

**Virginia State Corporation Commission
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Case Number (if already assigned) PUR-2017-00049

Case Name (if known) Joint Petition of Washington Gas Light Company, WGL Holdings, Inc., and AltaGas Ltd. for approval of an acquisition of control of the public utility pursuant to Chapter 5 of Title 56 of the Code of Virginia

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170710122

July 7, 2017

By Electronic Filing

Mr. Joel H. Peck, Clerk
State Corporation Commission
1300 East Main Street
Tyler Building, First Floor
Richmond, VA 23219

**Re: 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 Chapter 5 of Title 56 of the Code of Virginia
Case No. PUR-2017-00049**

Dear Mr. Peck:

Enclosed for filing in the above referenced matter please find the Comments of the City of Alexandria.

Please feel free to contact me should you have any questions.

Sincerely,

/s/ Brian R. Greene

Brian R. Greene

c: Service List

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

JOINT PETITION OF)
)
WASHINGTON GAS LIGHT COMPANY,)
WGL HOLDING, INC.,)
)
and)
)
ALTAGAS LTD.)
)
For approval of an acquisition of control of a)
public utility pursuant to Chapter 5 of Title)
56 of the Code of Virginia)

CASE No. PUR-2017-00049

**COMMENTS OF
THE CITY OF ALEXANDRIA**

Pursuant to Ordering Paragraph 11 of the Commission’s May 8, 2017 Order for Notice and Comment entered in the above-captioned proceeding, the City of Alexandria, by counsel, submits these comments regarding the joint petition (“Joint Petition”) filed by Washington Gas Light Company (“WGL”), WGL Holdings, Inc. (“WGLHI”), and AltaGas Ltd. (“AltaGas”) (collectively, “Petitioners”), pursuant to Chapter 5 of Title 56 of the Code of Virginia. The Petitioners are seeking approval of the indirect acquisition of control of WGL by AltaGas to be effectuated by a merger between Wrangler Inc. and WGL Holdings, Inc.

Introduction

As explained below in more detail, the City has at least four concerns about the proposed merger. *First*, along with the Virginia Commission, the Maryland Public Service Commission and the District of Columbia Public Service Commission are also required to approve the merger, as WGL operates in all three jurisdictions. A quick review of the three applications shows that Petitioners are offering WGL’s Virginia customers fewer tangible benefits than the

Petitioners are offering in their applications filed in Maryland and the District of Columbia.¹ To protect the rights of WGL customers that live in the City, the City requests that the Commission require the Petitioners to consent to a “most favored nation” (“MFN”) provision as a condition of the transaction. Pursuant to the MFN provision, Petitioners would be required to provide additional benefits in Virginia if the Petitioners are ordered or agree to provide greater financial or other specified benefits in connection with approval of the merger in Maryland or in the District of Columbia. *Second*, the City is concerned about the potential impact of the merger on WGL’s ability to successfully provide satisfactory customer service and billing functions. *Third*, the City is concerned about future unknown rate impacts caused by the merger. *Fourth*, the City recommends that the Commission direct Petitioners to implement all necessary bookkeeping and tracking mechanisms to ensure that the Petitioners accomplish all of the pledges identified in the Joint Petition, and also track merger-related costs and liabilities.

A MFN Provision is Needed to Protect WGL’s Virginia Customers.

In merger cases such as this one where regulatory approvals are required in multiple states, it is common to include a “most favored nation” provision. An MFN provision is designed to ensure that customers in one jurisdiction receive the equivalent level of benefits as compared to the highest level of benefits awarded by a state regulatory agency across the utility’s jurisdictions. Here, WGL is required to attain regulatory approvals in Virginia, Maryland, and the District of Columbia. Analysis of the applications filed in Maryland and in the District reveals that the Petitioners are offering more benefits to WGL’s customers in those jurisdictions than they are offering to WGL’s Virginia customers. Therefore, the City requests that a MFN

¹ *In the Matter of the Merger of AltaGas Ltd. and WGL Holdings, Inc.*, Maryland Public Service Commission Case No. 9449 (filed April 24, 2017); *In the Matter of the Merger of AltaGas Ltd. and WGL Holdings, Inc.*, District of Columbia Public Service Commission Formal Case No. 1142 (filed April 24, 2017).

provision be required to protect the interests of WGL’s Virginia customers and to ensure that WGL’s service in Virginia remains on par with the services offered in Maryland and in the District.

In Maryland, the Petitioners are offering benefits that include a \$50.00 bill credit for each WGL residential heating distribution customer, low-income initiatives, storage/renewable initiatives, public safety initiatives, charitable contributions, and more. Here is a summary of the benefits that Petitioners are offering in Maryland:²

Maryland-Specific Benefits	
One-Time Bill Credits	\$30.5 million
Affordable Housing Multifamily Natural Gas Initiative	\$4.0 million
Supplemental Low-Income Weatherization and Energy Efficiency Programs	\$1.1 million
Workforce Development Initiatives	\$1.4 million
TOTAL	\$37 million
Additional Commitments Benefiting All Washington Gas Jurisdictions	
Washington Area Fuel Fund Supplemental Funding	\$1.5 million
Study to Assess the Development of Renewable Natural Gas Facilities	\$0.45 million
New Public Safety Program	\$2.75 million
Charitable Contributions Over Ten-Year Post-Merger Period	\$12 million (at least)
SMW Electric Grid Energy Storage or Tier 1 Renewable Resources	\$7.8 million ¹
TOTAL	\$24.5 million

The Petitioners, in their application filed in the District of Columbia, summarize the “significant direct and tangible benefits” to WGL’s District of Columbia customers:³

² Maryland Application at 10. The benefits are explained more thoroughly in Appendix A of the Maryland Application.

³ District Application at 11. The benefits are explained more thoroughly in Exhibit JA-1 of the District Application.

District-Specific Benefits	
One-Time Bill Credits	\$12.25 million
Affordable Housing Multifamily Natural Gas Initiative	\$2.0 million
Supplemental Low-Income Weatherization and Energy Efficiency Programs	\$2.2 million
Workforce Development Initiatives	\$0.7 million
TOTAL	\$17.15 million
Additional Commitments Benefiting All Washington Gas Jurisdictions	
Washington Area Fuel Fund Supplemental Funding	\$1.5 million
Study to Assess the Development of Renewable Natural Gas Facilities	\$0.45 million
New Public Safety Program	\$2.75 million
Charitable Contributions Over Ten-Year Post-Merger Period	\$12 million (at least)
5MW Electric Grid Energy Storage or Tier One Renewable resources	\$7.8 million ⁷
TOTAL	\$24.5 million

This is just a summary of the “sweeteners” that Petitioners are extending to WGL’s customers in Maryland and the District but not necessarily to customers in Virginia.

MFN provisions have been extremely beneficial for customers in recent transactions. As an example, Exelon Corporation (“Exelon”) recently merged with Pepco Holdings, Inc. (“PHI”), and the transaction required approvals in Maryland, Delaware, New Jersey, and the District of Columbia. Maryland, Delaware, and New Jersey approved the transaction, including an MFN provision. The District, however, conditioned its approval on certain additional requirements to which Exelon and PHI agreed. Exelon and PHI then returned to the Maryland, Delaware, and New Jersey Commissions, subject to the MFN provisions, to ensure that customers in each state were treated equally. Because of the MFN provision, Maryland customers received an additional

\$48 million in benefits;⁴ Delaware customers received an additional \$27.1 million in benefits;⁵ and New Jersey customers received an additional \$53.8 million in benefits.⁶ It would be a shame if the Petitioners' merger resulted in Virginians receiving fewer "direct and tangible benefits" as their fellow WGL ratepayers in Maryland or the District of Columbia, for no apparent reason other than the Petitioners simply offered more benefits in those jurisdictions. For these reasons, the City recommends that the Commission protect WGL's Virginia ratepayers and require an MFN provision as a condition of approving the merger.

**The Commission Should Ensure that the Merger Will Not Impede
WGL's Customer Service and Billing Functions.**

Post-merger, WGL will be a subsidiary of AltaGas, which is headquartered in Canada. According to the Joint Petition, WGL's current executive management team will assist in managing other AltaGas companies. Thus, the City's concern is that there will be a parent, located in another country, that has control over the local utility, and the local utility's management team will be asked to take on additional responsibilities.

This is especially disconcerting given WGL's history of self-inflicted systemic errors that have impacted WGL's ability to provide its customers with accurate bills. Recently the Staff of the Virginia Commission submitted testimony in WGL's base rate case. The Staff concluded that WGL's "persistent billing system failures have resulted in customer complaints to this Commission at a level far higher than any other natural gas utility in the Commonwealth of

⁴ See Order No. 88128, Maryland Public Service Commission Case No. 9361 (entered April 12, 2017).

⁵ See Order No. 8970, Delaware Public Service Commission Docket No. 14-193 (entered November 1, 2016).

⁶ See Order Approving Joint Recommendation for Settlement of the Most Favored Nation Issue, New Jersey Board of Public Utilities Docket No. EM14060581 (entered October 31, 2016).

**The Commission Should Ensure that the Merger
Does Not Result in Adverse Rate Impacts to Customers.**

The Petitioners commit to hold customers harmless for five years from adverse rate impacts due to an increase in the cost of debt that is caused by the merger with AltaGas, or the ongoing affiliation with AltaGas and its affiliates after the merger, except to the extent such adverse rate impact has been mitigated by positive changes in any other cost of capital elements. The City's concern is that the proposed five-year hold-harmless period might not be long enough. The City encourages the Commission and Staff to analyze the potential rate impacts that could result down the road, along with the possibility that potential dividend payments by WGL to AltaGas (*see* Joint Petition at p. 15) could occur and the impact such payments would have on rates.

The Commission Should Require WGL to Track and Account for All Merger-Related Pledges Made in the Joint Petition and Testimony, and that the Commission Might Ultimately Approve as Part of its Regulatory Approval of the Transaction.

The Petitioners make numerous statements and commitments in support of their request for regulatory approval of the proposed merger. In any final order approving the merger, the City requests that WGL be required to submit periodic reports regarding its progress in attaining the various commitments, whether they be merger-related savings or other commitments, and also merger-related costs and liabilities that might arise going forward. In the City's view, periodic reporting will be the only way that the Commission and interested stakeholders can keep tabs on the Petitioners' post-merger progress.

Conclusion

The City appreciates the opportunity to comment on the proposed merger transaction. It is important that the Commission take all necessary steps to protect WGL's Virginia customers

by ensuring that Virginians receive equal treatment as compared to WGL's Maryland and District of Columbia customers, and that WGL's billing, customer service, and technological infrastructure continue to improve and not take a step backwards. Also, as explained above, the City is concerned about protections against future unknown rate impacts of the merger. Finally, the City requests that there be detailed reporting requirements as part of any final order approving the merger.

Respectfully Submitted,

CITY OF ALEXANDRIA

By counsel

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Dated: July 7, 2017

CERTIFICATE OF SERVICE

I certify that on July 7, 2017, I sent a true and correct copy of these Comments of the City of Alexandria to the following persons:

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