Case No. PUE-2016-00001
Sponsor: CITY OF ALEXANDRIA

Exhibit No. 38

Witness: STIPULATED
Bailiff: RENEE MILES

Virginia State Corporation Commission
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EXHIBIT # 38

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January 31, 2017

By Electronic Filing

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

Re: Application of Washington Gas Light Company for a General Increase in Rates and Charges and to Revise the Terms and Conditions Applicable to Gas Service
Case No. PUE-2016-00001

Dear Mr. Peck:

Enclosed for filing in the above referenced matter please find the Direct Testimony of Carl W. Eger III on behalf of the City of Alexandria.

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

Sincerely,

/s/ Eric J. Wallace

Eric J. Wallace

CC: Service List

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

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	)	

DIRECT TESTIMONY OF

CARL W. EGER III

ON BEHALF OF

THE CITY OF ALEXANDRIA

January 31, 2017

Direct Testimony Summary
Carl W. Eger III

My testimony addresses Washington Gas Light Company's ("WGL") proposed return on equity ("ROE") and Revenue Normalization Adjustment ("RNA") mechanism. First, I explain why WGL's proposed ROE figure of 10.25 is excessive by comparing it with (1) WGL's approved ROE in Maryland and the District of Columbia; (2) other Virginia natural gas distribution utilities; and (3) other natural gas utilities across the country. Second, I discuss the RNA proposal, which would replace WGL's existing Weather Normalization Adjustment ("WNA") and CARE Ratemaking Adjustment ("CRA"). I conclude that the proposed RNA is in WGL's interest, but not in the public interest.

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Carl W. Eger III. My business address is 301 King Street, Alexandria, Virginia 22314.

Q. PLEASE STATE YOUR CURRENT POSITION AND THE NAME OF YOUR EMPLOYER.

A. I am the Energy Manager for the City of Alexandria.

Q. HOW LONG HAVE YOU HELD THIS POSITION?

A. I have held this position since January 4, 2010.

Q. PLEASE BRIEFLY DISCUSS YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I hold a Bachelor of Science in Electrical Engineering, a Bachelor of Science in Computer Engineering, and a Master of Science in Engineering (Mechanical Engineering and Energy Engineering concentrations with additional graduate-level education in economics, econometrics, and public policy) from the University of Dayton in Dayton, Ohio. I am currently completing a Masters of Professional Studies in Sustainable Urban Planning at the George Washington University in Washington, D.C. I am a registered Professional Engineer in the State of Ohio, a Leadership in Energy and Environmental Design ("LEED") Accredited Professional, and a Certified Public Manager. In 2013, I completed the Michigan State University Institute of Public Utilities Annual Regulatory Studies Program ("Camp NARUC") training. From 2012 to the present, I have served on the Virginia Energy Purchasing Government Authority ("VEPGA") Board of Directors. I

serve on numerous other boards and commissions throughout the Metropolitan Washington DC area, and in the Commonwealth of Virginia.

From 2004 to 2006, I was Lead Engineer of the US Department of Energy Industrial Assessment Center at the University of Dayton with specializations that included industrial pumping systems, including water treatment and conveyance. From 2007 to 2008, I held a position as Energy Manager for the City of Cleveland Division of Water before a promotion in 2008 to the position of Energy Manager for the City of Cleveland Mayor's Office of Sustainability. A copy of my curriculum vitae is attached as **Attachment CWE-1.**

Q. PLEASE SUMMARIZE YOUR EXPERIENCE WITH THE CITY OF ALEXANDRIA.

A. I began my Energy Manager position with the City of Alexandria in 2010. In 2011, I was promoted to the City of Alexandria's Senior Management Group. As Energy Manager, my responsibilities include servicing utility billings, including billings for natural gas service, for properties and facilities owned or operated by the City. In addition, I provide guidance on public utility regulatory matters to the City of Alexandria City Council, City Attorney's Office, and City Manager's Office.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE VIRGINIA STATE CORPORATION COMMISSION ("COMMISSION")?

A. Yes. I testified before the Commission in Case Nos. PUE-2014-00066 and PUE-2015-00097.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to respond to Washington Gas Light Company's ("WGL" or "Company") proposed return on equity ("ROE") and Revenue Normalization Adjustment ("RNA").

II. RETURN ON EQUITY

Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF COMPANY WITNESS HEVERT REFLECTING THE COMPANY'S RATE OF RETURN ON COMMON EQUITY?

A. Yes.

Q. DO YOU HAVE ANY COMMENTS REGARDING WGL'S REQUESTED ROE?

A. Yes, I provide three observations regarding requested and recently authorized ROEs for natural gas companies similar to WGL. First, I discuss the ROEs approved for the Company in its Maryland and District of Columbia jurisdictional service territories. Second, I discuss the ROEs approved for other natural gas utility companies in Virginia that have recently filed rate case applications. Finally, I provide observations on ROEs for a broader population of natural gas companies operating across the United States that have recently filed rate applications.

Q. IS THE ROE REQUESTED BY WGL IN THIS CASE COMPARABLE TO ROEs AUTHORIZED FOR WGL IN OTHER JURISDICTIONS AND TO ROEs AUTHORIZED FOR PEER UTILITIES?

A. No. WGL's requested ROE of 10.25% is significantly higher than those authorized by the Commission in Virginia and by public utilities commissions elsewhere in the United States.

Q. WHAT ROE DID THE MARYLAND AND DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSIONS AUTHORIZE FOR THE COMPANY IN THE MOST RECENT RATE CASES?

A. In Case Number 9322, as part of a general rate case application before the Maryland Public Service Commission, the Company requested a rate of return on common equity of 10.7%. On November 13, 2013, the Maryland Public Service Commission authorized a rate of return on common equity of 9.50%.[1]

In Formal Case Number 1093, as part of a general rate case application before the District of Columbia Public Service Commission, the Company requested a rate of return on common equity of 10.9%. On May 15, 2013, the District of Columbia Public Service Commission authorized a rate of return on common equity of 9.25%.[2]

Q. HAVE ANY OTHER NATURAL GAS UTILITIES SIMILAR TO THE COMPANY RECENTLY PARTICIPATED IN A RATE CASE IN WHICH THE RATE OF RETURN ON COMMON EQUITY WAS CONSIDERED?

A. Yes. In Case Number PUE-2016-00033, as part of a global settlement of issues in the case, Columbia Gas of Virginia ("CGV") and case participants reached a stipulation recommending the use of an ROE of 9.50%. This stipulation and proposed recommendation was filed on January 12, 2017, and has not yet been accepted by the Commission.

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[1] Md. Pub. Serv. Comm'n, *Case No. 9322, In the Matter of the Application of Washington Gas Light Company for authority to increase its existing rates and charges and to revise its terms and conditions for gas service*, Order No. 86013 at 3, 12 (Nov. 22, 2013).

[2] D.C. Pub. Serv. Comm'n, *Formal Case No. 1093, In the Matter of the Investigation into the reasonableness of Washington Gas Light Company's existing rates and charges for service*, Order No. 17132 at 141 (May 5, 2013).

Q. DO YOU HAVE ANY OBSERVATIONS REGARDING AUTHORIZED RATES OF RETURN ON COMMON EQUITY FOR A BROADER POPULATION OF NATURAL GAS COMPANIES ACROSS THE UNITED STATES?

A. Yes. *Public Utilities Fortnightly*, a leading provider of information and analysis to the electric, natural gas, water and telecommunications industries, publishes an annual rate case survey, including data on previous and newly authorized ROEs.[3] I examined the publication's 2016 Annual Rate Case Survey, which features a population of seventy-one electric and natural gas utilities with order dates in 2015 and 2016. From this population, I first removed all non-natural gas companies. Next, I only considered natural gas companies with a test year that corresponds with the Company's test year in this rate case.[4]

For the test year consistent with the Company's requested ROE, my analysis suggests that the sample of twenty five rate cases identifies ROEs ranging from 9.00% to 10.50%. Moreover, the mean and median ROEs from this group are 9.60% and 9.53%, respectively.

Analysis of requested ROEs for previous rate cases for each of the twenty five rate cases indicates the range, mean, and median ROEs include 9.08% to 13.00%, 10.01%, and 10.00% respectively. As such, the mean change in ROEs resulting from rate cases with the test years consistent with the Company's application is approximately -.42%. In other words, my analysis of authorized ROEs across the natural gas industry

[3] *See* **Attachment CWE-2** (Pubic Utilities Fortnightly, 2016 Annual Rate Case Survey).

[4] The resulting rates of return on common equity are not available for seven rate cases. As such, a sample of twenty five rate cases is available for analysis.

demonstrates a *decrease* from previous rate cases and lower mean than the ROE the Company seeks.

Q. PLEASE SUMMARIZE YOUR OBSERVATIONS REGARDING WGL'S PROPOSED ROE.

A. I summarize my observations regarding WGL's requested ROE as follows:

- WGL's requested ROE is 75 basis points and 100 basis points greater than the Company's authorized ROEs in Maryland and Washington, D.C., respectively;
- WGL's requested ROE is 65 basis points greater than the mean authorized ROEs of a sample of nation-wide natural gas company rate cases consistent with the test year the Company utilizes in this rate case.

As such, the Company's authorized ROE appears to be too high and is not consistent with industry trends.

III. <u>REVENUE NORMALIZATION ADJUSTMENT</u>

Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF COMPANY WITNESS WAGNER DISCUSSING THE COMPANY'S REVENUE NORMALIZATION ADJUSTMENT PROPOSAL?

A. Yes.

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RNA.

A. The RNA is a billing adjustment mechanism that will adjust customers' rates – as an additional charge or credit – on a two-month lagged basis. The charge or credit would reflect the difference between actual revenues received in a particular month and the expected level of revenues for that month according to the revenue requirement

established in this case. Moreover, the RNA provides for additional revenue collection due to any customer growth.

Q. WHY IS THE COMPANY PROPOSING THE RNA?

A. According to Company Witness Wagner, the Company is proposing the RNA because "there is a significant mismatch between the fixed cost nature of the business and the volumetric emphasis of the utility's rate structures." According to the Company, the "RNA mechanism realigns the collections of revenues with the incurrence of costs."[5]

Q. SHOULD THE COMMISSION AUTHORIZE THE COMPANY'S RNA PROPOSAL?

A. No, for three, interrelated reasons.

First, WGL already has two approved regulatory mechanisms to address variations in its revenue collections – the Weather Normalization Adjustment ("WNA") and the CARE Ratemaking Adjustment ("CRA"). The WNA allows for revenue recovery due to uncertain, year-over-year changes in weather conditions affecting the volumetric delivery of natural gas and use by customers. The CRA allows for revenue recovery due to energy efficiency and conservation efforts affecting the volumetric delivery and use of natural gas. Thus, WGL already has extensive measures in place to protect against any variations in revenue collection.

Second, the proposed RNA is an overly broad revenue recovery instrument that *guarantees* WGL the ability to earn its authorized return, rather than providing the Company the *opportunity* to earn its authorized return. The RNA would include revenue recovery from the WNA and CRA and extend the Company's revenue recovery

[5] Wagner Test. at 10.

opportunity much further. The RNA would compensate the Company for anything and everything that could possibly have causal impact on revenues, including – but not limited to – billing errors, uncollectable accounts, estimated bills and true-ups, commodity gas volatility, business cycles, poor business decisions, policy implementation, etc. In essence, the RNA is positioned as a catch-all for absolute business risk mitigation for the Company and its shareholders.

Third, the proposed RNA could undermine the energy efficiency and conservation goals of the Commonwealth of Virginia[6] and the efficiency, conservation, and ratemaking efficiency goals established by Virginia's Natural Gas Conservation and Ratemaking Efficiency ("CARE") Act[7] and the Company's CARE Plan.[8] The current CRA was established, in part, to compensate the Company for promoting and funding implementation of energy efficiency and conservation efforts affecting the volumetric delivery and use of natural gas. After review and comparison of the currently-authorized CRA's calculation methodology with that of the proposed RNA's calculation methodology, no clear mechanism exists that explicitly encourages energy efficiency and conservation practices consistent with the currently-authorized CRA.

Q. DO YOU AGREE WITH COMPANY WITNESS WAGNER'S ASSERTION THAT "THE OPERATION OF THE CURRENT WNA AND CRA WILL HAVE THE SAME IMPACT ON CUSTOMERS AS THE PROPOSED RNA"?[9]

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[6] *See* Energy Policy of the Commonwealth, Va. Code § 67-100, *et seq.*; *see also* Virginia Department of Mines, Minerals, and Energy, *2014 Virginia Energy Plan, available at* https://www.dmme.virginia.gov/DE/2014_VirginiaEnergyPlan2.shtml.

[7] Natural Gas Conservation and Efficiency Act, Va. Code § 56-600 *et seq.* (2016).

[8] *See In re: Application of Washington Gas Light Company for authority to amend its natural gas conservation and ratemaking efficiency plan,* PUE-2015-00138, Final Order (Apr. 29, 2016), *modified on reh'g,* Rehearing Order (June 21, 2016).

[9] Wagner Test. at 11.

A. No. The WNA and CRA allow for revenue recovery due to uncertain, year-over-year changes in weather conditions and customer energy efficiency and conservation efforts affecting the volumetric delivery and use of natural gas. The methodologies and calculations for the WNA and CRA adjustments specifically reflect the respective issues with volumetric delivery and use they attempt to correct. As the scope of these adjustments would expand with implementation of the proposed RNA, the change in methodology and calculation – as outlined by Mr. Wagner[10] – would result in greater capture of anything and everything that could possibly have causal impact on revenues. As such, Mr. Wagner's statements regarding the similarities is only accurate up to the point that the RNA theoretically includes the coverage of the WNA and CRA. Importantly, the RNA goes beyond the WNA and CRA. The RNA, however, effectively serves as a catch-all for absolute business risk mitigation for the Company and its shareholders.

Company Witness Wagner sponsors a sample billing calculation for one month's billing, which ultimately displays a per-therm credit to customers.[11] While Witness Wagner's sample billing calculation is useful to understand the mechanics of the proposed RNA, the calculation does not provide significant detail on the aggregate impact of the proposed RNA to customers. For example, Mr. Wagner does not provide a calculation on the annual net cost to customers. Moreover, Mr. Wagner does not provide a comparison between the annual net cost of the proposed RNA to that of the existing WNA and CRA. As such, Company Witness Wagner's assertion that the proposed RNA

[10] Wagner Test. at 13.
[11] Wagner Test. Schedule 50j.

will have the same impact on customers apparently fails to consider the annual net costs to customers.

Q. DO YOU AGREE WITH COMPANY WITNESS WAGNER'S ASSERTION THAT THE "REPLACEMENT OF THE CRA AND WNA WITH THE PROPOSED RNA PROVIDES BENEFITS TO CUSTOMERS"?[12]

A. No. Company Witness Wagner asserts that customers would benefit if costs were spread over a greater number of months, which would occur if the RNA is implemented and replaces the existing WNA.[13] However, Mr. Wagner offers no evidence that customers find spreading costs over more months beneficial. Arguably, customers may prefer lower total annual energy costs, which customers may be able to achieve through the existing WNA and CRA rather than the proposed RNA. There is simply no evidence in the Company's testimony to support the assertion that the RNA would benefit customers.

Q. PLEASE DISCUSS HOW THE RNA WILL DISPROPORTIONATELY IMPACT CERTAIN CUSTOMER CLASSES.

A. Company Witness Wagner indicates that the proposed RNA will apply to all customers served under Rate Schedules 1, 1A, 2, 2A, 3, and 3A to which the current WNA and CRA apply. Further, Mr. Wagner indicates that customers served under Rate Schedules 5, 5A, 6, and 6A – to which the WNA currently applies, but the CRA does not – would be exempt from the application of the proposed RNA. Not only is the Company proposing to shift all business risk to its customers, but the Company seeks to take the further step of narrowing the application of the proposed RNA to place all business risk on a *select* number of customer classes. This, in my opinion, is not justified. This proposal is

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[12] Wagner Test. at 11.
[13] *Id.*

particularly troublesome when considering that the proposed RNA would be applied to customer classes that include low-income residential customers who may already have difficulty affording increases in natural gas delivery costs.

Q. PLEASE DISCUSS YOUR CONCERNS WITH COMPANY WITNESS WAGNER'S DESCRIPTION OF HOW THE RNA WILL BE DETERMINED.

A. Company Witness Wagner asserted that the proposed RNA will be determined by normalizing System Charges and Distribution Charges according to test year base revenues against actual calendar month base revenues with augmentation by a customer growth adjustment. However, Company Witness Wagner does not discuss weather normalization calculations – the fundamental component of the current WNA – nor does he discuss calculations reflecting the decoupling of energy efficiency and conservation effects under the existing CRA.[14] Additionally, Company Witness Wagner's Schedule 50j does not calculate weather normalization or decoupling of energy efficiency and conservation efforts. If, as Mr. Wagner asserts, the proposed RNA will have the same impact on customers as the existing WNA and CRA, then the calculations for the proposed RNA should reflect the effects of weather normalization and energy efficiency and conservation. The Company has not demonstrated that the RNA would have the same impacts on customers as the existing WNA and CRA.

Q. HAS THE COMPANY PROPOSED AN RNA IN PAST PROCEEDINGS OF THIS COMMISSION?

A. Yes. WGL proposed the implementation of a RNA in Case Number PUE-2006-00059.

[14] *See* Wagner Test. at 11.

Q. **WHAT WAS THE OUTCOME OF THE RNA IN CASE NUMBER PUE-2006-00059?**

A. In PUE-2006-00059, the Company proposed an RNA. During the same rate case, the Company proposed to implement the existing WNA. These two regulatory mechanisms were requested within the same rate application with the Company's intention to only achieve authorization for one or the other.[15] Under a stipulation, parties to PUE-2006-00059 agreed to the implementation of the WNA, but not the RNA.

Q. **DID THE PROPOSED RNA IN CASE NUMBER PUE-2006-00059 RECEIVE BROAD SUPPORT?**

A. No. Hearing Examiner Skirpan's report[16] only identifies support by Company Witnesses Raab and Wagner, while other case participants opposed the RNA. Witnesses for the case participants has less objection to the WNA at that time, and the parties to the case agreed to a stipulation that included the implementation of the WNA.

Q. **HAS THE COMMISSION WEIGHED IN ON REGULATORY MECHANISMS SIMILAR TO THE RNA FOR OTHER PUBLIC UTILITY COMPANIES REGULATED BY THIS COMMISSION?**

A. Yes. In PUE-2015-00097, the Virginia-American Water Company ("VAWC") proposed the implementation of a Rate Stabilization Mechanism ("RSM") "based on its assertion that it cannot attain its revenue requirement because of declining water use and weather related usage fluctuations."[17] While respecting VAWC is a water utility and the Company

[15] *See e.g.*, Case No. PUE-2006-00059, Final Order at 2 (Sept. 19, 2007).
[16] Case No. PUE-2006-00059, Hearing Examiner's Report (Sept. 17, 2007).
[17] Case No. PUE-2015-00097, Hearing Examiner's Report at 112 (Nov. 29, 2016).

as a natural gas distribution utility, the RSM and RNA decoupling mechanisms are comparable and serve similar purposes.

VAWC noted a conflict between needing to sell more water to meet revenue requirements while concurrently addressing the societal goal of reducing water consumption. Further, VAWC asserted that the RSM would reduce rate case expenditures by removing the sales volume issue.[18]

The Commission Staff and case respondents opposed the RSM on a variety of grounds. Many case participants cited the lack of statutory authority and a lack of supporting evidence for a mechanism that rewards VAWC and penalizes customers for the efficient use of water. Moreover, many case participants maintain a VAWC company witness admitted during hearing that the implementation of the RSM would not contribute a reduction in frequency of rate cases. Many case participants also characterized VAWC's claim that the RSM would result in water conservation and efficiency as doubtful, if not outright false. Many case participants stated that the RSM would provide VAWC the opportunity to charge customers for reduction in water sales, regardless of any reason directly attributable to customers. Many case participants also claimed that the RSM would guarantee VAWC its authorized rate of return, as opposed to allowing VAWC the opportunity to earn its authorized rate of return.

Consumer counsel opposed the RSM on grounds that price signals to customers would no longer be clear and customer water efficiency would not be encouraged as consumption would not be tied to their overall water bill. Moreover, consumer counsel saw no clear

[18] *See* Case No. PUE-2015-00097, Hearing Examiner's Report.

evidence that VAWC was experiencing revenue shortfalls such that responsibility for shortfalls should be shifted from shareholders to ratepayers.[19]

The Commission Staff opposed the RSM due to the fact that VAWC failed to demonstrate that the RSM was necessary or would benefit customers. Moreover, the Commission Staff argued that the RSM would discourage customers from using water more efficiently. Finally, the Commission staff asserted that the RSM would create a disincentive for VAWC to actively maintain efficient operations and control costs.[20]

Considering arguments made by VAWC and case participants, Hearing Examiner Howard P. Anderson, Jr. opined:

> ...primarily because it would shift the financial risk of water sales fluctuations from the Company to its customers. The Company's proposed RSM is a decoupling mechanism that would separate utility profits from water sales by creating a fixed revenue stream independent of volumetric sales. The proposed RSM would allow the Company to receive additional revenue from customers that would replace revenue from water not sold. Currently, lower consumption translates into lower monthly bills. The RSM could adjust those lower bills upward causing the customer to pay for water he or she does not consume. This mechanism would allow the Company to maintain a guaranteed level of revenue which, assuming the Company controls its expenses, practically ensures the Company a higher rate of return. The RSM proposal put forth by the Company is not in the public interest. [21]

The demonstrable effect of the RNA would be to shift the Company's financial risk to customers for any and all reasons that volumetric delivery and use of natural gas changes. In my opinion, this proposal would practically ensure the Company of a higher rate of return.

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[19] *See id.*
[20] *Id.*
[21] *Id.* at 113.

Q. DO ANY OTHER NATURAL GAS DELIVERY COMPANIES IN THE COMMONWEALTH OF VIRGINIA HAVE AN AUTHORIZED RNA?

A. Yes. Virginia Natural Gas ("VNG") and CGV both have authorized RNAs, approved by the Commission in Case Numbers PUE-2008-00060[22] and PUE-2009-00051,[23] respectively.

Q. ARE VNGs AND CGVs AUTHORIZED RNA MECHANISMS EQUIVELANT TO THE RNA PROPOSED BY THE COMPANY?

A. No. The RNA mechanisms that have been approved by the Commission for CGV and VNG were filed as part of applications pursuant to Chapter 25 of Title 56 (§ 56-600 *et seq.*) of the Code of Virginia seeking approval to implement a natural gas conservation and ratemaking efficiency plan ("CARE Plan") which includes a decoupling mechanism. If CGV and VNG each were granted authorization to implement an RNA after filing and seeking approval for a CARE Plan, yet the Company has not taken the same steps.

Q. ARE THE COMPANY'S WNA AND CRA MECHANISMS AUTHORIZED BY STATUTORY AUTHORITY?

A. Yes. Virginia Code § 56-602 *et seq.* ("CARE Act") expressly provides for a natural gas utility to levy a WNA and CRA as authorized in Commission Case Numbers PUE-2006-00059 and PUE-2015-00138, respectively.

Q. DOES THE COMPANY HAVE STATUTORY AUTHORITY TO IMPLEMENT THE PROPOSED REVENUE NORMALIZATION ADJUSTMENT?

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[22] *In re: Application of Virginia Natural Gas, Inc. for approval to implement a natural gas conservation and ratemaking efficiency plan including a decoupling mechanism and to record accounting entries associated with such mechanism*, Case No. PUE-2008-00060, Order Approving Natural Gas Conservation and Ratemaking Efficiency Plan (Dec. 23, 2008).

[23] *In re: Application of Columbia Gas of Virginia, Inc. for approval to implement a natural gas conservation and ratemaking efficiency plan including a decoupling mechanism,* Case No. PUE-2009-00051, Final Order (Dec. 4, 2009).

A. The CRA is based on the requirements of the CARE Act, including the Company's recent CARE Plan proceeding in PUE-2015-00138. But according to the Company's answer to Commission Staff's Data Request No. 9, Question No. 106, "The Company's RNA proposal is not contingent upon having an approved CARE Plan, nor is it being filed pursuant to any other statue (sic)..."[24] The Company does not propose changes to its filed CARE Plan. As such, it is unclear what basis the Company has to implement the proposed RNA as a replacement for the existing WNA and CRA if it is not being proposed as part of a CARE Plan or any other statute.

IV. CONCLUSION

Q: DO YOU HAVE ANY CONCLUDING COMMENTS?

A. Yes. In this ratemaking case, the Company proposes an ROE of 10.25%, which the Company asserts reflects an appropriate business risk premium to adequately attract necessary capital. However, the proposed ROE is higher than those authorized by public utilities commissions in Virginia and elsewhere in the United States. Moreover, the Company proposes an RNA that virtually *guarantees* WGL the ability to earn its authorized returns, rather than providing the Company the *opportunity* to earn its authorized returns. Such a mechanism mitigates business risk for the Company, shifting risk to customers.

Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A: Yes.

[24] *See* **Attachment CWE-3**.

<u>Attachment 1</u>

Curriculum Vitae of Carl W. Eger III

CARL W. "BILL" EGER III, PE, CPM, LEED AP

110 North Royal Street, Suite 300; Alexandria, VA 22314 • bill.eger@alexandriava.gov • (703) 746-3202

PROFESSIONAL EXPERIENCE

City of Alexandria-Office of Energy Management — Alexandria, VA
Energy Manager — *Jan '10 – Present*

- Lead City of Alexandria's technical and programmatic implementation of energy, climate change mitigation, and related sustainability initiatives.
- Manage Office of Energy Management operations: budgeting, policy and operating procedure development, and coordination.
- Supervise, provide oversight and direction, and mentor specialist, technical, and administrative personnel.
- Lead energy management efforts, including energy efficiency and clean/renewable energy capital project implementation, green building design, energy efficient operations and maintenance practices, and employee energy conservation behavior for city-operated facilities, school district facilities, vehicular fleet, and information technology operations.
- Lead public utilities bill payment for all City agencies. Serve as chief negotiator and contract administrator for acquisition of public utilities services and energy resources for all City agencies.
- Lead all energy and utility analytics and business intelligence for City operations, including building energy performance analysis, vehicular fuel consumption analysis, greenhouse gas emission inventory development and analysis, benchmarking and labeling, energy signature development, economic analysis, building energy modeling, data mining and modeling using smart meter/interval data, and related research and development.
- Lead Community Energy Management efforts, including Alexandria Home Performance with Energy Star program implementation; Solarize Alexandria; property assessed clean energy, tax and related incentive programs; clean energy/energy efficiency outreach/engagement.
- Lead green building and energy efficiency program and policy development and implementation serving private, commercial operations.
- Lead energy assurance implementation and reliability efforts for City emergency management functions; include managing City's complete emergency electricity generation infrastructure, community-wide energy assurance planning and coordination, and serve as liaison to utility companies during outage restoration efforts.
- Lead City's consumer advocacy involvement in VA State Corporation Commission's public utility regulatory processes.
- Lead City's energy and climate policy analysis and advise policymakers on appropriate response and action.
- Led development of the Alexandria Energy and Climate Change Action Plan.
- Coordinate regional energy efficiency, clean energy, energy assurance, and climate activities on behalf of City.
- Coordinate and lead smart cities programs on behalf of City, including Chesapeake Crescent Initiative "Safe + Smart Cities" program implementation
- Solicit, manage, and implement energy- and climate-related Federal, State, and philanthropic grants (ex. ARRA EECBG).
- Serve on City retirement benefit, performance measurement, health policy, and leadership development committees.

City of Cleveland-Mayor's Office of Sustainability — Cleveland, OH
Energy Manager — *Aug '07 – Dec '09*

- Led City of Cleveland's technical and programmatic implementation of energy, climate change mitigation, and related sustainability initiatives. Led development of City Greenhouse Gas Inventory and Climate Action Plan development.
- Led energy management efforts, including energy efficiency and clean/renewable energy capital project implementation, green building design, energy efficient operations and maintenance practices, and employee energy conservation behavior for city-operated and school district facilities, vehicular fleet, water/wastewater, public power, and information technology operations.
- Led all energy and utility analytics and business intelligence for City operations, including building energy performance analysis, vehicular fuel consumption analysis, greenhouse gas emission analysis, benchmarking and labeling, energy signature development, economic analysis, building energy modeling, data mining and modeling using smart meter/interval data, and related research and development.
- Led City's clean energy and energy efficiency education/outreach/engagement.
- Led energy and climate policy analysis and advised policymakers for appropriate response and action.
- Solicited, managed, and implemented energy- and climate-related Federal, State, and philanthropic grants.

OTHER RELEVANT EXPERIENCE

Go Sustainable Energy, LLC — Columbus, OH
Energy Engineer — *Jan '07 – Aug '07*

US Department of Energy Industrial Assessment Center — Dayton, OH
Lead Engineer — *Mar '04 – Dec '06*

Engineers in Technical, Humanitarian Opportunities of Service-learning — Dayton, OH
Assistant Director — *Jan '04 – Dec '06*

Energy Information Systems — Dayton, OH
Project Engineer — *May '04 – Dec '06*

Grupo Fenix — Managua, Nicaragua
Renewable Energy Design Engineer — *May '03 – Sep '03*

EDUCATION

The George Washington University — Washington, D.C.
Master of Professional Studies in Sustainable Urban Planning — *Jan '16 – Present*

University of Dayton — Dayton, OH
Master of Science in Engineering (Concentration: Mechanical/Energy Engineering) — *Jan '04 – Dec '06*
Bachelor of Electrical Engineering — *Aug '97 – May '03*
Bachelor of Science in Computer Engineering — *Aug '97 – Dec '02*

NON-DEGREE EDUCATION

ULI Washington Regional Land Use Leadership Institute — Washington, D.C.
Urban Land Institute — *Sept '16 - Present*

Michigan State University - Institute of Public Utilities — East Lansing, MI
National Association of Regulatory Utility Commissioners (NARUC) — *Aug '13*
Annual Regulatory Studies Program

George Washington University/MWCOG — Washington, DC
Certificate of Public Management — *Oct '11 – Oct '12*

City of Alexandria — Alexandria, VA
Leadership and Management Institute — *Feb '11 – May '11*

Cleveland State University — Cleveland, OH
Intermediate Microeconomics, Econometrics — *Jan '08 – May '08*

Sinclair Community College — Dayton, OH
Microeconomics, Macroeconomics, GIS — *Mar '07 – Dec '07*

University of Dayton — Dayton, OH
Renewable and Clean Energy (15 credit hours towards M.S.) — *Jan '06 – Dec '06*

HONORS/CERTIFICATIONS

- Professional Engineer (License #: PE.76219), State of Ohio
- LEED Accredited Professional, US Green Building Council
- Certified Public Manager, American Academy of Certified Public Managers
- Energy & Climate Change delegation participant to Germany federal government, American Council on Germany (Dec 2013)
- US Department of Energy – American Energy Data Challenge – 2nd Prize Winner (Dec 2013)
- Eagle Scout (Boy Scouts of America)
- Emerging Leaders in Environmental and Energy Policy – Atlantic Council
- 2011 US Department of Energy Industrial Assessment Center Alumni Success Story
- FEMA Emergency Management Institute, US Department of Homeland Security (ICS100, ICS200, ICS300, ICS 400, ICS700, ICS800)
- US Department of Energy Industrial Assessment Center Certificate
- US Department of Energy, Industrial Assessment Center of Excellence award recipient
- 2006 Governor's Award for Excellence in Energy (State of Ohio)
- 2006 Henry Chuang Award for Excellence in Energy Conservation and Waste Management (U. of Dayton)

BOARDS/COMMITTEES

- US Department of Energy Advanced Manufacturing Office, Industrial Assessment Center Program FOA Reviewer (2016)
- US Department of Energy Buildings Technology Office Program Reviewer (2014, 2016)
- National Capital Region Homeland Security Program – RESF12 (Energy) Chair, 2013 - Present
- Metropolitan Washington Council of Governments (MWCOG), Built Environment and Energy Advisory Committee, Vice Chair, 2010 – Present
- Virginia Electricity Purchasing Government Authority (VEPGA) - Board of Directors, 2012 – Present
- Virginia Electricity Purchasing Government Authority (VEPGA) - Energy Efficiency Committee, 2011 - Present
- ICLEI *US Community Protocol for Accounting and Reporting Greenhouse Gas Emissions* – Built Environment Technical Advisory Committee, 2010 – 2012 (Chair)
- University of Dayton School of Engineering - Advisory Committee, 2007 - Present
- ICLEI 2010 Local Action Summit Advisory Committee, 2010
- Great Lakes Protection Fund/Wayne State University - *Real Time System Optimization for Sustainable Water Transmission and Distribution Program* - Advisory Board, 2008 – 2009 (Chair)
- Great Lakes Energy Development Task Force - Energy Sustainability Committee, 2008 – 2009 (Chair)

Attachment 2

Excerpt from *Public Utilities Fortnightly* 2016 Annual Rate Case Survey

PUBLIC UTILITIES FORTNIGHTLY
ENERGY, MONEY, POWER
Published on *Fortnightly* (https://www.fortnightly.com)

It is often said that ratemaking is as much art as science. That is particularly true in setting the return on equity component of a utility's revenue requirement.

In this, our annual survey of utility rate cases, we give readers a glimpse into the results of this process as conducted by state utility regulators across the country. The table reports several categories of basic data drawn from electric and natural gas base rate decisions issued during the past year. There is a special emphasis on the rate component that reflects the allowed rate of return on common equity capital. *See Figure 1 - Return on Equity in PDF format.*

Figures and statistics tell part of the story. But it is the process of setting a return on equity that is fair to both shareholders and consumers that demonstrates the art and science practiced by regulators.

One case reported here provides a good glimpse at the entire range of issues put before regulators. And how they assess the entire record to settle on a single return on equity figure to use in determining a utility's revenue requirement.

The featured case is a decision by the Michigan Public Service Commission setting electric rates for Consumers Power Company. The suggested return on equity presented by the witnesses ranged from a low of 9.6 percent to a high of 10.7 percent.

The commission had before it the usual testimony regarding financial modelling, presented in support of each party's estimate of the return on equity required, in order to attract an adequate level of capital.

Such modelling included proxy group recommendations, stock market performance data, bond rating data, and Treasury bond yield risk premium analyses. However, what was particularly notable was the broad range of more subjective types of evidence that could bear on an investor's decision on whether to purchase utility stock.

The utility and other parties to the case spent considerable effort developing testimony detailing a wide range of seemingly subjective opinions, as to which factors investors think about, when deciding where to put their money.

Consumers Power presented technical evidence at the outset to support its request for a return on equity of 10.7 percent. But it also advanced a fail-safe position later in the case, after an administrative law judge had issued a proposed ruling to recommend a lower figure of 10.0 percent.

That fail-safe position asked the commission to recognize that investors would likely expect that the 10.3 percent figure approved by the commission in its most recent rate proceeding would continue in effect.

The utility argued that even though its models showed that investors should want a higher rate, 10.3 percent was still the minimum rate that investors would accept. This, considering the need for revenue given the unusually ambitious and expensive capital improvement program already under way.

Consumers Power pointed out that it was currently engaged in a capital investment program costing more than seven billion dollars over the period 2015 to 2019, with implications both for risk and capital attraction.

The utility added that if the commission was to drop the return on equity to 10.0 percent, as advocated by the commission staff, and supported by the hearing examiner in the case, it would "send the message to investors that Michigan is a volatile regulatory environment."

Consumers Power also argued that in order to attract capital at a reasonable cost it needed to maintain its recently improved credit rating. Here, though, various customer groups answered that the improved ratings provided access to lower debt costs and an improved cash position, which would imply a lower return on equity requirement.

And as one opposing witness commented, "It is an odd world" where any reduction in a utility's rate of return or a failure to raise the rate makes the regulatory environment "volatile."

A similar back and forth played out on other issues regarding these four claims:

The utility enjoyed a reduced risk, given the full set of cost trackers and decoupling measures that form part of the ratemaking process in Michigan. The current historically low interest rates argued for adjustments to return on equity forecasts one way or another. The return on equity awarded by regulators had declined over recent years to levels even lower than the 10.0 percent figure advanced by the commission staff. And investors might not yet fully recognize or appreciate the relative economic stability prevailing today both in the U.S. and in the state of Michigan.

While the commission did not address each of the individual components of the technical testimony before it, it instead hit all the points raised by the parties in one fell swoop.

"While the administrative law judge provided an excellent analysis of this issue, the current return on equity will best achieve the goals of providing appropriate compensation for risk, ensuring the financial soundness of the business, and maintaining a strong ability to attract capital."

In other words, the commission had bought into the company's fail-safe position of 10.3 percent. It would now justify that position on the grounds that an improving economy would likely raise expectations for the average investor.

"Consumers [Power] has planned an ambitious capital investment program, much of which is related to environmental and generation expenditures that are unavoidable and are saddled with time requirements. 10.3 percent is the upper point for the staff's recommended return on equity range.

Consumers showed, using the staff's exhibit, that the average return on equity resulting from recently decided cases in Michigan, Indiana, Ohio, Pennsylvania, and Wisconsin was 10.26 percent. The commission acknowledges that nationally, [rates] have shown a steady decline (as they have in Michigan), and agrees with the Attorney General that Michigan's economy has stabilized. But [the commission] finds that under present circumstances, it is reasonable to assure that investor expectations may be rising."

See Consumers Energy Co., Case No. U-17735, Nov. 19, 2015, reported at 325 PUR4th 218.

Not only did the commission allow the utility to keep its 10.3 percent return on equity, but it also addressed the wide range of testimony in a conclusive fashion, rather than point by point. This view is reflected in a separate dissenting opinion from Commissioner Talberg.

In her dissenting opinion, Talberg said that a 10.0 percent figure recommended by commission staff and the administrative law judge was much better supported. And that actual evidentiary support for a higher rate was almost nonexistent, except for the testimony presented by Consumers Power itself. Talberg expressed the broader view that the commission should better substantiate its determination with the most influential evidence available, rather than rely on a fleeting reference that is not supported by the record.

See Figure 1 - Return on Equity in PDF format by clicking here.

How the Survey Was Conducted

As in prior years, this year's survey covers cost of equity capital determinations by state public utility commissions during the period September 1, 2015 through September 1, 2016.

The survey methodology remains similar to past years. Requests for information on the results of recent rate proceedings were sent to both regulators and utility financial officials. In addition, direct examination of the commission rate orders, when available, provides additional information.

The traditional cost-of-service rate case remains as the most obvious source of information on how utility regulators view the issue of shareholder earnings requirements.

Nevertheless, performance-based rate plans, periodic earnings reviews, and special proceedings to determine revenue requirements for restructured electric delivery-only utility operations also contain findings about the appropriate return on equity for utilities and are reported herein.

Explanatory notes accompany most entries, and citations are provided for orders published in Public Utilities Reports, Fourth Series. *–PC*

Media:

FIG. 1 **2015 RATE CASE STUDY**

State	Company	Utility Type	Case, Docket or Decision No.	Application Date	Order Date	Test-year End Date	Increase (Decrease) Requested ($Million)	Increase (Decrease) Granted ($Million)	Previously Authorized ROE Rate (% - Common Equity)	Newly Authorized ROE Rate (% - Common Equity)
AZ	UNS Electric, Inc.	Electric	75697	5/25/15	8/18/16	12/31/14	22.6[1]	15.1[2]	9.50	9.50
AR	Entergy Arkansas	Electric	15-015-U	4/24/15	2/23/16	3/31/15	268.5	225.1	9.50	9.75
AR	SourceGas Arkansas, Inc.	Gas	15-011-U	4/1/15	1/28/16	3/31/15	12.6	8.0	9.30	9.40
CO	Public Service Co. of Colorado	Gas	15AL-0135G	3/3/15	2/16/16	12/31/14	109.10	38.4	9.72	9.50
ID	Avista Corp.	Electric	AVU-E-15-05	6/1/15	12/18/15	12/31/14	13.20	1.7[3]	10.50[4]	9.50
ID	Avista Corp.	Gas	AVU-G-15-01	6/1/15	12/18/15	12/31/14	3.20	2.5	10.50	9.50
IL	Ameren Illinois	Electric	15-0305	4/24/15	12/9/15	12/31/14	109.174	105.78	9.25	9.14
IL	Ameren Illinois	Gas	15-0142	1/23/15	12/9/15	12/31/16	12.62	11.97	9.08	9.60
IL	Commonwealth Edison Co.	Electric	15-0287, 326 PUR4th 107[5]	4/15/15	12/10/15	12/31/14	(50.46)	(66.68)	9.25	9.14
IN	Indianapolis Power & Light Co.	Electric	44576, 329 PUR4th 486	12/29/14	3/16/16	6/30/14	67.70	30.8	12.10[6]	9.85
IN	Northern Indiana Public Service Co.	Electric	44688	10/1/15	7/18/16	3/31/15	126.6	72.5	10.20	9.975
KS	Atmos Energy Co.	Gas	16-ATMG-079-RTS, 328 PUR4th 275	8/13/15	3/17/16	3/31/15	5.7	2.2	9.10	*
KS	Kansas City Power & Light Co.	Electric	15-KCPE-116-RTS, 324 PUR4th 173	1/2/15	9/10/15	6/30/14	67.3	40.13	9.50	9.30
KS	Westar Energy, Inc.	Electric	15-WSEE-115-RTS	3/2/15	9/24/15	9/30/14	250.9	185.3	10.00	*
LA	Cleco Power LLC	Electric	U-33848	10/31/15	8/11/16	6/30/15	N/A	N/A	10.90	10.90
MD	Baltimore Gas & Electric Co.	Electric	Case No. 9406	11/6/15	7/29/16[7]	11/30/15	107.3	44.1[7]	9.75	9.75
MD	Baltimore Gas & Electric Co.	Gas	Case No. 9406	11/6/15	7/29/16[7]	11/30/15	75.80	47.9[7]	9.65	9.65
MA	Columbia Gas of Massachusetts	Gas	DPU-15-50	4/16/15	10/7/15	12/31/14	49.7	32.8[8]	9.55	9.55
MA	Fitchburg Gas & Electric Light Co.	Electric	DPU 15-80	6/16/15	4/29/16	12/31/14	3.8	2.1	9.70	9.80
MA	Fitchburg Gas & Electric Light Co.	Gas	DPU 15-81	6/16/15	4/29/16	12/31/14	3.0	1.6	9.20	9.80
MA	NSTAR Gas Co.	Gas	D.P.U. 14-150	12/17/14	10/30/15	12/31/13	35.2	15.83	13.00[9]	9.80
MI	Consumers Energy	Electric	U-17735, 325 PUR4th 218	12/5/14	11/19/15	5/30/16	163	126	10.30	10.30
MI	Consumers Energy	Gas	U-17882	7/17/15	4/21/16	12/31/16	85	40	10.30	*
MI	DTE Electric Co.	Electric	U-17767	12/19/14	12/11/15	6/30/16	370.0	238.2	10.50	10.30
MI	Michigan Gas Utilities Corp.	Gas	U-17880	6/22/15	12/11/15	12/31/16	6.7	3.4[3]	10.25	9.90
MI	Upper Peninsula Power Co.	Electric	U-17895	9/18/15	9/18/16	12/31/16	6.68	4.65	10.15	10.00

Source: Fortnightly research, Phillip S. Cross

FIG. 1 **2015 RATE CASE STUDY (CONTINUED)**

State	Company	Utility Type	Case, Docket or Decision No.	Application Date	Order Date	Test-year End Date	Increase (Decrease) Requested ($Million)	Increase (Decrease) Granted ($Million)	Previously Authorized ROE Rate (% - Common Equity)	Newly Authorized ROE Rate (% - Common Equity)
MN	CenterPoint Energy Minnesota Gas	Gas	G-008/GR-15-424, 330 PUR4th 301	8/3/15	6/3/16	9/30/16	54.1	27.54	9.59	9.49
MS	CenterPoint Energy, Inc.	Gas	12-UN-139	5/1/15	12/3/15	12/31/14	2.51	1.91	9.27	9.53
MS	Mississippi Power Co.	Electric	2015-UN-80	5/15/15	12/3/15	5/31/16	159.0[10]	126.0[10]	9.70	9.225
MO	The Empire District Electric Co.	Electric	ER-2016-0023	10/16/15	8/10/16	6/30/15	33.4	20.4	9.75	9.90
MO	Kansas City Power & Light Co.	Electric	ER-2014-0370	10/30/14	9/2/15	3/31/14	120.9	89.7	9.70	9.50
MN	Montana-Dakota Utilities Co.	Electric	D2015.6.51; 7433f	6/25/15	3/25/16	12/31/14	11.7	7.4[11]	10.25[12]	9.50
NL	Newfoundland Power Inc.	Electric	P.U. 18 (2016)	10/16/15	6/8/16	12/31/16	24.5[13]	11.4[13]	8.80	8.50
NJ	Atlantic City Electric Co.	Electric	ER106030252	3/22/16	8/24/16	12/31/15	84.4	45.0[14]	9.75	9.75
NM	El Paso Electric Co.	Electric	15-00127-UT	5/11/15	6/8/16	12/31/14	6.427	1.096	11.50	9.48
NY	Corning Natural Gas Corp.	Gas	11-G-0280, 325 PUR4th 126	7/15/15	10/19/15	4/30/16	3.0	0.426[15]	9.50	9.00
NY	New York State Electric & Gas Corp.	Electric	15-E-0283	5/20/15	6/15/16	12/31/14	123.8	89.8[16]	10.00	9.00
NY	New York State Electric & Gas Corp.	Gas	15-G-0284	5/20/15	6/15/16	12/31/14	36.9	41.8[16]	10.00	9.00
NY	Orange & Rockland Utilities Inc.	Electric	14-E-0493	11/14/14	10/16/15	6/30/14	33.4	18.0[17]	9.60[16]	9.00
NY	Orange & Rockland Utilities Inc.	Gas	14-G-0494	11/14/14	10/16/15	6/30/14	40.7	38.6[16]	10.40	9.00
NY	Rochester Gas & Electric Corp.	Electric	15-E-0285	5/20/15	6/15/16	12/31/14	42.5	50.5	10.00	9.00
NY	Rochester Gas & Electric Corp.	Gas	15-G-0286	5/20/15	6/15/16	12/31/14	22.2	26.0[16]	10.00	9.00
NY	St. Lawrence Gas Co., Inc.	Gas	15-G-0382	6/29/15	7/15/16	12/31/14	1.23	1.23	--	9.00
ND	Montana-Dakota Utilities Co.	Gas	PU-15-90, 325 PUR4th 440	2/6/15	11/4/15	12/31/15	4.3	2.56	9.75	9.50
OK	Arkansas Oklahoma Gas Corp.	Gas	PUD 201500425	11/13/15	3/30/16	8/31/15	0.446[18]	0.446[18]	10.50	10.50
OK	CenterPoint Energy Oklahoma Gas	Gas	PUD 201500118	3/13/15	11/4/15	12/31/14	0.858[18]	0.858[18]	10.50	10.50
OK	Oklahoma Natural Gas	Gas	201500213	7/8/15	1/6/16	3/31/15	50.4	29.995	10.50	9.50
OR	Avista Utilities	Gas	UG-288, 329 PUR4th 85	5/1/15	3/15/16	12/31/16	8.56	4.46	9.50	9.40
OR	Cascade Natural Gas Corp.	Gas	UG-287	3/31/15	12/28/15	12/31/16	3.63	0.59	10.10	9.55
OR	Portland General Electric	Electric	UE-294	2/12/15	11/3/15	12/31/16	66	17.8	9.68	9.60
PA	Columbia Gas of Pennsylvania	Gas	2015-2468056	3/19/15	12/3/15	12/31/16	46.2	28.0	N/A	*
PA	PECO Energy Co.	Electric	R-2015-2468981	3/27/15	12/17/15	12/31/16	190.1	127.0	*	*
PA	PPL Electric Utilities	Electric	R-2015-2469275	3/31/15	11/19/15	12/31/16	167.5	124	10.40	*
SD	Montana-Dakota Utilities Co.	Electric	EL15-024	6/30/15	6/15/16	12/31/14	2.7	1.4	--	*
SD	Montana-Dakota Utilities Co.	Gas	NG15-005	6/30/15	6/15/16	12/31/14	1.5	1.2	*	*

Source: Fortnightly research, Phillip S. Cross

FIG. 1 **2015 RATE CASE STUDY (CONTINUED)**

State	Company	Utility Type	Case, Docket or Decision No.	Application Date	Order Date	Test-year End Date	Increase (Decrease) Requested ($Million)	Increase (Decrease) Granted ($Million)	Previously Authorized ROE Rate (% - Common Equity)	Newly Authorized ROE Rate (% - Common Equity)
SD	NorthWestern Energy Corp.	Electric	EL14-106	12/19/14	11/4/15	9/30/14	26.5	20.9	--	*
TX	El Paso Electric Co.	Electric	44941	8/10/15	8/25/16	3/31/15	71.48	40.7	10.125	9.70[19]
TX	Southwestern Public Service Co.	Electric	43695, 328 PUR4th 1	12/8/14	2/23/16[20]	6/30/14	42.07	(4.0)[21]	10.00	9.70
TX	Texas Gas Service (Gulf Coast Service Area)	Gas	10488	12/30/15	5/3/16	12/31/15	3.17	2.3[3]	--	9.50
VA	Kentucky Utilities Co./Old Dominion Power Co.	Electric	PUE-2015-00063	6/30/15	2/2/16	12/31/14	7.2	5.5	*	*[22]
VA	Virginia Electric Power Co.	Electric	PUE-2015-00027[23]	3/31/15	11/23/15	--	--	[23]	10.00	10.00
WA	Avista Utilities	Electric	UE-150204, 327 PUR4th 269	2/9/15	1/6/16	9/30/14	33.2	(8.1)	10.20	9.50
WA	Avista Utilities	Gas	UG-150205, 327 PUR4th 269	2/9/15	1/6/16	9/30/14	12	10.8	10.20	9.50
WA	Cascade Natural Gas Corp.	Gas	UG-152286	12/1/15	7/7/16	--	10.5	4.0	--	*
WA	Pacific Power & Light Co.	Electric	UE-152253	11/25/15	9/1/16	--	20.3	11.08[24]	9.50	9.50
WV	Mountaineer Gas Co.	Gas	15-0003-G-42T, 325 PUR4th 313	1/5/15	10/13/15	9/30/14	12.2	7.7	9.90	9.75
WI	Northern States Power Co.	Electric	4220-UR-121	5/29/15	12/23/15	12/31/16	27.4	7.6	10.20	10.00
WI	Northern States Power Co.	Gas	4220-UR-121	5/29/15	12/23/15	12/31/16	5.9	4.2	10.20	10.00
WI	Wisconsin Public Service Corp.	Electric	6690-UR-124	4/17/15	12/17/15	12/31/16	96.9	(7.9)	10.20	10.00
WI	Wisconsin Public Service Corp.	Gas	6690-UR-124	4/17/15	12/17/15	12/31/16	9.1	(6.2)	10.20	10.00
WY	Rocky Mountain Power	Electric	20000-469-ER-15	3/2/15	12/30/15	12/31/16	32.40	16.04	9.50	9.50

Source: Fortnightly research, Phillip S. Cross

N/A Not available.

*Settlement agreement, ROE not specified.

1. Gross revenue increase requested.
2. Authorized non-fuel revenue increase.
3. Per approved settlement agreement.
4. Figure approved by order dated 9/30/11.
5. Formula rate adjustment proceeding.
6. Figure shows ROE established in utility's last base rate case in 1995.
7. Date of decision on rehearing of Order No. 87591 in this docket. The original order of 6/3/16 (330 PUR4th 30) had allowed an increase of $41.76 million in electric rates and $47.77 million in gas rates.
8. Approved settlement agreement provides for early implementation of $32.8 million increase effective 11/1/15. An additional increase of $3.6 million to go into effect 11/1/16 contingent upon filing and approval of supporting documentation.
9. As set forth in a 2005 settlement agreement.
10. Figures represent utility's overall revenue requirement as opposed to a base rate increase. Both the revenue requirement and ROE are set forth in a stipulation.
11. Increase to be phased in over a two-year period per settlement agreement; $3 million effective 4/1/16 and an additional increase of $4.4 million effective 4/1/17.
12. ROE not stated in settlement agreement, but the commission finds an ROE in the range of 9.0%-9.5% is supported by the evidence presented in the case.
13. Utility requested an increase of $7.4 million for 2016 and $17.1 million for 2017, for a total of $24.5 million. Utility was granted an increase of $3.4 million for 2016 and $8 million for 2017, for a two-year total of $11.4 million.
14. Per approved settlement agreement. Figure shown is inclusive of major storm event costs.
15. Order approving settlement agreement calling for extension of existing three-year rate plan ending 4/30/15. Plan extended through 4/30/17; base rates remain unchanged from the 2012 rate plan.
16. All figures set forth in a settlement agreement governing a new three-year rate plan.
17. Stipulation results in new two-year rate plan for final year of previous three-year rate plan.
18. Request and increase authorized were in accordance with a performance-based rate-making plan under which the company was deemed entitled to relief if it could show earnings had fallen below a threshold ROE of 10.0%.
19. ROE of 9.70% was approved in settlement for purposes of AFUDC only.
20. Order on rehearing.
21. Figure shown reflects commission finding that utility rate base revenue requirement of $509.3 million decreased by $4.0 million from present authorized amount.
22. ROE range of 9.5% to 10.5% is used for annual informational filings.
23. 2013 – 2014 biennial earnings review. Commission orders credit of $19.7 million to ratepayers under earnings sharing mechanism, with company retaining $112.4 million.
24. Multi-year rate filing. Rate increase of $4.4 million effective 9/15/2016. Phase 2 increase of $6.6 million to begin 9/15/2017.

Attachment 3

WGL Response to Staff Set 9-106

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

CASE NO. PUE-2016-00001

WASHINGTON GAS'S RESPONSE TO
STAFF OF THE STATE CORPORATION COMMISSION

STAFF DATA REQUEST NO. 9

QUESTION NO. 106

Q. Is the Company's proposed RNA contingent upon having an approved CARE Plan? If not, please identify any other statute(s) upon which WGL relies to support its proposed decoupling mechanisms.

WASHINGTON GAS'S RESPONSE **September 22, 2016**

A. The Company's RNA proposal is not contingent upon having an approved CARE Plan, nor is it being filed pursuant to any other statue. However, the Company plans to continue offering energy efficiency programs and will commit to the continuation of existing and future programs with cost recovery.

SPONSOR: James B. Wagner
Director – Rates and Regulatory Affairs