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District of Columbia Public Service Commission

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Fact Sheet:

The District of Columbia Public Service Commission is an independent agency established by Congress in 1913 to regulate electric, natural gas, and local telephone companies in the District of Columbia.

Washington Gas Light Proposes Raising Distribution Service Rates (Docketed in F.C. No. 1093)

On February 29, 2012, 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 December 2012. 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;
- The current rate levels are no longer sufficient to provide an appropriate return on investment and do not reflect the increased net investment and operating expenses incurred by the Company.



The Commission will render a decision within 90 days after the close of the record.

According to WGL, its proposed rates are designed to collect \$236.7 million in revenues, an increase of approximately \$29.0 million over what the existing rates would generate, or an overall increase of approximately 14%. In calculating its revenue requirement, WGL relies on an historical test year for 12 months ending September 2011 and includes various ratemaking adjustments. WGL proposes an allowed Rate of Return of 8.91%, including a 10.90% allowed Return on Equity (ROE). WGL's proposed rate base is \$209.3 million.



WGL's proposal would increase the average monthly residential bill for a heating/cooling customer by 14.9%. This would mean the typical bill for a residential heating/cooling customer using 761 therms of natural gas per year would increase by \$11.79 per month. For non-heating/non-cooling customers in individually metered apartments, assuming average annual usage of 57 therms, the monthly bill increase would be \$1.76 per month for an increase of 18.3%. For other non-heating/non-cooling residential customers, who on average use 342 therms of natural gas per year, the increase would be \$4.79 per month for an increase of 12.6%.



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A significant element of this Application is the recovery of costs associated with pension expense. WGL has continued to track and defer the collection of pensions and Other Post-Employment Benefits (OPEB) costs, consistent with the terms of a settlement agreement approved in Formal Case No. 1054 and prior Commission rulings. WGL claims that these costs have significantly risen since the last base rate case and contribute to an increased revenue requirement in this case. The WGL is seeking to amortize the pension and OPEB costs over a three-year period, consistent with the Commission's past treatment of these costs to minimize the level of total bill impact on customers.

WGL is also proposing to expand an existing program for replacing and encapsulating certain older mechanical couplings, which was approved by the Commission in Formal Case No. 1027, to include the accelerated replacement of pipes in its system that are nearing the end of their useful life. According to WGL, with a rapidly aging pipeline system and an expectation for more stringent federal and industry standards for pipeline safety, the Company must replace and reinforce its infrastructure more rapidly and in a manner that does not financially burden the Company or its customers. Additionally, the accelerated replacement of aging pipes will help to reduce greenhouse gas emissions. WGL plans to invest approximately \$119 million to replace aging distribution pipes in the District over the next five years, and the Company requests approval in this proceeding of the expenditures over the next five years, as well as cost recovery.

Other features of WGL's proposal include:

1. Increasing its research and development (R&D) funding (which WGL asserts will benefit gas customers) through participation in programs sponsored by the Gas Technology Institute;
2. Changing certain general service provisions that would (a) adjust the time by which payments must be received to be processed on the same day, (b) eliminate the fee paid by customers to a third-party processor for credit/debit card bill payments, (c) initiate the Automatic Name Change Program to automatically transfer service in the name of a property manager or landlord without interruption of service or the payment of a service initiation fee when a tenant moves out, and (d) permit customers to sign up for the automated payment plan via the Company's website;
3. Changing the low-income Residential Essential Service (RES) program by increasing the existing RES credits by the overall percentage increase in revenue requirements proposed for the residential class and changing the Purchased Gas Charge (PGC) rates used to determine the additional RES credit that account for significantly higher gas costs.

All of these and other related issues will be thoroughly analyzed as the Commission conducts a fully litigated proceeding on all aspects of WGL's proposal. All interested parties who intervene in the proceeding, including the Office of the People's Counsel (OPC), 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. 1093, can be obtained by clicking [here](#).

May 17, 2012