

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an Ad-) Case No. 22-0621-GA-RDR
justment to the CEP Rider Rate.)

**PREPARED DIRECT TESTIMONY OF
BENJAMIN A. FREIMAN
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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February 25, 2022

Attorney for
COLUMBIA GAS OF OHIO, INC.

**PREPARED DIRECT TESTIMONY
OF BENJAMIN A. FREIMAN**

I. INTRODUCTION

Q. Please state your name and business address.

A. Benjamin A. Freiman, 290 W. Nationwide Blvd., Columbus, Ohio 43215.

Q. By whom are you employed?

A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia").

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

A. I graduated from The Ohio State University where I majored in Accounting, and received a Bachelor of Science in Business Administration in August 2008. In November 2008, I joined the accounting firm Ary, Roepcke, Mulchaey as an auditor and became a licensed certified public accountant ("CPA") in the state of Ohio in January 2011. From 2011 to 2019, I was employed by NiSource Corporate Services Company in various accounting, special studies, project management and financial planning roles. I was hired by Columbia in July 2019 as Manager of Regulatory Affairs. I am currently a member of the Ohio Society of CPAs.

Q. What are your job responsibilities as Manager of Regulatory Affairs?

A. As Manager of Regulatory Affairs, my primary responsibilities include the planning, supervision, preparation, and support of all Columbia regulatory filings before the Public Utilities Commission of Ohio ("Commission"). Other responsibilities include the preparation of exhibits, proposed tariff changes and testimony filed by Columbia in support of the Capital Expenditure Program ("CEP") Rider and Infrastructure Replacement Program ("IRP") Rider.

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

A. The purpose of my testimony is to support Attachment B and both CEP Schedules filed on February 25, 2022.

II. EXPLANATION OF CEP RIDER SCHEDULES

Q. What schedules are you sponsoring in this proceeding?

A. The following is a list of both CEP Rider schedules I am sponsoring which were filed on February 25, 2022, that I am sponsoring and supporting in this proceeding:

Schedule	Description
Attachment B	Typical Bill Comparison
Schedule CEP-1	Calculation of Revenue Requirement
Schedule CEP-2	Plant Additions by Month
Schedule CEP-3	Original Cost Retired by Month
Schedule CEP-4	Net Plant by Month
Schedule CEP-5	Provision for Depreciation (Gross Plant)
Schedule CEP-6	Calculation of Base Rate Depreciation Offset
Schedule CEP-7	Annualized Depreciation
Schedule CEP-8	Deferred Depreciation
Schedule CEP-9	Post-in-Service Carrying Cost
Schedule CEP-10	Annualized Property Tax Expense Calculation
Schedule CEP-11	Deferred Tax-Liberalized Depreciation
Schedule CEP-12	Revenue Reconciliation
Schedule CEP-13	Computation of Projected Impact Per Customer
Schedule CEP-1 (21-0637)	Calculation of Revenue Requirement
Schedule CEP-2 (21-0637)	Plant Additions by Month
Schedule CEP-3 (21-0637)	Original Cost Retired by Month
Schedule CEP-4 (21-0637)	Net Plant by Month
Schedule CEP-5 (21-0637)	Provision for Depreciation (Gross Plant)
Schedule CEP-6 (21-0637)	Cost of Removal
Schedule CEP-7 (21-0637)	Annualized Depreciation
Schedule CEP-8 (21-0637)	Deferred Depreciation
Schedule CEP-9 (21-0637)	Post-in-Service Carrying Cost
Schedule CEP-10 (21-0637)	Annualized Property Tax Expense Calculation
Schedule CEP-11 (21-0637)	Deferred Tax-Liberalized Depreciation
Schedule CEP-12 (21-0637)	Revenue Reconciliation
Schedule CEP-13 (21-0637)	Computation of Projected Impact Per Customer

Q. Would you please provide a brief explanation of Attachment B?

A. Attachment B compares typical bills for each rate schedule between current rates and the proposed CEP Rider rates.

Q. Did Columbia include in its filing the revenue requirement calculation and related schedules in support of its proposed change to the CEP Rider rate?

A. Yes. Columbia included the CEP Rider revenue calculation detailed on Schedule CEP-1.

Q. What is included in the CEP Rider revenue requirement calculations?

A. The revenue requirement set forth on Schedule CEP-1 includes return on and return of Columbia's investment in each of these programs and related costs. The pre-tax return on rate base is 9.52%, which was approved by the Commission in Columbia's most recent rate case, adjusted to account for the impacts of the Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Costs included for determination of the revenue requirement are based on actual account balances at December 31, 2021, consistent with those cost components identified for recovery in the Joint Stipulation and Recommendation from Case No. 17-2202-GA-ALT.

Q. What types of CEP-related costs are capitalized and included in rate base?

A. Capitalized costs include contract labor and associated expenses, materials and supplies, internal labor and associated overheads, and AFUDC. These plant additions are capitalized at Columbia's actual cost and shown as an increase to rate base as projects are placed in service. The associated accumulated reserve for depreciation which, was computed based upon gross plant additions and current depreciation rates,¹ is reflected as a reduction to rate base. Each of the rate base components is based on the actual cumulative investment in the CEP made by Columbia at December 31, 2021.

Q. Does the calculation of rate base further reflect the recognition of an additional rate base offset in recognition of depreciated plant investment currently included in Columbia's base rates?

A. Yes. Please refer to Schedule CEP-6 for the detailed development of this offset to rate base.

¹ See Staff Report of Investigation Case No. 08-0072-GA-AIR, *et al.*

- Q. What types of CEP-related deferred expenses are included in rate base?**
- A. Deferred depreciation expense, deferred property tax expense and deferred PISCC are the deferred expenses included in rate base. Generally, these expenses are deferred beginning with the month the plant goes in service or the month the expense is incurred and continues up to the point Columbia commences recovery of its investment through rates. The cumulative deferred expenses recorded during October 1, 2011, through December 31, 2021, have been included as part of rate base in this filing.
- Q. Please explain the annualized amortization of deferred expenses calculations.**
- A. Deferred expenses such as deferred depreciation, deferred property taxes, and deferred PISCC are amortized over a 30-year period consistent with the treatment provided for in Case No. 17-2202-GA-ALT. Amortization of Deferred Depreciation Expense is shown on Schedule CEP-8. Amortization of Deferred PISCC is shown on Schedule CEP-9 with the determination of the amortization of Deferred Property Taxes being set forth on Schedule CEP-10.
- Q. Please describe the property tax calculation set forth on Schedule CEP-10.**
- A. This schedule provides for the computation of property tax based on the sum of plant additions excluding the impact of original cost retired. The calculation follows the process used in Columbia's Annual Report to the Ohio Department of Taxation to determine the Net Property Valuation and uses the latest actual average property tax rate per \$1,000 of valuation. Calculating tax in this manner results in the revenue requirement reflecting the property tax expense which Columbia will incur during the twelve months the proposed CEP Rider rate will be in effect.
- Q. How is the revenue requirement to be recovered in the CEP Schedules?**
- A. The allocation of the CEP revenue requirement and development of the applicable CEP Rider rates are shown on Schedule CEP-13. This schedule shows that the revenue requirement is to be recovered based upon gross plant in service upon which base rates were established in Case No. 08-0072-GA-AIR, *et al.* This method results in the assignment of the revenue requirement to rate schedules consistent with that previously approved by the Commission.

CEP Schedules (21-0637)

Q. Did Columbia include in its filing the revenue requirement calculation and related schedules in support of its proposed change to the CEP Rider rate?

A. Yes. Columbia included the CEP Rider revenue calculation detailed on Schedule CEP-1 (21-0637).

Q. What is included in the CEP-1 (21-0637) revenue requirement calculations?

A. The revenue requirement set forth on Schedules CEP-1 (21-0637) include return on and return of Columbia's investments and recovery of deferred expenses. The pre-tax return on rate base is 9.32%, which was included in the Application of Case No. 21-0637-GA-AIR, et al. This rate will be updated upon issuance of an Order for Case No. 21-0637-GA-AIR, et al. Costs included for determination of the revenue requirement are based on actual account balances at December 31, 2021, consistent with those cost components identified for recovery in the Joint Stipulation and Recommendation from Case No. 17-2202-GA-ALT.

Q. What types of CEP-related costs are capitalized and included in rate base on Schedule CEP-1 (21-0637)?

A. Capitalized costs include contract labor and associated expenses, materials and supplies, internal labor and associated overheads, and AFUDC. These plant additions are capitalized at Columbia's actual cost and shown as an increase to rate base as projects are placed in service. The associated accumulated reserve for depreciation which, was computed based upon gross plant additions and current depreciation rates,² is reflected as a reduction to rate base. Each of the rate base components is based on the cumulative investment made by Columbia and amounts reflected on Columbia's accounting books during the nine months ended December 31, 2021.

Q. Please explain the added Schedule CEP-6 (21-0637) Cost of Removal.

A. Cost of Removal was not previously included in the CEP Schedules in Case No. 17-2202-GA-RDR. Columbia is including cost of removal in Case No. 22-0621-GA-RDR as it is a cost component recognized on Columbia's books.

² See Staff Report of Investigation Case No. 08-0072-GA-AIR, et al.

Q. What types of CEP-related deferred expenses are included in rate base on Schedule CEP-1 (21-0637)?

A. Deferred depreciation expense, deferred property tax expense and deferred PISCC are the deferred expenses included in rate base. Generally, these expenses are deferred beginning with the month the plant goes in service or the month the expense is incurred and continues up to the point Columbia commences recovery of its investment through rates. Columbia has included amounts from CEP-8, CEP-9 and CEP-10 in Schedules CEP-8 (21-0637), CEP-9 (21-0637) and CEP-10 (21-0637), respectively. Columbia included amounts from the CEP Schedules to properly reflect the amounts recorded on Columbia's accounting books during the nine months ending December 31, 2021.

Q. Why are deferred taxes shown as a reduction to rate base?

A. Deferred taxes are a non-investor source of funds, resulting from a tax treatment of expense that is different from the book treatment. Recognition of deferred taxes properly measures Columbia's net investment resulting from implementation of the CEP Rider. These non-investor sources of funds reflected as an offset to rate base include deferred taxes resulting from the use of higher tax depreciation and current year recognition of deferred PISCC and property taxes.

Q. Please explain the annualized amortization of deferred expenses calculations in the CEP (21-0637) Schedules.

A. Deferred expenses such as deferred depreciation, deferred property taxes, and deferred PISCC are amortized over a 30-year period consistent with the treatment provided for in Case No. 17-2202-GA-ALT. Amortization of Deferred Depreciation Expense is shown on Schedule CEP-8 (21-0637). Amortization of Deferred PISCC is shown on Schedule CEP-9 (21-0637) with the determination of the amortization of Deferred Property Taxes being set forth on Schedule CEP-10 (21-0637).

Q. Please describe the property tax calculation set forth on Schedule CEP-10 (21-0637).

A. This schedule provides for the computation of property tax based on the sum of plant additions excluding the impact of original cost retired. This calculation is for the calendar year ending December 31, 2021, as Case No. 21-0637-GA-AIR, et al., only includes property tax for plant through December 31, 2020, and not through the date certain of March 31, 2021. The calculation follows the process used in Columbia's Annual Report to the

Ohio Department of Taxation to determine the Net Property Valuation and uses the latest actual average property tax rate per \$1,000 of valuation. It reflects the ongoing property tax that Columbia will incur when the proposed Rider IRP rate will be in effect. These schedules further detail the development of the deferred property taxes and annualized amortization of the deferred expenses included in the revenue requirement.

Q. How is the revenue requirement to be recovered in the CEP Schedules (21-0637)?

A. The revenue requirement is allocated to the appropriate rate schedule based on Columbia's proposed allocations shown on the E Schedules filed on June 30, 2021, in Case No. 21-0637-GA-AIR, et al. Next, the allocated program costs will be converted to a monthly fixed charge based on the number of bills projected to be rendered to customers served under each rate schedule. These calculations are set forth on Schedule CEP-13 (21-0637).

Q. Does this complete your Prepared Direct Testimony?

A. Yes, it does.

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 25th day of February, 2022 upon the parties listed below.

/s/ John R. Ryan

John R. Ryan

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