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Before the North Carolina Utilities Commission

Docket No. G-9, Sub 743

General Rate Case

Settlement Testimony and Exhibit of Pia K. Powers

On Behalf Of Piedmont Natural Gas Company, Inc.

Piedmont Natural Gas

August 12, 2019

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Q. Ms. Powers, please state your name and business address.

A. My name is Pia K. Powers. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am the Director – Gas Rates & Regulatory Affairs for Piedmont Natural Gas Company, Inc. ("Piedmont" or "the Company"). In this capacity, I am responsible for a variety matters including the development and execution of all rate requests and financial report filings by Piedmont.

Q. Please describe your educational and professional background.

A. I graduated from Fairfield University in 1995 a Bachelor of Arts degree in economics and subsequently earned a Master of Science degree in environmental and resource economics from the University College London. From 1999 through 2003, I was employed as an Economist with the Energy Information Administration, the statistical agency of the U.S. Department of Energy, where I focused on international energy forecasting and environmental issues. I was hired by Piedmont as a Regulatory Analyst in 2003, promoted to Supervisor – Federal Regulatory in 2005, and promoted to Manager of Regulatory Affairs in 2006. In 2013, I was promoted to my current position as a Director.

Q. Have you previously testified in this proceeding?

A. Yes. I prefiled Direct Testimony in this docket on April 1, 2019 in support of Piedmont's Application. I also filed Supplemental Testimony in this docket on July 29, 2019 in support of the Company's updated cost of service

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calculation as of June 30, 2010 which was performed and filed pursuant to N.C. Gen. Stat. § 62-133(c) and Commission Rule R1-17(c) ("Update Filing").

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

A. My Settlement Testimony explains the economic adjustments to Piedmont's filed case (as updated through June 30, 2019) reflected in the Stipulation between Piedmont, the Public Staff -- North Carolina Utilities Commission ("Public Staff"), the Carolina Utility Customers Association, Inc. ("CUCA"), and the Carolina Industrial Group for Fair Utility Rates IV ("CIGFUR IV") (together, the "Stipulating Parties") and also addresses certain non-economic stipulations such as the continuation of the Integrity Management Rider ("IMR") mechanism and consolidation of Common Gas Areas, among others.

Q. Do you have any exhibits supporting your testimony?

A. Yes. I have attached, as Settlement Exhibit__(PKP-1), a reconciliation chart identifying the adjustments to Piedmont's filed/updated rate increase request reflected in the Stipulation.

Q. Was this exhibit prepared by you or under your direction and supervision?

A. Yes.

Q. Can you explain how the Public Staff pursued its investigation in this matter?

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A. Following the filing of our Application and supporting testimony, the Public Staff engaged in substantial discovery regarding our filing. This included two on-site audits totaling five days at Piedmont's corporate headquarters and more than 600 discrete questions (not including parts and subparts) in 95 sets of discovery requests to the Company. When Piedmont filed its Update Filing, the Public Staff also engaged in an additional due diligence review of that true-up filing.

Q. How did the Public Staff and Piedmont go about pursuing settlement discussions in this case?

A. We met with the Public Staff for several days to explore settlement. Our initial discussions were aimed at making sure we had a common understanding of our respective litigation positions and filed testimony. After we completed these discussions we moved on to substantive settlement negotiations and over the course of two additional days we were able to reach agreement on all issues in this case between Piedmont and the Public Staff.[1] This agreement is reflected in the Stipulation filed concurrently with this testimony.

Q. How did the Public Staff and Piedmont go about pursuing settlement discussions with CUCA and CIGFUR IV in this case ?

A. We held discussions with CUCA and CIGFUR IV in an effort to obtain their consent to join in the settlement, and we able to do so after reaching a

1 A representative of the Attorney General was also present at the substantive settlement discussions between Piedmont and the Public Staff.

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proposed rate design that is acceptable to all. Also, we indicated to the Attorney General that we are willing to engage in settlement discussions. Furthermore, we did not reach out to NUCOR or The Fayetteville Public Works Commission for settlement purposes since these parties did not file testimony in this proceeding.

Q. Do you believe the settlement with the Stipulating Parties is in the public interest and otherwise just and reasonable?

A. Yes, I do. The settlement results in substantial economic benefits to our customers through the cost reductions agreed to with the Stipulating Parties and it provides for the continued operation of the Company's IMR mechanism. It also avoids the expenditure of resources that would otherwise be necessary to litigate each of the contested issues in this docket and provides greater certainty of outcome to the Stipulating Parties.

Q. Can you provide a brief overview of the revenue impact associated with this settlement?

A. Yes. There are two main elements of the settlement impacting revenues. First, the settlement recommends revised base rates to customers based on a cost of service in years one through three that are significantly less than the amount sought by the Company in its Application and Update Filing. Second, the settlement also provides for a more accelerated refund via rate rider to customers of tax savings associated with the recent federal and state tax reform as compared to that proposed by the Company in its Application and Update Filing. The combined effect of these two elements – the

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stipulated base rates plus the stipulated tax rider rates -- is that the settlement achieves an overall 3.1% increase to the Company's revenues, which is an approximate $28.1 million increase in revenues in year one compared to the Company's requested overall increase of approximately $108.4 million per the Update Filing. The stipulated revenue increase effectively rises after year one as a result of the termination of the one-year amortization of the federal tax savings accrued since January 1, 2018 (i.e., the overcollected revenues accrued since January 1, 2018). Accordingly, starting in year two, there is an additional stipulated 4.1% increase yielding a total annual revenue increase of approximately $64.8 million ($28.1 million increase starting year one + an additional $36.7 million increase starting year two). On a levelized basis, this will be an increase in rates of less than 1% per year since the effective date of rates in Piedmont's last general rate case in January 2014 – a figure well below the rate of inflation over the same period of time. The rate impacts relating to the termination of additional riders is explained later in my testimony.

Q. Please explain the adjustments to Piedmont's cost of service as agreed to in this settlement, and the associated impact to the revenue requirement.

A. The individual cost of service adjustments are identified on Settlement Exhibit__(PKP-1) attached hereto and represent a total downward adjustment of approximately ($34.8 million) from Piedmont's proposed annual margin revenues in its Update Filing in this docket. This cumulative

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impact to margin revenues of each of these cost of service adjustments is shown on line 46 of Settlement Exhibit__(PKP-1). The individual adjustment can be categorized as follows:

1. Capital Structure and Cost of Capital. Pursuant to Paragraph 6 of the Stipulation, the Stipulating Parties agreed that the appropriate capital structure for use in this proceeding consists of 52.00% common equity, 47.15% long-term debt, and 0.85% short-term debt. The agreed cost of long-term debt is 4.41% and the agreed cost of short-term debt is 2.72%. The agreed return on common equity appropriate for use in this proceeding is 9.70%. These modifications resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($20.5 million), which is represented on Settlement Exhibit_(PKP-1) as the sum of the adjustments on lines 4 thru 7.

2. Customer Volumes and Margins. Under the settlement, the Stipulating Parties agreed to adjust the Company's pro forma customer volumes and associated revenues as of June 30, 2019. These modifications resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($0.1 million), which is represented on Settlement Exhibit_(PKP-1) as the sum of the adjustments on lines 13 and 14.

3. Employee Compensation Adjustments. Under the settlement, the Stipulating Parties agreed to remove certain employee

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compensation costs for ratemaking, including a portion of executive payroll, and certain incentive pay. Adjustments were also agreed upon regarding the going-level cost of the remaining straight time and overtime payroll, pension and other employee benefits. These modifications resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($4.8 million), which is represented on Settlement Exhibit_(PKP-1) as the sum of the adjustments on lines 17 thru 19, 21, 22 and 28.

4. <u>Amortization of Certain Regulatory Assets/Liabilities and Rate Case Expense.</u> Under the settlement, the Stipulating Parties agreed to amortize all previously authorized regulatory asset and liability end of period balances (comprised of Pipeline Integrity Management - Transmission deferred O&M expenses, EasternNC deferred O&M expenses, Environmental Compliance Assessment and Clean-Up deferred O&M expense, and a newly determined under-collection of regulatory fee expense) over a period of four years in each case. The Company had sought in its Application to amortize the recovery of these amounts over a period of 3 years, while the Public Staff recommended a 5-year amortization period. On these matters, the settlement resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($6.3 million), which is represented on Settlement Exhibit_(PKP-1) as the sum of the adjustments on lines 29, 30, 32 and 33. Under the settlement, the

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Stipulating Parties have agreed to recovery of a lower amount of rate case expense than originally proposed by the Company, and to amortize recovery of that cost over 4 years instead of 3 years. On rate case expense, the settlement resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($0.3 million), which is represented on Settlement Exhibit_(PKP-1) as the adjustment on line 23.

5. Operations and Maintenance ("O&M") Expenses. Under the settlement, the Stipulating Parties agreed to a variety of adjustments to other O&M expenses for ratemaking that encompass the following categories of expense: Board of Directors expenses, sponsorships and donations, inflation, lobbying, uncollectibles, regulatory fee, rents, line locates expense, aviation, advertising, and miscellaneous general expense. These modifications taken together resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($4.0 million), which is represented on Settlement Exhibit_(PKP-1) as the sum of the adjustments on lines 20, 24 thru 26, 34 thru 38, 40, 42, 43 and 45.

6. Additional Conservation Program Funding. Under the settlement, the Stipulating Parties agreed that the Company's proposal to increase its recoverable expenditures on Conservation Programs for customers as contained in Piedmont's Application in this docket should not be approved. Accordingly, the settlement resulted in a downward adjustment to Piedmont's updated annual revenue requirement of

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approximately ($1.2 million), which is represented on Settlement Exhibit_(PKP-1) on line 15.

7. GTI Funding. Under the settlement, the Stipulating Parties agreed that the proposed annual funding increase for its GTI Operations Technology Development program participation should be included in Piedmont's annual revenue requirement but that the total proposed annual funding for its GTI Utilization Technology Development program participation should not be included in Piedmont's annual revenue requirement. Accordingly, the settlement resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($0.4 million), which is represented on Settlement Exhibit_(PKP-1) on line 39.

8. Non-Utility Adjustment. Under the settlement, the Stipulating Parties agreed to include a non-utility adjustment for ratemaking that was greater than the Company's proposed non-utility adjustment in its Application. Accordingly, the settlement resulted in a downward adjustment to Piedmont's updated annual revenue requirement of approximately ($1.4 million), which is represented on Settlement Exhibit_(PKP-1) on line 27.

9. Plant, Accumulated Depreciation, Accumulated Deferred Income Taxes, and other Rate Base-Related Adjustments. Under the settlement, the Stipulating Parties agreed to several changes to Piedmont's

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rate base in the Stipulation, including an adjustment to increase accumulated depreciation (which is a deduction to rate base) that aligns with the stipulated going-level depreciation expense associated with plant in service as of June 30, 2019, adjustments to working capital that align to the settled amortization of the regulatory assets and liabilities, adjustments to exclude state and federal Excess Deferred Income Taxes ("EDIT") from the accumulated deferred income tax ("ADIT") rate base deduction, and the amortization of protected EDIT. Other rate base-related adjustments include changes to depreciation expense to adopt the revised depreciation rates and reallocations of book reserves reflected in the depreciation study while also reflecting the cost of service impacts of the reallocation of the reserve accounts related to the NC direct and corporate allocated general plant accounts, as well as property tax that align with the settled changes to rate base net of non-utility adjustments. In total, these modifications resulted in an upward adjustment to Piedmont's updated annual revenue requirement of approximately $4.0 million, which is represented on Settlement Exhibit_(PKP-1) as the sum of the adjustments on lines 8 thru 12, 16, 31, 41 and 44.

Q. Please explain the adjustments in this settlement for the flow-through to customers of savings related to recent federal and state tax reform, and the associated impact to the overall revenue requirement for Piedmont.

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A. As mentioned earlier in my Settlement Testimony, the settlement also provides for a more accelerated refund to customers of the tax savings associated with the recent federal and state tax reform as compared to that proposed by the Company in its Application and Update Filing. Specifically, the Stipulating Parties agreed to a number of amortizations of regulatory liabilities associated with the Tax Cuts and Jobs Acts ("TCJA") of 2017 as well as previous North Carolina legislation lowering the state corporate income tax rate for Piedmont. These include a one-year amortization for deferred tax savings accrued since January 1, 2018 (i.e., the overcollected revenues accrued since January 1, 2018) associated with the TCJA's reduction in federal corporate income tax rates from 35% to 21%, a three-year amortization of state EDIT resulting from prior reductions in the North Carolina corporate income tax rates, and a five-year amortization of federal Unprotected EDIT resulting from the TCJA. The Stipulating Parties agree that each of these three categories of tax savings be flowed to customers via a rider, and the cumulative impact of these riders substantially mitigates the impact of Piedmont's proposed margin revenue increase. In year one, that cumulative impact of the riders is a downward adjustment to the revenue requirement of ($80.7 million), which is shown on line 51 of Settlement Exhibit_(PKP-1) and represents the aggregate effect of the individual riders shown on lines 48 thru 50 of Settlement Exhibit_(PKP-1). The impact of the settled increase in the margin revenues

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net of the tax rider adjustments is a total revenue requirement increase in year one of approximately $28.1 million. This amount is shown on line 52 of Settlement Exhibit_(PKP-1). Starting in year two, the impact of the settled increase in the margin revenues net of the tax rider adjustments is a total revenue requirement increase of approximately $64.8 million, which is shown on line 53 of Settlement Exhibit_(PKP-1).

Q. Please explain the impact of the stipulated cap to the revenue increase starting in year four.

A. Lines 54 and 55 of Settlement Exhibit_(PKP-1) show the revenue requirement increase without consideration of the revenue increase cap articulated in Paragraph 6G of the Stipulation. Starting in year four (when two of the three tax riders have been fully amortized), the impact of the settled increase in the margin revenues net of the tax rider adjustments would be a total revenue requirement increase of approximately $85.5 million. And starting in year six (when all three riders have been fully amortized), the impact of the settled increase in the margin revenues net of the tax rider adjustments would be a total revenue requirement increase of approximately $108.8 million. This overall increase of approximately $108.8 million starting in year six, is also shown in column (e) of Exhibit A of the settlement.

Paragraph 6G of the Stipulation articulates that the rates and charges approved in this case yield a revenue increase subsequent to year three of

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no greater than $82,820,089, which is the exact amount of the revenue increase requested in the Company's April 1, 2019 filed Application and the revenue increase accordingly cited in the public Notice of Hearings in this case. Accordingly, starting in year four (when two of the three tax riders have been fully amortized), the impact of the settled increase in the margin revenues net of the tax rider adjustments will be a total revenue requirement increase of $82.8 million (not $85.5 million) due to the stipulated cap. And starting in year six (when all three riders have been fully amortized), the impact of the settled increase in the margin revenue net of the tax rider adjustments will remain at $82.2 million (not $108.8 million) due to the stipulated cap.

Q. Did Piedmont expressly agree with each of the component adjustments in the settlement?

A. No. In fact, Piedmont strongly disagreed with many of these adjustments on an individual basis. I believe Public Staff, CUCA and CIGFUR IV each likewise opposed many of these adjustments in isolation. In order to reach settlement, however, each of the Stipulating Parties compromised on a large number of individual issues in order to reach a comprehensive agreement in this case. The settlement was arrived at as a whole and, as the Stipulation indicates, each individual adjustment may not have been agreeable to all parties participating in this settlement. However, when considered as a whole, the totality of the adjustments was acceptable to each of the

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Stipulating Parties. For this reason, the Stipulating Parties agree that no precedent is intended to be established by the individual adjustments or component provisions of the Stipulation but that each would support the Stipulation as a whole before the Commission as a reasonable resolution of Piedmont's rate case filing.

Q. Do you believe that the overall settlement reached by the Stipulating Parties and presented to the Commission is just and reasonable and otherwise compliant with the requirements of North Carolina law?

A. Yes, I do.

Q. Does Piedmont support the 9.70% rate of return on common equity set forth in the settlement?

A. Yes. However, I would note that this is an example of an individual issue that Piedmont would not have agreed to in isolation but has agreed to as part of the overall settlement.

Q. Do you believe the agreed rate of return on common equity is fair to customers?

A. Yes, I do. Piedmont witness Hevert is filing testimony supporting the reasonableness of the agreed ROE as is Public Staff witness Hinton. In addition to the testimony of these two experts, there are other extrinsic indicators that the agreed return on equity ("ROE") is just and reasonable. For example, the settled ROE is 90 basis points lower than the requested ROE of 10.60%. It is also 30 basis points lower than the ROE of 10.00%

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approved in Piedmont's last general rate proceeding in North Carolina, which is Piedmont's current allowed ROE. It is also comparable to the rate of return on common equity currently allowed for Public Service Company of North Carolina, Inc., and is within 5 basis points of the most recently litigated ROE for a North Carolina water utility. It is also well below the current allowed ROE's for Piedmont's two sister electric utilities in North Carolina -- Duke Energy Carolinas and Duke Energy Progress. It is also within 6 basis points of the national average ROE granted to local distribution utilities in 2019. Finally, it is lower than Piedmont's approved rates of return on common equity in South Carolina and Tennessee. These are all indicators that the settled ROE of 9.70% is just and reasonable in this case.

Q. Does the Stipulation address any non-economic issues?

A. Yes. There were several non-economic issues raised by our filing in this docket and the agreements of the Stipulating Parties on these non-economic issues are as described below.

1. Continuation of IMR. The Stipulating Parties agreed that this safety related surcharge mechanism should be continued for the benefit of the citizens of the State of North Carolina. The Stipulating Parties also agree that the special contract credit mechanism currently reflected in Appendix E to Piedmont's North Carolina Service Regulations, which Piedmont had originally proposed to remove from its tariffs, should be

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updated and continued and those revisions will be incorporated into the revised IMR tariff set forth in the Exhibit F to the Stipulation.

2. Tariff and Service Regulation Changes. The Stipulating Parties agreed that Piedmont's other proposed tariff changes, including elimination of its Standby Sales Service for transportation customers but not including Piedmont's proposed Appendix G – EDIT Rider to its North Carolina Service Regulations, should be approved. The Stipulating Parties agreed that Piedmont's proposed Appendix G to its North Carolina Service Regulations should not be approved. Those changes are incorporated into the revised rate schedules and service regulations attached to the Stipulation as Exhibits G and H.

3. Depreciation Study. The Stipulating Parties agreed that Piedmont should implement the revised depreciation rates and reallocations of book reserves set forth in the testimony and depreciation study of Piedmont witness Watson and further agreed that Piedmont's filings in this case satisfy the requirements of Commission Rule R6-80.

4. DIMP O&M Deferral. The Stipulating Parties agreed that Piedmont's proposed DIMP O&M deferral request should be approved.

5. Annual TIMP and DIMP O&M Deferral Reports. Piedmont agreed to provide annual reports to the Public Staff with documentation on its incremental expenses subject to the TIMP and DIMP O&M deferral mechanisms to assist the Public Staff in its audit function with regard to those deferred accounts.

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6. Consolidation of Common Gas Areas ("CGAs"). The Stipulating Parties agreed to the consolidation of Piedmont's CGAs from eleven to two such areas.

7. Line 434 Revenue Rider. The Stipulating Parties agreed that Piedmont shall establish a new rider, called the Line 434 Revenue Rider, to flow through to tariff customers any specific demand charge revenue from Special Contract Customers that may begin to be recovered by Piedmont subsequent to the effective date of the rates approved in this case related to Piedmont's Line 434 project (which became used and useful in the provision of gas service to the benefit of Piedmont's customers in November 2018, and is accordingly included in rate base in this proceeding), but before the first general rate case proceeding after the beginning of the Company's receipt of such demand charge revenue.

8. Rates for Special Contracts (including Contracts Rates for Electric Generation Customers). Piedmont and the Public Staff have also agreed to work together toward a rate mechanism whereby in future special contracts, including electric generation service contract arrangements, Piedmont will incorporate a volumetric rate component to those customers to support Piedmont's existing system infrastructure to the extent that infrastructure is relied upon to provide service to those customers.

Q. Are the rates proposed by the Stipulation fair, just and reasonable?

A. Yes. The rates agreed to as part of the Stipulation and reflected in Exhibit C thereto were the product of give and take negotiations between the

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Stipulating Parties. Each party analyzed the settlement rates and concluded they were reasonable for purposes of settling this proceeding. The settlement rates are also very beneficial to customers compared to Piedmont's proposed rates in this docket.

Q. Please explain the stipulated rate design.

A. The rate design portion of the settlement reflects considerable compromise between the Stipulating Parties. The rate designs recommended by Piedmont witness Yardley, Public Staff witness Patel, CUCA witness O'Donnell and CIGFUR IV witness Phillips expressed varying viewpoints. As stated by witness Patel in her prefiled direct testimony, rate design considers many factors including value and type of service, quantity of use, time of use, manner of service, competitive conditions relating to the acquisition of new customers, historical rate design, the Company's revenue stability, economic policy, administrative ease and an allocated cost of service study. Whereas the overall revenue requirement increase in year one is 3.1% (as explained earlier in my testimony), the stipulated rate design does not yield an across-the-board 3.1% increase for all customer classes. The impact by customer class (rate schedule) of the stipulated revenue requirement increase is shown on Exhibit J to the settlement agreement.

Q. Do you believe that the stipulated rate increase, including the stipulated ROE is consistent with the statutory factors identified in G.S. 62-133 and is otherwise fair and reasonable to Piedmont and its customers considering changing economic conditions?

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A. Yes, I do, for all of the reasons I mentioned above.

Q. What are you requesting the Commission do in this case?

A. I am requesting that the Commission, on the basis of its own independent evaluation of all the evidence presented in this case, approve the terms of the settlement reached with the Public Staff as just and reasonable and the appropriate resolution of this case.

Q. Does this conclude your Settlement Testimony?

A. Yes.

EXHIBIT_(PKP-1)

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Settlement Exhibit_(PKP-1)

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
SUMMARY OF SETTLEMENT ADJUSTMENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Settlement
1	**Original Application - Increase in Revenue Requirement filed by the Company**	$118,116,597
2	Additional Increase in Revenue Requirement due to June 2019 update	25,519,289
3	**Increase In Margin Revenue Requested due to Company Update**	**$143,635,886**
	Settlement Adjustments:	
4	Change in Equity ratio from 52% to 52%	(16,459)
5	Change in cost of long-term debt from 4.40% to 4.41%	159,698
6	Change in cost of short-term debt from 2.78% to 2.72%	(17,274)
7	Change in return on equity from 10.60% to 9.70%	(20,579,402)
8	Plant in Service Updates and Related Items at June 30, 2019	(865,491)
9	ADIT - updated to June 30, 2019	(137,715)
10	Adjustment to exclude Federal Tax EDIT	6,638,773
11	Adjustment to exclude State Tax EDIT	3,769,738
12	Adjust working capital for lead lag to reflect reclassifying lead lag adjustment from Proposed to Pro Forma	(1,189,797)
13	Adjustment to end of period revenue - weather, growth, and commodity costs	5,818
14	Adjustment to other operating revenues	(143,469)
15	Customer Conservation Program	(1,233,358)
16	Special Contract - remove PIS associated with facilities	(112,358)
17	Payroll and Related Expenses	(169,581)
18	Overtime	(234,480)
19	Employee Benefits	(836,922)
20	Board Expenses	(422,000)
21	Executive Compensation	(1,484,492)
22	Incentives	(1,185,815)
23	Rate Case Expenses - updated, 4 year amortization, no rate base	(268,917)
24	Sponsorships & Donations	(119,152)
25	Uncollectibles	(45,603)
26	Inflation Adjustment - removed certain expenses and updated rate	(635,832)
27	Nonutility Adjustment - O&M and plant	(1,364,212)
28	Pension Expense	(844,683)
29	Deferral: PIM Transmission Costs - update actual expenses @ June 30, 2019, 4 year amortization	(5,450,230)
30	Deferral: Environmental Costs - update actual expenses @ June 30, 2019, 4 year amortization	(11,359)
31	Deferral: NCNG OPEB Liability, remove balance	(829)
32	Deferral EasternNC, 4 year amortization	(846,566)
33	Undercollection of Regulatory Fee, 4 year amortization	(22,368)
34	Line Locates Expense	(465,162)
35	Regulatory Fee Expense - change to 0.13% per Commission Order	2,242
36	Advertising - remove promotional, image, competitive, & non-recurring	(297,937)
37	Miscellaneous General Expenses	(358,102)
38	Aviation Expense	(485,760)
39	Gas Technology Institute (GTI) Funding	(352,387)
40	Lobbying Expenses	(156,536)
41	Amortization of protected EDIT, net of tax	(4,954,772)
42	Rents Expense	(497,525)
43	Change in retention factor - Uncollectibles and Regulatory Fee changes	(482,492)
44	Adjust cash working capital for revenue impact of Settlement adjustments	872,742
45	Rounding	929
46	**Settlement Adjustments**	(34,839,098)
47	**Settlement Recommended Change In Margin Revenue**	**$108,796,788**
	Rider Impacts on Settlement Revenue Requirement:	
48	Federal Unprotected EDIT Rider, 5 year flow back	($23,304,269)
49	State EDIT, 3 year flow back	(20,735,154)
50	Overcollection of Revenues from Federal Tax Change, 1 year flow back	(36,699,240)
51	**Settlement Recommended Change In Revenue Requirement due to Riders (Sum of Lines 48-50)**	**($80,738,663)**
52	**Settlement Recommended Change In Revenue Requirement for Year 1**	$28,058,125
53	Settlement Recommended Change in Revenue Requirement for Years 2 -3	$64,757,365
54	Settlement Recommended Change in Revenue Requirement for Years 4 -5	$85,492,519
55	Settlement Recommended Change in Revenue Requirement for Year 6	$108,796,788