



Pennsylvania House Consumer Affairs Committee
Hearing on Consolidated Federal Income Taxes
House Bill 1436

September 29, 2015

Mark Kempic
President
Columbia Gas of Pennsylvania, Inc.


**Columbia Gas[®]
of Pennsylvania**
A NiSource Company

Concerns with the Consolidated Tax Adjustment (CTA)

Current system is:

Arbitrary

The CTA allows the direct co-mingling of utility and non-utility operations, circumventing the ring-fencing provisions.

Outdated

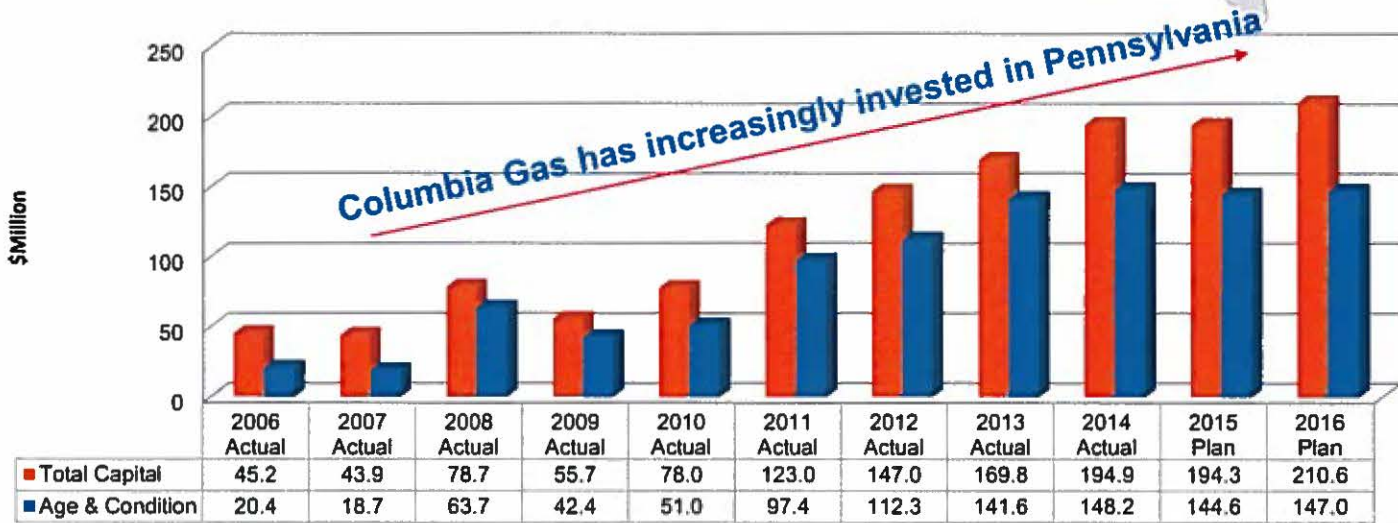
All but 5 states no longer use CTA in ratemaking.

Irresponsible

This law creates avoidable unpredictability in the factors regulated utilities use to plan, investors use to predict ROI, and ratemakers use to fulfill the regulatory compact.

The CTA Damages Competitive Advantage

The CTA will ultimately increase costs to maintain and replace pipe making it difficult to compete with sister companies to obtain internal financing.



CTA at Odds with Federal Policies

- Bonus depreciation has been generally available
- Bonus depreciation is designed to encourage investment
- Bonus depreciation masks the impact of the CTA
- Investment decisions made far in advance
- Unknown whether bonus depreciation will be available
- CTA serves as "Gotcha!" if no bonus depreciation
- CTA makes Pennsylvania a riskier investment

Year	Bonus Depreciation
2008	50%
2009	50%
2010	50%*
2011	100%
2012	50%
2013	50%
2014	50%
2015	???????
2016	???????
2017	???????

*Partial Year at 100%

The CTA Reduces Investment in Pennsylvania Soil

- Decreased spend on operating and maintenance safety initiatives including training, leak repair efforts and cross-bore safety potentially compromising the safety of our customers
- Potential staff reduction and fewer new jobs reducing investment in local economy
- Fewer resources to bring natural gas to customers who want it, particularly in rural areas, forcing Pennsylvanians to pay higher heating costs with electric or propane



**Columbia Gas saw
an increase in
direct
Pennsylvania jobs
by nearly 50%
from 2007 to 2015**



Columbia Gas of Pennsylvania, Inc.

For more information, please reach out to:

Mark Kempic

President

724-416-6328

Pete Trufahnestock

Director of Government Affairs

717-903-8674

Scott Waitlevertch

Government Affairs Manager

724-888-9774