relating to taxes.

24 *Transportation Services.* The Company will advise and assist the Clients in connection with the purchase, lease, operation and maintenance of motor vehicles and the operation of aircraft owned or leased by the Company or the Clients.

25 *Treasury Services.* The Company provides services such as risk management, cash management, long and short term financing for all Clients, investment of temporarily available cash, retirement of long term debt, investment management oversight of all benefits plans, and special economic studies as requested.

26 *Miscellaneous Services.* The Company will render to any Client such other services, not hereinabove described, , as from time to time the Company may be equipped to render and such Client may desire to have performed.

ARTICLE 3

ALLOCATION METHODS

1 *Specific Direct Salary Charges to Clients.* To the extent that time spent by the officers and employees of the Company rendering services hereunder is related to services rendered to a specific Client, a direct salary charge, computed as provided in Article 4, shall be made to such Client.

2 *Apportioned Direct Salary Charges to Clients.* To the extent that the time spent by such officers and employees is related to services rendered to the Clients generally, or to any specified group of the Clients, a direct salary charge, computed as provided in Article 4, shall be made to the Clients generally, or to such specified group of the Clients, and allocated to each such Client using an allocation method as set forth on Exhibit A hereto.

3 *Direct Salary Charges for Services to the Company.* To the extent that time spent by any officer or employee of the Company is related to services rendered to the Company, a direct salary charge computed as provided in Article 4 shall be allocated among the Clients in the same proportions which the direct salary charges to such Clients made pursuant to Sections 1 and 2 of this Article III, for services of officers and employees, bear to the aggregate of such direct salary charges.

4 *Apportionment of Employee Benefits.* The employee benefit expenses that are related to direct salary charges made pursuant to sub-paragraphs (1), (2) and (3) of Article 3 shall be apportioned among the Clients, as applicable, in the proportions that the respective direct salary charges made pursuant to the rendering of such services to each such Client bear to the aggregate of such direct salary charges.

5 *Other Expenses.* All expenses, other than salaries and employee benefit expenses incurred by the Company in connection with services rendered to a specific Client shall be charged directly to such Client. All such expenses incurred by the Company in connection with services rendered to the Clients generally or to any specified group of Clients shall be apportioned in the manner set forth in Section 2 of this Article 3 for the apportionment of salary charges. All such expenses incurred by the Company in connection with services rendered to the

Company shall be apportioned in the manner set forth in Section 3 of this Article 3 for the apportionment of salary charges.

ARTICLE 4

COMPUTATION OF SALARY CHARGES

Direct Salary Charges The direct salary charge per hour which shall be made for the time of any officer or employee for services rendered in any calendar month shall be computed by dividing his total compensation for such month by the aggregate of (1) the number of scheduled working hours for which he was compensated, including hours paid for but not worked, and (2) hours worked in excess of his regular work schedule, whether or not compensated for.

Exhibit A

DIRECT BILLING AND BASES OF ALLOCATION

The Company will bill charges directly to a Client to the extent possible while any remaining costs are then allocated. When it is impractical or inappropriate to charge a Client directly, the Company allocates costs in accordance with the following Bases of Allocation which are filed annually with the FERC. The Company works cooperatively with department sponsors or project leaders through meetings and discussions to ensure costs are properly allocated to the Clients that will benefit from the service provided. Provided below are the Bases of Allocation for the Company, including a description of each basis and its numerator and denominator.

BASIS 1

GROSS FIXED ASSETS AND TOTAL OPERATING EXPENSES

- Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's gross fixed assets to the total gross fixed assets of all benefited affiliates; the remaining 50% will be allocated on the basis of the relation of the affiliate's total operating expenses to the total operating expenses of all benefited affiliates. All companies may be included in this allocation.

BASIS 2

GROSS FIXED ASSETS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its total gross fixed assets to the sum of the total gross fixed assets of all benefited affiliates. All companies may be included in this allocation.

BASIS 3

NUMBER OF METERS SERVICED

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of meters serviced to the total number of all meters serviced of the benefited affiliates. This allocation may only be used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 4

NUMBER OF ACCOUNTS PAYABLE INVOICES PROCESSED

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of accounts payable invoices processed (interface invoices excluded) to the total number of all accounts payable invoices processed of the benefited affiliates. All companies may be included in this allocation.

BASIS 7

GROSS DEPRECIABLE PROPERTY AND TOTAL OPERATING EXPENSE

- Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's total operating expenses to the total of all the benefited affiliates' total operating expense; the remaining 50% will be allocated on the basis of the relation of the affiliate's gross depreciable property to the gross depreciable property of all benefited affiliates. All companies may be included in this allocation.

BASIS 8

GROSS DEPRECIABLE PROPERTY

- Charges will be allocated to each benefited affiliate on the basis of the relation of its total depreciable property to the sum of the total depreciable property of all benefited affiliates. All companies may be included in this allocation.

BASIS 9

AUTOMOBILE UNITS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of automobile units to the total number of all automobile units of the benefited affiliates. All companies may be included in this allocation.

BASIS 10

NUMBER OF RETAIL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of retail customers to the total number of all retail customers of the benefited affiliates. All companies may be included in this allocation.

BASIS 11

NUMBER OF REGULAR EMPLOYEES

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of regular employees to the total number of all regular employees of the benefited affiliates. All companies may be included in this allocation.

BASIS 13

FIXED ALLOCATION

- Charges will be allocated to each benefited affiliate on the basis of fixed percentages on an individual project basis. All companies may be included in this allocation.

BASIS 14

NUMBER OF TRANSPORTATION CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Transportation Customers to the total of all Transportation Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 15

NUMBER OF COMMERCIAL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Commercial Customers to the total of all Commercial Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 16

NUMBER OF RESIDENTIAL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Residential Customers to the total of all Residential Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 17

NUMBER OF HIGH PRESSURE CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its High Pressure Customers to the total of all High Pressure Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 20

SERVICE COMPANY BILLING (DIRECT AND ALLOCATED) COSTS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Service Corporation billing costs, in total or by functional group (e.g. IT, Legal, HR, Finance, Audit), to the corresponding total of all Service Company billing costs, (i.e. in total or by functional group). The calculation of Basis 20 will include only those billings for services provided to all NiSource affiliates, excluding Business Unit specific shared service functions (i.e. functions that serve only one particular Business Unit). All companies may be included in this allocation.

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Case No(s). 21-0637-GA-AIR, 21-0638-GA-ALT, 21-0639-GA-UNC, 21-0640-GA-AAM

Summary: Testimony Direct Testimony of Tamaleh Shaeffer electronically filed by Ms. Melissa L. Thompson on behalf of Columbia Gas of Ohio, Inc.