

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
SCRIPT**

**Commission Meeting – 11:00 am Wednesday, March 1, 2017
Commission Hearing Room
1325 G St NW, Suite 800
Washington, DC 20005
(202) 626-5100**

Chairman Kane

Good Morning; for the record, today is March 1, 2017. The time is 11:30 a.m. This is a meeting of the Public Service Commission of the District of Columbia, being held in the Commission Hearing Room located at 1325 G Street NW, Suite 800.

I am Betty Ann Kane, Chairman of the Public Service Commission. Seated to my left is Commissioner Willie L. Phillips and to my right is Commissioner Richard Beverly.

Pursuant to section 406(2) of the Open Meeting Act of 2010, the Commission scheduled this meeting to consider formal case matters that require Commission action. The proposed agenda for this meeting was posted in the Commission's Secretary Office and on the Commission's website on Monday, February 27, 2017.

Chairman Kane: Commissioner Phillips and Commissioner Beverly are you prepared to vote and adopt the agenda?

Commissioner Phillips and Commissioner Beverly: Yes

Chairman Kane: All in favor of adopting the agenda please indicate by stating yes.

Commissioner Phillips and Commissioner Beverly: Yes

Chairman Kane: and I vote yes so the agenda is adopted.

Chairman Kane: Today there are three (3) action items before the Commission. The matters are:

- 1. Formal Case No. 1017, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia.** This Order approves the Potomac Electric Power Company's ("Pepco") revised proposed retail rates, including the administrative charges, for Standard Offer Service filed February 6, 2017. Pepco shall file a revised tariff setting forth the new retail rates for Standard Offer Service within seven (7) calendar days of the date of this Order. The new rates shall become effective on June 1, 2017.
- 2. Formal Case No. 1140, In the Matter of the Investigation Into the Establishment of a Purchase of Receivables Program for Natural Gas Suppliers and Their Customers in the District of Columbia.** This Order grants the Washington Gas Light Company ("WGL"), and the Retail Energy Supply Association's Petitions to Intervene in this proceeding. The Commission also invites the parties to file

March 1, 2017
Open Meeting

comments on WGL's estimated implementation costs for a Purchase of Receivable Program for the District of Columbia within 10 days of WGL's filing anticipated on March 1, 2017. To account for potential delays, WGL's filing and all comments are due no later than March 17, 2017.

3. The final matter is an Order in Formal Case No. 1137, In the Matter of the Application of Washington Gas Light Company For Authority to Increase Existing Rates and Charges for Gas Service:

The Commission has given careful and thorough consideration of the record in this case, including thousands of pages of filed testimony, six days of evidentiary hearings, four community hearings, and numerous responses to data requests from all of the parties.

The proposed order before us today affects only the rates and charges that WGL would be allowed to impose to recover its costs for construction and maintenance of the infrastructure for the delivery of natural gas to customers in the District and for distribution related services such as metering, billing, and customer service. Pursuant to legislation enacted by the DC Council in 1996, customers may purchase the actual gas commodity from any retail natural gas supplier licensed by the Commission. The price for the actual gas commodity is determined by the competitive market.

Background: On February 26, 2016, Washington Gas Light Company ("WGL" or "Company") filed an Application requesting authority to increase existing rates and charges for gas service in the District of Columbia. WGL's Application requested authority to earn a 8.23% overall rate of return, including a return on equity ("ROE") of 10.25%. According to WGL, the requested rates were designed to collect approximately \$171.7 million in total annual distribution revenues, which represents an increase in the Company's weather-normalized annual distribution revenues of approximately \$17.4 million of which \$4.5 million reflects costs associated with system upgrades previously approved by the Commission and paid through customer surcharges. The Company represented that this reflects an overall increase of approximately 7.6% in revenues over and above current rates.

A pre-hearing conference was held on March 23, 2016, the evidentiary hearings were held over five (5) days in October and one (1) day in November 2016, and community hearings were held in September and October, 2016. In addition to the Office of People's Counsel of the District of Columbia, which is a party as of right, the Apartment and Office Building Association of Metropolitan Washington, the District of Columbia Government, the General Services Administration and the District of Columbia Climate Action were granted intervention as parties in this case.

The various decisions on adjustments to the cost of capital, rate base, and net operating income in this proposed order would produce the following results:

1. WGL's District of Columbia rate base for the test period would be \$255,674,210;

March 1, 2017
Open Meeting

2. The allowed overall rate of return would be 7.57%, including a return on equity of 9.25%, based on an hypothetical adjusted capital structure;
3. The return requirement when the 7.57% rate of return is applied to the adjusted rate base of \$255,674,210 is \$19,354,538;
4. WGL's adjusted District of Columbia net operating income including AFUDC of \$12,944,307 for the test-year was deficient by the amount of \$6,410,231; and
5. The adjustment which would increase WGL's test-year revenue to the level of gross revenue requirements computed in accordance with the findings in this Opinion and Order is \$8,510,251 which includes a proper allowance for taxes. This increase represents approximately 49% of the company's original request.

The proposed order includes the following actions related to contested adjustments regarding rate base, test year revenues and operating expenses:

1. Allows inclusion of the Vintage Mechanical Couplings Replacement ("VMCR") Program and PROJECTpipes project costs that are closed to service and are providing service to customers into rate base.
2. Rejection of WGL's request to move Construction Work In Progress ("CWIP") for the VMCR Program occurring in the test year into base rates. Because WGL has expended the \$28 million in the Settlement Agreement for the VMCR Program, the surcharge is discontinued. The unrecovered amounts of CWIP for the VMCR Program totaling \$1,764,443 will be moved into a new regulatory asset account and included in rate base for recovery.
3. Rejection of WGL's request to move CWIP for the PROJECTpipes Program occurring in the test year into base rates. Approval of the continuation of the surcharge for PROJECTpipes. The PROJECTpipes CWIP will remain in the PROJECTpipes surcharge until the next base rate proceeding.
4. Approval to amortize the District's portion of the abandoned peaking plant, or \$1,504,114, over a 15-year period consistent with the average service life of the plant equipment. However, the Commission denies WGL's request to include the unamortized portion of the adjustment in rate base;
5. Approval of WGL's lead/lag study and cash working capital allowance modified with Commission approved flow-through ratemaking adjustments, which reduces rate base by \$545,634;
6. Approval of the Company's weather normalization adjustment based on the most recent 30 years of weather data from an independent source and accepts WGL's weather normalization methodology and Normal Weather Study;

7. Approval of WGL's Peak Usage Charge calculations and accepts WGL's proposed billing determinants for Peak Usage;
8. Allows WGL's use of composite rates to calculate late payment charge revenues as reasonable;
9. Rejects WGL's proposed Revenue Normalization Adjustment ("RNA");
10. Approval of rate recovery for WGL's short-term incentive compensation for its employees; however WGL's requested Short-Term Incentive Compensation ("STIP") recovery is reduced by 20% (10% for the Corporate Scorecard Utility ROE and 10% for the Corporate Scorecard Non-Utility Adjusted Earnings Before Interest and Taxes ("EBIT")) for the two financial performance goals. This adjustment includes a modification to payroll taxes resulting in an increase in operating income by \$146,039;
11. Rejection of WGL's recovery for its long-term incentive compensation costs, which increases operating income \$1,447,269, and Supplemental Executive Retirement Plan ("SERP") costs, which increases operating income by \$486,492;
12. Approval, with modification to the average service life of five accounts, of the Company's new depreciation rates and the associated adjustment to the Accumulated Reserve for Depreciation; WGL shall file a new depreciation study at least 90 days before WGL's next rate case, and shall 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;
13. Approval of WGL's request to amortize ENSCAN meter equipment;
14. Approval of WGL's expense adjustment for the Company's Fee Free Credit Card in the amount of \$161,343.16;
15. Rejection of the use of ratepayers' funds to support WGL's proposed participation in the Utilization Technology Development and Operations Technology Development Programs, because those projects were not shown to directly benefit ratepayers;
16. Accepts continued amortization of WGL's Pension and Other Post-Employment Benefits ("OPEB") Trackers and carrying as consistent with Order No. 17132 and rejects OPC's requests to re-establish trackers to track the amortization amounts to avoid over-collection and to have carrying charges be based on the cost of debt only.

On the issue of rate design, the proposed Order provides for the following:

March 1, 2017
Open Meeting

1. Approval of a rate design that makes moderate progress toward eliminating negative class rates of return, reducing interclass subsidies, reducing the disparities that now exist in class rates of return; and in recognition that WGL is primarily a distribution company whose major costs are fixed costs, recovering more of the revenue increase through increases in the Customer Charge, Peak Usage Charges and the remainder through volumetric charges;
2. Allows the Company's to collect 69.1% of its revenue increase from the Residential class, 20.3% from its Commercial and Industrial class of customers, and 10.2% from Group Metered customers, with a small amount from Interruptible Service customers; and
3. Approval to increase to the Residential Customer Charge by \$3.20, from \$9.90 per month to \$13.10 per month, for heating/cooling customers,—resulting in an average increase to the total bill of around \$3.20 per month.

The final text of the Order will be served electronically and posted on the Commission's website by no later than Friday. The timeline for Washington Gas Light Company to file its revised rate schedules, together with supporting tables, as well as the effective date that rates will take effect will be prescribed in the Order.

A summary of the Order is being released today.

All in favor of approving the recommended Orders please indicate by stating yes.

Commissioner Phillips and Commissioner Beverly: Yes

Chairman Kane: And I vote yes. The vote being unanimous the Orders are approved.

Announcements:

The Commission will hold Community Hearings in Formal Case No. 1139 – Potomac Electric Power Company's Rate Case. A Community Hearing will be held this evening at *:

Wednesday, March 1, 2017

*Providence Hospital
Ross Auditorium
1150 Varnum Street, NE
Washington, D.C. 20017
6:00 p.m.

Saturday, March 4, 2017

D.C. Public Service Commission
Hearing Room
1325 G Street, NW, 8th Floor
Washington, D.C. 20005
11:00 a.m.

March 1, 2017
Open Meeting

Tuesday, March 7, 2017

D.C. Public Service Commission
Hearing Room
1325 G Street, NW, 8th Floor
Washington, D.C. 20005
6:00 p.m.

A recording of this meeting will be available on the Commission's website within three business days from the date of this meeting. The next regular Commission meeting is scheduled for March 15, 2017, at 10:00 a.m. The proposed agenda for the next Commission meeting will be posted at least 48 hours before the announced meeting.

We only have one additional announcement which is to wish our Commission Secretary Brinda Westbrook-Sedgwick a Happy Birthday. There being nothing further, the Commission now stands adjourned.