

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 19, 2016

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APPLICATION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. PUE-2016-00001

For a general increase in rates and charges  
and to revise the terms and conditions  
applicable to gas service

ORDER FOR NOTICE AND HEARING

On June 30, 2016, Washington Gas Light Company ("WGL" or "Company") filed with the State Corporation Commission ("Commission") an application pursuant to Chapter 10 of Title 56 (§ 56-232 *et seq.*) of the Code of Virginia ("Code") requesting authority to increase its rates and charges, effective for usage beginning with the December 2016 billing cycle, and to revise other terms and conditions applicable to its gas service ("Application").<sup>1</sup> WGL advises in its Application that the proposed rates and charges are designed to increase the Company's annual non-gas base revenues by approximately \$45.6 million per year, which includes \$22.3 million currently being collected by the Company outside of base rates in a surcharge associated with its Steps to Advance Virginia's Energy plan pursuant to § 56-603 *et seq.* of the Code.<sup>2</sup> The Company states that it is not earning sufficient annual revenues to cover its cost of service, including a reasonable return on common equity capital.<sup>3</sup> In its Application, WGL indicates that its requested increase reflects "increases in net rate base, operation and

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<sup>1</sup> Pursuant to § 56-238 of the Code, the 150-day suspension period for the Company's proposed interim rates runs through November 27, 2016. WGL's counsel represents that WGL intends to place interim rates into effect for service rendered on and after November 28, 2016.

<sup>2</sup> Application at 1.

<sup>3</sup> *Id.* at 5.

maintenance costs, including employee-related costs, compliance and safety-related expenses, depreciation expense, and general tax increases" since its last base rate increase in 2011.<sup>4</sup>

According to the Company, its proposed rate increase is based on an overall rate of return of 8.21% on rate base, including a return on common equity of 10.25%.<sup>5</sup> The Company proposes to increase firm service System Charges by 25% for most customer classes.<sup>6</sup> The balance of the revenue increase applicable to firm customers is proposed to be collected through increases in Distribution Charges.<sup>7</sup> WGL also proposes to increase System Charges and Distribution Charges for interruptible distribution customers.<sup>8</sup> WGL proposes the following annual increase in rates for its Northern Virginia customers and its Shenandoah Gas Division customers:

	WGL Northern Virginia Customers	WGL Shenandoah Gas Division Customers
Residential	9.1%	9.4%
Commercial and Industrial		
Heating and/or cooling	5.3%	5.5%
Non-heating/non-cooling	4.9%	4.9%
Group Metered Apartments		
Heating and/or cooling	3.7%	5.5%
Non-heating/non-cooling	5.0%	8.5%
Large Commercial and Industrial	2.3%	2.4%
Large Group Metered Apartments	4.0%	n/a <sup>9</sup>

<sup>4</sup> *Id.* at 4. See *Application of Washington Gas Light Company, For a general increase in rates and charges and to revise its terms and conditions for gas service*, Case No. PUE-2010-00139, 2012 S.C.C. Ann. Rept. 229, Order (July 12, 2012) and 2012 S.C.C. Ann. Rept. 235, Order (July 24, 2012).

<sup>5</sup> Application at 5.

<sup>6</sup> Direct Testimony of James B. Wagner at 7.

<sup>7</sup> *Id.* The Company's System Charges are fixed monthly charges and its Distribution Charges are volumetric charges. See *id.* at 8-9.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 7.

In its Application, WGL proposes to replace its existing Weather Normalization Adjustment ("WNA")<sup>10</sup> and CARE Ratemaking Adjustment ("CRA")<sup>11</sup> with a Revenue Normalization Adjustment ("RNA").<sup>12</sup> The Commission approved the current methodology for computing WGL's WNA in Case No. PUE-2010-00139. The Commission approved the Company's current CRA in Case No. PUE-2015-00138.<sup>13</sup> WGL states that the RNA is a more straightforward calculation that will accomplish the same goal as the current separate WNA and CRA mechanisms.<sup>14</sup>

In Case No. PUE-2015-00015,<sup>15</sup> the Commission approved WGL's request to defer \$2,781,156 of eligible safety activity costs ("ESAC") incurred in 2014 and directed that issues related to this deferral be addressed in a subsequent proceeding.<sup>16</sup> WGL requests that the Commission address in this proceeding: (i) the types of ESAC that may be deferred pursuant to § 56-235.10 of the Code; (ii) whether § 56-235.10 of the Code requires the establishment of a baseline cost for every individual eligible safety activity; (iii) the level of ESAC that are eligible

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<sup>10</sup> The Company's WNA is a billing adjustment mechanism designed to reduce the volatility of customers' monthly bills and the Company's non-gas revenues due to variances from normal weather. Application at 7.

<sup>11</sup> The Company's CRA is a decoupling mechanism that adjusts for variances due to conservation efforts. Application at 7.

<sup>12</sup> Application at 7.

<sup>13</sup> *Application of Washington Gas Light Company, For authority to amend its natural gas conservation and ratemaking efficiency plan*, Case No. PUE-2015-00138, Doc. Con. Cen. No. 160440858, Final Order (Apr. 29, 2016) and Doc. Con. Cen. No. 160630125, Order on Petition for Clarification and Reconsideration (June 21, 2016).

<sup>14</sup> Application at 7.

<sup>15</sup> *Application of Washington Gas Light Company, For an annual informational filing*, Case No. PUE-2015-00015, Doc. Con. Cen. No. 151210093, Order Closing Proceeding (Dec. 2, 2015).

<sup>16</sup> Application at 8.

for deferral; and (iv) whether § 56-235.10 of the Code provides for an "ESAC Recovery Factor" as proposed by the Commission's Staff ("Staff").<sup>17</sup>

In its Application, WGL also proposes three initiatives that the Company asserts will provide Virginia residential and commercial customers with greater access to natural gas.<sup>18</sup> First, for any required customer contribution under General Service Provision ("GSP") No. 14 of the Company's Virginia tariff, WGL proposes a contribution payment plan as an alternative to a lump-sum payment.<sup>19</sup> The Company also proposes a program that facilitates conversion to natural gas for neighborhoods and other target markets.<sup>20</sup> Finally, WGL proposes a program that facilitates access to natural gas for existing, high-growth communities in Virginia by helping to fund the extension of natural gas transmission and main pipelines.<sup>21</sup>

In its Application, WGL proposes to fund research and development programs that are managed by the Gas Technology Institute ("GTI") that, according to the Company, would benefit natural gas customers and improve Company operations in the provision of natural gas.<sup>22</sup> WGL requests a funding level of \$0.50 per customer for participation in GTI's Operations Technology Development programs and \$0.50 per customer for participation in GTI's Utilization Technology Development programs, for a total amount of \$527,000 for the rate effective period.<sup>23</sup>

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<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 9.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.* at 9-10. The rate effective period is anticipated to be the twelve months beginning December 1, 2016. Direct Testimony of Roberta W. Sims at 5.

WGL proposes various revisions to its Virginia tariff to reflect the new rates and proposals, including a new GSP for the proposed RNA and revisions to GSP No. 14.<sup>24</sup> WGL also proposes to implement its proposed rates, on an interim basis and subject to refund, effective for usage beginning with the December 2016 billing cycle, and to implement proposed rates, charges and revised terms and conditions of service upon issuance of the Commission's Final Order in this proceeding.<sup>25</sup>

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that WGL should provide notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Application; a procedural schedule should be established to allow interested persons an opportunity to file written or electronic comments on the Company's Application or to participate in this proceeding as a respondent; and the Staff should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon. We also find that a Hearing Examiner should be appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE-2016-00001.

(2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedures before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),<sup>26</sup> a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

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<sup>24</sup> Application at 10.

<sup>25</sup> *Id.* at 14.

<sup>26</sup> 5 VAC 5-20-10 *et seq.*

(3) On or before October 4, 2016, WGL shall file a bond with the Commission in the amount of \$45.6 million payable to the Commission and conditioned to insure the prompt refund by the Company to those entitled thereto of all amounts the Company shall collect in excess of such rates and charges as the Commission may finally fix and determine.

(4) A public hearing on the Application shall be convened at 10 a.m. on March 28, 2017, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive into the record the testimony of public witnesses and evidence of the Company, any respondents, and the Staff. Any person desiring to offer testimony as a public witness need only appear at the hearing location fifteen (15) minutes before the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(5) The Company shall make copies of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. A copy also may be obtained by submitting a written request to counsel for WGL, Meera Ahamed, Esquire, Washington Gas Light Company, 101 Constitution Avenue, NW, Washington, D.C. 20080. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents filed in this case also shall be available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before September 14, 2016, WGL shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's Virginia service territory:

NOTICE TO THE PUBLIC OF  
WASHINGTON GAS LIGHT COMPANY'S  
APPLICATION FOR A GENERAL INCREASE IN  
RATES AND CHARGES AND TO REVISE THE TERMS  
AND CONDITIONS APPLICABLE TO GAS SERVICE  
CASE NO. PUE-2016-00001

On June 30, 2016, Washington Gas Light Company ("WGL" or "Company") filed with the State Corporation Commission ("Commission") an application pursuant to Chapter 10 of Title 56 (§ 56-232 *et seq.*) of the Code of Virginia ("Code") requesting authority to increase its rates and charges, effective for usage beginning with the December 2016 billing cycle, and to revise other terms and conditions applicable to its gas service ("Application"). WGL advises in its Application that the proposed rates and charges are designed to increase the Company's annual non-gas base revenues by approximately \$45.6 million per year, which includes \$22.3 million currently being collected by the Company outside of base rates in a surcharge associated with its Steps to Advance Virginia's Energy plan pursuant to § 56-603 *et seq.* of the Code. The Company states that it is not earning sufficient annual revenues to cover its cost of service, including a reasonable return on common equity capital. In its Application, WGL indicates that its requested increase reflects "increases in net rate base, operation and maintenance costs, including employee-related costs, compliance and safety-related expenses, depreciation expense, and general tax increases" since its last base rate increase in 2011.

According to the Company, its proposed rate increase is based on an overall rate of return of 8.21% on rate base, including a return on common equity of 10.25%. The Company proposes to increase firm service System Charges by 25% for most customer classes. The balance of the revenue increase applicable to firm customers is proposed to be collected through increases in Distribution Charges. WGL also proposes to increase System Charges and Distribution Charges for interruptible distribution customers.

WGL proposes the following annual increase in rates for its Northern Virginia customers and its Shenandoah Gas Division customers:

	WGL Northern Virginia Gas Customers	WGL Shenandoah Gas Division Customers
Residential	9.1%	9.4%
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Heating and/or cooling	5.3%	5.5%
Non-heating/non-cooling	4.9%	4.9%
Group Metered Apartments		
Heating and/or cooling	3.7%	5.5%
Non-heating/non-cooling	5.0%	8.5%
Large Commercial and Industrial	2.3%	2.4%
Large Group Metered Apartments	4.0%	n/a

In its Application, WGL proposes to replace its existing Weather Normalization Adjustment ("WNA") and CARE Ratemaking Adjustment ("CRA") with a Revenue Normalization Adjustment ("RNA"). The Commission approved the current methodology for computing WGL's WNA in Case No. PUE-2010-00139. The Commission approved the Company's current CRA in Case No. PUE-2015-00138. WGL states that the RNA is a more straightforward calculation that will accomplish the same goal as the current separate WNA and CRA mechanisms.

In Case No. PUE-2015-00015, the Commission approved WGL's request to defer \$2,781,156 of eligible safety activity costs ("ESAC") incurred in 2014 and directed that issues related to this deferral be addressed in a subsequent proceeding. WGL requests that the Commission address in this proceeding: (i) the types of ESAC that may be deferred pursuant to § 56-235.10 of the Code; (ii) whether § 56-235.10 of the Code requires the establishment of a baseline cost for every individual eligible safety activity; (iii) the level of ESAC that are eligible for deferral; and (iv) whether § 56-235.10 of the Code provides for an "ESAC Recovery Factor" as proposed by the Commission's Staff.

In its Application, WGL also proposes three initiatives that the Company asserts will provide Virginia residential and commercial customers with greater access to natural gas. First, for any required customer contribution under General Service Provision ("GSP") No. 14 of the Company's Virginia tariff, WGL

proposes a contribution payment plan as an alternative to a lump-sum payment. The Company also proposes a program that facilitates conversion to natural gas for neighborhoods and other target markets. Finally, WGL proposes a program that facilitates access to natural gas for existing, high-growth communities in Virginia by helping to fund the extension of natural gas transmission and main pipelines.

In its Application, WGL proposes to fund research and development programs that are managed by the Gas Technology Institute ("GTI") that, according to the Company, would benefit natural gas customers and improve Company operations in the provision of natural gas. WGL requests a funding level of \$0.50 per customer for participation in GTI's Operations Technology Development programs and \$0.50 per customer for participation in GTI's Utilization Technology Development programs, for a total amount of \$527,000 for the rate effective period.

WGL proposes various revisions to its Virginia tariff to reflect the new rates and proposals, including a new GSP for the proposed RNA and revisions to GSP No. 14. WGL also proposes to implement its proposed rates, on an interim basis and subject to refund, effective for usage beginning with the December 2016 billing cycle, and to implement proposed rates, charges and revised terms and conditions of service upon issuance of the Commission's Final Order in this proceeding.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. While the total revenue that may be approved by the Commission is limited to the amount produced by the Company's proposed rates, TAKE NOTICE that the Commission may approve revenues, and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The Commission entered an Order for Notice and Hearing that, among other things, permits the Company to place its proposed rates into effect on an interim basis, subject to refund, effective for usage beginning with the December 2016 billing cycle.

The Commission's Order for Notice and Hearing scheduled a public hearing at 10 a.m. on March 28, 2017, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness should appear at the hearing location fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

Copies of the public version of all documents filed in this case are available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

Copies of the Company's Application and the Commission's Order for Notice and Hearing also may be inspected during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies of these documents also may be obtained, at no charge, by submitting a written request to counsel for the Company: Meera Ahamed, Esquire, Washington Gas Light Company, 101 Constitution Avenue, NW, Washington, D.C. 20080. If acceptable to the requesting party, the Company may provide the documents by electronic means.

On or before March 21, 2017, any interested person may file written comments on the Company's Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Interested persons desiring to submit comments electronically may do so on or before March 21, 2017, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUE-2016-00001.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before November 9, 2016. If not filed electronically, an original and fifteen copies of a notice of participation shall be filed with the

Clerk of the Commission at the address set forth above. A copy of the notice of participation shall be sent to counsel for WGL at the address set forth above. Pursuant to Rule 5 VAC 5-20-80, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent shall be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2016-00001. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Hearing.

The Commission's Rules of Practice may be viewed at the Commission's website: <http://www.virginia.scc.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

WASHINGTON GAS LIGHT COMPANY

(7) On or before September 14, 2016, WGL shall serve a copy of its Application and this Order for Notice and Hearing on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) and city or town attorney of every city and town in which WGL provides service in the Commonwealth of Virginia. Service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.

(8) On or before October 28, 2016, WGL shall file proof of the notice and service required by Ordering Paragraphs (6) and (7), including the name, title, and address of each official served with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(9) On or before March 21, 2017, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (8). Any interested person desiring to file comments electronically may do so on or before March 21, 2017, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUE-2016-00001.

(10) On or before November 9, 2016, any person or entity may participate as a respondent in this proceeding by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of a notice of participation shall be filed with the Clerk of the Commission at the address in Ordering Paragraph (8), and each respondent shall serve a copy of the notice of participation on counsel to WGL at the address set forth in Ordering Paragraph (5). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent shall be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2016-00001.

(11) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent a copy of this Order for Notice and Hearing, a copy of the public version of the Application, and a copy of the public version of all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(12) On or before January 31, 2017, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (8) and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8). In all filings, respondents shall comply with the Commission's Rules of Practice, including, but not limited to: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUE-2016-00001.

(13) The Staff shall investigate the Application. On or before February 28, 2017, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of testimony and exhibits concerning the Application, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to the Company and all respondents.

(14) On or before March 14, 2017, WGL shall file with the Clerk of the Commission:

(a) any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page; and (b) a summary not to exceed one page of each direct witness's testimony if not previously included therewith. The Company shall serve a copy thereof on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8).

(15) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things*, shall be modified for this proceeding as follows: responses and objections to written interrogatories and requests for production of documents shall be served within seven (7) business days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260 of the Rules of Practice, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.<sup>27</sup> Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) WGL may place its proposed rates into effect on an interim basis, subject to refund with interest, for service rendered on and after November 28, 2016.

(17) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Leslie T. Thornton, Esquire, Donald R. Hayes, Esquire, and Meera Ahamed, Esquire,  
Washington Gas Light Company, 101 Constitution Avenue, NW, Washington, D.C. 20080; and  
C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel,  
Office of the Attorney General, 202 North Ninth Street, Richmond, Virginia 23219. A copy also  
shall be delivered to the Commission's Office of General Counsel and Divisions of Energy  
Regulation, Utility Accounting and Finance, and Utility and Railroad Safety.

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<sup>27</sup> The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," then "Search Cases," and entering the case number, PUE-2016-00001, in the appropriate box.