

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, AUGUST 23, 2018

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APPLICATION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. PUR-2018-00080

For authority to increase existing rates and charges and to revise the terms and conditions applicable to gas service pursuant to § 56-237 of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On July 31, 2018, Washington Gas Light Company ("Washington Gas" 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 January 2019 billing cycle, and to revise other terms and conditions applicable to its gas service ("Application").<sup>1</sup>

Washington Gas advises in its Application that the proposed rates and charges are designed to increase the Company's annual operating revenues by approximately \$37.6 million per year, of which approximately \$14.7 million relates to costs associated with investments in infrastructure made pursuant to the Company's Steps to Advance Virginia's Energy ("SAVE") plan pursuant to § 56-603 *et seq.* of the Code.<sup>2</sup> According to the Company, the revenue requirement reflects a \$16.3 million reduction for lower tax expense due to the implementation

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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 December 28, 2018. Washington Gas's counsel represents that Washington Gas intends to place interim rates into effect for service rendered on and after January 2, 2019.

<sup>2</sup> Application at 1-2. The Company states that it correspondingly will remove this revenue requirement from the SAVE Rider.

of the Tax Cuts and Jobs Act of 2017, and does not include any costs related to the acquisition of Washington Gas by AltaGas Ltd. on July 6, 2018,<sup>3</sup> including any payments related to the commitments in the District of Columbia and Maryland.<sup>4</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>5</sup> In its Application, Washington Gas 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.<sup>6</sup>

According to the Company, its proposed rate increase is based on an overall rate of return of 7.94% on rate base, including a return on common equity of 10.6% (midpoint).<sup>7</sup> Washington Gas proposes the following annual increase in rates for its Northern Virginia customers and its Shenandoah Gas Division customers:

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<sup>3</sup> Application at 2. *See Joint Petition of Washington Gas Light Company, WGL Holdings, Inc., and AltaGas Ltd., For approval of an acquisition of control of a public utility pursuant to the Utility Transfers Act, Va. Code §56-88 et seq.*, Case No. PUR-2017-00049, 2017 S.C.C. Ann. Rept. 492 (Oct. 20, 2017). On April 4, 2018, the Maryland Public Service Commission approved the merger subject to certain conditions, which the Applicants accepted. *See In the Matter of the Merger of AltaGas Ltd. and WGL Holdings, Inc.*, Case No. 9449, Order No. 88631 (April 4, 2018) and letter from counsel for Applicants (April 5, 2018). On June 29, 2018, the Public Service Commission of the District of Columbia issued an Order approving the proposed merger and Settlement Agreement, subject to certain conditions, which the settling parties accepted. *See In the matter of the merger of AltaGas Ltd. and WGL Holdings, Inc.*, Formal Case No. 1142, Order No. 19396 (June 29, 2018) and letter from counsel on behalf of settling parties (July 2, 2018).

<sup>4</sup> Application at 2.

<sup>5</sup> *Id.* at 6.

<sup>6</sup> *Id.* at 4-5.

<sup>7</sup> *Id.* at 6.

	Washington Gas Northern Virginia Division Customers	Washington Gas Shenandoah Division Customers
Residential	5.9%	5.9%
Commercial and Industrial		
Heating and/or cooling	6.8%	6.8%
Non-heating/non-cooling	3.2%	3.2%
Group Metered Apartments		
Heating and/or cooling	5.6%	5.9%
Non-heating/non-cooling	2.8%	2.6%
Large Commercial and Industrial	2.1%	2.4%
Large Group Metered Apartments	5.0%	n/a <sup>8</sup>

In Case No. PUE-2015-00015,<sup>9</sup> the Commission approved Washington Gas'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>10</sup> Washington Gas 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 ("Staff").<sup>11</sup>

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

<sup>9</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>10</sup> Application at 9.

<sup>11</sup> *Id.*

In its Application, Washington Gas also proposes three initiatives that the Company asserts will provide Virginia customers with greater access to natural gas.<sup>12</sup> First, through the Service Line Allowance Program, Washington Gas proposes to connect customers to the Company's distribution system if the premises are within 175 feet of a natural gas main. Next, the proposed Main Allowance Program provides that a percentage of the aggregated, positive net present value produced annually under General Service Provision ("GSP") No. 14 of the Company's Virginia tariff can be utilized to reduce the level of required contributions requested from individual customers of other potential projects. The Company also proposes a pilot program, the Targeted Conversion Program, that facilitates conversion to natural gas for neighborhoods and other target markets.<sup>13</sup>

Washington Gas proposes various revisions to its Virginia tariff to reflect the new rates and proposals, including revisions to GSP No. 14 to support the gas expansion proposals and GSP No. 16 to allocate energy acquisition administrative charges to sale service customers.<sup>14</sup> Washington Gas also proposes to implement its proposed rates, on an interim basis and subject to refund, effective for usage beginning with the January 2019 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>15</sup>

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<sup>12</sup> *Id.* at 10.

<sup>13</sup> *Id.*

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

<sup>15</sup> *Id.* at 14.

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that Washington Gas 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. PUR-2018-00080.
- (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>16</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.
- (3) On or before November 14, 2018, Washington Gas shall file a bond with the Commission in the amount of \$37.6 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.

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<sup>16</sup> 5 VAC 5-20-10 *et seq.*

(4) A public hearing on the Application shall be convened at 10 a.m. on April 30, 2019, 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 Washington Gas, Meera Ahamed, Esquire, Washington Gas Light Company, 1000 Maine Avenue SW, Suite 700, Washington, D.C. 20024. 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 18, 2018, Washington Gas 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. PUR-2018-00080

- **Washington Gas Light Company ("Washington Gas") has applied for approval of a general increase in rates.**
- **Washington Gas requests a total revenue requirement increase of \$37.6 million per year.**
- **A Hearing Examiner appointed by the Commission will hear the case on April 30, 2019, at 10 a.m.**
- **Further information about this case is available on the State Corporation Commission's website at: <http://www.scc.virginia.gov/case>.**

On July 31, 2018, Washington Gas Light Company ("Washington Gas" 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 January 2019 billing cycle, and to revise other terms and conditions applicable to its gas service ("Application"). Washington Gas advises in its Application that the proposed rates and charges are designed to increase the Company's annual operating revenues by approximately \$37.6 million per year, of which approximately \$14.7 million relates to costs associated with investments in infrastructure made pursuant to the Company's Steps to Advance Virginia's Energy plan pursuant to § 56-603 *et seq.* of the Code. According to the Company, the revenue requirement reflects a \$16.3 million reduction for lower tax expense due to the implementation of the Tax Cuts and Jobs Act of 2017, and does not include any costs related to

the acquisition of Washington Gas by AltaGas Ltd. on July 6, 2018, including any payments related to the commitments in the District of Columbia and Maryland. 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, Washington Gas 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.

According to the Company, its proposed rate increase is based on an overall rate of return of 7.94% on rate base, including a return on common equity of 10.6% (midpoint). Washington Gas proposes the following annual increase in rates for its Northern Virginia customers and its Shenandoah Gas Division customers:

	Washington Gas Northern Virginia Division Customers	Washington Gas Shenandoah Division Customers
Residential	5.9%	5.9%
Commercial and Industrial		
Heating and/or cooling	6.8%	6.8%
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Group Metered Apartments		
Heating and/or cooling	5.6%	5.9%
Non-heating/non-cooling	2.8%	2.6%
Large Commercial and Industrial	2.1%	2.4%
Large Group Metered Apartments	5.0%	n/a

In Case No. PUE-2015-00015, the Commission approved Washington Gas'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. Washington Gas 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, Washington Gas also proposes three initiatives that the Company asserts will provide Virginia customers with greater access to natural gas. First, through the Service Line Allowance Program, Washington Gas proposes to connect customers to the Company's distribution system if the premises are within 175 feet of a natural gas main. Next, the proposed Main Allowance Program provides that a percentage of the aggregated, positive net present value produced annually under General Service Provision ("GSP") No. 14 of the Company's Virginia tariff can be utilized to reduce the level of required contributions requested from individual customers of other potential projects. The Company also proposes a pilot program, the Targeted Conversion Program, that facilitates conversion to natural gas for neighborhoods and other target markets.

Washington Gas proposes various revisions to its Virginia tariff to reflect the new rates and proposals, including revisions to GSP No. 14 to support the gas expansion proposals and GSP No. 16 to allocate energy acquisition administrative charges to sale service customers. Washington Gas also proposes to implement its proposed rates, on an interim basis and subject to refund, effective for usage beginning with the January 2019 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 January 2019 billing cycle.

The Commission's Order for Notice and Hearing scheduled a public hearing at 10 a.m. on April 30, 2019, 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, 1000 Maine Avenue SW, Suite 700, Washington, D.C. 20024. If acceptable to the requesting party, the Company may provide the documents by electronic means.

On or before April 23, 2019, 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 April 23, 2019, 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. PUR-2018-00080.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before November 13, 2018. 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 set forth above. A copy of the notice of participation also must be sent to counsel for Washington Gas 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. PUR-2018-00080. 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.

On or before February 8, 2019, each respondent may file with the Clerk of the Commission, and serve on the Commission's 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 submitted to the Clerk of the Commission at the address above. In all

filings, respondents shall comply with the Commission's Rules of Practice, including 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00080.

All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

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 18, 2018, Washington Gas shall serve a copy of this Order for Notice and Hearing on the following officials, to the extent the position exists, in each county, city, and town in which the Company provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city and town; and the county, city, or town attorney. 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 30, 2018, Washington Gas 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 April 23, 2019, 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 April 23, 2019, 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. PUR 2018-00080.

(10) On or before November 13, 2018, 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 Washington Gas 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. PUR-2018-00080.

(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 February 8, 2019, 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*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00080.

(13) The Staff shall investigate the Application. On or before March 8, 2019, 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 April 8, 2019, Washington Gas 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. It 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) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(16) 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>17</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.*

(17) Washington Gas may place its proposed rates into effect on an interim basis, subject to refund with interest, for service rendered on and after January 2, 2019.

(18) This matter is continued.

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

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<sup>17</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, PUR-2018-00080, in the appropriate box.

Leslie T. Thornton, Esquire, Donald R. Hayes, Esquire, and Meera Ahamed, Esquire,  
Washington Gas Light Company, 1000 Maine Avenue SW, Suite 700, Washington, D.C. 20024;  
and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel,  
Office of the Attorney General, 202 N. 9th Street, 8<sup>th</sup> Floor, Richmond, Virginia 23219. A copy  
also shall be delivered to the Commission's Office of General Counsel and Divisions of Public  
Utility Regulation, Utility Accounting and Finance, and Utility and Railroad Safety.