Public Service Commission of the District of Columbia
Office of Consumer Services
1333 H Street, N.W., 6th Floor, East Tower
Washington, D.C. 20005
(202) 626-5120
www.dcpsc.org
Business Hours: 9:00 a.m. – 5:30 p.m. Monday - Friday

People Serving the Community…

WASHINGTON GAS LIGHT PROPOSES RAISING DISTRIBUTION SERVICE RATES (Docketed in F.C. No. 1054)

On December 21, 2006, Washington Gas Light Company (WGL) filed with the District of Columbia Public Service Commission (Commission) a proposal to increase distribution service rates in the District, effective October 2007. WGL states that it is proposing higher rates because its existing rates do not provide the Company an opportunity to earn a reasonable rate of return in the District.

WGL's proposal anticipates that residential heating/cooling customers will see an increase of 8.1 percent in their overall monthly bills. The typical bill for a residential heating/cooling customer using 775 therms of gas per year would increase by $8.47 per month. For non-heating/non-cooling customers in individually metered apartments, assuming average annual usage of 55 therms, the monthly bill increase would be $1.50 per month for an increase of 13.6 percent. For other non-heating/non-cooling residential customers, who on average use 240 therms of gas per year, the increase would be $3.35 per month for an increase of 9.5 percent.

WGL proposes a Performance-Based Ratemaking (PBR) Plan. The PBR Plan would include: (1) a three-year base rate freeze, beginning with rates established in this proceeding; (2) service quality measures; and (3) an earnings sharing mechanism, which would result in earnings of 50 basis points or more above the return on common equity established in this proceeding being shared between ratepayers and shareholders. As part of the PBR Plan, WGL proposes a billing mechanism to adjust distribution charges to reflect any increase or decrease in existing federal or state income tax rates and any new taxes levied on the Company in the District of Columbia.

WGL also proposes to institute a billing adjustment mechanism, referred to as a Revenue Normalization Adjustment (RNA), which is designed to decouple non-gas revenues from the volume of gas delivered. The Company proposes to limit the resulting monthly credits or surcharges to $0.05 per therm, with any additional amounts credited or charged in a future month or months. WGL claims that the RNA would stabilize customers' bills, reduce the frequency of rate case filings, and eliminate any disincentives the Company has to promote conservation programs for its customers. In conjunction with the RNA, WGL proposes a customer education plan focusing on energy efficiency improvements.

Further, WGL proposes a Gas Administrative Charge (GAC). This charge would remove uncollectible account expenses related to gas costs from base rates and collect them from sales customers (customers who buy their gas from WGL and have it delivered by WGL) through the Purchased Gas Charge (PGC), which is already in place. In support of this change, WGL notes that delivery service customers (customers who buy their gas from a competitive provider and have it delivered by WGL) pay for uncollectible account expenses related to gas costs in the commodity rates they are charged.

WGL includes a proposal for the recovery of hexane costs, if recovery of those costs is not approved by the Commission in other pending cases. The Company claims that it is injecting hexane into its gas distribution system to prevent leaks caused by the presence of re-gasified liquefied natural gas in the supply system.

The Company's filing also includes a jurisdictional cost allocation study. The purpose of this study is to assign rate base, operating revenues, and operating expenses to the jurisdictions served by the Company -- the District of Columbia, Maryland, and Virginia.

Finally, WGL has proposed a repression adjustment to test year revenues. The assumption underlying the repression adjustment is that, as rates rise (as the result of this proceeding), consumption of gas, and therefore the Company's revenue, will fall. The purpose of WGL's proposed repression adjustment is to adjust test year sales and revenues to make up for this loss, so that the Company is in a better position to earn the return allowed by the Commission.

A rate case can be divided into three segments: (1) revenue requirement, (2) allocation of the revenue requirement across customer classes, and (3) rate design. The revenue requirement is based on a test year, cost of service, and an allowed rate of return on rate base.

According to WGL, its proposed revenue requirement is $279.6 million, an increase in weather-normalized earnings of approximately $20.0 million, which represents an overall increase of approximately 7.7 percent. In calculating its revenue requirement, WGL relies on a historical test year for the 12 months ending June 2006 and includes various ratemaking and forward looking adjustments. WGL proposes an allowed Rate of Return of 8.89 percent, including an 11.08 percent allowed Return on Equity (ROE). WGL's proposed rate base is $247.7 million.

All of these and other related issues will be thoroughly analyzed as the Commission conducts a 9-month litigated proceeding on all aspects of WGL's proposal. All interested intervening parties will be able to file initial and rebuttal testimony and briefs on WGL's proposal. In addition, the Commission will hold both formal evidentiary and community hearings in order to obtain the full range of public input before it renders its decisions.

A copy of the entire WGL filing, docketed in F.C. No. 1054, can be obtained by clicking here.

Note: This file will take an extended period of time to download because the file size is in excess of 38.5 MB. Please be patient.