

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA**  
**1325 G STREET, N.W., SUITE 800**  
**WASHINGTON, DC 20005**

**PUBLIC NOTICE**

**October 29, 2019**

**FORMAL CASE NO. 1137, IN THE MATTER OF THE APPLICATION OF WASHINGTON GAS LIGHT COMPANY FOR AUTHORITY TO INCREASE RATES AND CHARGES FOR GAS SERVICE,**

1. By this Public Notice, the Public Service Commission of the District of Columbia (“Commission”) invites interested parties to comment on the Washington Gas Light Company’s (“WGL” or “Company”) 2019 Depreciation Study (“Depreciation Study”).<sup>1</sup> Comments are due within 30 days of the date of posting of this Notice on the Commission’s website and reply comments are due 15 days thereafter.

2. Depreciation is the method companies use to recover the original cost of their investment.<sup>2</sup> Annual depreciation rates are developed based upon the remaining book value of the assets placed in service, amounts received as gross salvage, and expenses incurred for the cost of removal.<sup>3</sup> D.C. Code § 34-1115 requires the Commission to ascertain and determine the proper and adequate rates of depreciation of the several classes of property of each public utility and to make changes in such rates of depreciation from time to time as it may find it to be necessary.<sup>4</sup> The Commission last reviewed WGL’s depreciation rates in *Formal Case No. 1137, In the Matter of the Application of Washington Gas Light Company for Authority to Increase Existing Rates and Gas Service*, where WGL filed a Depreciation Study as part of its rate case application to increase rates. In Order No. 18712, the Commission directed WGL to file a new Depreciation Study at least 90 days before WGL’s next rate case and directed WGL to “revisit its policy to allocate 16.5% of the cost of main and service replacements to cost of removal in developing its new Depreciation Study.”<sup>5</sup>

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<sup>1</sup> *Formal Case No. 1137 (Formal Case No. 1137), In the Matter of the Application of Washington Gas Light Company for Authority to Increase Existing Rates and Gas Service*, Order No. 18712, issued March 3, 2017 (“Order No. 18712”).

<sup>2</sup> Black’s Law Dictionary at 473 (8<sup>th</sup> Ed. 2004), “Depreciation is a decline in an asset’s value because of use, wear, or obsolescence.”

<sup>3</sup> See e.g., Maryland Public Service Commission Case No. 9096, *In the Matter of the Application of Baltimore Gas and Electric Company for Approval of Changes in Depreciation Rates*, Proposed Order of Hearing Examiner, rel. February 26, 2008.

<sup>4</sup> D.C. Code § 34-1115 (2010); see also 15 DCMR § 200.3(e) (any rate application must include a statement showing the amount of depreciation reserve of the utility’s jurisdictional property).

<sup>5</sup> Order No. 18712, ¶ 455.

3. On October 8, 2019, WGL filed the Depreciation Study which indicates that the Company retained Jacobs Consultancy (“Jacobs”) to “conduct an independent review of its pipe replacement processes and practices and provide recommended allocation methodology identifying what portion of its pipe replacement expenditures are attributable to removal versus new asset installation.”<sup>6</sup> According to WGL, Jacobs recommended that the Company “consider adopting revised cost of removal percentages using individual cost of removal percentages for each of its jurisdictions rather than using a single percentage across all jurisdictions and separate cost of removal percentages for main and service replacements.”<sup>7</sup> Specifically, “[f]or the District of Columbia, Jacobs recommended a 7.6% cost of removal percentage for main replacements and 20% for service replacements.”<sup>8</sup> WGL states that at the beginning of the Company’s fiscal year, January 1, 2020, WGL plans on adopting the recommended cost of removal percentages for replacement.

4. WGL indicates that the Company is not proposing any adjustment to the current net salvage rates for mains and service because WGL believes that it would be premature to make adjustments since the magnitude and trend of future rates will not be observable until the revised ratios have been applied for a number of years.<sup>9</sup>

5. In addition, the Depreciation Study notes that, with the exception of accruals for net salvage and amortization of several general plant categories, WGL is using a straight-line method of depreciation, with a vintage group procedure (identifies the level of grouping or sub-grouping of assets within a plant category) and remaining-life technique (describes the life statistic used in the system).<sup>10</sup> WGL is proposing primary depreciation rates equivalent to a composite rate of 2.52 percent which is an increase of 0.09 percent from the current composite rate of 2.43. A summary of the proposed depreciation rates is set forth in the table below:

Function A	Accrual Rate			2019 Annualized Accrual		
	Current B	Proposed C	Difference D=C-A	Current E	Proposed F	Difference G=F-E
Storage	2.08%	2.54%	0.46%	\$ 293,416	\$ 288,916	(4,500)
Transmission	1.58%	2.09%	0.51%	1,075,704	1,423,439	347,735
Distribution	1.98%	2.04%	0.06%	14,376,653	14,843,849	467,196
General	7.51%	7.51%	0.00%	5,609,751	5,606,265	(3,486)
Total	2.43%	2.52%	0.09%	\$21,355,524	\$22,162,469	\$806,945

<sup>6</sup> *Formal Case No. 1137*, Washington Gas Light Company’s 2019 Depreciation Rate Study Per Order No. 18712, filed October 8, 2019 (“Depreciation Study”).

<sup>7</sup> Depreciation Study at p.1 of Cover Letter.

<sup>8</sup> Depreciation Study at p. 1 of Cover Letter.

<sup>9</sup> Depreciation Study at p. 1 of Cover Letter.

<sup>10</sup> Depreciation Study at 4.

6. To aid the Commission in its review of WGL's Depreciation Study, the Commission invites interested parties to submit comments on the methods, techniques, procedures, and conclusions reached by WGL. New depreciation rates can be implemented only through a rate proceeding; therefore, WGL's depreciation rates, if approved, will be implemented after the next WGL rate case.

7. Any party interested in commenting on WGL's Depreciation Study may do so within 30 days of the posting of the Notice on the Commission's website and reply comments are due 15 days thereafter. Comments are to be addressed to Brinda Westbrook-Sedgewick, Commission Secretary, Public Service Commission of the District of Columbia, 1325 G Street, N.W., Washington D.C. 20005. Copies of WGL's Depreciation Study may be obtained by visiting the Commission's website at [www.dcpssc.org](http://www.dcpssc.org). Once at the website, open the "eDocket" tab, click on "Search database" and input "FC1137" as the case number and "330" as the item number. Copies of Pepco's Depreciation Study may also be purchased, at cost, by contacting the Commission Secretary at (202) 626-5150 or [PSC-CommissionSecretary@dc.gov](mailto:PSC-CommissionSecretary@dc.gov).