



**Office of the People's Counsel
District of Columbia**

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Brenda K. Pennington
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May 17, 2010

VIA ELECTRONIC FILING

Dorothy Wideman
Commission Secretary
Public Service Commission
of the District of Columbia
1333 H Street, N.W.
Second Floor West Tower
Washington, D.C. 20005

Re: Formal Case No. 1079, In the Matter of Washington Gas Light Company's Application for a Revenue Normalization Adjustment Requesting Authority to Amend Its General Service Provisions, Residential Service and Non-Residential Rate Schedules, Firm Delivery Service and Interruptible Rate Schedules Rights-of-Way Surcharge General Regulations Tariff

Dear Ms. Wideman:

Please find enclosed for filing in the above-referenced proceeding an original and fifteen (15) copies of the "Office of People's Counsel's Direct Testimony and Exhibits (Non-Proprietary Version)."

If there are any questions regarding this matter, please contact me at (202) 727-3071.

Sincerely,

Jennifer L. Weberski
Assistant People's Counsel

Enclosure
Cc: Parties of record

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

In the Matter of)
Washington Gas Light Company's)
Application for a)
Revenue Normalization Adjustment)
Requesting Authority to Amend)
Its General Service Provisions,) **Formal Case No. 1079**
Residential Service and)
Non-Residential Rate Schedules,)
Firm Delivery Service and Interruptible Rate)
Schedules Rights-of-Way Surcharge)
General Regulations Tariff)

**DIRECT TESTIMONY AND EXHIBITS OF
THE OFFICE OF THE PEOPLE'S COUNSEL
(NON-PROPRIETARY VERSION)**

VOLUME 1 of 2

**GEORGE E. BRIDEN
J. RANDALL WOOLRIDGE
YOHANNES K.G. MARIAM**

**EXHIBIT OPC (A)
EXHIBIT OPC (B)
EXHIBIT OPC (C)**

**OFFICE OF THE PEOPLE'S COUNSEL
OF THE DISTRICT OF COLUMBIA
1133 Fifteenth Street, N.W.
Suite 500
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(202) 727-3071**

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**DIRECT TESTIMONY AND EXHIBITS
OF
GEORGE E. BRIDEN
EXHIBIT OPC (A)

ON BEHALF OF
THE OFFICE OF THE PEOPLE'S COUNSEL**

MAY 17, 2010

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Formal Case No. 1079

PRE-FILED DIRECT TESTIMONY OF GEORGE E. BRIDEN

23 **I. INTRODUCTION**

24 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

25 A. My name is George E. Briden. My business address is Snake Hill Energy Resources, Inc.
26 ("Snake Hill"), 17 Cody Drive, North Scituate, RI, 02857-2916.

27 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

28 A. I am appearing on behalf of the Office of the People's Counsel for the District of
29 Columbia ("OPC").

30 **Q. WHAT IS YOUR OCCUPATION?**

31 A. I am the President of Snake Hill, an energy consulting firm. Among other things, Snake
32 Hill provides analysis and advice on business and regulatory matters to a variety of
33 clients in the energy industry.

1 **Q. PLEASE STATE BRIEFLY YOUR PROFESSIONAL EXPERIENCE AND**
2 **QUALIFICATIONS.**

3 A. I have been employed in the energy business in various capacities for over twenty-three
4 years. During that period of time, I have held positions with a local gas distribution
5 company, an interstate pipeline, and a privately held firm with substantial interests in the
6 independent power industry and natural gas drilling and exploration. I have also been
7 self-employed as a consultant.

8 During the course of my career in the energy field, I have presented expert
9 testimony in various formal regulatory proceedings at the state and federal level, and
10 have appeared as an expert in arbitration proceedings as well as serving as an arbitrator.
11 In addition, I have performed or undertaken gas supply planning and procurement,
12 contract administration, natural gas and power marketing, risk management, and
13 corporate planning. Since forming Snake Hill, I have provided clients with advice and
14 assistance on regulatory matters, including expert testimony, as well as more general
15 advice on energy matters. A copy of my Curriculum Vitae is attached as Appendix A.

16 **Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND?**

17 A. I graduated from Michigan State University with a BA in economics. I earned MA and
18 PhD degrees in economics from Brown University.

19 **Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ASSOCIATIONS?**

20 A. Yes. I am a member of the American Economic Association, the National Energy
21 Services Association, and the Energy Bar Association.

22

1 **Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE PUBLIC**
2 **SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA (“PSC”)?**

3 A. Yes. I testified in Formal Case No. 1054. My testimony included an analysis of a
4 revenue decoupling proposal advanced by Washington Gas Light Company. The case
5 was resolved by settlement, under which the decoupling proposal was withdrawn.

6 **Q. HAVE YOU EVER TESTIFIED BEFORE ANY OTHER ADMINISTRATIVE**
7 **BODIES?**

8 A. Yes. In addition to the PSC, I have appeared before the Federal Energy Regulatory
9 Commission, the National Energy Board of Canada, the Connecticut Department of
10 Public Utility Control, the Massachusetts Department of Telecommunications and
11 Energy, the New Jersey Board of Public Utilities, the Rhode Island Public Utility
12 Commission, the Massachusetts Energy Facility Siting Board, the Public Service
13 Commission of West Virginia, the Public Service Commission of the District of
14 Columbia, and the Maine Department of Public Utilities. A schedule showing my various
15 evidentiary presentations is attached as Appendix B.

16 **Q. WAS YOUR TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT**
17 **SUPERVISION?**

18 A. Yes.

19

20

21

22

1 **II. SCOPE OF TESTIMONY**

2 **Q. WHAT IS THE SCOPE OF YOUR TESTIMONY?**

3 A. I present recommendations regarding Washington Gas Light Company’s (“WGL” or
4 “Company”) proposed Revenue Normalization Adjustment (“RNA”). Specifically, I
5 address the following designated issues:

6 **Overarching Issue:** “Is WGL’s RNA proposal just and reasonable?”

7 **Issue 1:** “How would a RNA periodic rate adjustment be determined? What inputs
8 should be provided, and how would the inputs be calculated?”

9 **Issue 3:** “How would an adjustment in ROE affect WGL’s revenue requirement and
10 rates? How should any rate reduction be allocated among the customer classes?”

11 **Issue 4:** “Should a RNA be applied to all rate classes? If not, why not, and which rate
12 classes should be excluded?”

13 **Issue 5:** “Given the time elapsed since the establishment of WGL’s most recent revenue
14 requirement, what adjustment(s), if any, should be made to the test year values
15 (components of the formula) if and when the RNA is implemented? Is it practical to
16 implement the RNA as a result of this proceeding, or should its implementation be
17 addressed in a subsequent rate proceeding?”

18 **Issue 7:** “What monitoring and reporting requirements are necessary to allow parties and
19 the Commission to verify whether the RNA calculations are correct?”

20

21

22

23

24

1 **Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR**
2 **RECOMMENDATIONS?**

3 A. Yes. I have included fourteen Exhibits:

4 Exhibit OPC (A)-1: "Rate Impacts and Key Design Elements of Gas and
5 Electric Utility Decoupling" compiled by Pamela G. Lesh

6 Exhibit OPC (A)-2: WGL updated response to OPC Data Request No. 1-10

7 Exhibit OPC (A)-3: WGL response to Follow-up to OPC Data Request No. 2-
8 39(c)

9 Exhibit OPC (A)-4: WGL responses to OPC Data Request Nos. 3-11 and 4-2

10 Exhibit OPC (A)-5: WGL response to OPC Data Request No. 2-6

11 Exhibit OPC (A)-6: WGL responses to OPC Data Request Nos. 1-20(b), 2-7
12 and 2-11 and Follow-up to Data Request Nos. 2-4, 2-7(d), 2-7(e) and 2-10

13 Exhibit OPC (A)-7: WGL response to OPC Data Request No. 4-4

14 Exhibit OPC (A)-8: WGL response to OPC Data Request No. 1-14

15 Exhibit OPC (A)-9: WGL response to OPC Data Request No. 1-9

16 Exhibit OPC (A)-10: WGL response to OPC Data Request No. 1-5(i)

17 Exhibit OPC (A)-11: WGL response to OPC Data Request No. 1-7

18 Exhibit OPC (A)-12: WGL response to OPC Data Request No. 1-12

19 Exhibit OPC (A)-13: WGL response to OPC Data Request No. 1-4(i)

20 Exhibit OPC (A)-14: WGL response to OPC Data Request No. 1-8

21

22

23

1 **III. SUMMARY OF TESTIMONY**

2 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING WGL'S**
3 **PROPOSED RNA.**

4 A. I recommend the Commission reject WGL's RNA mechanism, as proposed. I have
5 provided a brief summary of my analysis and recommendations with respect to each issue
6 below, and address these subjects in more detail in the sections that follow.

7 **"OVERARCHING ISSUE" – IS WGL'S RNA PROPOSAL JUST AND**
8 **REASONABLE?**

9
10 Response and Recommendation: The Company has failed to demonstrate the justness
11 and reasonableness of its proposed RNA. The record evidence does not support the
12 Company's claim that the proposed mechanism is necessary to remedy alleged "financial
13 stress" or that, in its current form, implementation of the RNA will result in any energy
14 efficiency improvements in the District of Columbia. Rather, the Company's RNA
15 proposal creates a virtually guaranteed revenue stream for the Company without any
16 showing that its current method of cost recovery is no longer just and reasonable.
17 Further, while the Company cites the anticipated energy efficiency benefits associated
18 with RNA implementation, its proposal makes it less likely that District natural gas
19 customers will engage in energy efficiency measures. Accordingly, the Company's RNA
20 proposal is unjust and unreasonable and should be rejected. I note that OPC witness
21 Mariam presents an alternative, partial decoupling "pilot" mechanism that the OPC is
22 proposing in lieu of WGL's proposed RNA.

23

24

1 **ISSUE 1: HOW WOULD A PERIODIC RATE ADJUSTMENT BE**
2 **DETERMINED? WHAT INPUTS WOULD BE PROVIDED AND HOW WOULD**
3 **THE INPUTS BE CALCULATED?**
4

5 Response and Recommendation: As discussed by the Company's witnesses, the general
6 mechanics of the RNA are fairly straightforward. However, the Company's proposal
7 masks important price signals and will apparently be in place indefinitely. Accordingly, if
8 the Commission chooses to adopt decoupling in this proceeding, a number of adjustments
9 to the Company's proposal are required, which I discuss below.

10 **ISSUE 3: HOW WOULD AN ADJUSTMENT IN ROE AFFECT WGL'S**
11 **REVENUE REQUIREMENT AND RATES? HOW SHOULD ANY RATE**
12 **REDUCTION BE ALLOCATED AMONG THE CUSTOMER CLASSES?**
13

14 Response and Recommendation: There is insufficient evidence in the record of this case
15 to determine the revenue requirement adjustment that would be required to implement the
16 RNA, as the current revenue requirement is set based on the "black box" settlement
17 achieved in Formal Case No. 1054. If the information necessary to calculate the
18 accompanying rate reduction were available and a revenue reduction could be
19 determined, such a reduction should be allocated to classes on the basis of class fixed
20 costs as recovered through the revenue requirement established in Formal Case No. 1054.
21 If the black box settlement obscures that fixed cost allocation, we would fall back on
22 class revenue as a proxy for class fixed cost.

23 **ISSUE 4: SHOULD A RNA BE APPLIED TO ALL CUSTOMER CLASSES?**

24 Response and Recommendation: Absent a showing that WGL rate classes are differently
25 situated, fundamental fairness requires that all classes be subject to any RNA.
26
27

1 **ISSUE 5: GIVEN THE TIME ELAPSED SINCE THE ESTABLISHMENT OF**
2 **WGL'S MOST RECENT REVENUE REQUIREMENT, SHOULD**
3 **IMPLEMENTATION OF THE RNA BE DEFERRED UNTIL THE NEXT RATE**
4 **CASE?**

5
6 Response and Recommendation: Yes. Attempting to implement the RNA now is
7 problematic. The underlying test year is now four years out of date, suggesting that
8 underlying costs and other relevant factors likely have changed. In addition, Formal Case
9 No. 1054 was settled on a "black box" basis, making it difficult if not impossible to make
10 any necessary adjustments to the revenue requirement of the Company.

11 **ISSUE 7: WHAT MONITORING AND REPORTING REQUIREMENTS ARE**
12 **NECESSARY TO ALLOW THE PARTIES AND THE COMMISSION TO**
13 **VERIFY THE RNA CALCULATIONS ARE CORRECT?**

14
15 Response and Recommendation: The Company's proposed procedures appear adequate
16 to ensure accurate RNA calculations, though, as I discuss below, I have some concerns
17 with respect to the timing of filings and the implementation of any applicable RNA
18 surcharges and/or credits.

19
20 **IV. DISCUSSION**

21 **Q. WHAT IS "REVENUE DECOUPLING" AND WHAT IS ITS PURPOSE?**

22 **A.** Under traditional ratemaking practices, the vast majority of a regulated energy
23 distribution company's revenues typically are tied to its sales volumes. In contrast, and
24 broadly speaking, revenue decoupling ("decoupling") refers to a certain family of rate
25 structures through which a public utility's revenue stream is made independent of (or,
26 "decoupled" from) the actual level of sales the utility experiences in a particular period.

1 **Q. HOW MIGHT DECOUPLING BE IMPLEMENTED?**

2 A. There are two basic decoupling approaches: revenues may be decoupled from sales using
3 either rate design or “tracker” mechanisms. The rate design approach accomplishes
4 decoupling by increasing the amount of cost to be recovered through fixed demand or
5 customer charges. In contrast, tracker mechanisms accomplish decoupling by “truing up”
6 a rate element, such as the revenue requirement, to some target level. We will call this the
7 “revenue normalization” approach to decoupling. In this proceeding, WGL is proposing a
8 version of “revenue normalization.”

9 In practice, decoupling is implemented using a combination of the two
10 approaches, and there is a wide variety of “flavors” of decoupling across jurisdictions.
11 For example, one might accomplish decoupling by raising customer charges (i.e., shifting
12 some revenue recovery away from volumetric distribution charges to fixed charges) and
13 simultaneously truing up distribution revenues, but only if the revenue variance exceeds a
14 specified limit. A description of many of the diverse mechanisms employed in practice
15 may be obtained from the survey recently compiled by Pamela Lesh, “Rate Impacts and
16 Key Design Elements of Gas and Electric Utility Decoupling,” which appeared in the
17 *Electricity Journal*, Vol.22, Issue 8, October 2009. (Exhibit OPC (A)-1).

18 **Q. HOW PREVALENT IS DECOUPLING ACROSS THE UTILITY INDUSTRY IN**
19 **THE UNITED STATES?**

20 A. Exhibit OPC (A)-1 summarizes the status of decoupling in the United States, as of June
21 2009. According to the report, “28 natural gas local distribution gas utilities (LDCs) and
22 12 electric utilities, across 17 states, have operative decoupling mechanisms.” (Exhibit
23 OPC (A)-1, at 3). Obviously, this information will change from time to time. For

1 example, the District of Columbia has since approved decoupling for the electric utility
2 PEPCO. It is worth noting that the pendency of a decoupling proposal is no guarantee of
3 its ultimate implementation. By way of example, in January 2010, the Tennessee
4 Regulatory Authority dismissed a petition for a decoupling mechanism filed by Piedmont
5 Natural Gas Company in Case No. 0900104.

6 **Q. WHAT ARGUMENTS ARE ADVANCED TO SUPPORT THE**
7 **IMPLEMENTATION OF DECOUPLING?**

8 A. Proponents of decoupling cite various benefits purportedly created by decoupling a
9 utility's revenues from its sales. For example, it has been suggested that the revenue
10 stability enjoyed by the Company under a decoupling regime is accompanied by benefits
11 to ratepayers in the form of stable bills. A second theory holds that under decoupling, rate
12 cases will be less frequent than might otherwise be the case. Benefits would then flow to
13 the ratepayers in the form of reduced regulatory expenses incurred by the Company
14 (which generally would be entitled to a "pass through" of such costs) and other active
15 participants in the process. A third theory, and one on which WGL relies heavily in its
16 direct presentation, holds that decoupling is necessary to unleash the presumed power of
17 the utility to promote more "conservation," which presumably is inherently beneficial to
18 society in general and ratepayers in particular and which moreover is consistent with
19 public policy. Decoupling proponents assert that it removes a "disincentive" to energy
20 efficiency programs by insulating the utility from the revenue impact of reduced
21 customer consumption. As we shall discuss at some length below, the Company's
22 witnesses offer these rationales at various points in their filed testimony.

23

1 **Q. WHAT IS YOUR VIEW OF THESE THEORIES?**

2 A. I take issue with these sorts of arguments and will explain the bases for my concerns
3 below. However, even if we were to accept these claims as true for the sake of argument,
4 they are not sufficient to demonstrate that decoupling is good public policy. This is
5 because these arguments ignore any social costs that accompany the implementation of
6 decoupling.

7 **Q. PLEASE EXPLAIN.**

8 A. Using basic economic tools, it is possible to demonstrate that certain policies should be
9 implemented by utility regulators because they maximize ratepayer welfare, while
10 ensuring reliable service. For example, (all things being equal) customer charges should
11 be designed to recover the Company's customer related costs and variable costs should
12 be recovered through the volumetric distribution charge. These same tools can be
13 employed to examine the desirability of decoupling, and what they demonstrate is that
14 decoupling is not the indicated solution if the regulator is attempting to maximize
15 ratepayer welfare while still ensuring reliable service. In short, the use of decoupling as a
16 ratemaking device is suboptimal because decoupling is essentially a risk shifting exercise.
17 The business risk the utility bears before decoupling includes the risk that ratepayers may
18 reduce their average energy use due to increased commodity costs, reduced personal
19 income, weather changes, generally depressed economic conditions, or any of a myriad
20 of other factors. After implementation of "full" decoupling, such as proposed by the
21 Company, that business risk is significantly reduced. Through decoupling, the business
22 risks formerly borne by the utility's investors are shifted to its ratepayers. This
23 conclusion is inescapable and follows directly from the arithmetic of decoupling: what

1 the utility formerly experienced as business risk is, post decoupling, now experienced by
2 the ratepayers as the risk of future surcharges. Moreover, it is just as clear that ratepayers
3 are worse off with decoupling than without it. This occurs because, as a rule, the utility's
4 customers tend to be "risk averse," meaning that they prefer relatively less uncertainty,
5 all things being equal, and they are harmed when what had been the utility's business risk
6 is laid at their doorstep without adequate compensation.

7 **Q. WHAT IS THE SIGNIFICANCE OF THESE OBSERVATIONS?**

8 A. This analysis establishes that there is no *a priori* case to be made that decoupling *per se*
9 provides net benefits to ratepayers. In fact, quite the opposite appears to be the case.
10 Given that, we are led to consider whether there are any opportunities to provide
11 compensation to ratepayers, such as reductions in the revenue requirement, which would
12 compensate ratepayers for the welfare losses accompanying the implementation of
13 decoupling.

14 **Q. ARE YOU SUGGESTING THAT DECOUPLING SHOULD BE ACCOMPANIED**
15 **BY A REDUCTION IN THE UTILITY'S COST OF SERVICE AND REVENUE**
16 **REQUIREMENT?**

17 A. Yes. The utility's reduced risk exposure should be rewarded by the capital market via a
18 lower cost of capital, which translates into a lower cost of service for the utility. Under
19 established ratemaking principles and practices, this lower cost of capital should translate
20 into a reduced revenue requirement.

21

1 Q. DOES THIS REDUCED REVENUE REQUIREMENT PROVIDE ADEQUATE
2 COMPENSATION TO RATEPAYERS FOR THE ASSUMPTION OF THE RISKS
3 YOU HAVE DESCRIBED ABOVE?

4 A. No.

5 Q. PLEASE EXPLAIN.

6 A. Because the kind of risk that is shifted to consumers through decoupling is not
7 experienced by the utility and its ratepayers in the same way, compensating ratepayers for
8 the *utility's* loss of risk does not capture the full impact of decoupling on consumers. To
9 illustrate: in a perfect world, everyone, including the ratepayers, could access the capital
10 markets and everyone would therefore see the same price of risk. The price of risk
11 perceived by the ratepayers would be the same as the price the utility sees when it goes to
12 the capital market to obtain financing supported by ratepayer revenues. In this perfect
13 world, if the amount of risk shifted to ratepayers through decoupling were the same as the
14 amount of risk priced by the capital market before decoupling, then the reduction in the
15 revenue requirement accompanying decoupling would precisely match the amount of
16 compensation ratepayers require to be made whole.

17 However, as we know, the real world rarely matches theoretical ideals. The
18 capital markets are not perfect and access thereto is not equally distributed. The "risk
19 inefficiency" of decoupling -- in which the shifting of risk from one group to another
20 actually increases the total amount of risk experienced overall -- arises as a result. If there
21 are ratepayers who cannot (or will not, for practical reasons) access the capital market to
22 hedge or buy insurance for the "surcharge risk" that decoupling presents to them, then
23 ratepayers as a group are not only worse off with decoupling than otherwise, they are

1 worse off than the Company was without decoupling. The reason is that the Company,
2 while experiencing this risk before, could hedge that risk in the capital markets. To
3 understand this concept, consider that individual ratepayers expose utilities to the risk of
4 changing average use for reasons that go beyond energy market prices and general
5 economic activity. We posit that for each individual ratepayer, there is some unique set of
6 income and other risks unrelated to general system risk. When the utility “pools” these
7 ratepayer specific risks and takes them into the capital market, the capital market does not
8 require compensation insofar as such risks can be and are diversified away. Put another
9 way, the capital market demands compensation only for systematic risks. Under
10 decoupling, then, the individual ratepayers can experience an increase in their personal
11 risk exposure that is *greater* (by the diversifiable portion of that personal risk) than the
12 reduction in risk exposure experienced by the utility in the capital market due to
13 decoupling. Thus, the decline in the utility’s cost of capital associated with decoupling
14 produces a reduced revenue requirement, but these induced savings are insufficient to
15 “pay” the ratepayers to take the average use risk formerly carried by the company. If this
16 occurs, decoupling is socially “risk inefficient” insofar as individual ratepayers are
17 required to absorb otherwise diversifiable risks. The presence of this risk inefficiency in
18 decoupling imposes real costs on ratepayers. This conclusion leads us to examine more
19 closely the claims of benefits advanced by the proponents of decoupling.

20 **Q. EARLIER YOU INDICATED THAT THE CLAIMS BENEFITS OF**
21 **DECOUPLING ARE QUESTIONABLE.**

22 **A. Yes. I do not believe that the claims of decoupling’s benefits stand up to close scrutiny.**

23

1 **Q. WHAT OF THE CLAIM RATEPAYERS PREFER STABLE BILLS?**

2 A. Ratepayers do not necessarily prefer stable bills. They prefer bills based on consumption,
3 a factor over which they have some control. To see this, consider the following example.
4 Suppose the Internal Revenue Service was given the same decoupling authority the
5 Company seeks in this case. Under that scenario, if your personal income went down, the
6 IRS would send you a bill for the difference between the tax per your current income and
7 the tax you would have paid if your income had not declined. Thus, the IRS would have
8 “stabilized” your tax bill. I submit that no one would seriously argue that they would be
9 better off with such a decoupled tax bill. This reasoning extends by analogy to the
10 utility’s bills.

11 **Q. WHAT OF THE CLAIM THAT DECOUPLING IMPLIES FEWER RATE CASES**
12 **AND FEWER RATE CASES BENEFIT RATEPAYERS?**

13 A. The basic idea is that fewer rate cases imply a reduction in the resources consumed by
14 regulatory proceedings. WGL makes this claim in support of its proposal. (*See*, for
15 example, Direct Testimony of Paul S. Buckley (“Buckley Direct”), page 8, line 25
16 through page 9, line 2). As a practical matter, given WGL has filed only four rate cases
17 since 1990 (Formal Case Nos. 1054, 1016, 934 and 922),¹ and agreed in the settlement of
18 Formal Case No. 1054 (the most recent base rate case) to a very modest increase and a
19 rate filing moratorium until almost the end of 2011, it is hard to see how much less
20 frequent WGL’s rate requests might become. Moreover, there is some indication the
21 Company of late has, in fact, successfully recovered its current revenue requirement,

¹ In addition, during this period OPC filed a complaint challenging WGL’s rates as excessive. The Company’s response to the complaint (docketed as Formal Case No. 989) was to contend that its rates should be increased rather than decreased.

1 seemingly making a rate case unlikely in the near future. (See, Exhibit OPC (A)-2, WGL
2 updated response to OPC Data Request No. 1-10). As a matter of theory, while there is
3 little doubt that fewer rate cases mean lower regulatory “overhead” cost; this does not
4 necessarily translate into a lower overall cost of service. It could just as easily imply the
5 opposite result.

6 **Q. PLEASE EXPLAIN.**

7 A. An increase in the number of rate filings also includes heightened and more regular
8 scrutiny of utility costs and expenses. This should result in rates that more closely match
9 the Company’s ongoing cost of service, providing more accurate rates than may be the
10 case where a utility’s stated rates are not adjusted for an extended period of time. In this
11 fashion, an increase in the number of rate cases is not necessarily detrimental to WGL
12 customers. Put another way, the greater the frequency of rate proceedings, the less likely
13 it is that ratepayers wind up paying more than necessary for utility services. Accordingly,
14 reducing the frequency of rate proceeding is not necessarily going to translate into real
15 ratepayer benefits in the form of cost savings. Thus, this purported source of the benefits
16 of decoupling is questionable.

17 **Q. WHAT OF THE IMPACT OF THE UTILITY’S EFFORTS TO PROMOTE**
18 **CONSERVATION?**

19 A. First, we should note that decoupling does not provide the utility with any incentive to
20 promote conservation. Decoupling eliminates a disincentive to promote reduced
21 consumption. Accordingly, it would seem that if the linchpin of the decoupling debate is
22 the utility’s purported ability to promote socially beneficial conservation, then something
23 besides the implementation of decoupling must be done to ensure that the utility’s best

1 efforts are deployed to reduce consumption. For example, the PSC, perhaps in
2 conjunction with other agencies, could actively monitor or prescribe specific
3 conservation promotion programs that the utility would be required to implement. This is
4 particularly important given that, in the absence of some further energy efficiency
5 requirements of the Company, the “decoupling” of its revenues from its sales means that
6 distribution portion of customer bills will also be “decoupled” from their consumption
7 patterns. This will *reduce*, rather than increase, the likelihood that customers will engage
8 in conservation behavior, as they will see no reduction in their distribution charges, even
9 if they reduce gas consumption.

10 **Q. COULD YOU SUMMARIZE YOUR TESTIMONY ON THE COSTS AND**
11 **BENEFITS OF DECOUPLING?**

12 A. Yes. In this section I have discussed how shifting the utility’s business risk to its
13 customers actually increases the total amount of risk experienced overall because, unlike
14 the Company, customers generally cannot hedge this increased risk. As a result,
15 attempting to compensate customers for decoupling through a downward ROE reduction
16 equivalent to the Company’s reduced risk fails to fully capture the impact of this risk
17 shift on customers. This is among the reasons that regulators pursuing the interests of
18 their ratepayer constituents generally should not choose rate mechanisms like decoupling.
19 I have also discussed how the arguments usually marshaled in favor of decoupling do not
20 stand up well to close scrutiny. The conclusion I draw is that the regulator choosing to
21 implement decoupling must proceed carefully to ensure that the choice of rate regime
22 does not wind up doing more harm than good.

23

1 **A. OVERARCHING ISSUE: IS THE COMPANY'S RNA JUST AND**
2 **REASONABLE?**

3
4 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED DECOUPLING**
5 **MECHANISM.**

6 A. WGL Witness Wagner describes the mechanics of the Company's proposed decoupling
7 mechanism, which the Company has titled the "Revenue Normalization Adjustment."
8 (Direct Testimony of James B. Wagner ("Wagner Direct"), at page 3, line 10 *et seq.*) As
9 described by Witness Wagner, "The RNA is a sales adjustment factor computed on a
10 monthly basis that creates a credit or charge to be added or subtracted from the monthly
11 distribution charge for all firm customers and interruptible delivery service customers."
12 (*Id.* at page 3, lines 12-15). The credit or charge is intended to reflect the difference
13 between actual revenues in a month and the monthly revenues consistent with the
14 revenue requirement that emerged from Formal Case No. 1054.

15 **Q. DOES WITNESS WAGNER PROVIDE ANY ANALYSIS IN SUPPORT OF THE**
16 **RNA?**

17 A. No. Witness Wagner defers to Witness Raab for the necessary theoretical support for the
18 implementation of the RNA, thus leaving to Witness Raab the job of demonstrating that
19 the RNA is just and reasonable. Witness Buckley similarly relies heavily on Witness
20 Raab to support the RNA, repeating, in summary form, many of Witness Raab's
21 theoretical claims with respect to the justness and reasonableness of the Company's
22 proposal.² Witness Raab assumes the two-pronged burden of demonstrating that (i)

² As I address below (and as OPC Witness Mariam addresses in further detail), Witness Buckley's remaining claims relating to energy efficiency demonstrate that the Company has undertaken no commitments with respect to energy efficiency programming in the District, that it has no immediate plans to propose such measures, and that its track record shows that in the absence of a regulatory requirement of some kind, it does not implement energy efficiency measures as a result of RNA implementation.

1 decoupling *per se* is just and reasonable; and (ii) the specific decoupling mechanism
2 proposed by the Company is also just and reasonable.

3 **Q. WHAT ARGUMENTS DOES WITNESS RAAB ADVANCE IN SUPPORT OF**
4 **DECOUPLING?**

5 A. Witness Raab offers several arguments that purportedly support decoupling, and these
6 appear in various parts of his testimony. Initially, depending on where one picks up the
7 thread of Mr. Raab's arguments, he suggests that there are either "two basic reasons"
8 (Direct Testimony of Paul H. Raab ("Raab Direct"), at page 6, line 5) or "three basic
9 reasons" (*Id.* at page 6, line 17) to decouple. In any event, Witness Raab seems to have
10 only two "basic" arguments to advance. These are (i) decoupling provides needed "rate
11 synchronization"; and (ii) decoupling removes "significant disincentives for utilities to
12 promote conservation." (*Id.* at page 6, lines 5-15). In addition to these "basic" reasons,
13 Witness Raab subsequently advances other reasons in support of the implementation of
14 decoupling, including that decoupling (iii) provides more accurate price signals, (iv)
15 results in more stable rates and bills, and (v) benefits low income customers. (*Id.* at page
16 16, *et seq.*).

17 **Q. PLEASE DISCUSS THE "RATE SYNCHRONIZATION" ARGUMENT.**

18 A. This argument proceeds from the well known fact that a natural gas distribution
19 company's underlying costs are less than perfectly correlated with the distribution
20 company's throughput. Put another way, a significant majority of a distribution
21 company's non-gas cost of service is fixed, at least in the short run. By way of example,
22 the claim is made that something on the order of 70% of the Company's costs are demand
23 and customer related, and thus approximately "fixed" (again, at least in the short run).

1 (Exhibit WG (B)-2, line 21, columns (B) and (C)). In contrast, something on the order of
2 81% of the Company's revenue is tied to throughput under the "current rate design." (*Id.*
3 at line 21, column (G)). This juxtaposition is problematic, in Witness Raab's view,
4 because there are other factors that will cause throughput to fluctuate from time to time,
5 such as the weather, with the result that in a given year the Company is virtually assured
6 that it will either over or under recover its non-gas cost of service. Thus, the Company's
7 revenue stream is "out of sync" (Raab Direct at page 6, line 22) with the Company's cost
8 structure.

9 **Q. IS IT THE COMPANY'S POSITION THAT THE CURRENT LACK OF "RATE**
10 **SYNCHRONIZATION" IS A BAD THING?**

11 A. Apparently. In his testimony, Witness Raab appears to claim that the present lack of rate
12 synchronization is undesirable because it results in (i) "unnecessar[y] stress[]" on the
13 Company's finances; (ii) greater "pressure for rate relief"; and (iii) "higher bills" to
14 consumers. (Raab Direct at page 4, lines 1-5). Unfortunately, Witness Raab does not
15 adequately explicate these claims, and fails to support them. For example, Witness
16 Raab's claim of "unnecessary[y] stress[]" on the Company's finances seems to have been
17 made of whole cloth. It is not based upon discussion with anyone at the Company. (*See,*
18 Exhibit OPC (A)-3, WGL response to Follow-up to OPC Data Request No. 2-39(c)).

19 Moreover, the Company's recent results seem to point to anything but financial
20 "stress," as the Company earned in excess of its authorized return on equity during 2007,
21 2008 and 2009, if not earlier. (*See,* Exhibit OPC (A)-4, WGL responses to OPC Data
22 Request Nos. 3-11 and 4-2). These excess returns are the direct result of the lack of rate
23 synchronization, as volumes exceeded test year levels. In addition, the Company's

1 response to OPC Data Request No. 1-10 (Exhibit OPC (A)-2) shows had the RNA been
2 in place during 2008 and 2009, residential customers would have been entitled in each
3 year to a credit, an indication that the Company was over-recovering its residential
4 requirement during those years.

5 **Q. YOU MENTION THAT WGL'S SALES VOLUMES EXCEEDED TEST YEAR**
6 **LEVELS. WHAT IS THE BASIS FOR THIS STATEMENT?**

7 A. This statement is based upon the Company's response to OPC Data Request No. 4-2,
8 which is contained in Exhibit OPC (A)-4. WGL's response to OPC Data Request No.
9 4-2 identifies actual volumes delivered, by month, for the period from January 2005
10 through March 2010, as well as test year volumes for the same period.

11 These data show that over this five years-plus period of time, the Company has
12 delivered gas volumes substantially in excess of its test year levels. For example, during
13 the first three months of 2010, WGL's actual delivered volumes exceeded test year
14 forecasted levels by more than 19 million therms.

15 Again, these data are contrary to the Company's claims in this proceeding that its
16 current, volumetric rate design is exerting financial "stress" on WGL. If anything, the
17 data bolster the view that the Company is over-recovering its revenue requirement.

18 **Q. WHAT ABOUT THE ARGUMENT THAT THE ABSENCE OF A RNA MEANS**
19 **GREATER PRESSURE ON THE COMPANY TO SEEK RATE RELIEF?**

20 A. Given the level of over-recovery by WGL over the past few years, I find it unlikely that
21 Company management will feel "pressure" to seek rate relief. In fact, the claimed greater
22 "pressure for rate relief" is contrary to the facts-on-the-ground, inasmuch as the Company
23 has filed only four rate cases since 1990. With respect to the purported relationship

1 between “rate synchronization” and “higher bills,” the record stands empty.
2 Consequently, we are left with the assertion that the RNA will provide “rate
3 synchronization” and no reason whatever to suppose that this would be a desirable
4 outcome.

5 **Q. IN YOUR VIEW, WOULD “RATE SYNCHRONIZATION” BE DESIRABLE?**

6 A. No. As Witness Raab eventually reveals, as far as he is concerned the RNA is a second-
7 best alternative to “simply fix[ing] the rate design problem.” (See Raab Direct at page 4,
8 lines 8-9; WGL response to OPC Data Request 2-72 (“The RNA might perhaps be an
9 overly broad solution to the utility’s revenue problem because it adjusts for all deviations
10 from test year volumes, something that rate design reform might not do”). What Witness
11 Raab appears to have in mind is a “gradual” shift to recovering all short-run fixed costs
12 via customer charges. (*Id.* at page 22, lines 6-14). According to Witness Raab, such a
13 result “is in the long-term best interests of the Company, its customers and society.” (*Id.*
14 at page 22, lines 14-15). But these claims are fanciful. The fact is that, absent demand
15 meters on all accounts, the Company’s rates must recover the bulk of its demand costs via
16 the variable distribution charge in order to convey the proper signal to consumers that
17 their demands cause costs to be incurred. Any other result is suboptimal. In short, some
18 portion of a company’s fixed costs should be recovered through the variable distribution
19 charge. This necessarily implies that, from time to time, as throughput deviates from
20 levels used to design rates, the Company will over- or under-recover some of its fixed
21 costs. Rates are thus not “synchronized,” but that is a fact which goes hand-in-hand with
22 the proper rate design.

1 Q. WHAT DO YOU MAKE OF THE COMPANY'S CLAIM THAT DECOUPLING
2 REMOVES SIGNIFICANT DISINCENTIVES FOR UTILITIES TO PROMOTE
3 CONSERVATION?

4 A. I do not disagree the RNA may remove the utility's disincentive to promote conservation.
5 However, the RNA itself provides the utility with no positive incentive to encourage
6 conservation efforts on the part of its customers. While Witness Buckley tries to claim
7 otherwise through the stretching of language in his response to discovery (*See*, Exhibit
8 OPC (A)-5, WGL response to OPC Data Request No. 2-6), the Company's lack of
9 incentive is illustrated by its lack of any specific plans in hand to take actions to
10 implement conservation and energy efficiency programs if the RNA is implemented, and
11 by its failure to implement any new energy efficiency programs in Maryland since its
12 RNA was granted in that jurisdiction in 2005. (*See*, Exhibit OPC (A)-6, WGL responses
13 to OPC Data Request Nos. 1-20(b), 2-7 and 2-11 and Follow-up to Data Request Nos. 2-
14 4, 2-7(d), 2-7(e) and 2-10). This is a huge hole in the doughnut, in that the Company
15 extols the conservation virtues of its decoupling proposal while at the same time
16 promising nothing in the way of doing something about conservation. As I discussed
17 earlier, decoupling, on its own, will not lead to greater socially beneficial conservation.
18 On the other hand, if the Company had such conservation plans, it would then be
19 reasonable to discuss rate mechanisms to protect the Company from the impact of its own
20 efforts on its revenues. OPC Witness Mariam presents a discussion of how such a rate
21 mechanism might be developed and structured.

22

1 **Q. IF THE COMPANY DOES NOT IMPLEMENT ANY NEW ENERGY**
2 **EFFICIENCY MEASURES AS A RESULT OF THE RNA, WHAT EFFECT**
3 **WILL IMPLEMENTATION OF THE RNA HAVE ON CUSTOMER**
4 **CONSERVATION?**

5 A. Ironically, the RNA may lead to less conservation. Customers are generally motivated to
6 conserve by economics, as we have seen clearly in the declining national average
7 use/high energy price experience of the last few years. In this regard, it is important to
8 note that a RNA is a "conservation tax"; as ratepayers reduce their average use through
9 conservation, the Company imposes a surcharge. This will surely lead to less
10 conservation at the margin, just as a tax on any other activity reduces the level of that
11 activity.

12 **Q. WITNESS BUCKLEY STATES, AT PAGE 2 OF HIS SUPPLEMENTAL**
13 **TESTIMONY: "ULTIMATELY, WITH ALL OTHER FACTORS BEING**
14 **EQUAL, I BELIEVE CUSTOMER BILLS WILL BE LOWER [AFTER**
15 **IMPLEMENTATION OF THE RNA]."** DO YOU AGREE?

16 A. I am not sure what Mr. Buckley has in mind when he says the bills will be lower, "all
17 other factors being equal." As discussed by OPC Witness Woolridge, any adoption of
18 the Company's proposed RNA should be accompanied by a reduction in WGL's ROE. If
19 the ROE reduction was implemented, I assume that the result would, "all other factors
20 being equal," be lower customer bills. However, the Company is not proposing a
21 reduction in the ROE, so I am unsure what Mr. Buckley is referring to. In a response to
22 OPC Data Request No. 4-4, Mr. Buckley states what he means by "all other factors being
23 equal" is, post-RNA, there will be a reduction in customer consumption which will result

1 in a lower bill, even after any RNA surcharge. (See, Exhibit OPC (A)-7, WGL response
2 to OPC Data Request No. 4-4). If I understand him, Mr. Buckley's point -- far from a
3 contention based on "all other factors being equal" -- seems to be a claim premised upon
4 a set of unsupported (and in some cases unlikely) assumptions. Mr. Buckley seems to be
5 saying that *if* the proposed RNA is approved, and *if* the Company develops new energy
6 efficiency programs, and *if* those programs are approved, and *if* their implementation
7 results in a decline in customer consumption, *then* the ultimate result will be lower
8 customer bills. Far from a scenario built upon "all other factors being equal," Mr.
9 Buckley's point is based on assumed changes in all of the current and relevant
10 circumstances.

11 **Q. CAN YOU SUMMARIZE YOUR CONCLUSIONS ABOUT THE COMPANY'S**
12 **JUSTIFICATION FOR IMPLEMENTATION OF THE RNA?**

13 A. Yes. Witness Raab would have the PSC implement the RNA on the theory that it would
14 lead to purportedly desirable "rate synchronization" and greater conservation efforts by
15 the Company. However, what we have seen is that (1) "rate synchronization" is not a
16 desirable end result from a rate design perspective because it masks important price
17 signals to customers and (2) there are no indications that the Company will undertake any
18 meaningful conservation measures if the RNA is granted. Accordingly, these arguments
19 do not sustain Witness Raab's burden of showing the RNA to be just and reasonable.

20 **Q. WHAT DO YOU MAKE OF WITNESS RAAB'S "OTHER REASONS" FOR**
21 **IMPLEMENTING THE RNA?**

22 A. Witness Raab's other reasons -- that decoupling provides more accurate price signals,
23 results in more stable rates and bills, and benefits low income customers -- are similarly

1 unavailing. As I discussed above, smoothing out the ratepayers' annual payments to the
2 Company does not imply greater ratepayer benefits. In fact, "bill stability" hurts
3 ratepayers in general. Risk adverse economic agents, like the Company's ratepayers, seek
4 stable consumption and income streams, not stable bills. To the extent that the RNA
5 imposes higher overall bills on consumers, but spread out more evenly, this is not a
6 benefit. The Company has no hard evidence to offer to the contrary. (*See*, Exhibit OPC
7 (A)-8, WGL response to OPC Data Request No. 1-14).

8 As to the RNA providing better price signals, Witness Raab makes clear that this
9 is a merely a variation on the "rate synchronization is desirable" theme that we have
10 heard, and dismissed, already. (Raab Direct at page 16, line 16 through page 17, line 16).
11 As previously discussed, Witness Raab's plan would create prices that fail to send the
12 proper signals about the impact customer demands have on the Company's costs.

13 Lastly, as to improving the lot of low income consumers, Witness Raab here
14 bundles two claims. One is the "bill stability" argument. (*Id.*, at page 18, line 17 through
15 page 19, line 7). Again, the "bill stability" argument is vacuous, and thus unavailing. The
16 second argument is that the RNA will reduce bad debt problems among low income
17 consumers, an argument that Witness Raab advances by citation to the work of others.
18 (*Id.*, at page 19, lines 8-24). I take no position on whether or not this claim is true.
19 However, I would point out that, if true, it would be the only legitimate argument in favor
20 of decoupling advanced in Witness Raab's testimony. Further, the claim that the PSC
21 should implement the RNA because it might mitigate the bad debt problem among low
22 income consumers is insufficient justification. On that matter, I would simply suggest
23 that there are probably a score of ways one could address bad debt issues successfully

1 without reinventing the Company's rate design and risk profile. Bad debt issues are far
2 too slim a reed to carry the entire weight of the RNA.

3 **Q. WOULD YOU SUMMARIZE YOUR FINDINGS ON THE JUSTNESS AND**
4 **REASONABLENESS OF THE RNA?**

5 A. The Company has left it to Witness Raab to establish that the RNA as proposed is just
6 and reasonable. This requires Witness Raab to establish, as a preliminary matter, that
7 decoupling *per se* is in itself just and reasonable. He has not done so. Moreover, we have
8 seen that decoupling *per se*, particularly in the absence of an appropriate adjustment to
9 the Company's allowed return, is not the indicated solution to the problems posed by the
10 vagaries of average use in the face of the economy and the weather. Finally, on the
11 subject of the desirability of the particular decoupling mechanism proposed by the
12 Company, we hear not one word from Witness Raab, or any of the other Company
13 witnesses. The Company's specific RNA appears to have been selected at random. (See,
14 Exhibit OPC (A)-9, WGL response to OPC Data Request No. 1-9). The final conclusion
15 is inescapable: the Company's RNA has not been shown to be just and reasonable, and is
16 in fact unjust and unreasonable.

17 **B. ISSUE 1: HOW WOULD A PERIODIC RATE ADJUSTMENT BE**
18 **DETERMINED? WHAT INPUTS WOULD BE PROVIDED AND HOW**
19 **WOULD THE INPUTS BE CALCULATED?**

20 **Q. HOW WOULD THE PERIODIC RATE ADJUSTMENT BE DETERMINED**
21 **UNDER THE COMPANY'S PROPOSED RNA?**

22 A. To use Witness Wagner's words, the Company's proposal consists of a "series of
23 calculations." (Wagner Direct at page 3, lines 22-23).

1 First, one extracts monthly test year revenues for each customer class based on the
2 most recent rate determination by the PSC, which in this case would be the results of
3 Formal Case No. 1054. That monthly revenue amount is then divided by the test year
4 number of customers to obtain test year revenue per customer. The resulting revenue per
5 customer would then be multiplied by the current number of customers to arrive at target
6 revenue for each customer class.

7 Having obtained target revenue, the Company would then compare that to actual
8 revenue for the month in question. The resulting revenue variance for each class is then
9 divided by projected throughput for the month in which the RNA would be applied. The
10 Company proposes to apply the RNA with a two-month lag so, by way of example,
11 revenue variances for November of 2010 would be scheduled for reconciliation in
12 January of 2011. (*See*, for example, Exhibit WG (D)-2).

13 The RNA actually applied would be subject to a 5¢ per therm “collar,” so that the
14 RNA actually applied in any month would not be in excess of plus 5¢ or less than minus
15 5¢. If the calculation of the RNA produced a result outside the limits of the collar, the
16 revenue variance associated with that “excess” RNA would be carried forward to a
17 subsequent month where it could be recovered through an adjustment that did not violate
18 the +/- 5¢ limits. (*See*, generally, Wagner Direct at page 3, line 21 through page 5, line
19 2).

20 **Q. WHAT INPUTS WOULD BE PROVIDED AND HOW WOULD THEY BE**
21 **CALCULATED?**

22 A. Under the Company’s proposal, the inputs and calculations would be as described just
23 above, and these inputs and calculations would be provided via workpapers to the

1 Commission Staff at least 15 days prior to the billing cycle when the proposed RNA
2 factors are to be applied.

3 **Q. REGARDING ANY "EXCESS" REVENUE VARIANCES THAT ARE**
4 **DEFERRED, DOES THE COMPANY PROPOSE TO CALCULATE INTEREST**
5 **ON ANY SUCH DEFERRALS?**

6 A. No. Witness Wagner explains that the Company proposes to forego the interest
7 adjustments in light of the relatively short time horizon over which the deferred balances
8 would be reconciled as well as the fact that deferrals could be either credits or debits from
9 month to month, effectively resulting in relatively small interest amounts in practice. In
10 addition, Witness Wagner sees the application of interest to deferred amounts as
11 needlessly complicating matters. (*See*, Wagner Direct at page 5, line 18 through page 6,
12 line 4; *see also*, Exhibit OPC (A)-10, WGL response to OPC Data Request No.1-5(i)).

13 **Q. WHAT IS YOUR ASSESSMENT OF THE COMPANY'S PROPOSAL?**

14 A. As a preliminary matter, let me reiterate that I find the proposed RNA to be unsupported,
15 unjust and unreasonable as a matter of principle. OPC recommends the Commission
16 reject the Company's proposal and adopt the partial decoupling pilot mechanism
17 described in the testimony of OPC Witness Mariam. However, if the Commission were
18 to approve the Company's RNA despite the above-described infirmities, then I would
19 suggest a number of adjustments and caveats.

20 **Q. WHAT CAVEATS WOULD YOU OFFER?**

21 A. I continue to be concerned that the Company's proposal to implement the RNA with a
22 two-month lag may prove to be unworkable as a practical matter. If implemented, the
23 Company would have only a short time to assemble the necessary data and create the

1 workpapers it intends to submit to the Staff. The Staff would then be under a tight
2 schedule to process the materials, resolve any issues, and approve the RNA. The
3 Company thinks that its 15 day window “should allow Commission Staff sufficient time
4 to review the filing.” (See, Exhibit OPC (A)-11, WGL response to OPC 1-7). However,
5 this “fire drill” would be under way every month the Company’s RNA was in operation.
6 I’m afraid that it is inevitable that the schedule would slip, and it is not clear what
7 consequences would result. However, having said that, I submit that the Company’s idea
8 that we should act quickly to reconcile revenue variances is a positive aspect of the RNA.
9 This is a concept that should be retained if a RNA is to be implemented.

10 **Q. WHY IS A SHORTER TIME SCHEDULE DESIRABLE?**

11 A. In other jurisdictions, we find decoupling adjustments taking place over longer time
12 frames. For example, the decoupling mechanism that has been applied to United
13 Illuminating (in Connecticut), compares actual revenues for a given year with allowed
14 revenues for the test period of the last rate case, with resulting variance scheduled to be
15 reconciled in the following year. (See, *In re United Illuminating Co.*, Connecticut
16 Department of Public Utility Control, Docket No. 08-07-04, Order, issued Feb 4, 2009).
17 It is self evident that by making annual adjustments we are creating a situation in which
18 the revenue normalization adjustment could be significantly larger than it might be if
19 monthly adjustments were used, such as the Company has proposed. Thus, the shorter
20 time frame minimizes the risk of “rate shock.” The shorter time frame also permits the
21 PSC and the Staff to monitor the behavior of the RNA in almost “real time,” making it
22 unlikely that there will be big surprises in the way of a buildup of large deferred balances.
23 Lastly, the shorter time frame makes it more likely that those customers who are

1 responsible for a revenue variance are the ones to be involved in its reconciliation. This
2 means that under the Company's proposal we are minimizing the risk of undesirable
3 intergenerational transfers.

4 **Q. WHAT ADJUSTMENTS WOULD YOU MAKE TO THE COMPANY'S RNA?**

5 A. First, at a minimum, I would not allow the Company to update its monthly revenue
6 targets using the current number of customers in each class. Such an updating goes
7 beyond the simple idea of decoupling revenues from sales and extends into tracking costs
8 and revising the revenue requirement outside a full base rate case. The Company has
9 provided no discussion whatsoever regarding this feature of its proposal (*See*, Exhibit
10 OPC (A)-12, WGL response to OPC Data Request No. 1-12), which implicates
11 significant policy issues, such as whether the Company should be allowed to track non-
12 gas cost of service in rates. Moreover, the customer update feature is entirely inconsistent
13 with the Company's stated rationale for implementing the RNA in the first place.

14 **Q. PLEASE EXPLAIN.**

15 A. As discussed above, decoupling is generally advanced on the theory that it would remove
16 the utility's presumed disincentive to promote conservation. The Company is no different
17 in that regard, as we have seen in the testimony of Witness Wagner. However, allowing
18 the Company to augment the revenue target by adding amounts related to the addition of
19 customers creates an incentive for the Company to add customers. Additional customers
20 bring with them added loads and greater consumption. In short, the Company would have
21 an incentive to add sales, which incentive we are presumably trying to eliminate with the
22 RNA. Accordingly, for this reason as well, the PSC should eschew the customer update
23 feature of the RNA.

1 **Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS REGARDING THE**
2 **RNA?**

3 A. Yes. There are two other problems with the Company's proposal.

4 First, recall that the Company proposes to reconcile revenue variances by
5 applying a credit or surcharge to the variable distribution charge, with different credits or
6 surcharges likely each month. This is troublesome in that it adds a component of "noise"
7 to the distribution charge which could confuse ratepayers and cloud the price signal we
8 are trying to send about the costs related to the demands customers place on the system.

9 Second, the term to expiry of the Company's RNA is indefinite. Accordingly,
10 there is no device or "trigger" that would prompt a full base rate proceeding. Such a
11 trigger is important; the revenue variances that are being reconciled through the RNA
12 process are to some degree manifestations of rates that will have become stale over time.
13 If the Company is allowed to implement the RNA, some device by which the
14 Commission can be assured that the Company will have an incentive to refresh rates
15 periodically to prevent unnecessary subsidies should be applied.

16 **Q. HOW WOULD YOU RESOLVE THE PRICE SIGNAL ISSUE AND THE LACK**
17 **OF A DEFINITE TERM?**

18 A. First, I would propose to reconcile revenue variances (by class) using the customer
19 charge instead of the distribution charge. By way of example, I would propose that the
20 revenue variance from November 2010 be divided by 12 and reconciled over the twelve
21 months starting in January 2011 using a credit or charge to the customer charge. Using
22 the data shown in Exhibit WG (D)-2, instead of the \$(0.0090) per therm credit proposed
23 by the Company, I would apply an approximate (11) ¢ credit to the customer charge.

1 Subsequent month's revenue variances would be accounted for similarly, with the
2 balance accumulating in a deferred account. Second, I would apply a collar to the
3 accumulated change in the customer charge, in a manner similar to the Company's
4 proposal for the per therm charge. The purpose of the collar is to prevent the Company's
5 rates from becoming stale. A large accumulated change in the customer charge would
6 signal that the rates set in the last full rate case were no longer recovering costs in the
7 manner contemplated by that rate case. In that event, I propose that the Company be
8 required to file a new base rate case to refresh the revenue requirement and all rates.

9 **Q. IN THE "TRIGGERED" BASE RATE CASE, HOW WOULD YOU TREAT THE**
10 **OUTSTANDING DEFERRED REVENUE BALANCE?**

11 A. I would include it in the rate base by class and amortize it. Thus, emerging from such a
12 rate case, the Company would have no RNA surcharges or credits initially.

13 **Q. DO YOU HAVE A SPECIFIC RECOMMENDATION FOR THE COLLAR?**

14 A. I would propose a modest limit initially, say \$5. This is relatively small when compared
15 to the Company's 5¢ collar. For example, the Company's proposed collar amounts to
16 about \$10 per month per customer. (See, Exhibit OPC (A)-13, WGL response to OPC
17 Data Request No. 1-4(i)). However, I would be open to allowing the Company to
18 petition for an expansion of the collar to reflect the practical considerations that become
19 apparent after some experience with the new mechanism. This is only prudent, since we
20 really have no idea what exactly we should expect from the RNA in terms of ratepayer or
21 Company impacts. (See, Exhibit OPC (A)-14, WGL response to OPC Data Request No.
22 1-8).

1 Q. AT PAGE 11 OF HIS TESTIMONY, WITNESS BUCKLEY STATES THAT THE
2 COMPANY IS NOT PROPOSING AN OUTAGE ADJUSTMENT OF THE TYPE
3 THAT PEPCO HAS IN CONJUNCTION WITH THE RNA, BUT WOULD NOT
4 BE OPPOSED TO SUCH AN ADJUSTMENT. WHAT IS OPC'S POSITION
5 WITH RESPECT TO SUCH AN ADJUSTMENT?

6 A. The Company should not be made whole for revenue shortfalls which are the result of its
7 failure to perform. I would suggest if the Company curtails service for any reason, then
8 the RNA should be suspended.

9 Q. WOULD A "PARTIAL" DECOUPLING BE PREFERABLE TO THE "FULL"
10 DECOUPLING THE COMPANY ADVOCATES?

11 A. Yes. Since decoupling in general is expected to reduce ratepayer welfare, this is clearly a
12 case where "less is more." The PSC may accordingly see the merit in adjusting the WGL
13 "full" decoupling scheme to a "partial" decoupling, in addition to the "fixes" I suggest
14 above. For example, the PSC might allow the tracking of a portion of any month's
15 revenue variance (say, for example, 50%) instead of using the entire revenue variance to
16 develop the decoupling factors. Similarly, as discussed in further detail by OPC Witness
17 Mariam, a partial decoupling mechanism through which the Company is compensated for
18 the results of its own energy efficiency efforts, rather than for any deviation whatsoever
19 from authorized revenues, would achieve the conservation goals of decoupling while
20 protecting ratepayers from the harms I have outlined above.

21

22

1 Q. WOULD YOU SUMMARIZE THE BENEFITS OF YOUR PROPOSED
2 CUSTOMER CHARGE RNA?

3 A. Like the Company's proposal, reconciliation of deferred balances is relatively prompt,
4 with such balances having an average life of about 6 months. We are thus minimizing the
5 "intergenerational transfer" issue and allowing the PSC and the Staff a "real time"
6 monitoring of the functioning of the RNA. In addition, the customer charge based RNA
7 preserves important price signals embedded in the variable distribution charge and does
8 not result in changes in that variable distribution charge every month. Lastly, the
9 mechanism provides that stale rates would be promptly refreshed.

10 C. ISSUE 3: HOW WOULD AN ADJUSTMENT IN ROE AFFECT WGL'S
11 REVENUE REQUIREMENT AND RATES? HOW SHOULD ANY RATE
12 REDUCTION BE ALLOCATED AMONG THE CUSTOMER CLASSES?

13 Q. WHAT AFFECT WOULD AN ADJUSTMENT IN ROE HAVE ON WGL'S
14 REVENUE REQUIREMENT?

15 A. Since any allowed ROE adjustment would be downwards, in theory the Company's
16 revenue requirement would presumably be reduced. However, we are unable to ascertain
17 with specificity what that new revenue requirement would be.

18 Q. WHY NOT?

19 A. There are two reasons. First, the Company's allowed revenue is the product of a black
20 box settlement. Consequently, there are no individual components of that allowed
21 revenue to adjust. Put another way, since we do not know specifically what return and tax
22 allowance is bundled into the black box revenue requirement, we cannot determine the
23 necessary adjustment to that return and tax allowance necessary to accommodate the
24 implementation of the RNA. Second, even if we knew the components that make up the

1 Company's revenue requirement, the fact is that these components are now all quite stale,
2 inasmuch as they reflect a test year ended on June 30, 2006, which test period is
3 approximately four years out of date. I would recommend against relying on four year old
4 data to determine an adjustment for a RNA to be implemented now. As the Company's
5 response to OPC Data Request No. 4-2 (Exhibit OPC (A)-4) shows, WGL's actual therm
6 sales over the past five years have been significantly higher than test year predictions,
7 reinforcing the notion that this data is no longer accurate and needs updating. The more
8 prudent course would be to defer the entire issue, RNA and revenue adjustment, pending
9 the full vetting of all cost and revenue components in WGL's next rate case.

10 **Q. IF SUCH A REVENUE ADJUSTMENT COULD BE DETERMINED, HOW**
11 **SHOULD IT BE ALLOCATED AMONG THE CUSTOMER CLASSES?**

12 A. Ideally, no "allocation" *per se*, would be required insofar as the revenue adjustment
13 reflected a change in the return and tax allowance, which could be directly assigned to the
14 various rate classes. If such a direct assignment were not possible, the next best solution
15 would be an allocation to classes based on the fixed cost responsibility embedded in the
16 class revenue requirement that emerged from Formal Case No. 1054. If the "black box"
17 nature of the settlement of Formal Case No. 1054 precludes our being able to determine
18 the class fixed cost responsibility, the fallback position would be to allocate the revenue
19 adjustment on the basis of class revenue, exclusive of gas costs.

1 **D. ISSUE 4: SHOULD A RNA BE APPLIED TO ALL CUSTOMER**
2 **CLASSES?**

3 **Q. DO YOU THINK THE RNA SHOULD APPLY TO ALL CUSTOMER CLASSES?**

4 A. To be clear, I do not believe that the RNA should be applied to any customer classes.
5 However, to the extent that a RNA is implemented, it should be applied to all customer
6 classes.

7 **Q. PLEASE EXPLAIN.**

8 A. This is simply a matter of equities. The RNA brings with it negative implications for
9 ratepayer welfare. I am unaware of any reason why some class or classes of WGL
10 ratepayers should be exempted from the impact of the RNA.

11 **E. ISSUE 5: GIVEN THE TIME ELAPSED SINCE THE ESTABLISHMENT**
12 **OF WGL'S MOST RECENT REVENUE REQUIREMENT, WHAT**
13 **ADJUSTMENT(S), IF ANY, SHOULD BE MADE TO THE TEST YEAR**
14 **VALUES (COMPONENTS OF THE FORMULA) IF AND WHEN THE**
15 **RNA IS IMPLEMENTED? IS IT PRACTICAL TO IMPLEMENT THE**
16 **RNA AS A RESULT OF THIS PROCEEDING, OR SHOULD ITS**
17 **IMLEMENTATION BE ADDRESSED IN A SUBSEQUENT RATE**
18 **PROCEEDING?**

19 **Q. IF AND WHEN THE RNA IS IMPLEMENTED, HOW WOULD YOU ADJUST**
20 **THE COMPANY'S REVENUE REQUIREMENT?**

21 A. I would refer back to my testimony on Issue 3. Making adjustments to a stale revenue
22 requirement, which is what we would be doing if we tried to untangle a black box
23 settlement based on four year old test period data, is an exercise in futility. We are simply
24 not in a position to make rate case quality calculations and adjustments under the
25 circumstances of this case.

1 Q. WHAT DOES THAT IMPLY FOR IMPLEMENTATION OF THE RNA AS A
2 PRACTICAL MATTER?

3 A. It implies that the prudent course is to defer the entire matter until the Company's next
4 full base rate case. This is the only way to avoid the problems inherent in dealing with
5 stale data, a black box settlement, and the potential for an inaccurate result based on
6 "single issue ratemaking."

7 F. ISSUE 7: WHAT MONITORING AND REPORTING REQUIREMENTS
8 ARE NECESSARY TO ALLOW THE PARTIES AND THE COMMISSION
9 TO VERIFY THE RNA CALCULATIONS ARE CORRECT?

10 Q. WHAT MONITORING AND REPORTING REQUIREMENTS ARE
11 NECESSARY TO VERIFY THE RNA CALCULATIONS ARE CORRECT?

12 A. I would refer back to my testimony on Issue 1. The Company's proposal to file RNA
13 workpapers monthly and allow Staff 15 days or so to process these may prove to be
14 infeasible insofar as the schedule is too tight. Accordingly, acceptance of the Company's
15 RNA proposal should be subject to review of, and an adjustment to, the timetable if it
16 should prove to be too aggressive in practice. Otherwise, the Company's proposed
17 procedures appear adequate to insure accurate RNA calculations.

18

19 V. OUTSTANDING DISCOVERY

20 Q. DOES OPC CURRENTLY HAVE OUTSTANDING DISCOVERY REQUESTS
21 TO THE COMPANY?

22 A. Yes. OPC requested submitted multiple discovery requests to which the Company
23 objected and/or did not respond in full. These requests are the subject of pending
24 motions to compel before the PSC.

1 **Q. WOULD RECEIPT OF THE DISCOVERY ALTER YOUR TESTIMONY?**

2 A. While I cannot testify the discovery would alter my conclusion or recommendations,
3 receipt of the discovery will allow me to conduct additional studies and analysis.

4 **Q. IF THE PSC GRANTS OPC'S MOTION TO COMPEL AND DISCOVERY IS**
5 **PRODUCED, WILL YOU NEED TO SUPPLEMENT YOUR TESTIMONY?**

6 A. Yes, I reserve the right to supplement my testimony should I receive the additional
7 discovery.

8

9 **VI. RECOMMENDATIONS AND CONCLUSION**

10 **Q. PLEASE SUMMARIZE YOUR FINDINGS.**

11 A. I recommend the Commission reject WGL's RNA mechanism, as proposed. The
12 Company has failed to demonstrate the justness and reasonableness of its proposed RNA.
13 The record evidence does not support the Company's claim that the proposed mechanism
14 is necessary to remedy alleged "financial stress" or that, in its current form,
15 implementation of the RNA will result in any energy efficiency improvements in the
16 District of Columbia. Rather, the Company's RNA proposal creates a virtually
17 guaranteed revenue stream for the Company without any showing that its current method
18 of cost recovery is no longer just and reasonable. Further, while the Company cites the
19 anticipated energy efficiency benefits associated with RNA implementation, its proposal
20 makes it less likely that District natural gas customers will engage in energy efficiency
21 measures. Accordingly, the Company's RNA proposal is unjust and unreasonable and
22 should be rejected. As discussed in further detail in the testimony of OPC witness
23 Mariam, the Office is therefore presenting an alternative, partial decoupling pilot

1 mechanism that ensures that the energy efficiency goals of decoupling are met, which the
2 Office requests that the Commission implement in lieu of WGL's proposed RNA.

3 While the mechanics of the Company's RNA proposal are straightforward, the
4 Company's proposed RNA mechanism masks important price signals and will apparently
5 be in place indefinitely. Accordingly, if the Commission were to adopt the Company's
6 RNA proposal, rather than OPC's proposal, a number of adjustments to the Company's
7 proposal must be made. Specifically, I would propose that (i) revenue variances be
8 calculated without regard to the current customer count; (ii) any such variances be spread
9 out over 12 months and recovered via a surcharge or credit to the customer charge; and
10 (iii) that cumulative customer charge surcharge or credits be capped. If the cap is
11 exceeded, the Company would be obliged to file a base rate case to refresh all rates.

12 With respect to the impact that any necessary, corresponding ROE adjustment
13 would have on WGL's revenue requirement and rates, because the current revenue
14 requirement is based on the "black box" settlement achieved in Formal Case No. 1054,
15 there is insufficient evidence in the record of this case to determine the revenue
16 requirement adjustment that would be required to implement the RNA. If the information
17 necessary to calculate the accompanying rate reduction were available and a revenue
18 reduction could be determined, such a reduction should be allocated to classes on the
19 basis of class fixed costs as recovered through the revenue requirement established in
20 Formal Case No. 1054. If the black box settlement obscures that fixed cost allocation, we
21 would fall back on class revenue exclusive of gas costs as a proxy for class fixed cost.
22 Absent a showing that WGL rate classes are differently situated, fundamental fairness
23 requires that all classes be subject to any RNA.

1 Given that four years have passed since the establishment of WGL's most recent
2 revenue requirement, attempting to implement the RNA now is problematic. Because the
3 underlying test year is four years out of date, underlying costs and other relevant factors
4 likely have changed. In addition, because Formal Case No. 1054 was settled on a "black
5 box" basis, it will be difficult, if not impossible, to make any necessary adjustments to the
6 revenue requirement of the Company. The Company's proposed procedures appear
7 adequate to ensure accurate RNA calculations, though, as discussed above, I am
8 concerned that the timing of filings and the implementation of RNA surcharges and/or
9 credits may prove to be unworkable as a practical matter.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A. Yes.**

12

AFFIDAVIT

County of Providence)
State of Rhode Island) SS:

George E. Briden, being first duly sworn, deposes and states that he is the George E. Briden whose Testimony accompanies this Affidavit; that such testimony was prepared by him or under his supervision; that he is familiar with the contents thereof; that the facts set forth therein are true and correct to the best of his knowledge, information and belief; and that he does adopt the same as true as his sworn testimony in this proceeding.



George Briden

Subscribed and sworn before me this

10TH day of May, 2010.

Richard W. Lawton
Richard W. Lawton

Notary Public

My Commission Expires: 01/30/2013

Appendix A of

OPC Witness

George E. Briden

CURRICULUM VITAE

George E. Briden

17 Cody Drive
North Scituate, Rhode Island 02857-2916
(401) 934-1433

EXPERIENCE:

April 1999 - Present

President
Snake Hill Energy Resources, Inc.
North Scituate, Rhode Island

Natural Gas and Electricity consulting services, including expert testimony, arbitration and business development. Current clients include power generation plant operators, developers, energy marketers and state agencies.

August 1990 – April 1999

Vice President, Fuel Supply, April 1991
Manager, Fuel Supply, August 1990
Intercontinental Energy Corporation
Hingham, Massachusetts

Responsible for natural gas and oil procurement and transportation to supply two 300Mw electric power plants; design of fuel hedging strategies using futures and derivatives; power trading; contract negotiation and administration; development and implementation of federal regulatory strategy, including providing expert testimony before the FERC.

President, January 1994 – December 1996
Appalachian Exploration Corporation
Appalachian Drilling Corporation

Responsible for operation of gas exploration, drilling and production company active in western Pennsylvania and West Virginia.

April 1989 – August 1990

Director of Interstate Gas Supply
Equitrans, Inc.
Pittsburgh, Pennsylvania

Responsible for interstate natural gas procurement and transportation for FERC-regulated, interstate gas pipeline; developed and implemented federal regulatory strategy, including providing expert testimony before the FERC; developed and implemented company's first natural gas trading program; performed contract negotiation and administration.

July 1986 – April 1989

Manager of Gas Acquisition
Providence Energy Corporation
Providence, Rhode Island

Various responsibilities for gas marketing and trading subsidiaries of natural gas provider; initiated and managed PEC's first unregulated gas trading and marketing operation; regulatory expert and witness for state proceedings.

January 1983 – June 1986

Consultant
West Warwick, Rhode Island

Private economic and financial consultant for publicly traded energy companies and their subsidiaries, and state and local government agencies, including expert testimony.

September 1982 – May
1986

Assistant Professor
University of Rhode Island
Kingston Rhode Island

Developed and taught courses in managerial economics, financial analysis and futures markets.

EDUCATION:

Brown University
Economics Department
Providence, Rhode Island

Ph.D. 1982

Thesis: The Behavior of Common Share Values
In the 1970's

Brown University
Economics Department
Providence, Rhode Island

A.M. 1977

Michigan State University
Major: Economics

B.A. 1976

PUBLICATIONS:

“Everyone Wins: Renegotiating Purchase Power Agreements.” *The Electricity Journal*. (April 1997) (Co-author)

“Independent Auditor Sensitivity to Evidence Reliability.” *Auditing: A Journal of Practice and Theory*. (Fall, 1988) (Co-author)

“Social Security and Household Savings: Comment.” *The American Economic Review*. (March 1986) (Co-author)

“Estimates of the Demand for Classroom Teachers.” *The Northeast Journal of Business and Economics*. (Fall/Winter 1984)

“Estimates of the General Residential Demand for Natural Gas in New England.” *The Northeast Journal of Business and Economics*. (Spring/Summer 1986)

“Residential Demand for Fuels in New England: Heating Oil and Natural Gas.” *The New England Journal of Business and Economics*. (Fall 1983) (Co-author)

Appendix B of
OPC Witness
George E. Briden

**Expert Testimony
Of
George E. Briden, PhD**

1. FERC Proceedings

Florida Gas Transmission System, LLC, Docket No. RP10-21, “Prepared Direct and Answering Testimony of George E. Briden” on behalf of Virginia Power Energy Marketing, Inc. Cost allocation.

Portland Natural Gas Transmission System, Docket No. RP08-306, “Prepared Answering Testimony of George E. Briden” on behalf of the Portland Shippers Group. Levelized Rates.

Texas Gas Transmission, LLC, Docket No. RP06-589, “Affidavit of Dr. George E. Briden” on behalf of Baltimore Gas & Electric Company and Constellation – New Energy Gas Division. Cost Allocation.

Exelon Corporation, Public Service Enterprise Group Inc., Docket No. EC05-43. “Supplemental Affidavit of George E. Briden” on behalf of Direct Energy Services, LLC. Market power.

Exelon Corporation, Public Service Enterprise Group Inc., Docket No. EC05-43. “Affidavit of George E. Briden” on behalf of Direct Energy Services, LLC. Market power.

Northern Natural Gas Company, Docket No. RP03-398. “Prepared Direct and Answering Testimony of George E. Briden” on behalf of Virginia Power Energy Marketing, Inc. Cost allocation and rate design.

Northern Natural Gas Company, Docket No. RP03-398. “Prepared Cross-Answering Testimony of George E. Briden” on behalf of Virginia Power Energy Marketing, Inc. Cost allocation and rate design.

Transcontinental Gas Pipe Line Corporation, Docket No. RP01-245 and RP01-253. “Direct and Answering Testimony of George E. Briden On Behalf of Northeast Energy Associates, A Limited Partnership, North Jersey Energy Associates, A Limited Partnership, and Cherokee County Cogeneration Partners, L.P.” Cost allocation and rate design.

Transcontinental Gas Pipe Line Corporation, Docket No. RP01-245 and RP01-253. “Cross Answering Testimony of George E. Briden On Behalf of Northeast Energy Associates, A Limited Partnership, North Jersey Energy Associates, A Limited Partnership, and Cherokee County Cogeneration Partners, L.P.” Cost allocation and rate design.

Transcontinental Gas Pipe Line Corporation, Docket No. RP01-245 and RP01-253. “Rebuttal Testimony of George E. Briden On Behalf of Northeast Energy Associates, A Limited Partnership, North Jersey Energy Associates, A Limited Partnership, and Cherokee County Cogeneration Partners, L.P.”. Cost allocation and rate design.

Texas Eastern Transmission Corporation, Docket Nos. RP88-67-000 and RP88-81-000, *et. al.*, “Direct Testimony of George E. Briden On Behalf Of Equitrans, Inc.”. Terms and conditions of FTS-2 service.

Tennessee Gas Pipeline Company, Docket No. RP88-228, “Direct Testimony of George E. Briden On Behalf Of Equitrans, Inc.”. Terms and conditions of FT service.

Equitrans, Inc., Docket No. RP90-70-000, “Direct Testimony of George E. Briden On Behalf Of Equitrans, Inc.”. Cost of gas, throughput, and Account 858 expenses.

Algonquin Gas Transmission Company, Docket No. RP90-2-000, “Direct Testimony of George E. Briden On Behalf Northeast Energy Associates”. Cost allocation, rate design, and terms and conditions of service.

Equitrans v. Texas Eastern Transmission Corporation, Docket No. RP90-15, “Affidavit of George E. Briden”. Capacity allocation.

2. State Agency Proceedings

State of Connecticut Department of Public Utility Control, ***Application of Connecticut Light and Power Company to amend Its Rate Schedules***, Docket No. 09-12-05, “Direct Testimony of George E. Briden” on behalf of the Connecticut Office of Consumer Counsel. Rate Design, specifically “Revenue Decoupling”.

State of Connecticut Department of Public Utility Control, ***Application of Southern Connecticut Gas Company for a Rate Increase***, Docket No. 08-12-07, “Direct Testimony of George E. Briden” on behalf of the Connecticut Office of Consumer Counsel. Rate Design, specifically “Revenue Decoupling”.

State of Connecticut Department of Public Utility Control, ***Application of Connecticut Natural Gas Company for a Rate Increase***, Docket No. 08-12-06, “Direct Testimony of George E. Briden” on behalf of the Connecticut Office of Consumer Counsel. Rate Design, specifically “Revenue Decoupling”.

State of Connecticut Department of Public Utility Control, ***Application of United Illuminating Company to Increase Its Rates and Charges***, Docket No. 08-07-04,

“Direct Testimony of George E. Briden” on behalf of the Connecticut Office of Consumer Counsel. Rate Design, specifically “Revenue Decoupling”.

State of Connecticut Department of Public Utility Control, *Application of Connecticut Light and Power Company to amend Its Rate Schedules*, Docket No. 07-07-01, “Direct Testimony of George E. Briden” on behalf of the Connecticut Office of Consumer Counsel. Rate Design, specifically “Revenue Decoupling”.

Public Service Commission of the District of Columbia, *Application of Washington Gas Light Company for Authority to Increase Existing Rates and Charge for Gas Service*, Formal Case No. 1054, “Rebuttal Testimony and Exhibits of George E. Briden” on behalf of the Washington DC Office of the Peoples Counsel. Cost Allocation and Rate Design, including “Revenue Decoupling”.

Public Service Commission of the District of Columbia, *Application of Washington Gas Light Company for Authority to Increase Existing Rates and Charge for Gas Service*, Formal Case No. 1054, “Direct Testimony and Exhibits of George E. Briden” on behalf of the Washington DC Office of the Peoples Counsel. Cost Allocation and Rate Design, including “Revenue Decoupling”.

Massachusetts Department of Telecommunications and Energy, *Compliance Tariff Proposal of Bay State Gas Company for Grandfathered Customer Overtakes*, Docket No D.T.E. 06-036, “Supplemental Testimony of George Briden” on behalf of Sprague Energy. Terms and Conditions of Service; Cost Allocation.

Massachusetts Department of Telecommunications and Energy, *Compliance Tariff Proposal of Bat State Gas Company for Grandfathered Customer Overtakes*, Docket No D.T.E. 06-036, “Direct Testimony of George Briden” on behalf of Sprague Energy. Terms and Conditions of Service; Cost Allocation.

State of Connecticut Department of Public Utility Control, *DPUC Review of Cost Allocation Issues Related to Natural Gas Transportation Service*, Docket No. 06-06-04, “Prepared Rebuttal Testimony of George E. Briden” on behalf of Direct Energy Services, *et al.* Terms and Conditions of Service; Cost Allocation; Rate Design.

State of Connecticut Department of Public Utility Control, *DPUC Review of Cost Allocation Issues Related to Natural Gas Transportation Service*, Docket No. 06-06-04, “Prepared Direct Testimony of George E. Briden” on behalf of Direct Energy Services, *et al.* . Terms and Conditions of Service; Cost Allocation.

State of Connecticut Department of Public Utility Control, *DPUC Consolidated Investigation to Complete Connecticut's Gas Local Distribution Companies' Unbundling of Gas Service to Commercial and Industrial Customers*, Docket No. 05-05-10. Cost Shifts Attendant to Customer Migration.

State of New Jersey Board of Public Utilities, *Joint Petition of Public Service Electric and Gas Company and Exelon Corporation for Approval of a Change in Control of Public Service Electric and Gas Company*, BPU Docket No. EM05020106, OAL Docket No. PUC-1874-05, "Direct Testimony of George E. Briden". Market Power.

State of New Jersey Board of Public Utilities, *Joint Petition of Public Service Electric and Gas Company and Exelon Corporation for Approval of a Change in Control of Public Service Electric and Gas Company*, BPU Docket No. EM05020106, OAL Docket No. PUC-1874-05, "Surrebuttal Testimony of George E. Briden". Market Power.

Maine Public Utilities Commission, *Northern Utilities Inc.*, Docket No. 2005-87, "Prefiled Direct Testimony of George E. Briden on behalf of the Competitive Gas Suppliers". Scope of supplier of last resort function.

Public Service Commission of West Virginia, *Mountaineer Gas Co.*, Case Nos. 04-1595-G-42T and 04-1596-G-PC, "Direct Testimony of George E. Briden" on behalf of the Consumer Advocate Division. Impact of proposed utility acquisition on the public interest.

State of Connecticut Department of Public Utility Control, *Southern Connecticut Gas Co.*, Docket No. 05-03-17PH-1. Gas supply planning and supplier of last resort.

Public Service Commission of West Virginia, *Cranberry Pipeline Co.*, Case No. 04-0160-GT-42A, on behalf of the Consumer Advocate Division. Cost allocation and rate design.

State of Connecticut Department of Public Utility Control, *DPUC Generic Investigation into Issues Associated with the Unbundling of Natural Gas Services by Connecticut Local Distribution Companies*, Docket No. 97-07-11 RE02. Terms and conditions of unbundled service.

New Jersey Board of Public Utilities, *Public Service Electric and Gas Company*, Docket Nos. GX99030121 and GO99030124, "Surrebuttal Testimony of George E. Briden On Behalf Of North Jersey Energy Associates, A Limited Partnership". Cost allocation and rate design.

New Jersey Board of Public Utilities, *Public Service Electric and Gas Company*, Docket Nos. GX99030121 and GO99030124, "Direct Testimony of George E. Briden On Behalf Of North Jersey Energy Associates, A Limited Partnership". Cost allocation and rate design.

New Jersey Board of Public Utilities, *Public Service Electric and Gas Company*, Docket Nos. GR01050328 and GR01050297, "Direct Testimony of George E. Briden On Behalf Of North Jersey Energy Associates, A Limited Partnership". Cost of service.

Rhode Island Public Utilities Commission: *The Providence Gas Company*, Docket No. 1741. Sales forecasts and weather normalized throughput.

Massachusetts Energy Facilities Siting Council: *North Attleboro Gas Company*, Docket No. EFSC 86-22. Gas supply plan.

3. NEB Proceedings

TransCanada PipeLines Limited, Docket No. RH-1-2001. "Written Evidence of the Cogenerators Alliance". Cost allocation and rate design.

TransCanada PipeLines Limited, Docket No. RH-1-2002. "Written Evidence of George E. Briden on Behalf of the Cogenerators Alliance". Cost allocation and rate design.

TransCanada PipeLines Limited, Docket No. RH-1-2002. "Response Written Evidence of George E. Briden on Behalf of the Cogenerators Alliance". Cost allocation, rate design, and terms and conditions of service.

4. State Court Proceedings

State of New York, Supreme Court, County of Erie, *Vineyard Oil & Gas Co. v Stand Energy Corporation*, Index No. 1-2003-5063. "Affidavit of George Briden, Ph.D". Cost of Cover.

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-1

GRACEFUL SYSTEMS LLC

**RATE IMPACTS AND KEY DESIGN
ELEMENTS OF GAS AND ELECTRIC UTILITY
DECOUPLING**

A COMPREHENSIVE REVIEW

Pamela G. Lesh

6/30/2009

This report catalogues all of the decoupling mechanisms in place for electric or gas utilities as of Spring 2009, and discusses several older, now expired, mechanisms as well. Where the information was obtainable, it includes the rate adjustments made under the decoupling mechanisms and expresses those as a percentage of rates. It also reviews major features of the mechanisms studied.

**RATE IMPACTS AND KEY DESIGN ELEMENTS OF GAS AND ELECTRIC
UTILITY DECOUPLING:
A COMPREHENSIVE REVIEW**

Prepared by Pamela G. Lesh

June 2009

This report compiles the rate impact experience during this decade with decoupling of retail gas and electric utility revenues from sales volumes and provides, along with this, information on relevant order numbers, statutes, mechanism descriptions, and implementing tariffs. Sources included utility and state regulatory commission websites, the American Gas Association and the Edison Electric Institute, and, in a few cases, helpful utilities. Immediately below is a brief explanation of “decoupling” as used in this report, followed by a summary of the findings and a short description of methodology. The report concludes with observations about utility ratemaking.

Decoupling

Decoupling is a regulatory term indicating that, through any one of several means, a given energy utility does not derive the portion of its revenues necessary to provide it an opportunity to recover its fixed costs of service on the basis of its sales of natural gas or electricity. Fixed costs of service include such things as the capital recovery cost of installed plant and equipment (depreciation, debt interest, and equity return), most operations and maintenance expenses and taxes. The largest cost that is not fixed is typically the cost of fuel or purchased power.

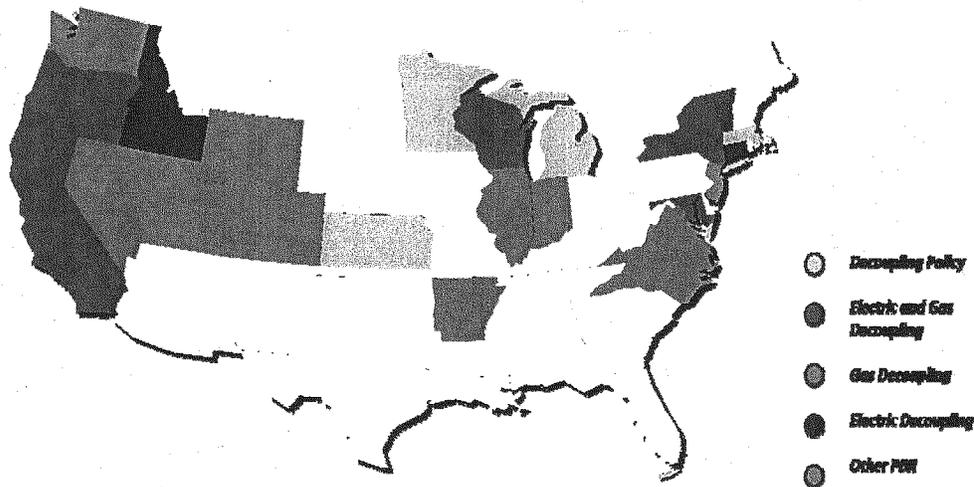
One primary means of decoupling, albeit with many variations, is through a regulatory adjustment mechanism that adjusts rates periodically to ensure that a utility records as revenue for fixed cost recovery no more and no less than the amount of revenue authorized for that cost coverage. This means of accomplishing decoupling does not affect how customers pay for energy utility services, enabling utilities to maintain volumetric rates and the incentive for customers to conserve or use energy more efficiently. In general, current rate designs include some amount of fixed customer charge per month and a per unit charge based on either gas or electricity consumption, or demand, or both. Although the utility continues to receive revenues from customers on this basis under a decoupling mechanism, it books only the revenue to cover fixed costs that its regulator has authorized, typically in a rate case or through the operation of a formula for calculating a change in fixed costs over time. For example, some such formulas change revenues authorized for fixed cost recovery according to the change in the number of customer accounts (often called revenue per customer); others change revenues for fixed cost recovery according to an inflation index, decreased for an assumed amount of productivity improvement (often called an attrition adjustment). On some regular basis, the decoupling mechanism provides a rate adjustment to ensure that customers, in effect, receive refunds or pay surcharges based on whether the revenues the utility actually received from customers were less or greater than the revenues the regulator authorized. This difference can occur for many reasons, primary among which

are weather, economic conditions, and customer behavior that differ from assumptions in the ratemaking process.

It is also possible to break the link between fixed cost recovery and electricity or natural gas consumption by changing how customers pay for energy utility services. In general, this is called “straight fixed-variable” rate design, in which the fixed monthly customer charge recovers all of the utility’s fixed costs of service and the variable, energy-related charge, covers only the variable cost of energy. Some Commissions adopting this type of rate design have called it “decoupling.” While this rate design does break the link between sales and fixed cost recovery, it does so by greatly diminishing customer incentives to conserve or invest in energy efficiency. Moreover, the change in rate design from a more traditional form can significantly shift costs within and between classes of customers. In particular, those customers with lower than average consumption can experience much higher bills as costs shift from variable, usage-based, charges to fixed, billing period, charges. This decoupling report excludes examples of this rate design because it does not result in adjustments to rates as the regulatory mechanism method does.

Review Summary

A total of 28 natural gas local distribution gas utilities (LDCs) and 12 electric utilities, across 17 states, have operative decoupling mechanisms.¹ Six other states have approved decoupling in concept, through legislation or regulatory order, but specific utility mechanisms are not yet in place. The map below shows the states covered by this report:

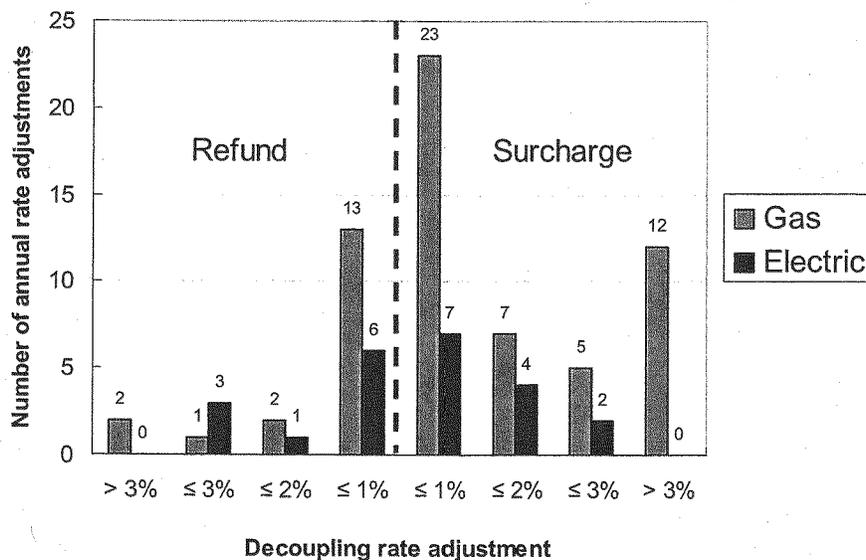


¹ This report includes two other current electric regulatory mechanisms that operate to some extent to decouple utility revenues from sales but do not permit calculation of decoupling adjustments. It also includes information on a few now-expired decoupling mechanisms, to the extent such information was discoverable.

Many of the mechanisms that exist began operation only within the last few years, although the California utilities have had some form of decoupling for much longer. Based on the available data, this review supports two definitive conclusions:

- Decoupling adjustments tend to be small, even miniscule. Compared to total residential retail rates, including gas commodity and variable electricity costs, decoupling adjustments have been most often under two percent, positive or negative, with the majority under 1 percent.² Using Energy Information Administration (EIA) data for 2007 on gas and electric consumption per customer and average rates, this amounts to less than \$1.50 per month in higher or lower charges for residential gas customers and less than \$2.00 per month in higher or lower charges for residential electric customers.
- Decoupling adjustments go both ways, providing both refunds and surcharges to customers. This is particularly true for those mechanisms that operate on a monthly basis, but also is true for those adjusted annually or semi-annually. There are many reasons, of course, that actual revenues can deviate from the revenues assumed in ratemaking. Most of the mechanisms do not adjust revenues for the effects of weather, leaving that as the primary cause of greater and lower sales volumes, particularly for residential rate schedules. Other causes include energy efficiency, programmatic and otherwise, customer conservation, price elasticity, and economic conditions. Regardless of the particular combination of causes for any given adjustment, no pattern of either rate increases or decreases emerges.

The figure below summarizes the distribution of decoupling adjustments in place since 2000.



² These are not actual rate changes, simply a comparison of the decoupling adjustment to the total rate at or near the time of the adjustment. See methodology summary for an explanation of why it is impossible to determine actual decoupling rate changes that customers may have experienced. Counts in the figure include only the annual average of those mechanisms that have monthly adjustments.

By comparison, rate adjustments under purchased gas cost adjustment or fuel/purchased power cost adjustment clauses tend to be much larger. Although a review of actual adjustments under these clauses was beyond the scope of this study, the following history for one electric (Idaho Power Company) and one gas utility (Northwest Natural Gas Company), both of which had decoupling mechanisms for part of the period, provides an example for context:

Year	Northwest Natural		Idaho Power	
	PGA % Change	Decoupling % Change ³	PCA % Change (Res)	Decoupling % Change
1995	(6.2)			
1996	(4.8)			
1997	10.5			
1998	9.2			
1999	7.2			
2000	21.4			
2001	20.8			
2002	(12.7)		7.5	
2003	4.9	0.6	(18.9)	
2004	20.1	0.36	0	
2005	16.6	0.77	0	
2006	3.8	(0.27)	(14.0)	
2007	(8.7)	(0.1)	11.0	
2008	15.6	<(1.0)	8.45	(0.8)
2009			10.2	0.8

The information gathered below supports several other observations about decoupling:

- The mechanisms have a great variety of names, almost none of which contain the word “decoupling.” Names ranged from “Billing Determinant Adjustment” to “Volume Balancing Adjustment” to “Bill Stabilization Rider” and more.
- Most mechanisms appear in a separate tariff page, although in one or two cases the mechanism is combined with an energy efficiency program tariff and the California utilities do not have a tariff for decoupling. Instead, the California utilities have regulatory authority to make the calculations and rate adjustments as part of an “Annual True-up” procedure.
- Almost all of the gas utilities with decoupling mechanisms also adjust rates to account for the effects of weather on revenues. For some, this occurs logically under the decoupling mechanism, which performs calculations based on actual, not weather-adjusted, revenues. For others, eliminating the effects of weather on the revenues the utility collects to cover fixed costs occurs under a separate tariff. Under either approach, the utilities no longer face a risk of under-recovering fixed costs or reaping a windfall if weather is different from that

³ For Northwest Natural, the decoupling adjustment is included in the overall PGA; thus, these are not additive.

assumed in the ratemaking process. In contrast, a couple of electric utilities calculate decoupling adjustments on the basis of weather-adjusted revenues. For these, the utility keeps revenues associated with sales caused by weather more extreme, and forgoes revenues lost because of weather milder, than that assumed for ratemaking purposes.

- Most of the mechanisms produce an annual adjustment, but a handful of utilities adjust rates monthly and one or two semi-annually. The monthly adjustments tend to be very small but can go up and down six times in as many months. The tables below show only the annual average of monthly adjustments and, in a few cases, high and low adjustments during the year.
- Most mechanisms perform the calculation of the difference between actual fixed cost revenues and authorized fixed costs revenues on a per customer class or per rate schedule basis, refunding or surcharging the result only to that schedule or class.
- A number of these decoupling mechanisms are in place only on a “pilot” basis, subject to cancellation or further regulatory process after 3-4 years.
- Most of the mechanisms allow utilities to keep additional revenues from growth in the number of customer accounts during a decoupling period. This can occur either by expressing the fixed costs as a revenue-per-customer amount and reconciling actual revenues to the revenue per customer amount times the current number of customers, or by adjusting the allowed revenue requirement for customer growth and reconciling actual revenues to that adjusted amount. A few utilities receive an explicit attrition adjustment, approved by the Commission and not dependent on the number of customers.
- Some of the 28 mechanisms include some unusual features. For three utilities, adjustments only occur if they are surcharges; the mechanism does not require refunds. Another two utilities can collect surcharges only if savings in gas costs offset the lost margin. Some mechanisms limit the dollar amount or percentage of rate change permitted, either deferring any excess for later recovery/credit or simply eliminating it.

The table below summarizes some of the different features of decoupling mechanisms, indicating how many of the mechanisms have each type of feature.

Feature	Gas Decoupling	Electric Decoupling
Revenue change between rate cases		
Revenue-per-customer ¹	23	4
Attrition adjustment ²	3	4
No change	3	1
No separate tariff	3	3
Timing of Rate True-ups		
Annual	19	8
Semi-annual/quarterly	2	1
Monthly	4	3
Weather ³		

Not weather-adjusted	20	10
Weather-adjusted	8	2
Limit on adjustments and/or dead-band ⁴	9	6
Per class calculation and adjustments ⁵	25	7
Earnings Test ⁶	4	
Pilot/known expiration date	11	4
Surcharges only	3	
Total Utilities Analyzed	28	12

Notes to table

1. "Revenue per customer" means that the decoupling mechanism calculates the authorized revenue to which the utility will reconcile its actual revenues by dividing the last approved fixed cost revenue requirement by the number of customer accounts assumed in that ratemaking process, and then multiplying the per-customer amount by the number of customers in the current decoupling period. For example, if the authorized fixed cost revenue requirement was \$1 billion and the ratemaking number of accounts was 1 million, the fixed cost per customer amount would be \$1000/year. If, during a given decoupling year, the actual number of customer accounts was 1,050,000, the utility would refund any amount by which its actual revenues exceeded \$1.05 billion. Thus, the additional customer accounts contribute \$50 million to fixed cost recovery.
2. "Revenue requirement true-up" means that the decoupling mechanism simply compares the actual fixed cost revenues to the amount authorized for fixed cost recovery in the utility's last rate case, even if that was several years prior. Thus, the utility may face declining income as inflation and other factors increase fixed costs. The sub-category of these that are "with attrition" indicate the utilities for whom that authorized revenue requirement changes from year to year according some formula, generally an inflation index less an assumed amount of productivity improvement. This may be part of the decoupling mechanism, done as a means of calculating the comparator for the actual revenues collected, or external to the decoupling mechanism and causing its own rate adjustment.
3. "Weather" refers to revenue variances attributable to actual weather differing from the weather conditions assumed in the ratemaking process. If a decoupling mechanism uses actual revenues that are not weather-adjusted, that means that revenue variances attributable to weather will affect the size of the customer refund or surcharge.
4. "Limit on adjustments or a dead-band" refers to features in a given decoupling mechanism that limit the size of any (or a cumulative set of) customer refund or surcharge, or in the case of a dead-band, exclude a certain amount of the variance (again, refund or surcharge) before calculating the positive or negative decoupling rate increment. For most of the mechanisms that have a limit on the size of decoupling adjustments, any amount not refunded or surcharged carries over to the next decoupling period. That is not always the case, however.
5. "Per class calculation and spread of adjustments" means that the mechanism determines the difference between the authorized fixed cost revenue and the actual revenue on a per class or per rate schedule basis and refunds or surcharges

the resulting amount only to that rate schedule or customer class. Included in the count are utilities for which the decoupling mechanism applies only to one customer class or rate schedule. Only eight utilities have mechanisms that do not do this.

6. "Earnings test" refers to a limitation on decoupling surcharges by which the utility may not recover revenue differences calculated by the mechanism to the extent that recovery would increase its earnings over a specified return on common equity, whether the last authorized or another amount.

The next several years will significantly increase experience with decoupling, both for those utilities for whom decoupling is of relatively long-standing and for those that have just begun their implementation. It would be worthwhile to update this review at some point to determine whether these conclusions hold true with additional experience, particularly among the electric utilities for whom data is presently scarcer than for gas utilities.

Methodology

Generally, it was possible to find a tariff stating the decoupling adjustment, either in cents or dollars per therm, or cents per kWh. This was not the case only for the California utilities, whose decoupling does not occur under a separate tariff but as part of a much larger annual filing. Those utilities very helpfully provided the information needed for this report. Amounts in () are rebates to customers; other amounts are surcharges. In general, amounts are rounded to two to three digits.

It was much more difficult to find a total retail rate for the rate classes covered by the decoupling mechanism and, thus, to calculate the size of the decoupling adjustment as a percentage of the total rate. This was particularly problematic where the adjustments were for prior years or the commodity portion of the rate changed frequently, as is common for gas utilities and restructured electric utilities. In many cases, this report uses average annual (or monthly for 2009) retail gas and electric price information for the appropriate state found on the EIA website. The goal was to provide context for the decoupling adjustment, not state precise percentages and the EIA data served well for the purpose.

For a couple of reasons, it is impossible to determine from the sources available what changes in rates actually occurred when. First and foremost, whether a given decoupling adjustment caused a rate increase or decrease depends on what was in rates before for decoupling. For example, if a decoupling adjustment produced a refund one year and a somewhat smaller refund the second year, the rate change customers would experience would be a small increase, as the prior credit expired and was not fully replaced by the current credit. The reverse can also happen: the expiration of a decoupling surcharge will produce a rate decrease unless the subsequent decoupling adjustment is the same or a larger surcharge. Second, many utilities combine one or more rate changes at one time. Changes in commodity costs or balancing accounts or other tariff riders along with the decoupling adjustment are common and could easily offset or mask the decoupling adjustment. For two utilities, such offsetting was the deliberate design.

STATE/UTILITY INFORMATION

Arkansas

Arkansas Oklahoma (gas)

Case/Order No.: 07-026-U, Order No. 7 (11/20/07)

http://www.apscservices.info/efilings/docket_search_results.asp

Type of decoupling: Reconciles actual weather-adjusted revenues to rate case revenues for the residential and small business classes. No refund for over-recovery; only surcharge for under-recovery (net across all schedules). Deficiencies recovered within each class where a deficiency occurs. There is a separate weather adjustment.

Decoupling tariff: Billing Determinant Adjustment

http://www.apscservices.info/tariffs/112_gas_1.PDF

The tariff expires August 31, 2011; the utility must re-file to continue decoupling.

Energy efficiency cost recovery: incremental costs per the Energy Efficiency cost recovery tariff (adopted in Docket 07-077-TF); forecast and true-up procedure filed by April, for June adjustments.

History of Adjustments: The October 2008 filing was for no adjustment because sales were above those used in ratemaking.

Arkansas Western (gas)

Case/Order No.: 06-124-U, Order No. 6 (7/13/07)

http://www.apscservices.info/efilings/docket_search_results.asp

Type of decoupling: Reconciles actual weather-adjusted revenues to rate case revenues for the residential and small business classes only. No refund for over-recovery; only surcharge for under-recovery (net across all schedules). Deficiencies recovered within each class where a deficiency occurs. There is a separate weather adjustment.

Decoupling tariff: Billing Determinant Adjustment Tariff, Rider No. 3.6

http://www.apscservices.info/tariffs/145_gas_1.PDF

The tariff expires July 31, 2010; the utility must re-file to continue decoupling.

Energy efficiency cost recovery: Incremental costs per the Energy Efficiency cost recovery tariff (for programs approved in Docket 07-078-TF); forecast and true-up procedure; April filings for January 1 adjustment.

History of Adjustments: The October 2008 filing was for no adjustment because sales were above those used in ratemaking.

CenterPoint Energy Resources (gas)

Case/Order No.: 06-161-U; Order No. 6 (10/25/07)

http://www.apscservices.info/efilings/docket_search_results.asp

Type of decoupling: Reconciles actual weather-adjusted revenues to rate case revenues for the residential and small business classes only. No refund for over-recovery; only surcharge for under-recovery (net across all schedules). Deficiencies recovered within each class where a deficiency occurs. There is a separate weather adjustment.

Decoupling tariff: Billing Determinant Adjustment Tariff, Rider No. 6

http://www.apscservices.info/tariffs/64_gas_2.PDF

Tariff expires on December 31, 2010; the utility must re-file to continue.

Energy efficiency cost recovery: Incremental costs per the Energy Efficiency cost recovery tariff (for programs approved in Docket 07-081-TF); forecast and true-up procedure; April filings for January adjustment.

History of Adjustments: The first filing under the tariff was March 31, 2009. CenterPoint made no adjustment because sales slightly exceeded revenue requirement sales.

California

California first adopted decoupling, through the Supply Adjustment Mechanism (SAM), for gas utilities in 1978 in Decision 88835. By 1982, similar mechanisms were in place for the three electric IOUs. The ratemaking construct worked by establishing a revenue requirement for each utility annually and then reconciling actual revenues to the allowed revenues. Information on the electric decoupling adjustments during this first period is available for most years from 1983 through 1993 through an analysis done by Lawrence Berkeley Labs in 1994.⁴ The authors compared the rate adjustments that took place with those that would have occurred without the decoupling amounts. The following were the decoupling-only rate adjustments identified:

Year	PG&E (% of total rates)	SCE (% of total rates)	SDG&E ⁵ (% of total rates)
1983	2.3	Not available	1.2
1984	(3.4)	(0.5)	1.0
1985	(4.8)	(2.1)	(6.8)
1986	1.9	2.1	1.8
1987	2.1	(1.0)	11.0
1988	5.0	(1.5)	(12.0)
1989	(4.3)	2.4	0.7
1990	(5.4)	(2.1)	4.8
1991	3.9	3.5	(1.8)
1992	3.4	(0.6)	1.4
1993	0.0	(1.9)	Not available

As the gas industry restructured, gas utilities began to serve large (non-core) customers under a straight fixed-variable rate design, which continues through today. For core customers (commonly residential and smaller commercial), decoupling continued.

The CPUC largely stopped the electric decoupling mechanisms in 1996, with the advent of electric restructuring. It is unclear whether the last reconciliation adjustment was 1995

⁴ The Theory and Practice of Decoupling, Joseph Eto et al., Lawrence Berkeley Laboratory, January 1994
Website: <http://eetd.lbl.gov/EA/emp/reports/34555.pdf>

⁵ The article providing these historical decoupling adjustments does not explain the outlying double-digit increase and decrease for SDG&E. Given that the two are in consecutive years, one might surmise that a load forecasting or mathematical error caused the decoupling increase in the one year only to correct it and reverse the amount in the following year.

or 1996. In 2001, however, the Legislature passed Public Utilities Code section 739.10, which required that the CPUC resume decoupling.

739.10. The commission shall ensure that errors in estimates of demand elasticity or sales do not result in material over or under-collections of the electrical corporations.

In individual rate cases following this, the CPUC approved resumption of electric.⁶

Pacific Gas and Electric (electric)

Case/Order Nos.: A.02-11-017 et al.

http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/37086.htm

The first adjustment under the various mechanisms occurred at the end of 2004 to be effective during 2005.

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years. PG&E has three specific accounts that combine to accomplish decoupling: the Distribution Revenue Adjustment Mechanism, the Nuclear Decommissioning Revenue Adjustment Mechanism, and the Utility Generation Balancing Account.

Decoupling tariff: No specific tariff.

Filing Schedule: Adjustments occur through the Annual Electric True-Up filing.

Energy efficiency cost recovery: Yes

History of Adjustments

Year of Adjustment ⁷	Revenue Rqmt (\$ millions)	Decoupling Adjustment (\$ millions)	Decoupling as % of Total Revenue ⁸
2005	9,715	99.41	1.0
2006	9,875	24.64	0.25
2007	10,371	148.9	1.4
2008	10,609	11.4	0.11
2009	11,169	103.55	0.9

Pacific Gas and Electric (gas)

Case/Order Nos.: A.02-11-017 et al.

http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/37086.htm

The first adjustment under the various mechanisms occurred at the end of 2004 to be effective during 2005.

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.

Decoupling tariff: No specific tariff; adjustment occurs in Annual True-Up filing

Filing Schedule: Filings occur in December for January 1 effective dates

Energy efficiency cost recovery: Yes

⁶ Some amount of decoupling, for some of the utilities, may have occurred between adoption of restructuring and the adoption of section 739.10. It is unclear.

⁷ The adjustment is collected in the year following the year that the revenue variance occurred.

⁸ Because the decoupling adjustments occur along with other adjustments, it is not possible to determine specific adjustments (dollars or percentages) by rate schedule. It is possible to identify the total decoupling adjustment as a percentage of total revenues for the year to which the adjustment relates.

History of Adjustments

Year of Adjustment	Revenue Rqmt (\$ millions)	Decoupling Adjustment (\$ millions)	Decoupling as a % of Delivery Revenue ⁹
2006	982.8	37.95	3.9
2007	1,026	46.77	4.6
2008	1,095	11.26	1
2009	1,091	50.86	4.7

Southern California Edison (electric)

Case/Order Nos.: A.93-120-29; Decision 02-04-055. The first adjustment under the various mechanisms occurred at the end of 2004 to be effective during 2005.

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.

Decoupling tariff: No specific tariff.

Filing Schedule: Adjustments occur through the Annual Electric True-Up filing.

Energy efficiency cost recovery: Yes

History of Adjustments

Year	Annual Change in Rates for Decoupling ¹⁰ (%)
2004	(2.1)
2005	(2.1)
2006	0.1
2007	(1.0)
2008	2.2

San Diego Gas & Electric (electric)

Case/Order No.: Case/Order No.: A.02-12-027

http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/44820.htm

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.

Decoupling tariff: No separate tariff

⁹ The percentages would be much smaller with commodity reflected in the total as well. Because PG&E could not provide the per-therm adjustment related to decoupling, it was not possible to calculate the decoupling as a percentage of the total rate to customers, even using EIA data.

¹⁰ Rate changes reflect the difference between the rate change without the base revenue requirement balancing account (BRRBA) and the rate change with the BRRBA. Because the decoupling adjustments occur along with other adjustments, it is not possible to determine specific adjustments (dollars or percentages) by rate schedule. It is possible to identify the total decoupling adjustment as a percentage of total revenues for the year to which the adjustment relates.

Filing Schedule: Adjustments occur in annual filings that combine many adjustments, including both revenue and cost reconciliations.

Energy efficiency cost recovery: Yes

History of Adjustments¹¹

Year	Rate (¢/kWh)	Decoupling Rate Change (¢/kWh)	Decoupling change compared to Rate (%)
2005	13.773	(0.055)	(0.40)
2006	13.935	(0.210)	(1.5)
2007	13.997	(0.051)	(0.36)
2008	13.606	(0.044)	0.32
2009	16.726	0.128	0.76

SoCal Gas/SDG&E (gas)

Case/Order No.: A.02-12-027; D.05-03-023

http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/44820.htm

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.

Decoupling tariff: No separate tariff

Filing Schedule: Adjustments occur in annual filings that combine many adjustments, including both revenue and cost reconciliations

Energy efficiency cost recovery: Yes

History of Adjustments¹²

Year/ Core/Non-Core	Rate (¢/therm)	Decoupling Rate Change (¢/therm)	Decoupling Change compared to Rate (%)
2006			
Core	48.348	0.012	0.02
Non-Core	5.36	0	0
2007			
Core	50.196	0.024	0.05
Non-Core	4.852	(0.001)	(0.01)
2008			
Core	51.526	0.001	0
Non-Core	3.576	(0.001)	(0.04)
2009			
Core	55.052	0.003	0.01
Non-Core	2.954	0.002	0.07

¹¹ The numbers are estimates only and reflect the best efforts of SDG&E to isolate the decoupling elements. Contact Lisa Davidson at 858-636-3928 for information or updates.

¹² The numbers below are estimates only and reflect the company's best efforts to isolate the decoupling elements. Rates shown are for delivery services only.

Southwest Gas Corporation (gas)

Case/Order No.: A.02-02-012, Order 04-03-034

http://docs.cpuc.ca.gov/Published/Final_decision/35920.htm

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.

Decoupling tariff: Core Fixed Cost Adjustment Mechanism (line item in cost of gas)

<http://www.swgas.com/tariffs/catariff/rates/historic/2009/06-07-2009/rates-nocal.pdf> and

http://www.swgas.com/tariffs/catariff/cover/ca_gas_tariff.pdf (see Sheet 6739-G)

Filing Schedule: Changes occur every January 1

Energy efficiency cost recovery: Yes

History of Adjustments

Year	Average Commercial Rate ¹³ (\$/therm)	Northern Territory Decoupling Adj (\$/therm)	% of Retail Rate (est ¹⁴)	Southern Territory Decoupling Adj (\$/therm)	% of Retail Rate ¹⁵
2005	1.07	0.004	0.4	0.05	4.7
2006	1.04	0	0	0.05	4.8
2007	1.02	(0.0006)	<(0.1)	0.004	0.4
2008	1.17	(0.016)	(1.4)	0.010	0.9
2009	0.94	(0.051)	(5)	0.013	1.4

Colorado

Colorado has adopted decoupling only for one utility – gas – and then only for a three-year experiment. Recent legislation authorizes the Commission to ensure cost recovery for both electric and natural gas energy efficiency programs but does not address decoupling. See §40-3.2-103 and 104.

Public Service of Colorado (gas)

Case/Order No.: 06S-656G; Order No. C07-0568

<http://www.dora.state.co.us/puc/DocketsDecisions/HighprofileDockets/06S-656G.htm>

¹³ Source: EIA data, annual through 2008 and January 2009. For simplicity, this assumes translates MCF into therms without the small additional amount of btu associated with a therm.

¹⁴ This is an estimate only, using EIA average California commercial retail prices for each of the years above. Although the core class includes both residential and commercial, the percentage estimate uses the lower commercial number to be conservative regarding the size of the adjustment as a percentage of customer rates.

¹⁵ This is an estimate only, using EIA average California commercial retail prices for each of the years above. Although the core class includes both residential and commercial, the percentage estimate uses the lower commercial number to be conservative regarding the size of the adjustment as a percentage of customer rates.

Type of decoupling: Reconciliation of residential use-per-customer times ratemaking margin to actual, weather-normalized use-per-customer times ratemaking margin; utility allowed to recover only differences greater than or equal to 1.3% decline in use per customer (cumulates every year of mechanism); increases in use-per-customer accrue to offset losses in use-per-customer in prior or future years.

Decoupling Tariff: Partial Decoupling Rate Adjustment, Sheet 51

http://www.xcelenergy.com/SiteCollectionDocuments/docs/psco_gas_entire_tariff.pdf

The tariff expires October 1, 2011; the utility must re-file to continue decoupling. Filing Schedule: Adjusts every year on October 1

Energy efficiency cost recovery: Cost recovery reconciled to actual costs; semi-annual filing for July 1 and January 1 rate changes

History of adjustments

September 2008 filing for margin differences July 2007 through June 2008: \$0

Connecticut

2007 Connecticut legislation requires that the Commission adopt decoupling mechanisms for the states' electric and natural gas utilities. CT Public Act No. 07-242

<http://www.cga.ct.gov/2007/ACT/PA/2007PA-00242-R00HB-07432-PA.htm>

United Illuminating (electric)

Case/Order No.: 08-07-04 (February 2009 and June 2009)

<http://www.dpuc.state.ct.us/FINALDEC.NSF/0d1e102026cb64d98525644800691cfe/f4217b3542e2b08b852575530075d08c?OpenDocument> and

<http://www.dpuc.state.ct.us/FINALDEC.NSF/2b40c6ef76b67c438525644800692943/3b76f3e31c22cb19852575cb005cea73?OpenDocument>

Type of decoupling: Reconciliation of actual, non-weather adjusted revenues to ratemaking revenues. Refunds or surcharges allocated to all classes based on revenue.

Decoupling Tariff: United Illuminating has not yet filed a tariff to implement the Commission's approval of its decoupling mechanism because it was awaiting the results of a request for reconsideration. A tariff will likely be filed shortly. Extension beyond 2010 requires specific Commission approval.

Filing Schedule: Within 14 months after new rates effective

Energy efficiency cost recovery: Yes

History of Adjustments

There will not be any adjustments under this order for approximately 14 months.

Idaho

Idaho Power Company (electric)

Case/Order No.: IPC-E-04-15; Order No. 30267

<http://www.puc.idaho.gov/search/search.htm> (Search under order number).

Type of decoupling: For residential and small commercial customers, the mechanism reconciles actual number of customers to ratemaking number of customers times a set fixed cost per customer and weather-adjusted sales per customer to ratemaking sales per customer for a set fixed cost per kWh amount. Adjustments are capped at 3% over the

previous year, with carry-over to subsequent years. Although the mechanism specifies calculating and refunding/charging any adjustment on a per class basis, the Commission departed from this in the first two adjustments because of concern regarding the lack of current cost of service studies to support the underlying cost allocations. This is a three-year pilot program, expiring May 31, 2010.

Decoupling tariff: Schedule 54

<http://www.puc.state.id.us/tariff/approved/Electric/Idaho%20Power%20Company.pdf>

Filing Schedule: Adjustments occur each June 1 (filed March 15), with adjustments based on results from the prior calendar year.

Energy efficiency cost recovery: Incremental costs per the Energy Efficiency cost recovery tariff (adopted in Docket 07-077-TF); forecast and reconciliation procedure filed by April for June adjustments.

History of Adjustments

Year	Residential Decoupling (\$ million)	Adjustment ¹⁶ (¢/kWh)	Rate change (%)	Small Commercial Decoupling (\$ million)	Adjustment (¢/kWh)	Rate change (%)
2008	(3.6)	(0.0457)	(0.71) 17	1.2	(0.0457)	(0.71)
2009 ¹⁸	1.3	0.0529	0.82	1.4	0.0529	0.82

Kansas

In 2008, the Commission issued an order addressing generally cost recovery and incentives associated with utility energy efficiency programs. Docket No. 08-GIMX-441-GIV (November 14, 2008)

<http://www.kcc.state.ks.us/scan/200811/20081114142730.pdf>. The Commission endorsed the concept of using a tariff rider to recover program costs on a timely basis, with pre-filing of programs and budgets to provide utilities assurance of concurrence in their plans. In the order, the Commission also determined that decoupling was the best method of addressing the throughput incentive that utilities otherwise face, rejecting both a straight fixed-variable rate design and lost revenue recovery as reasonable alternatives. It invited utilities to file decoupling proposals in connection with their energy efficiency programs.

Illinois

North Shore Gas (gas)

¹⁶ The Commission ordered that the decoupling adjustments be summed and the result designed into an even adjustment across the two customer classes. This was, in part, because Idaho Power lacked a recent cost of service study suitable to allocate fixed costs between the two classes.

¹⁷ This is an estimate using the 2009 retail rate implied by the filing of the 2009 adjustment and the 2008 adjustment.

¹⁸ Filed March 15, but not yet approved.

Case/Order No.: 07-0241/07-0242 (Cons)

<http://www.icc.illinois.gov/docket/files.aspx?no=07-0241&docId=119858>

Type of decoupling: Reconciles actual, non-weather-adjusted margin revenue per customer to ratemaking margin per customer, on a per-class basis.

Decoupling tariff: Volume Balancing Adjustment (VBA), sheets 60-64

<http://www.northshoregasdelivery.com/news/tariffs/vba.pdf>

This is a four-year pilot only; to continue, the utility must make a general rate filing in which the Commission extends the program.

Filing Schedule: Monthly adjustments began March 2008. The utility will make a reconciliation filing every February. The first filing was in February 2009 for the ten months of 2008 included in the mechanism.

Energy efficiency cost recovery: Rider Energy Efficiency Program (EEP); program period runs July 1 to June 30 each year.

History of adjustments¹⁹

<u>North Shore Gas Service Classification</u>	<u>True-up: rate case to actual margin (\$)</u>	<u>True-up: percentage of margin (%)</u>	<u>True-up: percentage of total revenues (%)</u> ²⁰
Residential Sales	(547,804.42)	(3.3)	(0.46)
Residential			
Transportation	(5,101.34)	(1.3)	(0.1)
Comm/Ind Sales	(89,053.00)	(3)	(0.33)
Comm/Ind			
Transportation	(327,781.95)	(0.5)	(0.5)

Peoples Gas and Coke (gas)

Case/Order No.: 07-0241/07-0242 (Cons)

<http://www.icc.illinois.gov/docket/files.aspx?no=07-0241&docId=119858>

Type of decoupling: Reconciles actual, non-weather-adjusted margin revenue per customer to ratemaking margin per customer, on a per class basis.

Decoupling tariff: Volume Balancing Adjustment (VBA), Sheets 61-65

<http://www.peoplesgasdelivery.com/news/tariffs/vba.pdf>

This is a four-year pilot only; to continue, the utility must make a general rate filing in which the Commission extends the program.

Filing Schedule: Monthly adjustments began March 2008. The utility will make a reconciliation filing every February. The first filing was in February 2009 for the ten months of 2008 included in the mechanism.

Energy efficiency cost recovery: Rider Energy Efficiency Program (EEP); program period runs July 1 to June 30 each year.

History of adjustments²¹

¹⁹ Prepared from the annual reconciliation filing.

²⁰ Commodity rates change frequently. The percentage was estimated using average city gate gas cost for Illinois per EIA data, annual 2008, \$8.48/Mcf.

²¹ Prepared from the annual reconciliation filing.

Peoples Gas Service Classification	True-up: rate case to actual margin (\$)	True-up: percentage of margin (%)	True-up: percentage of total revenues (est.)²² (%)
Residential Sales	(2,035,714.64)	(2)	(0.43)
Residential Transportation	(53,882.01)	(2.4)	(0.15)
Comm/Ind Sales	(431,457.89)	(1)	(0.19)
Comm/Ind Transportation	(2,217,245.22)	(6.9)	(0.73)

Indiana

Vectren Indiana Gas (gas)

Case/Order No.: 42943 (December 2006)

https://myweb.in.gov/IURC/eds/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800befe7

Type of decoupling: Reconciles actual, non-weather-adjusted margin revenues per customer to ratemaking margin revenues per customer, with an adjustment for customer additions and reductions; only 85% of amount (positive or negative) included in rates; earnings capped at allowed return on common equity, with earnings shortfalls from prior periods allowed to offset potential returns to customers. The mechanism operates on a per class basis. The utility also has a separate weather adjustment tariff that applies only during the seven winter months.

Decoupling tariff: Appendix I, Energy Efficiency Rider, Sheet 38

https://www.vectrenenergy.com/cms/assets/pdfs/indiana_gas_tariff.pdf

Energy efficiency cost recovery: Yes, in the same tariff

History of adjustments

Rate Schedule/Year	Decoupling Adjustment (\$/therm)	Adjustment as a % of Margin	Adjustment as a % of Total Rate
2008			
Residential (210)	0.017	6.4	1.5
General (220/225)	0.0034	2.0	0.3
2009			
Residential (210)	0.00364	1.4	0.4
General (220/225)	(0.00762)	4.4	(0.86)

Vectren Southern Indiana Gas (gas)

²² Commodity rates change frequently. The percentage was estimated using average city gate gas cost for Illinois per EIA data, annual 2008, \$8.48/Mcf.

Case/Order No.: 42943 (December 2006)

https://myweb.in.gov/IURC/eds/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800befe7

Type of decoupling: Reconciles actual, non-weather-adjusted margin revenues per customer to ratemaking margin revenues per customer, with an adjustment for customer additions and reductions; only 85% of amount (positive or negative) included in rates; earnings capped at allowed return on common equity, with earnings shortfalls from prior periods allowed to offset potential returns to customers. The mechanism operates on a per class basis. The utility also has a separate weather adjustment tariff that applies only during the seven winter months.

Decoupling tariff: Appendix I, Energy Efficiency Rider, Sheet 38

https://www.vectrenenergy.com/cms/assets/pdfs/south_services_gas_tariff.pdf

Energy efficiency cost recovery: Yes, in the same tariff

History of adjustments

Rate Schedule/Year	Decoupling Adjustment (\$/therm)	Adjustment as a % of Margin	Adjustment as a % of Total Rate
2008			
Residential (110)	0.0085	4.7	0.8
General (120/125)	0.0035	2.9	0.3
2009			
Residential (110)	0.00152	0.8	0.2
General (120/125)	(0.00469)	(4)	(0.6)

Citizen's Gas & Coke (gas)

Case/Order No.: 42767 (April 2007)

https://myweb.in.gov/IURC/eds/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800dd673

Type of decoupling: Reconciles actual, non-weather-adjusted margin revenues per customer to ratemaking margin revenues per customer, with an adjustment for customer additions and reductions. The mechanism operates on a per class basis. The utility also has a separate weather adjustment tariff that applies only during the seven winter months.

Decoupling tariff: Rider E, page 505

<http://www.citizensgas.com/pdf/NGRatesRidersTC/RiderE.pdf>

Energy efficiency cost recovery: Yes, through Rider E

History of adjustments

Rate Schedule/Year	Decoupling Adjustment (\$/therm)	Adjustment as a % of Margin	Adjustment as a % of Total Rate
2008			
Res Non-Heat	0.002	0.45	0.16
Res Heat	(0.0002)	(0.067)	(0.02)
General Non-Heat	(0.0006)	(0.5)	(0.006)
General Heat	0	0	0

2009			
Res Non-Heat	0.0133	3	1.2
Res Heat	0.0223	7.3	2.2
General Non-Heat	0.0157	12.86	1.9
General Heat	0.0212	12.9	2.4

Maryland

Maryland has both gas and electric decoupling in place; the former began in the early 2000s, and the latter just within the last few years. All of the mechanisms make monthly adjustments. The amounts below are averages of the monthly adjustments for the periods shown. For several of the utilities, the largest and smallest adjustments within a given year are also shown.

Baltimore Gas & Electric (electric)

Case/Order No.: [Unable to locate]

Type of Decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule.

Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods.

Decoupling Tariff: Monthly Rate Adjustment, Rider 25

<http://www.bge.com/portal/site/bge/menuitem.b0ab2663e7ca6787047eb471016176a0/>

Filing Schedule: Monthly

Energy efficiency cost recovery: Yes

History of Adjustments

Period	Res. Dec. Adj (¢/kWh)	Dec. Adj % of Retail Rate ²³	Small Comm. Dec. Adj (¢/kWh)	Dec. Adj % of Retail Rate	Gen'l Comm. Dec. Adj (¢/kWh)	Dec. Adj % of Retail Rate
2008 ²⁴						
Largest Adj	0.445		0.215		0.2303	
Smallest Adj	(0.066)		(0.215)		0.1456	
Average Adj	0.136	1.1	0.025	0.22	0.21	2.1
2009						
Largest Adj	0.237		0.119		0.23	
Smallest Adj	(0.237)		(0.215)		(0.215)	
Average Adj	(0.069)	(0.5)	(0.048)	(0.4)	(0.043)	(0.4)

Delmarva (electric)

²³ EIA data on Maryland retail rates for the respective years used as a proxy to determine percentages.

²⁴ The mechanism was effective January 2008, with the first adjustment occurring in March 2008 based on January variances. The filing for the November 2008 adjustment was missing from the Maryland Commission website.

Case/Order No.: Case Jacket 9093; Order 81518, July 2007

http://webapp.psc.state.md.us/Intranet/Casenum/CaseAction_new.cfm?RequestTimeout=500

Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule.

Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.

Decoupling Tariff: Bill Stabilization Adjustment Rider, Leaf 102

<http://www.delmarva.com/home/choice/md/tariffs/>

Energy efficiency cost recovery: Yes, Demand-Side Management Surcharge Rider, Leaf 132

History of adjustments

Period/Rate	Average Decoupling Adjustment ²⁵ (£/kWh)	Estimated Total Rate ²⁶ (£/kWh)	Decoupling as % of Rate ²⁷
11/07 – 10/08			
Residential	0.16	11.09	1.4
General	0.21	11.80	1.8
11/08 – 4/09			
Residential	0.16	10.69	1.5
General	0.29	11.40	2.5

PEPCO (electric)

Case/Order No.: Case Jacket 9092, Order 81517, July 2007

http://webapp.psc.state.md.us/Intranet/Casenum/CaseAction_new.cfm?RequestTimeout=500

Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule.

Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.

Decoupling tariff: Bill Stabilization Adjustment Rider, page 47

http://www.pepco.com/res/documents/md_tariff.pdf

Energy efficiency cost recovery: Yes, Demand-Side Management Surcharge Rider, page 48

History of Adjustments

²⁵ PEPCO makes a monthly adjustment. The numbers shown are the average across the periods identified. For the year 11/07 to 10/08, there were 14 downward adjustments across the three classes and 22 upward adjustments. For the partial period 11/08 to 2/09, there were 2 downward adjustments and 10 upward.

²⁶ For residential, this is the average (summer/winter) standard offer rate for the decoupling periods. For general, the rate is estimated from the price to compare on PEPCO's website. For large industrial, the rate is from EIA 2006 price data for Maryland.

²⁷ The percentage shown is only as of total rate for residential and general service. The percentage is of delivery costs only for large industrial; with added commodity, the percentage change would be much lower.

Period/Rate	Average Decoupling Adjustment ²⁸ (£/kWh)	Estimated Total Rate ²⁹ (£/kWh)	Decoupling as % of Rate
11/07 – 10/08			
Residential	0.06	10.75	0.56
General	0.08	12.74	0.63
Large	0.013	8.14	0.16
11/08 – 2/09			
Residential	0.25	10.75	2.3
General	0.14	12.74	1.1
Large	0.02	8.14	0.25

Baltimore Gas & Electric (gas)

Case/Order No.: Case 9036; Order 80460

http://webapp.psc.state.md.us/Intranet/Casenum/submit_new.cfm?DirPath=C:\Casenum\9000-9099\9036\Item_116&CaseN=9036\Item_116

Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.

Decoupling tariff: Monthly Rate Adjustment, Rider 8

<http://www.bge.com/portal/site/bge/menuitem.d7305449a99570c7047eb471016176a0/>

Energy efficiency cost recovery: Yes. Gas Efficiency Charge, Rider 1

History of Adjustments

Period	Residential Decoupling Adjustment (\$/therm)	Decoupling Adjustment % of Retail Rate ³⁰	Commercial Decoupling Adjustment (\$/therm)	Decoupling Adjustment % of Retail Rate
2006³¹				
Largest Adj	0.05		0.05	
Smallest Adj	(0.01)		(0.05)	
Average Adj	0.0316	1.9	(0.005)	(0.4)
2007³²				

²⁸ PEPCO makes a monthly adjustment. The numbers shown are the average across the periods identified. For the year 11/07 to 10/08, there were 14 downward adjustments across the three classes and 22 upward adjustments. For the partial period 11/08 to 2/09, there were 2 downward adjustments and 10 upward.

²⁹ For residential, this is the average (summer/winter) standard offer rate for the decoupling periods. For general, the rate is estimated from the price to compare on PEPCO's website. For large industrial, the rate is from EIA 2006 price data for Maryland. It is not clear if the standard offer rate is with or without distribution charges built in. This analysis assumes these are included. If they are not, the decoupling adjustment as a percentage of the total rate would be even lower.

³⁰ EIA data for the respective years used as a proxy for the retail rate.

³¹ The first decoupling adjustment appears to have occurred in July 2006. The filing for the 09/06 adjustment was missing from the Maryland Commission website.

Largest Adj	0.0397		0.0159	
Smallest Adj	(0.05)		(0.05)	
Average Adj	(0.0323)	(2.1)	(0.043)	(3.5)
2008 ³³				
Largest Adj	0.073		0.05	
Smallest Adj	(0.05)		(0.05)	
Average Adj	0.02	1.2	(0.0223)	(1.7)
2009				
Largest Adj	0.008		0.0212	
Smallest Adj	(0.0272)		(0.05)	
Average Adj	(0.014)	<(0.1)	(0.01)	(0.8)

Washington Gas Light (gas)

Case/Order No.: Case 8990; Order No. 80130

http://webapp.psc.state.md.us/Intranet/Casenum/CaseAction_new.cfm?RequestTimeout=500

Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 5¢, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.

Decoupling tariff: Revenue Normalization Adjustment, General Service Provisions No. 30 <http://www.washgas.com/FileUpload/File/Tariffs/MD/md9899.pdf>

Energy efficiency cost recovery: Yes. Demand-side Management Surcharge Adjustment, General Service Provisions No. 22

History of Adjustments:

Period	Residential Decoupling \$/therm	Decoupling Adjustment % of Retail ³⁴	Commercial Decoupling \$/therm	Decoupling Adjustment % of Retail
December 2005	0.0258	1.7	0.0139	1.2
2006				
Largest Adj	0.05		0.045	
Smallest Adj	0.0146		(0.05)	
Average Adj	0.0415	2.5	(0.02)	(1.5)
2007				
Largest Adj	0.0323		0.0499	
Smallest Adj	(0.05)		(0.05)	
Average Adj	(0.0085)	(0.56)	(0.027)	(2.2)
2008				
Largest Adj	0.05		0.05	
Smallest Adj	(0.05)		(0.05)	

³² Filings for adjustments for January, March and April were missing from the Maryland Commission website.

³³ Filings for adjustments in April, October and November were missing from the Maryland Commission website.

³⁴ Retail prices based on EIA data for Maryland for respective years.

Average Adj 2009 ³⁵	(0.0013)	(0.08)	(0.005)	(0.39)
Largest Adj	0.0344		0.0245	
Smallest Adj	(0.05)		(0.0386)	
Average Adj	(0.018)	(1.5)	(0.022)	(2.0)

Massachusetts

Massachusetts has announced a regulatory policy in favor of decoupling for all of its gas and electric utilities. D.P.U 07-50-A (July 2008)

<http://www.mass.gov/Eoeea/docs/dpu/electric/07-50/71608dpuord.pdf>. None of the utilities have mechanisms in place yet.

Minnesota

In 2007, the Minnesota legislature enacted Section 216B.2412, <https://www.revisor.leg.state.mn.us/statutes/?id=216B.2412> in which it defined an alternative approach to utility regulation, *decoupling*, and directed the Public Utilities Commission to “establish criteria and standards” by which it could adopt decoupling for the state’s rate-regulated utilities. In addition, the legislation authorized the PUC to allow one or more utilities “to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation,” subject to the criteria and standards that the PUC will have established. To date, no utility pilots are in place.

Michigan

In 2008, Michigan passed PA 295, <http://legislature.mi.gov/doc.aspx?2007-SB-0213> a comprehensive bill adopting a renewable energy portfolio standard and an energy efficiency portfolio standard for state electric and natural gas utilities. Section 89(6) states that the commission shall authorize any natural gas utility that spends a minimum of 0.5% of total natural gas retail sales revenues, including natural gas commodity costs, in a year on commission-approved energy efficiency programs to implement a symmetrical revenue decoupling true-up mechanism that adjusts for sales volumes that are above or below the projected levels that were used to determine the authorized revenue requirement. The Commission has not yet approved a decoupling mechanism under this section.

Nevada

In 2008, the Nevada Public Service Commission adopted temporary rules allowing gas utilities to propose a decoupling mechanism in a general rate case filed within one year of the approval of a set of energy efficiency programs for that utility. Docket No. 07-06046. <http://pucweb1.state.nv.us/wx/DocView.aspx?DataSource=PUCN+Imaging&ParamEnc=>

³⁵ Through May 2009.

28%3a4D605690F11E27F012E1E60C8921FD1EEDD79CFEA0229DFE8B7EB14452A
 F2C471C7CEAA1CF970B67CDA2AD4AE0CDFC51ED5922B5E6DD1B98989E303F
 B8F15D5D6D08D6153BAE4347AB1F5BA1161334F5CABA7968A9E94DA44ABC5B
 285CF46983F6774787FD62A42DC2948DCD8AA319003AF71485E3D7CE47887E970
 27141DC1825216D42A37388884DCB825AF30A075ADD824901B04B3682834A110E
 C55B357C08408C4D4732131396D0FDA84963BDD583915C2B541AC56C896E054A5
 B867D68DE185F5C7EA0D65E1F97F262BB32E527A71B4540EC51FFAA201E818A3
 E9D5315 The rules specify revenue per customer mechanism design, with adjustments
 done on a per class basis. NAC (Nevada Administrative Code) 704.953.
<http://pucweb1.state.nv.us/PUCN/general/pucnac.aspx>

New Jersey

South Jersey Gas Company (gas)

Case/Order No.: Order No. GR05121019 (October 2006) (Link not available)

Type of decoupling: Reconciles ratemaking margin revenue per customer with actual, non-weather adjusted margin per customer, adjusted for net customers added, on a per rate schedule basis. Any revenue deficiency related to non-weather (calculated pursuant to a separate schedule – Rider D) causes is limited to the amount of offsetting revenue from sales of surplus gas. Surcharges recoveries may not occur if the utility would earn more than its allowed return on common equity but amounts excluded carry over.

Decoupling tariff: Conservation Incentive Program, Rider M, Sheet 97c

<http://www.southjerseygas.com/108/tariff/Tariff060109.pdf>

Energy efficiency cost recovery: Yes. Rider K, Clean Energy Program Clause (CLEP)

Note that this includes lost revenue associated with programmatic savings.

History of Adjustments³⁶

Class/Year	Decoupling Adjustment ³⁷ (\$/therm)	Decoupling amount as % of margin ³⁸	Decoupling amount as % of rate ³⁹
2008			
Residential	0.0443	9.8	2.8
General	0.0392	10.9	2.6
General Large			
Volume	(0.0037)	(1.3)	(0.3)
2009			
Residential	0.0707	15.6	4.8
General	0.0684	19	5
General Large			
Volume	0.0062	2.1	0.5

³⁶ The mechanism began in October 2006, with the first adjustment in October 2007.

³⁷ South Jersey does not make rate changes for the decoupling adjustments because its tariff requires that it offset the amounts against revenues it earns from the release of gas supplies.

³⁸ Margin based on currently published tariffs.

³⁹ This is an estimate using the EIA natural gas city gate price for 2008 and January 2009, respectively. These amounts are not rate changes per se. In particular, the 2009 decoupling adjustments as a percentage of the total rate is shown without regard to the prior 2008 rate change. On a cumulative basis, the increase was only approximately 1.6% for residential customers.

New Jersey Natural Gas Company (gas)

Case/Order No.: Order No. GR05121020 (October 2006) (link not available)

Type of decoupling: Reconciles ratemaking margin revenues per customer with actual, non-weather adjusted margin per customer, adjusted for net customers added, on a per rate schedule basis. Any revenue deficiency attributable to non-weather (calculated pursuant to a separate schedule – Rider D) causes is limited to the amount of offsetting revenue from sales of surplus gas. Surcharges recoveries may not occur if the utility would earn more than its allowed return on common equity but any recovery so excluded carries over.

Decoupling tariff: Conservation Incentive Program, Rider I

<http://www.njng.com/regulatory/pdf/060109.pdf>

Energy efficiency cost recovery: Yes. Rider E, Clean Energy Program Clause (CLEP)

History of Adjustments⁴⁰

Class/Year	Decoupling Adjustment ⁴¹ (\$/therm)	Decoupling amount as % of rate ⁴²
2008		
Residential	0.0261	1.7
General	0.0248	2.0
2009		
Residential	0.0378	2.5
General	0.0424	2.8

New York

Consolidated Edison (gas)

Case/Order No.: 06-G-1332; 1-102-06G1332 (September 2007)

<http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=06-G-1332&submit=Search+for+Case%2FMatter+Number>

Type of decoupling: Reconciles actual, non-weather-adjusted revenues per customer with ratemaking revenues per customer, according to several service classification groupings.

Decoupling tariff: General Information Special Adjustment No. 14, leaf 181-182;

apparently in force only 10/07 through 9/08

[http://www.coned.com/documents/gas_tariff/pdf/0003\(09\)-](http://www.coned.com/documents/gas_tariff/pdf/0003(09)-)

[General Information.pdf#page=12](#)

Energy efficiency cost recovery: Yes

History of Adjustments (Unable to locate)

⁴⁰ The mechanism began in October 2006, with the first adjustment in October 2007.

⁴¹ New Jersey Natural Gas does not make rate changes for the decoupling adjustments because its tariff requires that it offset the amounts against revenues it earns from the release of gas supplies.

⁴² This is an estimate using the EIA natural gas city gate price for 2008 and January 2009, respectively. These amounts are not rate changes per se. 2008 EIA commercial retail gas price data for New Jersey was not available; this uses the 2007 annual.

Consolidated Edison (electric)Case/Order No.: 07-E-0523; 1-301-07E0523 (March 25, 2008)⁴³<http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=07-E-0523&submit=Search+for+Case%2FMatter+Number>**Type of decoupling:** Reconciles actual, non-weather adjusted revenues to ratemaking revenues on a per class basis. Adjusts semi-annually.**Decoupling tariff:** PSC No. 9-Electricity, Leaf 168F<http://www.coned.com/documents/elec/165-168i.pdf>**Energy efficiency cost recovery:** Pending; decoupling specifically adopted without connection to an approved energy efficiency program**History of Adjustments**⁴⁴

Service Class	Adjustment	Percent of Delivery Charge ⁴⁵
Residential (1)	(0.1502)	(2.3)
General Commercial (2)	(0.0071)	(0.8)

National Fuel Gas Distribution (gas)

Case/Order No.: 07-G-0141, 1-102-07G0141 (December 2007)

<http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=07-G-0141&submit=Search+for+Case%2FMatter+Number>**Type of decoupling:** Reconciles actual, weather-normalized margin revenue per customer with ratemaking margin per customer, adjusted for net customers added. There is a separate weather adjustment that applies for October through May only.**Decoupling tariff:** Conservation Incentive Program Cost Recovery, Sheet 148.9; adjustments effective on annual basis, December through November<https://www2.dps.state.ny.us/ETS/jobs/display/download/4677590.pdf>**Energy efficiency cost recovery:** Yes**History of Adjustments**

Service Class	Adjustment \$/Mcf	Percent of Rates ⁴⁶
Residential	(0.082)	(0.77)
General Service	(0.082)	(0.87)

⁴³ The order included a 10 basis point ROE reduction ordered to account for the effect of the decoupling mechanism on the utility's risk.⁴⁴ The decoupling mechanism applies to 10 schedules in total. Many of those contain demand charges that make calculation of the per kWh decoupling adjustment as a percentage of the rate difficult. The two shown above contain by far the greatest number of customers.⁴⁵ This charge does not include electricity commodity. The decoupling adjustments as a percentage of that amount would be even smaller.⁴⁶ Based on May 2009 retail rates. These rates change monthly.

Orange & Rockland (electric)

Case/Order No.: 07-E-0949; Order No. 1-302-07E0949

<http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=07-E-0949&submit=Search+for+Case%2FMatter+Number>

Type of decoupling: Reconciles actual, non-weather adjusted revenues with ratemaking revenues (delivery only) per class with certain schedules excluded: economic development, lighting, special contracts. Ratemaking revenues adjust automatically according to a three-year schedule. Program ends June 30, 2011.

Decoupling tariff: General Information Sheet 25

<http://www.oru.com/documents/tariffsandregulatorydocuments/ny/electrictariff/electricG125.pdf> ;

Energy efficiency cost recovery: Programs and recovery pending in separate proceeding 07-M-0548 to be decided later in 2008.

History of Adjustments: None to date.

North Carolina

In 2007, North Carolina enacted a statute specifically authorizing the Commission to approve decoupling mechanisms for natural gas utilities.

http://www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_62/GS_62-133.7.html

Piedmont Natural Gas (gas)

Case/Order No.: Dockets G-9, Sub 499 (November 2005) and G-9, Sub 550 (November 2008) <http://ncuc.commerce.state.nc.us/cgi-bin/webview/senddoc.pgm?dispfmt=&itype=Q&authorization=&parm2=KAAAAA52350B&parm3=000123283> and <http://ncuc.commerce.state.nc.us/cgi-bin/webview/senddoc.pgm?dispfmt=&itype=Q&authorization=&parm2=SAAAAA89280B&parm3=000128268>

Type of decoupling: Reconciles actual, non-weather adjusted margin per customer with ratemaking margin per customer, by rate schedule. Adjusts twice a year.

Decoupling tariff: Customer Utilization Tracker (CUT), now called Margin Decoupling Tracker, Appendix C

<http://www.piedmontng.com/rates/tariffs/uploadedTariffs/ncTariff.pdf>

Energy efficiency cost recovery: In the initial 3-year decoupling experiment, the utility donated funds totaling \$750,000 for energy efficiency without recovery; in the extension, the Commission approved including \$1.275 million in rates for these programs

Energy efficiency incentives: No.

History of Adjustments

Period	Residential Adjustment \$/therm	% of Rate ⁴⁷	Small Comm. Adjustment \$/therm	% of Rate	Med. Comm. Adjustment \$/therm	% of Rate
Apr 2006	0.02262	1.3	0.0123	0.87	0.000860	<0.1
Nov 2006	0.05181	3.1	0.02339	1.7	0.011389	1.0
Apr 2007	0.07791	5.0	0.04127	3.2	0.00996	1.0
Nov 2007	0.06153	3.9	0.03118	2.4	0.01213	1.2
Apr 2008	0.08471	5.1	0.04732	3.3	0.01452	1.2
Nov 2008	0.07494	4.5	0.03819	2.7	0.02394	1.9

Public Service Company of North Carolina (gas)

Case/Order No.: G-5, Sub 495 (October 2008) <http://ncuc.commerce.state.nc.us/cgi-bin/webview/senddoc.pgm?dispfmt=&itype=Q&authorization=&parm2=RAAAAA89280B&parm3=000128260>

Type of decoupling: Reconciles actual, non-weather adjusted margin per customer with ratemaking margin per customer, by rate schedule. Adjusts twice a year.

Decoupling tariff: Rider C Customer Usage Tracker

http://www.psnenergy.com/NR/rdonlyres/0E0B99DA-911C-4674-AF7E-EA5602091DB6/0/Rider_C.pdf

Energy efficiency cost recovery: Yes, up to \$750,000 per year, with no true-up to actual expenditures

History of Adjustments

The Commission just approved the decoupling mechanism for PS Co of North Carolina in October 2008. The first adjustment under the mechanism has not occurred as of May 2009, but will likely appear shortly.

Oregon

Cascade Natural Gas (gas)

Case/Order No.: UG 167; Order No. 06-191

<http://apps.puc.state.or.us/orders/2006ords/06-191.pdf>

Type of decoupling: Reconciles actual margin per customer with ratemaking margin per customer, adjusted for current customer count but does so separately for weather-related variances and all other variances. Calculations and rate adjustments done on a per rate schedule basis. Earnings sharing applies to extent earnings with adjustment clauses recoveries exceed 175 basis points over allowed return on common equity. Decoupling ends after three years unless the utility re-files.

Decoupling tariff: Rule 19, Original Sheet 30, Conservation Alliance Plan mechanism

http://www.cngc.com/post/rates_tariffs/oregon/0030_Rule_19_-_Conservation_Alliance_Plan.pdf

⁴⁷ EIA annual city gate prices for respective years used as a proxy for total rate. It is useful to remember these are not necessarily rate changes in customer bills. Assuming nothing else was occurring, slight rate increases would have occurred in April and November 2006 and April 2007, but then a decrease in November 2007 as the decoupling adjustment declined from the prior level, an increase in April 2008 and an decrease again in November 2008.

Energy efficiency cost recovery: Yes, through a public purpose charge the revenue from which goes to the Energy Trust of Oregon for programs

History of Adjustments

	Decoupling Use-Per-Customer Forecast Change (\$/therm)	Decoupling True-Up (\$/therm)	Average Total Rate (\$/therm)	Total Decoupling as % of Rate
7/06 – 6/07				
Residential	0.01693	0.01538	1.26	2.6
Commercial	0.00934	0.01538	1.12	2.2
7/07 – 6/08				
Residential	(0.0292)	(0.02055)	1.39	(3.6)
Commercial	(0.0112)	(0.02055)	1.25	(2.5)

Northwest Natural Gas (gas)

Case/Order No.: UG 163, Order No. 07-426

<http://apps.puc.state.or.us/orders/2007ords/07-426.pdf>

Type of decoupling: Reconciles actual, weather-adjusted margin per customer with ratemaking margin per customer, adjusted for current customer count, by customer class. Weather-adjustment occurs through a separate tariff from which customers can choose to opt out. Program runs through October 2012.

Decoupling tariff: Schedule 190

[https://www.nwnatural.com/CMS300/uploadedFiles/24190ai\(3\).pdf](https://www.nwnatural.com/CMS300/uploadedFiles/24190ai(3).pdf)

Energy efficiency cost recovery: Through a public purpose charge – the revenues collected go to the Energy Trust of Oregon to run programs.

History of Adjustments

Year	Decoupling Adjustment (\$ million)	Decoupling Adjustment (% of rate)
2003	3.6	0.6
2004	2.1	0.36
2005	6.2	0.77
2006	(2.2)	(0.27)
2007	0.8	<0.1
2008	(2.5)	<(1.0)

PacifiCorp (electric)

Case/Order No.: UE-94; Order No. 98-191 (not available electronically)

<http://apps.puc.state.or.us/edockets/docket.asp?DocketID=5178>

Type of decoupling: Reconciled actual weather-adjusted revenues to ratemaking revenues for distribution services only. Ratemaking revenues increased each year, automatically, by inflation less a 0.3% productivity factor. The mechanism was part of a 3-year

alternate-form-of-regulation (AFOR). The AFOR expired shortly before Oregon restructuring (February 2002).

Decoupling tariff: NA

Energy efficiency cost recovery: Yes, through a public purpose charge included in the package.

History of Adjustments⁴⁸

Customer Class	1999	2000	2001
Residential	(0.39)	1.9	1.85
Small General Service	(0.6)	(0.22)	0.06
General Service	(0.83)	(0.31)	0.09
Large General Service	0.61	0.33	(0.3)
Irrigation	0.45	0.25	(0.2)

Portland General Electric (electric)

Case/Order No.: UE-197; Order No. 09-020 and 09-196

<http://apps.puc.state.or.us/orders/2009ords/09-176.pdf>

Type of decoupling: Reconciles actual, weather-adjusted fixed cost revenue per customer for residential and small general service to ratemaking fixed cost revenue per customer, by customer class. Decoupling adjustments limited to two percent per year, positive or negative; amounts in excess do not roll over to future periods.⁴⁹ Program runs two years.

Decoupling tariff: Schedule 123

http://www.portlandgeneral.com/about_pge/regulatory_affairs/pdfs/schedules/Sched_123.pdf

Energy efficiency cost recovery: Yes, through a regular and an add-on public purpose charge; virtually all of the funding goes to the Energy Trust of Oregon to run programs.

History of Adjustments: None yet. The first should occur in 2010.

Utah

Questar Gas (gas)

Case/Order No.: 05-057-T01 (October 2006)

<http://www.psc.utah.gov/utilities/gas/06orders/Oct/05057t01oass.pdf>

Type of decoupling: Reconciles actual, non-weather adjusted margin revenues per customer with ratemaking margin revenues per customer, only for the general service class. Accruals to the balancing account per year capped at a cumulative 1% of gross revenues per twelve-month period. Three-year program ends December 2009. Renewal dockets are pending.

Decoupling tariff: 2.08 Conservation Enabling Tariff

<http://www.questargas.com/Tariffs/uttariff.pdf>

Energy efficiency cost recovery: Yes, 2.09 Demand-side Management tariff

History of Adjustments

⁴⁸ The figures shown are actual rate changes (in %) attributable to decoupling within the overall alternate form of regulation.

⁴⁹ Commission order approving decoupling applied a 10 basis point return on common equity reduction.

Period	Decoupling Adjustment (% of overall rate)
7/06 – 3/07	0.27
4/07 – 8/07	0.36
9/07 – 3/08	(0.47)
4/08 – 8/08	0.01

Vermont

Central Vermont Public Service (electric)

Case/Order No.: 7336, <http://www.state.vt.us/psb/orders/2008/files/7336%20Final.pdf>

Type of decoupling: CVPS has an alternative regulatory plan under which it may adjust rates every year based on forecast costs and sales. This limits any benefit of increased sales during a given year to a partial year, at best. In addition, there is an adjustment mechanism for earnings that fall outside of a dead-band of 75 basis points around the allowed return on common equity. Outside of the dead-band, any excess or shortfall is first shared between the utility and customers and, beyond a certain amount, passed through in full to customers. If consumption reductions have caused revenues to fall, this mechanism may trigger a partial collection of the shortfall from customers. It will be difficult to calculate to what extent revenue changes driven by consumption changes have contributed to any adjustment, however.

Decoupling tariff: NA

Energy efficiency cost recovery: Public Purpose Charge with funds sent to Efficiency Vermont, a non-profit third-party provider

History of Adjustments: It will not be possible to isolate the effects of sales changes from other elements included in the plan.

Green Mountain Power (electric)

Case/Order No.: 7175 and 7176 <http://www.state.vt.us/psb/orders/2006/files/7175-7176finalorder.pdf>

Type of decoupling: As with Central Vermont Public Service (CVPS), the partial decoupling occurs through a comprehensive alternative form of regulation. Under the 3-year plan, GMP changes its rates every year based on a forecast of sales and costs. Thus, sales increases provide, at most, a partial year benefit to the Company. In addition, the earnings sharing provision operates, as CVPS' does, to minimize the loss if sales should fall significantly from forecast as well as share the benefit with customers if sales should rise. The Board explicitly found that full decoupling was unnecessary with this comprehensive plan.

Decoupling tariff: NA

Energy efficiency cost recovery: Public Purpose Charge with funds sent to Efficiency Vermont, a non-profit third-party provider

History of Adjustments: It will not be possible to isolate the effects of sales changes from other elements included in the plan.

Virginia

Virginia Gas (gas)

Case/Order No.: PUE-2008-00060 (December 2008)

<http://docket.scc.virginia.gov/vaproduct/main.asp>

Type of decoupling: For residential customers only, reconciles actual, weather-adjusted revenue per customer to ratemaking revenue per customer approved in an existing performance-based ratemaking plan. A separate weather adjustment rider exists.

Decoupling tariff: Revenue Normalization Adjustment Rider D (not available in utility's on-line tariff)

Energy efficiency cost recovery: Yes

History of Adjustments: None to date.

Washington

Cascade Natural Gas (gas)

Case/Order No.: UG-060256 (January 2007), Order Nos. 05, 06, and 07

<http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/c6d08ccab87aceb2882572610082a4df!OpenDocument>,

<http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/2293364b330b249c8825733900798c2c!OpenDocument>,

<http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/67316d49ff5b839e882573670080db42!OpenDocument>

Type of decoupling: Reconciles actual, weather-adjusted margin revenue per customer with ratemaking margin revenue per customer, for residential and general commercial service only, by rate schedule. Adjustments occur the annual Temporary Technical Adjustment filing.

Decoupling tariff: Original Sheet 25, Conservation Alliance Plan mechanism

http://www.cngc.com/post/rates_tariffs/washington/021_Rule_Conservation_Alliance_Plan_Mechanism.pdf

Energy efficiency cost recovery: Yes

History of Adjustments: The mechanism took effect October 2007 and the first adjustment period ran through December 2008. Cascade reported an adjustment of (\$401,328.82) in March 2009. The minor rate decrease associated with this will occur along with Cascade's PGA filing in Fall 2009.

Avista (gas)

Case/Order No.: UG-060518 (February 2007)

<http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/f1f6a64cb9d2aa0688257275007a230d!OpenDocument>

Type of decoupling: Reconciles actual, weather-adjusted margin revenue per customer with ratemaking margin revenue per customer, for general service customers only, with a positive or negative adjustment of 90% of the difference. Recoveries limited to amounts that bring the utility up to its allowed return on common equity and contingent upon meeting certain energy efficiency targets, using a sliding scale. Any surcharges resulting

from the decoupling calculation limited to two percent per year, cumulative over the program (6%). Three-year pilot program.

Decoupling tariff: Schedule 159 (applies only to General Service)

http://www.avistautilities.com/services/energypricing/tariffs/wa/gas/Documents/WA_159.pdf

Energy efficiency cost recovery: Yes, schedule 191

History of Adjustments

Period	Adjustment Effective in Rates ¢/therm	Percentage of Margin	Percentage of Total Rate ⁵⁰
1/07 – 6/07	.257	1.25	0.28
7/07 – 12/07	.257	1.18	0.25
1/08 – 6/08	.593	2.73	0.58
7/08 – 12/08	.593	2.73	0.56

Wisconsin

Wisconsin Public Service Corporation (electric and gas)

Case/Order No.: Docket No. 6690-UR-119

http://psc.wi.gov/apps/erf_share/view/viewdoc.aspx?docid=106184 and

http://psc.wi.gov/apps/erf_share/view/viewdoc.aspx?docid=108565

Type of Decoupling: For both gas and electric, reconciles actual, non-weather-adjusted margin revenues per customer, by customer class, with ratemaking margin revenues per customer, adjusted for actual number of customers. Margin determined several different ways, depending on customer class and whether distribution fixed costs or supply fixed cost. Caps apply – amounts in excess of the cap not booked for later credit or surcharge; caps based on revenue requirement value of 100 basis points of return on common equity (\$8 for gas; \$14 for electric). Four-year pilot program.

Decoupling Tariffs: PSCW-8, Schedule GRSM-1 (gas)

<http://www.wisconsinpublicservice.com/news/gas/GRSM.pdf>; PSCW-7, Schedule

ERSM-1 (electric) <http://www.wisconsinpublicservice.com/news/electric/ERSM.pdf> ling

Weather: Revenues not weather adjusted – actual revenues used

Energy efficiency cost recovery: Yes

History of Adjustments: None to date.

Wyoming

Questar Gas Company (gas)

Case/Order No.: 30010-94-GR-8 (May 2009)⁵¹ (order not yet available electronically)

⁵⁰ Estimated using 2007, 2008 and January 2009 City Gate gas prices for Washington from EIA. These are not actual rate changes; rather just the adjustment expressed as a percentage of the entire rate. During the period of Avista's decoupling adjustment so far, there have been only two rate changes.

⁵¹ The order is not yet available on the Commission's website.

Type of decoupling: Reportedly similar to Utah mechanism, which reconciles actual, non-weather adjusted margin revenues per customer with ratemaking margin revenues per customer, only for one class of customer.

Decoupling tariff: (tariff not yet available electronically)

Energy efficiency cost recovery: Yes

Closing Observation

Finding all of the decoupling mechanisms and summarizing the adjustments made under them was an exceedingly difficult task. I have a total of over 25 years in utility matters, most spent in the regulatory affairs department of a mid-sized electric utility. I know my way around a tariff and am generally familiar with naming conventions and so forth used by public utility commissions. Despite this wealth of experience, the task was difficult. This caused me to wonder what those not on the “inside” can possibly think of how utilities and regulators present information? Most would not think that the obfuscation was deliberate but many would conclude that ensuring people actually understood utility rates and regulation was not the goal.

The means of tackling this issue range from the simple to the significant. As a simple matter, some conventions around what utilities and commissions call things, what information appears in filing letters and annual (perhaps) information compiling tariffs and riders into complete rate information would help. This would seem a useful place for NARUC to work, in collaboration with the AGA and EEI. A far more significant effort would be the re-thinking of the tariff structure used by virtually every utility in the country. I suspect that most have changed little, in structure, for well over 50 years. General conditions appear in one place, riders and adjustments clauses in another, “base” rates somewhere else in schedule numbers that mean nothing to anyone. Tariffs may now be “on” the Internet, but they are not Internet-enabled or Internet-friendly. It seems likely that the future holds more variation in, and personalization of, rates, not less. Again, the utilities and regulators should collaborate to envision the “tariffs” (if we still call them that) of the future and how the industry might go about the transformation.

Exhibits of
OPC Witness
George E. Briden
Exhibit OPC (A)-2

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-10

- Q. With reference to the proposed "Revenue Normalization Adjustment" section of the General Service Provisions (Section 26):**

Using the most recent 36 months of available data, perform the adjustments as set forth in Section 26 as if the revenue normalization mechanism had been in place for those 36 months, and provide the results along with any and all related workpapers in Excel electronic format with all formulas and linkages intact.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A.** The rates currently in effect for District of Columbia customers began in January 2008 after the completion of Formal Case No. 1054. Therefore, any rates in effect prior to January 2008 are not relevant in the current proceeding. The Company has simulated the impact of the RNA for the calendar years 2008 and 2009 in the attached worksheets. A copy of the worksheets is being provided on disk.

WASHINGTON GAS' UPDATED RESPONSE

MAY 3, 2010

- A.** The Company is providing the attached revised spreadsheets for this data request. The two changes are as follows: 1) The peak usage charge revenues are included in the actual revenues for the firm non-residential class; and 2) The fixed revenue per customer has been adjusted to be consistent with the changes in the number of Interruptible customers as reflected in revised pages 1 and 9 in Exhibit WG(D)-1.

SPONSOR: James B. Wagner
Manager, Rates and Regulatory Affairs

Revenue Normalization Adjustment (RNA) Calculation
Based on 12 Months Ended December 31, 2008

	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008	TIME Dec 2008
Residential Htg / HC													
No. of Customers	124,601	125,731	126,088	125,335	124,936	124,212	123,709	123,253	122,787	122,769	123,480	124,881	1,491,782
Fixed Rev per Cust	\$ 63.06	\$ 63.05	\$ 39.86	\$ 28.17	\$ 12.47	\$ 7.40	\$ 6.23	\$ 5.62	\$ 5.94	\$ 7.69	\$ 18.48	\$ 40.53	\$ 124,881
Target Distribution Revs	\$ 7,857,339	\$ 7,927,340	\$ 5,000,650	\$ 3,530,687	\$ 1,557,952	\$ 919,169	\$ 770,707	\$ 692,662	\$ 729,355	\$ 944,094	\$ 2,281,910	\$ 5,061,427	\$ 37,273,312
Actual Rev (Books)	\$ 6,708,541	\$ 7,097,678	\$ 5,994,882	\$ 3,562,854	\$ 1,662,587	\$ 1,101,231	\$ 712,503	\$ 650,456	\$ 691,585	\$ 889,136	\$ 2,539,554	\$ 6,165,784	\$ 37,774,652
RNA Charge (Credit)	\$ 1,150,798	\$ 829,662	\$ (934,232)	\$ (31,867)	\$ (104,635)	\$ (182,062)	\$ 56,144	\$ 42,226	\$ 37,770	\$ 54,958	\$ (257,644)	\$ (1,104,357)	\$ (601,340)
Residential Non Htg													
No. of Customers	15,736	15,736	15,736	15,736	15,736	15,736	15,736	15,736	15,736	15,736	15,736	15,736	188,832
Fixed Rev per Cust	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86	\$ 5.86
Target Distribution Revs	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 92,213	\$ 1,106,556
Actual Rev (Books)	\$ 84,715	\$ 96,198	\$ 83,705	\$ 66,936	\$ 50,785	\$ 43,921	\$ 34,116	\$ 33,220	\$ 35,976	\$ 41,405	\$ 59,347	\$ 100,042	\$ 730,381
RNA Charge (Credit)	\$ 7,498	\$ (3,993)	\$ 8,508	\$ 23,277	\$ 41,428	\$ 48,292	\$ 58,097	\$ 58,993	\$ 56,237	\$ 50,808	\$ 32,866	\$ (7,329)	\$ 376,196
C&I Htg / HC < 3075													
No. of Customers	4,434	4,498	4,483	4,513	4,458	4,383	4,428	4,390	4,262	4,207	4,233	4,363	52,652
Fixed Rev per Cust	\$ 111.30	\$ 120.45	\$ 77.53	\$ 57.24	\$ 24.54	\$ 16.76	\$ 13.06	\$ 14.39	\$ 9.07	\$ 11.74	\$ 31.15	\$ 62.95	\$ 4,363
Target Distribution Revs	\$ 493,604	\$ 541,784	\$ 347,567	\$ 258,324	\$ 109,399	\$ 73,459	\$ 57,830	\$ 63,172	\$ 38,656	\$ 49,390	\$ 131,856	\$ 274,651	\$ 2,439,594
Actual Rev (Books)	\$ 434,879	\$ 509,396	\$ 470,110	\$ 327,889	\$ 110,588	\$ 57,277	\$ 56,835	\$ 56,727	\$ 48,269	\$ 45,365	\$ 122,755	\$ 333,835	\$ 2,573,795
RNA Charge (Credit)	\$ 58,825	\$ 32,388	\$ (122,543)	\$ (68,545)	\$ (1,193)	\$ 16,182	\$ 1,195	\$ 6,445	\$ (9,613)	\$ 4,005	\$ 9,103	\$ (56,194)	\$ (134,141)
C&I Htg / HC > 3075													
No. of Customers	3,033	3,044	3,043	3,009	3,016	3,003	3,002	2,996	3,110	3,077	3,115	3,059	36,507
Fixed Rev per Cust	\$ 1,183.43	\$ 1,178.18	\$ 765.40	\$ 633.42	\$ 275.74	\$ 177.75	\$ 154.09	\$ 149.63	\$ 136.42	\$ 180.04	\$ 417.95	\$ 783.82	\$ 3,059
Target Distribution Revs	\$ 3,589,343	\$ 3,586,380	\$ 2,326,112	\$ 1,905,981	\$ 831,632	\$ 533,783	\$ 462,578	\$ 448,291	\$ 424,266	\$ 553,983	\$ 1,301,914	\$ 2,397,084	\$ 18,384,337
Actual Rev (Books)	\$ 3,287,610	\$ 3,425,587	\$ 3,032,116	\$ 2,086,780	\$ 1,016,197	\$ 662,617	\$ 481,442	\$ 454,064	\$ 722,996	\$ 383,868	\$ 1,519,896	\$ 2,884,319	\$ 19,987,472
RNA Charge (Credit)	\$ 301,733	\$ 160,793	\$ (703,604)	\$ (180,799)	\$ (184,565)	\$ (128,834)	\$ (18,864)	\$ (5,773)	\$ (288,730)	\$ 170,115	\$ (217,982)	\$ (497,225)	\$ (1,603,135)
C&I Non Htg													
No. of Customers	2,292	2,341	2,300	2,299	2,297	2,303	2,290	2,282	2,278	2,278	2,280	2,266	27,496
Fixed Rev per Cust	\$ 200.91	\$ 199.56	\$ 155.92	\$ 172.49	\$ 134.57	\$ 125.29	\$ 122.12	\$ 117.51	\$ 114.40	\$ 122.16	\$ 160.56	\$ 180.08	\$ 2,266
Target Distribution Revs	\$ 460,486	\$ 467,170	\$ 358,616	\$ 396,555	\$ 309,107	\$ 288,543	\$ 278,434	\$ 268,156	\$ 280,603	\$ 278,280	\$ 366,077	\$ 408,081	\$ 4,140,090
Actual Rev (Books)	\$ 479,324	\$ 521,325	\$ 478,881	\$ 485,451	\$ 329,014	\$ 309,709	\$ 273,556	\$ 282,993	\$ 283,634	\$ 287,131	\$ 398,139	\$ 502,265	\$ 4,592,423
RNA Charge (Credit)	\$ (18,838)	\$ (34,155)	\$ (121,265)	\$ (98,896)	\$ (19,567)	\$ (21,166)	\$ 4,878	\$ 5,165	\$ (23,331)	\$ (8,951)	\$ (32,062)	\$ (94,204)	\$ (452,333)
GMMA Htg / HC < 3075													
No. of Customers	549	549	549	549	549	549	549	549	549	549	549	549	6,588
Fixed Rev per Cust	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55	\$ 150.55
Target Distribution Revs	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 82,652	\$ 991,824
Actual Rev (Books)	\$ 140,158	\$ 146,685	\$ 384,365	\$ (141,980)	\$ 49,143	\$ 31,808	\$ 23,373	\$ 16,372	\$ 8,544	\$ 10,595	\$ 21,730	\$ 59,308	\$ 750,091
RNA Charge (Credit)	\$ (57,506)	\$ (61,033)	\$ (301,713)	\$ 224,642	\$ 33,509	\$ 50,844	\$ 59,279	\$ 66,280	\$ 74,108	\$ 72,057	\$ 60,922	\$ 23,344	\$ 24,1733

Washington Gas Light Company
District of Columbia

Revised 5/3/10 - FC 1079
WG Response to OPC DR No. 1, Q. 1-10
Page 2 of 4

Revenue Normalization Adjustment (RNA) Calculation
Based on 12 Months Ended December 31, 2008

	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008	TME Dec 2008
GMA Htg / HC > 3075													
No. of Customers	1,623	1,609	1,612	1,612	1,606	1,634	1,599	1,614	1,590	1,602	1,695	1,655	1,633
Fixed Rev per Cust	\$ 1,032.84	\$ 1,074.76	\$ 852.28	\$ 614.03	\$ 293.04	\$ 159.02	\$ 151.18	\$ 127.87	\$ 93.51	\$ 189.42	\$ 408.07	\$ 685.99	\$ 1,633
Target Distribution Revs	\$ 1,676,299	\$ 1,729,289	\$ 1,373,875	\$ 986,132	\$ 478,827	\$ 254,273	\$ 244,005	\$ 202,035	\$ 148,803	\$ 287,167	\$ 675,356	\$ 1,120,222	\$ 9,177,283
Actual Rev (Books)	\$ 1,583,975	\$ 1,616,223	\$ 1,475,668	\$ 1,074,648	\$ 507,818	\$ 314,538	\$ 245,116	\$ 205,356	\$ 234,511	\$ 275,498	\$ 833,212	\$ 1,543,318	\$ 9,911,880
RNA Charge (Credit)	\$ 92,324	\$ 111,066	\$ (101,793)	\$ (88,516)	\$ (28,991)	\$ (60,265)	\$ (1,111)	\$ (3,321)	\$ (84,708)	\$ 11,669	\$ (167,866)	\$ (423,098)	\$ (734,687)
GMA Non Htg													
No. of Customers	805	803	816	801	801	797	802	810	779	829	797	801	8,641
Fixed Rev per Cust	\$ 244.85	\$ 245.81	\$ 191.36	\$ 175.72	\$ 134.92	\$ 121.80	\$ 108.33	\$ 93.52	\$ 105.29	\$ 114.23	\$ 141.90	\$ 188.67	\$ 801
Target Distribution Revs	\$ 197,104	\$ 197,385	\$ 156,150	\$ 140,782	\$ 108,071	\$ 97,075	\$ 86,881	\$ 75,751	\$ 82,021	\$ 94,697	\$ 113,094	\$ 151,125	\$ 1,500,106
Actual Rev (Books)	\$ 183,496	\$ 188,973	\$ 166,984	\$ 149,437	\$ 112,010	\$ 101,976	\$ 84,742	\$ 79,590	\$ 79,318	\$ 96,856	\$ 132,134	\$ 180,635	\$ 1,556,352
RNA Charge (Credit)	\$ 13,608	\$ 8,412	\$ (10,834)	\$ (8,685)	\$ (3,839)	\$ (4,991)	\$ 2,139	\$ (3,836)	\$ 2,703	\$ (2,159)	\$ (19,940)	\$ (29,710)	\$ (56,248)
Internuptible													
No. of Customers	187	188	189	198	192	175	159	154	159	164	192	190	2,145
Fixed Rev per Cust	\$ 5,544.62	\$ 5,180.37	\$ 5,054.88	\$ 5,164.23	\$ 2,979.44	\$ 2,603.16	\$ 2,900.81	\$ 3,555.22	\$ 3,485.69	\$ 3,242.89	\$ 2,765.64	\$ 4,141.62	\$ 2,145
Target Distribution Revs	\$ 1,036,845	\$ 973,909	\$ 955,372	\$ 1,012,188	\$ 572,052	\$ 455,564	\$ 461,197	\$ 547,504	\$ 554,256	\$ 531,834	\$ 531,002	\$ 786,908	\$ 6,418,621
Actual Rev (Books)	\$ 1,210,660	\$ 1,227,988	\$ 1,092,956	\$ 1,030,548	\$ 701,248	\$ 545,663	\$ 514,001	\$ 541,108	\$ 534,978	\$ 491,745	\$ 646,967	\$ 990,811	\$ 9,528,894
RNA Charge (Credit)	\$ (173,815)	\$ (254,079)	\$ (137,584)	\$ (18,360)	\$ (129,156)	\$ (50,329)	\$ (52,804)	\$ 6,396	\$ 19,278	\$ 40,089	\$ (115,965)	\$ (203,903)	\$ (1,110,273)

Washington Gas Light Company
 District of Columbia
 Revenue Normalization Adjustment (RNA) Calculation
 Based on 12 Months Ended December 31, 2009

	Jan-2009	Feb-2009	Mar-2009	Apr-2009	May-2009	Jun-2009	Jul-2009	Aug-2009	Sep-2009	Oct-2009	Nov-2009	Dec-2009	TME Dec 2009
District of Columbia													
Residential Htg / HC													
No. of Customers	125,670	125,958	125,933	125,856	124,924	124,256	122,825	124,730	123,747	123,628	124,434	123,367	1,497,328
Fixed Rev per Cust	\$ 63.06	\$ 65.05	\$ 39.66	\$ 28.17	\$ 12.47	\$ 7.40	\$ 6.23	\$ 5.62	\$ 5.94	\$ 7.69	\$ 18.48	\$ 40.53	\$ 125,387
Target Distribution Revs	\$ 7,924,750	\$ 7,941,652	\$ 4,994,503	\$ 3,545,364	\$ 1,557,802	\$ 919,494	\$ 785,202	\$ 700,981	\$ 735,056	\$ 950,698	\$ 2,299,542	\$ 5,081,143	\$ 37,416,187
Actual Rev (Books)	\$ 7,498,389	\$ 8,327,555	\$ 5,896,187	\$ 3,625,928	\$ 1,728,827	\$ 952,720	\$ 745,359	\$ 646,670	\$ 673,170	\$ 1,026,426	\$ 2,407,653	\$ 4,964,655	\$ 38,469,417
RNA Charge (Credit)	\$ 426,361	\$ (385,903)	\$ (901,884)	\$ (80,464)	\$ (171,925)	\$ (33,226)	\$ 19,863	\$ 54,311	\$ 61,887	\$ (75,728)	\$ (108,111)	\$ 116,488	\$ (1,077,230)
Residential Non Htg													
No. of Customers	15,726	15,735	15,653	15,702	15,710	15,592	15,651	15,543	15,574	15,756	15,779	15,661	188,281
Fixed Rev per Cust	\$ 5.86	\$ 5.64	\$ 4.35	\$ 2.77	\$ 2.77	\$ 2.45	\$ 2.45	\$ 2.12	\$ 2.39	\$ 2.56	\$ 3.29	\$ 4.29	\$ 15,661
Target Distribution Revs	\$ 92,154	\$ 88,745	\$ 68,961	\$ 61,395	\$ 51,529	\$ 43,190	\$ 38,344	\$ 32,950	\$ 37,222	\$ 40,337	\$ 51,911	\$ 67,184	\$ 673,922
Actual Rev (Books)	\$ 115,306	\$ 128,876	\$ 94,933	\$ 71,491	\$ 51,902	\$ 43,034	\$ 37,214	\$ 34,334	\$ 34,887	\$ 42,291	\$ 62,569	\$ 90,867	\$ 807,703
RNA Charge (Credit)	\$ (23,192)	\$ (40,131)	\$ (25,972)	\$ (10,066)	\$ (373)	\$ 156	\$ 1,130	\$ (1,384)	\$ 2,335	\$ (1,954)	\$ (10,698)	\$ (23,683)	\$ (133,781)
C&I Htg / HC < 3075													
No. of Customers	4,327	4,350	4,411	4,313	4,336	4,275	4,251	4,286	4,302	4,316	4,259	4,479	51,916
Fixed Rev per Cust	\$ 111.30	\$ 120.45	\$ 77.53	\$ 57.24	\$ 24.54	\$ 16.76	\$ 13.06	\$ 14.39	\$ 9.07	\$ 11.74	\$ 31.15	\$ 62.95	\$ 4,479
Target Distribution Revs	\$ 481,595	\$ 523,958	\$ 341,985	\$ 246,876	\$ 106,405	\$ 71,649	\$ 55,821	\$ 61,822	\$ 39,023	\$ 50,674	\$ 132,655	\$ 281,968	\$ 2,394,131
Actual Rev (Books)	\$ 434,732	\$ 577,132	\$ 418,980	\$ 253,061	\$ 88,972	\$ 125,675	\$ 78,825	\$ 318,291	\$ 46,734	\$ 76,902	\$ 153,479	\$ 200,061	\$ 2,772,645
RNA Charge (Credit)	\$ 46,863	\$ (53,174)	\$ (76,995)	\$ (6,185)	\$ 17,433	\$ (54,026)	\$ (23,104)	\$ (256,468)	\$ (7,711)	\$ (26,228)	\$ (20,824)	\$ 81,907	\$ (378,514)
C&I Htg / HC > 3075													
No. of Customers	3,081	3,111	3,084	3,087	3,051	3,082	3,054	3,050	3,034	2,983	2,900	3,013	36,529
Fixed Rev per Cust	\$ 1,183.43	\$ 1,178.18	\$ 765.40	\$ 633.42	\$ 275.74	\$ 177.75	\$ 154.09	\$ 149.63	\$ 136.42	\$ 160.04	\$ 417.95	\$ 783.62	\$ 3,013
Target Distribution Revs	\$ 3,646,148	\$ 3,665,318	\$ 2,360,494	\$ 1,955,368	\$ 841,283	\$ 547,828	\$ 470,575	\$ 456,391	\$ 413,894	\$ 537,023	\$ 1,211,930	\$ 2,360,916	\$ 18,467,186
Actual Rev (Books)	\$ 3,423,727	\$ 3,733,302	\$ 2,631,058	\$ 2,017,358	\$ 982,806	\$ 579,412	\$ 584,094	\$ 461,887	\$ 501,899	\$ 642,893	\$ 1,392,461	\$ 2,388,440	\$ 19,539,337
RNA Charge (Credit)	\$ 222,421	\$ (67,984)	\$ (470,561)	\$ (61,990)	\$ (141,523)	\$ (31,586)	\$ (113,519)	\$ (5,496)	\$ (88,005)	\$ (105,870)	\$ (180,531)	\$ (27,524)	\$ (1,072,171)
C&I Non Htg													
No. of Customers	2,278	2,286	2,319	2,271	2,270	2,255	2,316	2,285	2,262	2,283	2,284	2,256	27,365
Fixed Rev per Cust	\$ 200.91	\$ 199.56	\$ 155.92	\$ 172.49	\$ 134.57	\$ 125.29	\$ 122.12	\$ 117.51	\$ 114.40	\$ 122.16	\$ 180.56	\$ 180.08	\$ 27,365
Target Distribution Revs	\$ 457,673	\$ 456,194	\$ 361,578	\$ 391,725	\$ 305,474	\$ 282,509	\$ 282,854	\$ 268,561	\$ 258,750	\$ 278,871	\$ 366,698	\$ 406,230	\$ 4,117,137
Actual Rev (Books)	\$ 512,844	\$ 553,557	\$ 497,695	\$ 409,366	\$ 330,660	\$ 287,112	\$ 268,910	\$ 268,835	\$ 261,830	\$ 290,629	\$ 434,507	\$ 506,395	\$ 4,622,359
RNA Charge (Credit)	\$ (55,171)	\$ (97,363)	\$ (136,117)	\$ (17,661)	\$ (25,180)	\$ (4,683)	\$ 13,944	\$ (274)	\$ (3,080)	\$ (11,756)	\$ (67,809)	\$ (100,165)	\$ (505,222)
GMA Htg / HC < 3075													
No. of Customers	520	518	522	512	520	508	521	484	559	514	583	561	6,320
Fixed Rev per Cust	\$ 150.55	\$ 193.14	\$ 116.81	\$ 88.97	\$ 43.70	\$ 27.11	\$ 26.64	\$ 22.95	\$ 17.13	\$ 25.60	\$ 73.12	\$ 130.29	\$ 6,320
Target Distribution Revs	\$ 78,286	\$ 100,047	\$ 60,975	\$ 45,553	\$ 22,724	\$ 13,772	\$ 13,886	\$ 11,099	\$ 9,569	\$ 13,099	\$ 42,592	\$ 73,071	\$ 484,673
Actual Rev (Books)	\$ 77,606	\$ 83,924	\$ 54,906	\$ 39,191	\$ 20,629	\$ 14,000	\$ 13,702	\$ 5,948	\$ 8,394	\$ 10,117	\$ 35,580	\$ 48,484	\$ 410,481
RNA Charge (Credit)	\$ 680	\$ 16,123	\$ 6,069	\$ 6,362	\$ 2,095	\$ (228)	\$ 184	\$ 5,151	\$ 1,175	\$ 2,982	\$ 7,012	\$ 26,587	\$ 74,192

District of Columbia
Revenue Normalization Adjustment (RNA) Calculation
Based on 12 Months Ended December 31, 2009

District of Columbia

GMA Htg / HC > 3075

	Jan-2009	Feb-2009	Mar-2009	Apr-2009	May-2009	Jun-2009	Jul-2009	Aug-2009	Sep-2009	Oct-2009	Nov-2009	Dec-2009	TME Dec 2009
No. of Customers	1,636	1,654	1,633	1,636	1,613	1,643	1,617	1,645	1,634	1,612	1,625	1,604	19,551
Fixed Rev per Cust	\$ 1,032.84	\$ 1,074.76	\$ 852.28	\$ 814.03	\$ 293.04	\$ 159.02	\$ 151.18	\$ 127.87	\$ 93.51	\$ 169.42	\$ 408.07	\$ 665.99	\$ 1,804
Target Distribution Revs	\$ 1,689,726	\$ 1,777,653	\$ 1,391,773	\$ 1,004,553	\$ 472,874	\$ 261,270	\$ 244,443	\$ 210,295	\$ 152,784	\$ 273,099	\$ 663,236	\$ 1,100,122	\$ 9,241,808
Actual Rev (Books)	\$ 1,685,198	\$ 1,796,584	\$ 1,450,222	\$ 1,069,202	\$ 513,635	\$ 287,873	\$ 246,393	\$ 213,078	\$ 221,116	\$ 301,915	\$ 827,888	\$ 1,345,033	\$ 9,958,136
RNA Charge (Credit)	\$ 4,528	\$ (18,331)	\$ (58,449)	\$ (54,649)	\$ (40,981)	\$ (30,603)	\$ (1,952)	\$ (2,783)	\$ (68,392)	\$ (28,816)	\$ (184,652)	\$ (244,911)	\$ (716,528)

GMA Non Htg

No. of Customers	806	792	816	796	801	806	778	821	809	801	822	790	9,638
Fixed Rev per Cust	\$ 244.85	\$ 245.81	\$ 191.36	\$ 175.72	\$ 134.92	\$ 121.80	\$ 108.33	\$ 93.52	\$ 105.29	\$ 114.23	\$ 141.90	\$ 188.87	\$ 188.87
Target Distribution Revs	\$ 197,349	\$ 194,682	\$ 156,150	\$ 139,873	\$ 108,071	\$ 98,171	\$ 84,299	\$ 76,796	\$ 85,218	\$ 91,464	\$ 116,604	\$ 149,012	\$ 1,497,689
Actual Rev (Books)	\$ 192,094	\$ 198,513	\$ 172,186	\$ 140,940	\$ 109,517	\$ 99,003	\$ 80,812	\$ 80,375	\$ 81,518	\$ 90,168	\$ 139,241	\$ 176,712	\$ 1,561,880
RNA Charge (Credit)	\$ 5,255	\$ (4,831)	\$ (16,036)	\$ (1,667)	\$ (1,446)	\$ (832)	\$ 3,687	\$ (3,579)	\$ 3,700	\$ 1,296	\$ (32,637)	\$ (27,700)	\$ (84,191)

Interruptible

No. of Customers	191	193	193	194	192	173	159	161	158	169	195	186	2,164
Fixed Rev per Cust	\$ 5,544.62	\$ 5,180.37	\$ 5,054.88	\$ 5,164.23	\$ 2,979.44	\$ 2,603.16	\$ 2,900.61	\$ 3,555.22	\$ 3,485.89	\$ 3,242.89	\$ 2,765.64	\$ 4,141.82	\$ 4,141.82
Target Distribution Revs	\$ 1,059,023	\$ 999,811	\$ 975,592	\$ 1,001,860	\$ 572,052	\$ 450,347	\$ 461,197	\$ 572,391	\$ 580,770	\$ 548,048	\$ 539,299	\$ 770,341	\$ 8,500,731
Actual Rev (Books)	\$ 1,230,073	\$ 1,439,161	\$ 1,113,067	\$ 1,030,532	\$ 663,567	\$ 507,628	\$ 476,930	\$ 473,388	\$ 476,517	\$ 465,512	\$ 658,656	\$ 844,255	\$ 9,377,285
RNA Charge (Credit)	\$ (171,050)	\$ (436,350)	\$ (137,475)	\$ (28,672)	\$ (91,515)	\$ (57,281)	\$ (15,733)	\$ 99,003	\$ 74,253	\$ 82,536	\$ (117,357)	\$ (73,914)	\$ (876,654)

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-3

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-39 (c)

- Q.** On page 4 at line 1 of the Testimony, Mr. Raab states that “[V]olumetric changes faced by Washington Gas have unnecessarily stressed its finances”. Please provide the basis for Mr. Raab’s knowledge regarding the “stressed . . . finances” of Washington Gas. Include in your answer the names of Company personnel who conveyed this information to Mr. Raab. Please provide all documents that Mr. Raab relies upon for the statement in the referenced testimony.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** One does not need documents or discussions with Company personnel in order to draw the conclusion that volumetric changes faced by Washington Gas have unnecessarily stressed its finances. This follows logically from the Company's volumetric rate structures (which are common knowledge and available on the Company's website) and the Company's cost structure and natural gas usage trends (filed in its historical rate cases before this Commission and available on the Commission's website).

OPC FOLLOW-UP REQUEST

APRIL 6, 2010

- Q.** Please confirm that no one at the Company informed Mr. Raab that volumetric changes faced by the Company have “unnecessarily stressed its finances.” If someone has so informed Mr. Raab, please identify that person or persons, provide the substance of the communication, and state when the communication took place.

WASHINGTON GAS FOLLOW-UP RESPONSE

APRIL 13, 2010

- A.** It is correct that no one at the Company informed Mr. Raab that volumetric changes have unnecessarily stressed its finances. As stated in the original

response, this conclusion follows logically from the Company's volumetric rate structures (which are common knowledge and available on the Company's website) and the Company's cost structure and natural gas usage trends (filed in its historical rate cases before this Commission and available on the Commission's website).

SPONSOR: Paul H. Raab
Economic Consultant to Washington Gas

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-4

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-11

- Q. Please provide the annual authorized and earned return on common equity over the past ten years for Washington Gas Light Company. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.**

WASHINGTON GAS' PARTIAL OBJECTION

APRIL 6, 2010

- A. Washington Gas partially objects to this request on the grounds that the request seeks data from a very remote time frame. Responding to this request would require an unduly burdensome effort. Washington Gas will provide the data it has available for the last five years.**

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A. Please see the attached spreadsheet for the requested information for the last five years.**

**SPONSOR: Michael G. Donovan
Director – Treasury and Financial Planning**

**Washington Gas Light
Return on Average Common Equity**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income applicable to common stock	105,265	112,862	89,180	84,521	87,893
Average Common Equity	950,744	910,220	871,372	846,555	823,695
Return on Average Common Equity	<u>11.1%</u>	<u>12.4%</u>	<u>10.2%</u>	<u>10.0%</u>	<u>10.7%</u>

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 4

QUESTION NO. 4-2

- Q. With reference to page 2, lines 9 through 11 of, Exh. WG (2A), Mr. Buckley's Supplemental Testimony, please identify all periods for which the Company has records during which volumes delivered did not reach test year levels. In each such instance, provide documentation showing the extent to which volumes delivered fell short of test year levels.**

WASHINGTON GAS' RESPONSE

MAY 10, 2010

- A. The attached file identifies actual volumes delivered from January 2005 through March 2010 as well as the test year levels.**

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Washington Gas Light Company
District of Columbia
Test Year Therms sales vs. Actual Therm sales

	<u>Actual Therm sales</u>	<u>Test level Therms</u>	<u>Therm Diff</u>	<u>Over / (Under)</u>
Jan-2005	49,516,230	50,762,689	(1,246,459)	(Under)
Feb-2005	54,398,837	50,630,096	3,768,741	Over
Mar-2005	46,660,843	36,922,485	9,738,358	Over
Apr-2005	32,160,899	30,916,642	1,244,257	Over
May-2005	17,415,507	16,934,925	480,582	Over
Jun-2005	13,544,996	12,251,137	1,293,859	Over
Jul-2005	11,133,656	11,017,131	116,525	Over
Aug-2005	11,373,949	11,298,588	75,361	Over
Sep-2005	11,004,852	10,967,770	37,082	Over
Oct-2005	11,460,224	11,724,924	(264,700)	(Under)
Nov-2005	20,194,691	18,781,641	1,413,050	Over
Dec-2005	39,507,766	34,010,425	5,497,341	Over
Jan-2006	46,606,691	50,762,689	(4,155,998)	(Under)
Feb-2006	43,366,207	50,630,096	(7,263,889)	(Under)
Mar-2006	41,171,438	36,922,485	4,248,953	Over
Apr-2006	28,431,840	30,916,642	(2,484,802)	(Under)
May-2006	16,155,752	16,934,925	(779,173)	(Under)
Jun-2006	12,674,318	12,251,137	423,181	Over
Jul-2006	10,870,134	11,017,131	(146,997)	(Under)
Aug-2006	10,905,495	11,298,588	(393,093)	(Under)
Sep-2006	11,205,978	10,967,770	238,208	Over
Oct-2006	12,464,024	11,724,924	739,100	Over
Nov-2006	23,065,117	18,781,641	4,283,476	Over
Dec-2006	34,467,628	34,010,425	457,203	Over
Jan-2007	39,837,205	50,762,689	(10,925,484)	(Under)
Feb-2007	54,451,872	50,630,096	3,821,776	Over
Mar-2007	49,234,528	36,922,485	12,312,043	Over
Apr-2007	31,543,052	30,916,642	626,410	Over
May-2007	21,681,491	16,934,925	4,746,566	Over
Jun-2007	12,493,121	12,251,137	241,984	Over
Jul-2007	10,733,433	11,017,131	(283,698)	(Under)
Aug-2007	10,653,425	11,298,588	(645,163)	(Under)
Sep-2007	10,934,824	10,967,770	(32,946)	(Under)
Oct-2007	11,673,142	11,724,924	(51,782)	(Under)
Nov-2007	17,835,213	18,781,641	(946,428)	(Under)
Dec-2007	38,421,124	34,010,425	4,410,699	Over
Jan-2008	47,515,716	50,762,689	(3,246,973)	(Under)
Feb-2008	48,960,951	50,630,096	(1,669,145)	(Under)
Mar-2008	43,974,811	36,922,485	7,052,326	Over
Apr-2008	30,972,398	30,916,642	55,756	Over
May-2008	19,067,675	16,934,925	2,132,750	Over
Jun-2008	13,944,352	12,251,137	1,693,215	Over
Jul-2008	11,411,919	11,017,131	394,788	Over
Aug-2008	10,944,725	11,298,588	(353,863)	(Under)
Sep-2008	11,902,487	10,967,770	934,717	Over
Oct-2008	11,385,512	11,724,924	(339,412)	(Under)
Nov-2008	21,803,900	18,781,641	3,022,259	Over
Dec-2008	41,640,874	34,010,425	7,630,449	Over

Jan-2009	50,022,755	50,762,689	(739,934)	(Under)
Feb-2009	55,911,519	50,630,096	5,281,423	Over
Mar-2009	41,760,511	36,922,485	4,838,026	Over
Apr-2009	32,023,007	30,916,642	1,106,365	Over
May-2009	19,529,588	16,934,925	2,594,663	Over
Jun-2009	13,467,264	12,251,137	1,216,127	Over
Jul-2009	11,513,297	11,017,131	496,166	Over
Aug-2009	10,614,976	11,298,588	(683,612)	(Under)
Sep-2009	10,436,285	10,967,770	(531,485)	(Under)
Oct-2009	12,670,724	11,724,924	945,800	Over
Nov-2009	21,630,102	18,781,641	2,848,462	Over
Dec-2009	34,856,771	34,010,425	846,347	Over
Jan-2010	55,178,556	50,762,689	4,415,867	Over
Feb-2010	55,229,359	50,630,096	4,599,263	Over
Mar-2010	46,996,305	36,922,485	10,073,820	Over

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-5

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-6

- Q.** On page 4, at line 7 of the Testimony, Mr. Buckley states that "The Company is proposing the RNA to remove the disincentive for Washington Gas to promote energy efficiency and conservation efforts . . ." Does the witness admit that the proposed RNA provides the Company with no incentive whatsoever to "promote energy efficiency"? If the witness declines to so admit, provide an explanation as to why not.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** Washington Gas supports removing the disincentive because it allows the Company to more actively promote the wise use of natural gas without the negative financial consequences. The heightened public interest in, and recognition of the need for greater conservation and energy efficiency measures, is evidenced by the D.C. Council's action in passing the Clean and Affordable Energy Act. The removal of the disincentive is a positive incentive.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of
OPC Witness
George E. Briden
Exhibit OPC (A)-6

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-20 (b)

Q. Please provide a list of:

- (b) each energy efficiency, conservation and/or demand side management program that the Company plans to operate or participate in the future, specifying any that it will operate or participate in within the next 12 months**

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A.** In Virginia, Washington Gas is awaiting a final Order by the Commission in Case No. PUE-2009-00064. These programs are provided in an exhibit to the Direct Testimony of Witness Buckley (Exhibit WG(A)-2), and discussed in his Direct Testimony on page 7. In addition, further Company involvement may become advisable or necessary in the District of Columbia SEU-supervised process to increase the likelihood of program acceptance and success.

Sponsor: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

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WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-7

- Q.** On page 5, at line 7, of the Testimony Mr. Buckley states that “By removing, or decoupling, the direct relationship between customer usage and distribution revenues, the Company can more actively encourage wiser use of energy without the negative consequences to its earnings” (emphasis added.) Later at line 14, Mr. Buckley goes on to state that “Importantly, Washington Gas can more aggressively promote energy efficiency and conservation through education programs and through the efforts supported by legislation with the District of Columbia government.” (Emphasis added.) Insofar as the RNA would place the Company in a position in which it could promote conservation more “actively” and “aggressively”, is the Company stating a commitment at this time to actually do so? If the answer is “Yes”, please provide a description of the programs the Company is committed to undertake, the costs therefore, and the source of the funding to implement these programs.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Company continues to evaluate the possible implementation of the proposed programs appended to my Direct Testimony as Exhibit WG(A)-2. A description is contained within the Exhibit. The estimated cost of the programs is \$1.9M for Virginia customers; however, the amount would be lower for the District of Columbia since there are fewer customers. Work has not yet been completed on all programs. Funding would be provided by the SEU once it is established, if the SEU approves the proposed programs.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-11

- Q.** With reference to page 5, line 24 through page 6, line 5 of your testimony, please indicate whether the Company has submitted any conservation, energy efficiency or demand side management programs to the Sustainable Energy Utility for approval. If so, please provide the date of submission and explain the SEU's response to each program submitted.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Sustainable Energy Utility has not been established, only the Advisory Board. Therefore, there has not been a DSM submission.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-4

- Q.** On page 2, at line 23 of the Testimony, Mr. Buckley states that "The Company has a track record of successful implementation of an RNA mechanism in Maryland." Please provide a narrative describing the basis for Mr. Buckley's assertion.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Maryland Public Service Commission approved the Company's RNA application in 2005. Washington Gas has applied the RNA mechanism since that time. As a result, timely and accurate rates for the ratepayers of Maryland have been implemented on a monthly basis. There have been very few, if any, complaints by customers regarding the RNA.

OPC FOLLOW-UP DATA REQUEST

APRIL 6, 2010

- Q.** Please identify and describe in detail the new energy efficiency/conservation/ DSM programs that have been implemented by WGL in Maryland since the adoption of a decoupling rate mechanism.

WASHINGTON GAS' FOLLOW-UP RESPONSE

APRIL 13, 2010

- A.** Washington Gas has not submitted any new energy efficiency/conservation programs in Maryland since the approval of the RNA mechanism. Maryland state agencies have been primarily focused in recent years on the ambitious electric demand and energy reductions required by the EmPower Maryland legislation. It is my understanding that reductions in the use of natural gas will be established in the future.

Washington Gas does have a long-standing DSM program in MD that provides the Department of Housing and Community Development with \$100,000 for weatherization/furnace replacement program costs and \$10,000 for administrative costs, a total of \$110,000. The state agency is to use the funding for low-income customers. On March 19, 2010, the Company filed to update this program. See the attached filing.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs



March 19, 2010

Via Electronic Mail and Federal Express

Terry J. Romine
Executive Secretary
Maryland Public Service Commission
6 St. Paul Street, 16th Floor
Baltimore, Maryland 21202

Re: #14, 1/27/10 AM; ML#120590, DS-312
Washington Gas DSM Surcharge – Low-Income Furnace Program

Dear Ms. Romine:

Enclosed for filing with the Commission are the original and 17 copies of proposed Eighth Revised Page No. 84 and First Revised Page No. 85 (clean and legislative versions) of Washington Gas Light Company's gas tariff, P.S.C. Md. No. 6. The purpose of the proposed revisions is to revise the Company's annually-updated Demand-Side Management ("DSM") surcharge applicable to Rate Schedule Nos. 1 (Residential Service) and 1A (Firm Residential Delivery Service) to fund a proposed gas furnace DSM program for qualified low-income customers, as described below.

The proposed DSM surcharge is designed to recover the costs associated with a proposed gas furnace DSM program for qualified low-income customers, which will be administered by the Maryland Department of Housing and Community Development ("DHCD"). Washington Gas has previously been authorized by the Commission to collect \$110,000 each year through the DSM surcharge to provide funding for, and to offset administrative costs related to, a low-income DSM program with two separate components – a weatherization program and a natural gas furnace replacement/repair program. Of the amount collected, \$50,000 has been dedicated to the weatherization program and \$50,000 to the natural gas furnace replacement/repair program. Washington Gas's Low-Income DSM program has been renewed each year since its initial approval. However, in response to Washington Gas's filing to renew the DSM surcharge through 2010, Staff noted that ample funding is currently available to DHCD and will be through 2012 for weatherization programs under the American Recovery and Reinvestment Act ("ARRA"). Moreover, Staff noted that since 2006, actual spending under the program has fallen short of the authorized amount of \$100,000. Therefore, Staff recommended that the Commission suspend Washington Gas's DSM program for two years and require the Company to refund to customers through a bill credit all amounts previously collected and remaining from the 2009 surcharge.

At the January 27, 2010 Administrative Meeting, DHCD indicated that although funds for the weatherization program were available through the ARRA, it can not use such funds for furnace replacement or repairs and requested that Washington Gas's low-income gas furnace program be continued, but modified so as to make the program funding more accessible than it has been in previous years. By letter order issued January 27, 2010, the Commission suspended the proposed tariff revisions for up to 150 days and directed Staff and the Company to meet with other interested persons "to discuss other options to structure the DSM program."

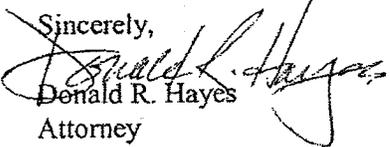
Washington Gas has conferred with representatives from Staff, the Office of People's Counsel and DHCD to discuss modifications to the low-income DSM gas furnace program. Based on such discussions, the Company proposes revised terms for a proposed low-income DSM gas furnace program. As described in more detail in Attachment A, Washington Gas proposes to make available for two years, through 2012, the full \$100,000 collected each year through the DSM Surcharge for natural gas furnace replacement or repairs, or gas furnace cleaning and tune-ups. Under the proposed program, DHCD will be authorized to use such funds to cover the entire cost of gas furnace repair or replacement, or up to \$250 for gas furnace cleaning and tune-up for qualified customers. The average expenditures for gas furnace repair or replacement is projected to be \$3,500 per dwelling.

Washington Gas proposes to determine the impact on gas usage by tracking annual gas usage at each dwelling before and after the furnace work. The results of such study will not be available until after the two-year period of this program.

Proposed Eighth Revised Page No. 84 reflects the annually updated Demand-Side Management ("DSM") surcharge applicable to Rate Schedule Nos. 1 (Residential Service) and 1A (Firm Residential Delivery Service). The Company requests that the proposed Demand Side Management ("DSM") Surcharge Net Factor of 0.01¢ per therm be approved for the May 2010 billing cycle, effective for meter readings on and after April 27, 2010. Proposed First Revised Page No. 85 reflects the revised DSM program parameters. In addition, the Company has proposed a modification to First Revised Page No. 85 to eliminate language related to lost margins attributable to the DSM program, as it is no longer applicable.

Washington Gas respectfully requests that the Commission consider and approve the proposed revised tariff pages before April 16, 2010, in order to implement the revised DSM surcharge.

Sincerely,


Donald R. Hayes

Attorney

Enclosures

cc: Lloyd Spivak, Staff Attorney
Cynthia Green-Warren, Assistant People's Counsel
Jim McAteer, Maryland Department of Housing and Community Development

**WASHINGTON GAS LIGHT COMPANY
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT (DHCD)**

**GUIDELINES FOR NATURAL GAS HEATING SYSTEM
CLEANING AND TUNE-UPS AND REPAIR/REPLACEMENTS,**

SCOPE OF WORK

Washington Gas Light Company (WGL) will make up to \$100,000 per program period ended October 31 in Demand Side Management (DSM) funds available for furnace cleaning and tune-ups, repairs and/or replacements in conjunction with the DHCD's Weatherization Assistance Program (WAP) activities. This project will begin upon approval by the Maryland Public Service Commission and will conclude on October 31, 2011. The following are the major tenets of this Scope of Work:

- WGL shall reimburse the DHCD up to \$100,000 in DSM funds per period to be collected by WGL through the DSM Surcharge Adjustment provision included as GSP No. 22 in the Company's Maryland tariff for performance of this scope of work.
- DHCD will use Local Weatherization Agencies (LWA) to perform the scope of work. WGL DSM funds will be allocated to each local agency in an amount determined by DHCD. DHCD will be responsible for any subcontractor or local agency's compliance with the terms of this Agreement.

FURNACE REPAIR/REPLACEMENT: Gas Furnace Repair/Replacement is a priority for using WGL funds in conjunction with WAP. The entire amount of furnace repair/replacement costs may be paid with WGL funds. The average cost of repair or replacement per dwelling is expected to be \$3,500.

FURNACE BURNER CLEAN AND TUNE UP: Up to \$250 of WGL DSM funds for burner clean and tune services when indicated to avoid future major repairs or replacement. If the cost incurred is in excess of this amount, DHCD/LWA must find another source of funding or request approval for the additional cost from WGL.

PROGRAM ELIGIBILITY AND REQUIREMENTS:

- Only WGL gas customers who heat with gas-fired furnaces or boilers will be deemed eligible for participation in the program. In addition, income shall be at 175% or below of the Office of Management and Budget's Poverty level and substantiated proof of ownership in accordance with WAP policies. Rental properties may qualify for the program if the Landlord/Owner provides

all required documentation in accordance with WAP policies and contributes not less than 25% of the cost of the furnace repair or replacement or cleaning and tune-up. Customers may be identified and referred by the local Maryland Energy Assistance Program (MEAP) office to the local WAP office or by application intake by the local WAP.

- Prior to determining whether the dwelling unit may receive services, DHCD or the auditor of its LWA must perform a combustion analysis test on the furnace or boiler. If any of the following conditions are found to exist after testing by the auditor, using the Bacharach or comparable equipment, the central heating system may be replaced:
 1. Steady state efficiency (SSE) is less than 69% for a Gas FHA appliance and the system's life is estimated to be less than 5 years;
 2. The Gas Forced Hot Air system has a proven cracked heat exchanger, CO levels in the flue gas are above WAP establish standards, CO is evident in ambient air, or the health and safety of the family is at risk;
 3. No operable gas central heating system exists; however, a distribution system is evident and can be used for the new heating system; or
 4. Estimated repairs to the gas central heating system exceed 60% of the replacement costs and the life expectancy of the existing furnace is less than 5 years.
- DHCD/LWA must secure a Manual J from the HVAC contractor, ensuring the heating appliance is sized properly for the dwelling. New gas hot air furnaces must have an Annual Fuel Utilization Efficiency (AFUE) ratio of 80+. Gas force hot air heating equipment with an AFUE ratio of 90+ is recommended when installation is cost effective and practical. The AFUE for new boilers must be a minimum of 83+. All vented space heaters must have a minimum SSE rating of 85+. DHCD/LWA will be responsible for ensuring that 90+ AFUE gas furnaces are vented properly.
- Prior to determining the acceptability of cost estimates, DHCD staff may request to visit the home and perform a secondary inspection.
- After completion of all services associated with the furnace cleaning and tune-up, repair or replacement in a dwelling, the LWA will submit an invoice to the DHCD for reimbursement. The invoice will consist of a final invoice, the completed work order, and the Manual J.

- DHCD must obtain and make available to WGL the following documents for furnace repair/replacement reimbursement:
 1. Evidence of customer eligibility,
 2. An invoice indicating the costs and charges to each funding source; and
 3. A copy of the Manual J signed by the licensed contractor.
- DHCD will make available to WGL all paid invoices with supporting documentation for review and inspection upon request.

**Proposed Revised Tariff Pages
("Clean" and "Legislative" Versions)**

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

II. APPLICATION (Continued)

C. The DSM surcharge, comprised of the sum of the "current factor" as determined in III.A.1.(b)(iv) and the "reconciliation factor" as determined in III.B., below, shall be applied to monthly bills beginning with the billing month of May 2010 ~~February 2009~~. The DSM surcharge factors shall be as follows:

<u>Rate Schedule</u>	<u>Current Factor</u>	<u>Recon- ciliation Factor</u>	<u>DSM Surcharge Net Factor</u>
No. 1 (Residential Service)	.04¢	<u>(.03¢)</u> (.02¢)	<u>.01¢</u> .02¢ per therm
No. 1A (Residential Delivery Service)	.04¢	<u>(.03¢)</u> (.02¢)	<u>.01¢</u> .02¢ per therm
No. 2 (Firm Commercial & Industrial Sales Service)	.00¢	.00¢	.00¢ per therm
No. 2A (Firm Commercial & Industrial Delivery Service)	.00¢	.00¢	.00¢ per therm
No. 3 (Firm Group Metered Apartment Sales Service)	.00¢	.00¢	.00¢ per therm
No. 3A (Firm Group Metered Apartment Delivery Service)	.00¢	.00¢	.00¢ per therm

D. The DSM surcharge shall be added to the Distribution Charge/Delivery Service Charge as appropriate and applied to customers' bills. The Company shall furnish Commission Staff sufficient workpapers for the review and audit of the DSM surcharge.

E. Nothing in this General Service Provision shall serve to prevent the Company's application for recovery of DSM program costs in base rates.

ISSUED: ~~December 10, 2008~~ March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010 ~~January 29, 2009~~

Roberta W. Sims ~~Adrian P. Chapman~~ - Vice President, ~~Operations~~, Regulatory Affairs & Energy Acquisition

EXPLANATION: STRIKEOUT Indicates Matter Stricken from Current Tariff
UNDERSCORING Indicates Matter Added to Current Tariff

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

III. COMPUTATION

A. Current Factor

1. The current factor for the 12-month period beginning January each year shall be determined for Rate Schedules No. 1, No. 1A, No. 2, No. 2A, No. 3 and No. 3A by dividing the total amount allocated (as hereinafter defined) to each rate schedule for the 12-month period by the applicable estimated therm sales and delivery volumes.

The amount to be recovered is computed as described below:

- (a) Projected DSM program costs shall be based on historic DSM expenditures from the prior annual period November through October and include:

- (1) utility expenditures for gas furnace repairs and/or replacements and gas furnace cleaning and tune-ups. The gas furnace repair/replacement cost is expected to average \$3,500 per customer. Funds for gas furnace cleaning and tune-up services may be paid up to \$250.

- (2) ~~incentive payments to customers, lost margins from program savings and those expenses and costs not elsewhere recovered in rates including, but not limited to, incremental Company labor, labor-related expenses, consultants' and other vendors' fees and expenses, office supply and expense and other costs and expenses incurred in the implementation and operation of DSM programs.~~

Revenues from customers for DSM products or services shall be offset against projected program costs.

~~Lost Margins are the monthly non-gas revenues not billed because of lost sales from approved conservation programs. Lost Margins are determined using current base rates by Rate Schedule. Lost Sales are from program impact evaluations and are not reflected in the test year level used in the Company's most recent base rate proceeding.~~

~~Lost Margins will be included in the surcharge on a prospective basis based on historic annual program participation levels. Reconciliation of Lost Margins is based upon actual program participation. Lost Margins are treated identically to other program costs for recovery contingent on satisfactorily meeting the Quarterly Earnings Test. Lost Margins will not be subject to future recovery in such case that the Quarterly Earnings Test is not satisfied.~~

ISSUED: ~~September 27, 2002~~ March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010 ~~September 30, 2002~~

Roberta W. Sims Adrian P. Chapman - Vice President, Operations, Regulatory Affairs & Energy Acquisition

EXPLANATION: STRIKEOUT Indicates Matter Stricken from Current Tariff

UNDERSCORING Indicates Matter Added to Current Tariff

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

II. APPLICATION (Continued)

C. The DSM surcharge, comprised of the sum of the "current factor" as determined in III.A.1.(b)(iv) and the "reconciliation factor" as determined in III.B., below, shall be applied to monthly bills beginning with the billing month of May 2010. The DSM surcharge factors shall be as follows:

<u>Rate Schedule</u>	<u>Current Factor</u>	<u>Recon- ciliation Factor</u>	<u>DSM Surcharge Net Factor</u>
No. 1 (Residential Service)	.04¢	(.03¢)	.01¢ per therm
No. 1A (Residential Delivery Service)	.04¢	(.03¢)	.01¢ per therm
No. 2 (Firm Commercial & Industrial Sales Service)	.00¢	.00¢	.00¢ per therm
No. 2A (Firm Commercial & Industrial Delivery Service)	.00¢	.00¢	.00¢ per therm
No. 3 (Firm Group Metered Apartment Sales Service)	.00¢	.00¢	.00¢ per therm
No. 3A (Firm Group Metered Apartment Delivery Service)	.00¢	.00¢	.00¢ per therm

D. The DSM surcharge shall be added to the Distribution Charge/Delivery Service Charge as appropriate and applied to customers' bills. The Company shall furnish Commission Staff sufficient workpapers for the review and audit of the DSM surcharge.

E. Nothing in this General Service Provision shall serve to prevent the Company's application for recovery of DSM program costs in base rates.

ISSUED: March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010

Roberta W. Sims - Vice President, Regulatory Affairs & Energy Acquisition

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

III. COMPUTATION

A. Current Factor

1. The current factor for the 12-month period beginning January each year shall be determined for Rate Schedules No. 1, No. 1A, No. 2, No. 2A, No. 3 and No. 3A by dividing the total amount allocated (as hereinafter defined) to each rate schedule for the 12-month period by the applicable estimated therm sales and delivery volumes.

The amount to be recovered is computed as described below:

- (a) Projected DSM program costs shall be based on historic DSM expenditures from the prior annual period November through October and include:

- (1) utility expenditures for gas furnace repairs and/or replacements and gas furnace cleaning and tune-ups. The gas furnace repair/replacement cost is expected to average \$3,500 per customer. Funds for gas furnace cleaning and tune-up services may be paid up to \$250.
- (2) incentive payments to customers and those expenses and costs not elsewhere recovered in rates including, but not limited to, incremental Company labor, labor-related expenses, consultants' and other vendors' fees and expenses, office supply and expense and other costs and expenses incurred in the implementation and operation of DSM programs.

Revenues from customers for DSM products or services shall be offset against projected program costs.

ISSUED: March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010

Roberta W. Sims - Vice President, Regulatory Affairs & Energy Acquisition

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-7 (d)

- Q.** On page 5, at line 7, of the Testimony Mr. Buckley states that "By removing, or decoupling, the direct relationship between customer usage and distribution revenues, the Company can more actively encourage wiser use of energy without the negative consequences to its earnings" (emphasis added.) Later at line 14, Mr. Buckley goes on to state that "Importantly, Washington Gas can more aggressively promote energy efficiency and conservation through education programs and through the efforts supported by legislation with the District of Columbia government." (Emphasis added.) Insofar as the RNA would place the Company in a position in which it could promote conservation more "actively" and "aggressively", is the Company stating a commitment at this time to actually do so? If the answer is "Yes", please provide a description of the programs the Company is committed to undertake, the costs therefore, and the source of the funding to implement these programs.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Company continues to evaluate the possible implementation of the proposed programs appended to my Direct Testimony as Exhibit WG(A)-2. A description is contained within the Exhibit. The estimated cost of the programs is \$1.9M for Virginia customers; however, the amount would be lower for the District of Columbia since there are fewer customers. Work has not yet been completed on all programs. Funding would be provided by the SEU once it is established, if the SEU approves the proposed programs.

OPC FOLLOW-UP DATA REQUEST

APRIL 6, 2010

- Q.** Wherein the Company indicates that "work has not yet been completed on all programs," please provide a list of those programs on which work has been "completed." Please provide a narrative description of the referenced work that has been done on the programs for which work has been designated as

"complete." Please provide a description of the work that remains on those programs that have not yet been "completed."

WASHINGTON GAS' FOLLOW-UP DATA RESPONSE

APRIL 13, 2010

- A.** None of the programs the Company may propose for the District of Columbia are completed in full. Evaluation is still occurring on the programs as they relate to the District.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-7 (e)

- Q.** On page 5, at line 7, of the Testimony Mr. Buckley states that "By removing, or decoupling, the direct relationship between customer usage and distribution revenues, the Company can more actively encourage wiser use of energy without the negative consequences to its earnings" (emphasis added.) Later at line 14, Mr. Buckley goes on to state that "Importantly, Washington Gas can more aggressively promote energy efficiency and conservation through education programs and through the efforts supported by legislation with the District of Columbia government." (Emphasis added.) Insofar as the RNA would place the Company in a position in which it could promote conservation more "actively" and "aggressively", is the Company stating a commitment at this time to actually do so? If the answer is "Yes", please provide a description of the programs the Company is committed to undertake, the costs therefore, and the source of the funding to implement these programs.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Company continues to evaluate the possible implementation of the proposed programs appended to my Direct Testimony as Exhibit WG(A)-2. A description is contained within the Exhibit. The estimated cost of the programs is \$1.9M for Virginia customers; however, the amount would be lower for the District of Columbia since there are fewer customers. Work has not yet been completed on all programs. Funding would be provided by the SEU once it is established, if the SEU approves the proposed programs.

OPC FOLLOW-UP DATA REQUEST

APRIL 6, 2010

- Q.** Wherein the Company indicates that "funding would be provided by the SEU, once it is established," please state: (1) how much funding will be coming from the SEU; (2) what, if any, restrictions will be imposed on any funding "provided" to WGL by the SEU; (3) how WGL plans to handle the funding and/or

implementation of energy efficiency and conservation programs in the period between now and when the SEU is "established?"

WASHINGTON GAS' FOLLOW-UP DATA RESPONSE

APRIL 13, 2010

- A. Any program approved and administered by the SEU will have 100% funding. Between now and the establishment of the SEU, the Company does not plan to propose any energy efficiency and conservation programs.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-10

- Q. With reference to page 5, lines 14-16, please provide all documents that concern or relate to Washington Gas' plans to "aggressively promote energy efficiency and conservation" once the proposed RNA is approved.**

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A. Please see the Company's response to OPC Data Request No. 2, Q. 2-7.**

OPC FOLLOW-UP REQUEST

APRIL 6, 2010

- Q. Please respond fully to the question asked by providing documents that concern or relate to WGL's plans to "aggressively promote ... conservation" once the RNA is approved. If no such documents exist, please confirm that.**

WASHINGTON GAS FOLLOW-UP RESPONSE

APRIL 13, 2010

- A. As contained in the response to OPC Data Request No. 2, Q. 2-7, work has not yet been completed on potential programs. A list and description of potential programs has been shared as Exhibit WG (A)-2. Evaluation data has been supplied in response OPC Follow up Data Request No. 2, Q. 2-7 (b).**

**SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs**

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-7

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 4

QUESTION NO. 4-4

- Q.** With reference to page 2, lines 13-14, Exh. WG (2A), Mr. Buckley's Supplemental Testimony, please describe the "factors" that will be held "equal" in Mr. Buckley's assertion that "Ultimately, with all other factors being equal, I believe that customers' bills will ultimately be lower" under the proposed RNA. Do the "factors" that remain "equal" include a given customer's monthly gas consumption? If not, what assumption is Mr. Buckley making with respect to gas consumption?

WASHINGTON GAS' RESPONSE

MAY 10, 2010

- A.** Currently, the variable component of a typical customer's bill is a function of price and volumes. The working assumptions behind the opinion that customers' bills will ultimately be lower is that, through a reduction in usage, the commodity savings will greatly outweigh any impact the RNA mechanism would have as it adjusts to capture lost distribution revenue. So, for example, if the commodity and distribution prices are held constant as is all consumption except that a customer's energy efficiency efforts has reduced usage of an appliance by 5 therms in a month, the commodity savings from the 5 therms of gas would outweigh the subsequent RNA adjustment that would provide for make-up of reduced distribution revenues.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-8

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-14

- Q.** At page 4, the Company states that "The proposed RNA benefits customers" in part because "it will stabilize the non-gas portion of customers' rates." Please provide any and all studies, memoranda, analyses or similar materials prepared by or for the Company which assess (1) the impact of the "proposed RNA" on rate stability and/or (2) whether customers perceive such stability as beneficial.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A.** The RNA is designed to stabilize, or mitigate, swings in the non-gas portion of customers' bills through the implementation of a credit or charge to monthly distribution charges. As a result, higher than expected distribution charges due to colder than normal weather will be mitigated.

As a general matter, customers have valued more stable bills. Although no formal study has been conducted it is the Company's experience that customer inquiries and concerns increase during periods of bill volatility.

Please see Exhibit WG (D)-1 filed on March 2, 2010, which provides data pertaining to the proposed RNA.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-9

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-9

- Q. With reference to the proposed "Revenue Normalization Adjustment" section of the General Service Provisions (Section 26):**

Please provide any and all studies, memoranda, analyses or similar materials prepared by or for the Company addressing any alternative revenue normalization or decoupling mechanisms considered by the Company and/or evaluating the impact of the such mechanisms on ratepayers, the Company, or both.

WASHINGTON GAS' PARTIAL OBJECTION

February 23, 2010

Washington Gas objects in part to this request on the grounds that some of the requested information may be confidential and those documents will only be provided to those parties that have executed a confidentiality agreement with Washington Gas.

WASHINGTON GAS' RESPONSE

March 9, 2010

- A. There are no documents which support an alternative revenue normalization or decoupling mechanism may have been considered by the Company.**

**SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs**

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-10

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-5 (i)

- Q. With reference to Second Revised Page No. 61, section 26.III.A and/or section 26.III.B:**

With respect to any "excess amount" above the cap:

- (i) Is it the Company's intention to apply interest rate factors to the deferral of these excess amounts? If so, please provide a detailed explanation of how such interest rate factors would be calculated;**

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A. The Company does not intend to apply interest rate (carrying cost) factors to deferred RNA balances. Please see the Direct Testimony of Witness Wagner for a discussion of this item.**

Sponsor: James B. Wagner
Manager, Rates and Regulatory Affairs

Exhibits of
OPC Witness
George E. Briden
Exhibit OPC (A)-11

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-7

- Q. With reference to Second Revised Page No. 61, section 26.III.A and/or section 26.III.B:**

With respect to the proposal to file the adjustment "at least fifteen days prior to application on customers' bills," please provide a detailed explanation of the rationale for the specific selection of 15 days, including any other periods considered and why they were rejected.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A.** The 15-day period prior to application on customers' bills was meant to allow Commission Staff sufficient time to review the monthly RNA filing. Since the majority of the data for the RNA adjustment is prepared in advance, this should allow Commission Staff sufficient time to review the filing. Please see the Direct Testimony of Witness Wagner for additional information.

Sponsor: James B. Wagner
Manager, Rates and Regulatory Affairs

Exhibits of
OPC Witness
George E. Briden
Exhibit OPC (A)-12

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-12

- Q.** Please provide any and all studies, memoranda, analyses or similar materials prepared by or for the Company which assess and/or describe the impact of monthly changes in customer counts on the Company's costs.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A.** The identified studies or similar materials were not produced or needed. The Company utilized the revenue requirements from its previous base rate case to develop the usage per customer. The Company is not aware of any alteration in the relative impact of customer count on the ongoing level of costs since the last base rate proceeding.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

George E. Briden

Exhibit OPC (A)-13

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-4 (i)

Q. With reference to Second Revised Page No. 61, section 26.III.A and/or section 26.III.B:

Please provide an explanation and rationale for:

- (i) the implementation of an upper bound limitation on the "Current Factor"; and**

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A.** The rationale for the \$0.05 limit on the RNA factor in any one month was to limit the impact on a customer's bill for that particular month. Since the average residential customer's usage in the highest usage month each year is below 200 therms, the \$0.05 factor would mean the impact of the RNA factor would be below \$10 in any month. No other limits were considered by the Company.

Sponsor: James B. Wagner
Manager, Rates and Regulatory Affairs

Exhibits of
OPC Witness
George E. Briden
Exhibit OPC (A)-14

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-8

- Q. With reference to the proposed "Revenue Normalization Adjustment" section of the General Service Provisions (Section 26):**

Please provide any and all studies, memoranda, analyses or similar materials prepared by or for the Company in support of the revenue normalization mechanism proposed in this proceeding and/or evaluating the impact of the proposed revenue normalization mechanism on either ratepayers, the Company, or both.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A. No studies, memoranda, or written analyses were prepared to evaluate the impact of the RNA proposed in this proceeding.**

Sponsor: James B. Wagner
Manager, Rates and Regulatory Affairs

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

In the Matter of)
Washington Gas Light Company's)
Application for a)
Revenue Normalization Adjustment)
Requesting Authority to Amend)
Its General Service Provisions,) **Formal Case No. 1079**
Residential Service and)
Non-Residential Rate Schedules,)
Firm Delivery Service and Interruptible Rate)
Schedules Rights-of-Way Surcharge)
General Regulations Tariff)

**DIRECT TESTIMONY AND EXHIBITS
OF
J. RANDALL WOOLRIDGE
EXHIBIT OPC (B)**

**ON BEHALF OF
THE OFFICE OF THE PEOPLE'S COUNSEL**

MAY 17, 2010

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

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In the Matter of)
Washington Gas Light Company's)
Application for a)
Revenue Normalization Adjustment)
Requesting Authority to Amend)
Its General Service Provisions,) Formal Case No. 1079
Residential Service and)
Non-Residential Rate Schedules,)
Firm Delivery Service and Interruptible Rate)
Schedules Rights-of-Way Surcharge)
General Regulations Tariff)

DIRECT TESTIMONY OF J. RANDALL WOOLRIDGE

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME, ADDRESS, AND OCCUPATION.

A. My name is J. Randall Woolridge. My business address is 120 Haymaker Circle, State College, PA 16801. I am a Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed University Fellow in Business Administration at the University Park Campus of the Pennsylvania State University. I am also the Director of the Smeal College Trading Room and President of the Nittany Lion Fund, LLC. A summary of my educational background, research, and related business experience is provided in Appendix A.

Q. FOR WHOM ARE YOU APPEARING?

A. I am testifying on behalf of the Office of the People's Counsel of the District of

1 Columbia (“OPC” or “Office”).

2 **Q. WERE YOUR TESTIMONY AND EXHIBITS PREPARED BY YOU OR**
3 **UNDER YOUR DIRECT SUPERVISION AND CONTROL?**

4 A. Yes, they were.

5

6 **II. SCOPE OF TESTIMONY**

7

8 **Q. WHAT IS THE SCOPE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9

10 A. I have been asked by OPC to provide an opinion as to whether or not there should be a
11 downward adjustment to the Company’s currently-authorized return on equity (“ROE”)
12 if the District of Columbia Public Service Commission (“PSC” or “Commission”)
13 approves Washington Gas Light Company’s (“WGL” or “Company”) Revenue
14 Normalization Adjustment (“RNA”) in the Company’s Revised Tariff Application. My
15 testimony is in response to designated **Issue 2**, “Should WGL’s authorized Return on
16 Equity (“ROE”) be adjusted if WGL’s RNA proposal is approved? If so, to what
17 extent should the ROE be adjusted to account for reduced risk to WGL’s
18 shareholders? How and when would any reduction in ROE be implemented? ”

19 **Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR**
20 **RECOMMENDATIONS?**

21 A. Yes. I have included seven Exhibits:

22 Exhibit OPC (B)-1: WGL response to OPC Data Request No. 3-3

23 Exhibit OPC (B)-2: Summary of Decoupled Revenues of Companies

24 Relied Upon in F.C. No. 1054

Exhibit OPC (B)

- 1 Exhibit OPC (B)-3: Percent of Regulated Gas Revenues
- 2 Exhibit OPC (B)-4: Industry Average Betas
- 3 Exhibit OPC (B)-5: Five-Year ROE Analysis
- 4 Exhibit OPC (B)-6: WGL response to OPC Data Request No. 3-5
- 5 Exhibit OPC (B)-7: Quarterly Net Gas Revenue Analysis

6 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

7 A. First, I provide a summary of the testimony of Mr. Frank J. Haley, who testifies for
8 WGL on decoupling and ROE issues. Second, I discuss the errors in Mr. Hanley's
9 testimony which result in his erroneous conclusion that a ROE adjustment is not needed.
10 Third, I evaluate the performance of WGL relative to a proxy group of gas distribution
11 companies. Fourth, I provide an empirical assessment of the potential risk reduction
12 WGL may expect if the RNA is approved. Fifth, I discuss the adoption of decoupling
13 mechanisms in other jurisdiction and the impact on ROE. Finally, I provide my
14 conclusions and recommendations regarding WGL's proposed RNA.

15

16 **III. SUMMARY OF TESTIMONY**

17 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

18 A. Based upon my review and analysis, as discussed below, I recommend, if the PSC
19 adopts WGL's proposed RNA mechanism, the Commission reduce the Company's
20 ROE by 50 basis points.

21

22

1 **IV. DISCUSSION**

2
3 **A. REVIEW OF WGL WITNESS HANLEY TESTIMONY**

4
5 **Q. PLEASE REVIEW WITNESS HANLEY'S TESTIMONY?**

6 A. Initially, Witness Hanley reviews several rate orders by the PSC and the Maryland
7 Public Service Commission ("MD PSC"). He acknowledges that in the recent case
8 (Formal Case No. 1053) involving Potomac Electric Power Company ("PEPCO"), the
9 PSC included a 50 basis point downward ROE to reflect the risk reduction associated
10 with PEPCO's Billing Stabilization Adjustment ("BSA"). Mr. Hanley also notes the
11 MD PSC included a 50 basis point ROE reduction for a decoupling rate design device
12 ("Rider 8") in a 2000 Baltimore Gas & Electric ("BGE") case (Case No. 8829), but in a
13 subsequent 2005 BGE case (Case No. 9036) no downward ROE adjustment was made
14 to the common equity cost rate because of Rider 8. The reasoning was the data for the
15 proxy group companies incorporate the reduction in risk for weather and conservation.

16 According to Mr. Hanley, the differences in the two cases was the proxy group
17 companies in the PEPCO case did not have risk mitigating rate design devices, whereas,
18 the proxy group companies in the BGE case did. Mr. Hanley claims this is due to the
19 fact that these rate design devices are more prevalent for gas distribution companies,
20 than for electric utilities.

21 Mr. Hanley reviews the cost of capital testimony in WGL's last rate case
22 (Formal Case No. 1054). He indicates both he and Mr. James Rothschild, the OPC
23 witness, used the same seven-company proxy groups. These companies are primarily
24 gas distribution companies and, therefore, I will focus my analysis and discussion on the

Exhibit OPC (B)

1 Hanley-Rothschild Group (“H-R Group”). The witness for the Apartment and Office
2 Building Association, Mr. Bruce Oliver, used a proxy group which included these same
3 seven companies, plus five additional companies. Mr. Hanley reviews the SEC Form
4 10-K’s for the companies to assess the rate making designs available to the utilities in
5 the proxy groups. He computes what he claims is the percent of revenues that are
6 decoupled for each company. These data are provided in Exhibit WG (C) -1. Mr.
7 Hanley provides the summary data on page 1 of Schedule C. He concludes that 88.72%
8 of the revenues of the companies in the proxy group are decoupled. Based on these
9 figures, Mr. Hanley concludes that no ROE adjustment is warranted if the Company’s
10 requested RNA is approved since any decreased risk associated with decoupling is
11 already reflected in the stock prices of the proxy group companies.

12 **B. THE ISSUES IN WITNESS HANLEY TESTIMONY**

13
14 **Q. PLEASE DISCUSS THE ISSUES WITH WITNESS HANLEY’S**
15 **TESTIMONY?**

16 **A.** There are several issues with Mr. Hanley testimony.

17 First, Mr. Hanley’s claims he has calculated the percent of decoupled revenues.
18 However, he actually computes the percent of customers that are decoupled. In OPC
19 Data Request No. 3-3, Mr. Hanley was asked for the percent of decoupled gas
20 revenues (and not customers). In response, WGL was unable to provide the data.
21 (See, Exhibit OPC (B)-1, WGL response to OPC Data Request No. 3-3) Hence, his
22 observation does not relate to decoupled revenues. In addition, decoupled customers
23 are not necessarily a good proxy for decoupled revenues. An example would be large

Exhibit OPC (B)

1 industrial customers whose bills are based on gas volumes consumed.

2 Second, Mr. Hanley's percent decoupled figures include not just customers of
3 companies that have an RNA-type decoupling Rate Design Mechanism ("RDM"), but
4 also customers of companies with a weather normalization adjustment ("WNA"), as
5 well as, customers of companies that have a straight-fixed variable ("SFV") RDM. In
6 other words, Mr. Hanley classifies all companies as being decoupled if they have a
7 RNA-type decoupling RDM, a WNA, or a SFV RDM. Exhibit OPC (B) -2 provides
8 a breakdown of the data by RDM provided in Mr. Hanley's Exhibit WG (C)-1,
9 Schedule C. For the H-R Group (Panel A), these data indicate that the percentage of
10 fully decoupled customers drops from 88.20% to 49.37%. Another 18.37% of the
11 customers of the gas companies have a SFV RDM, and 19.85% have a WNA. The
12 percentage of customers with no RDM is 11.80%. This summary indicates Mr.
13 Hanley's claim that 88.72% have full decoupling RDMs is overstated. A breakdown
14 of the data for the entire group of companies is provided in Panel B of Exhibit OPC
15 (B) - 2 and is similar to the H-R Group.

16 Third, the primary justification of Mr. Hanley's conclusion that no ROE
17 reduction is needed if the Company's requested RNA is approved since any decreased
18 risk associated with decoupling is already reflected in the stock prices of the proxy
19 group companies is unsupported. Exhibit OPC (B) - 3 provides the percent of
20 regulated gas revenues for WGL and the H-R Group, as well as, for the entire group
21 of companies. Whereas, WGL gets 100% of its revenues from regulated gas revenues,
22 the H-R Group gas companies only receive 75% of revenues from regulated gas

Exhibit OPC (B)

1 operations. The mean percent of regulated gas revenues for all companies, as shown
2 in Panel B of Exhibit OPC (B) – 3, is only 69%. Therefore, a significant portion of
3 the revenues of these companies are not related to gas distribution and, therefore, are
4 not subject to a RDM, such as a RNA, SFV, or a WNA. Furthermore, the non-utility
5 operations of these companies are associated with a number of activities, including
6 gas marketing, the sale of heating equipment, and propane sales, among other
7 activities. These unregulated activities are riskier and more volatile than regulated
8 gas utility operations. Hence, Mr. Hanley’s statement that any decreased risk
9 associated with decoupling is reflected in the stock prices of the proxy group
10 companies is not accurate. The stock prices of these companies reflect a significant
11 amount of unregulated business activity.

12 **C. THE RISK AND PERFORMANCE OF GAS COMPANIES, WGL AND THE**
13 **H-R GROUP**

14
15 **Q. HOW DOES THE INVESTMENT RISK OF GAS DISTRIBUTION**
16 **COMPANIES COMPARE WITH THAT OF OTHER INDUSTRIES?**

17 A. Due to the essential nature of their service, as well as their regulated status, public
18 utilities are exposed to a lesser degree of business risk than other, non-regulated
19 businesses. The relatively low level of business risk allows public utilities to meet
20 much of their capital requirements through borrowing in the financial markets,
21 thereby, incurring greater than average financial risk. Nonetheless, the overall
22 investment risk of public utilities is below most other industries.

23 Exhibit OPC (B) - 4 provides an assessment of investment risk for 100
24 industries as measured by beta, which according to modern capital market theory, is

1 the only relevant measure of investment risk. These betas come from the *Value Line*
2 *Investment Survey* and are compiled annually by Aswath Damodoran of New York
3 University.¹ The study shows the investment risk of utilities is very low. The
4 average beta for electric, water, and gas utility companies are 0.75, 0.82, and 0.68,
5 respectively. In fact, the gas distribution industry is the lowest risk industry as ranked
6 by beta of the 100 industries covered by *Value Line*. These are well below the *Value*
7 *Line* average of 1.17. As such, the cost of equity for gas distribution companies is
8 among the lowest of all industries in the U.S.

9 **Q. PLEASE DESCRIBE YOUR ANALYSIS OF THE PERFORMANCE OF WGL.**

10 A. To assess the performance of WGL relative to the H-R Proxy Group, I have
11 compared the average earned ROE over the past five years for WGL, the DC
12 operations of WGL (“WGL-DC”), and the H-R Proxy Group.

13 **Q. PLEASE DESCRIBE THE DATA USED IN YOUR ANALYSIS.**

14 A. In OPC Data Request No. 3-11, the Company was asked to provide the authorized and
15 earned returns on common equity for the past ten years. In response, the Company
16 provided the data for the past five years, and provided the data for the entire company
17 (including the Company’s operations in D.C., Maryland and Virginia). The Company
18 did not provide authorized ROEs for any of its operations. I have used this data in my
19 analysis of the performance of WGL. I have also used the reported ROEs for the D.C.
20 operations of WGL-DC which are provided to the PSC in Formal Case No. 989
21 Compliance Filings.

¹ They may be found on the Internet at <http://www.stern.nyu.edu/~adamodar>.

1 **Q. WHAT ARE THE RESULTS OF YOUR STUDY?**

2 A. This analysis is provided in Exhibit OPC (B) – 5 and the summary data are shown in
3 Figure 1. The data indicate WGL’s performance parallel’s the performance of the H-R
4 Group. The five-year mean ROEs for WGL and the H-R Group are 10.9% and 11.1%,
5 respectively. **BEGIN CONFIDENTIAL**

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22 **END CONFIDENTIAL**

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1 **D. RISK REDUCTION ASSOCIATED WITH DECOUPLING**

2 **Q. PLEASE DISCUSS YOUR ANALYSIS OF THE POTENTIAL RISK**
3 **REDUCTION ASSOCIATED WITH DECOUPLING FOR WGL**

4 A. To assess the potential risk reduction from WGL, I have performed a study of the
5 quarterly revenue volatility of WGL. I have employed a regression analysis to
6 evaluate the degree to which gas revenues volatility are associated with weather, the
7 economy, and potential conservation on a quarterly basis over the past five years. In
8 the regression, the dependent variable is quarterly Net Gas Revenues (“NGR”) which
9 is defined as regulated gas revenues minus the cost of gas. This data was provided in
10 WGL response to OPC Data Request No. 3-5. (See, Exhibit OPC (B)-6, WGL
11 response to OPC Data Request No. 3-5). The data provided by the Company includes
12 the operating results for WGL’s D.C., Maryland and Virginia operations. Using NGR
13 removes the impact of gas price volatility and is appropriate because changes in gas
14 costs are accounted for by the Company’s purchase gas adjustment clause.

15 I have included two variables to account for economic fluctuations:

16 X1 – D.C. Personal Income (“DC PI”) - the average personal income in D.C.,
17 as provided by the Regional Economic Information System, Bureau of Economic
18 Analysis, U.S. Department of Commerce; and :

19 X2 – D.C. Unemployment Rate (“DC UR”) – the D.C. seasonally-adjusted
20 unemployment rate, as provided by the U.S. Department of Commerce, Bureau of
21 Labor and Statistics.

22 I have included two variables to account for weather:

Exhibit OPC (B)

1 X3 – Actual Quarterly Degree Days (“QDD”) – WGL’s the average quarterly
2 degree days as provided by WGL in response to OPC Data Request No. 3-5; and

3 X4 – A Seasonal Weather Dummy Variable (“SWDV”) – The SWDV has a
4 value of 1 in heating quarters (Quarters 1 and 2 for WGL) and 0 in non-heating
5 quarters (Quarters 3 and 4 for WGL).

6 In addition, I have included a variable to measure potential conservation:

7 X5 – Residential Gas Price (“RGP”) – the RGP measures if gas consumption
8 is sensitive to the price of gas. The data come from the Energy Information
9 Administration of the U.S. Department of Energy.

10 Panel A of Exhibit OPC (B) – 7 provides the quarterly date used in the
11 analysis and Panel B of Exhibit OPC (B) – 7 shows the summary regression statistics.
12 The F-statistic ($F = 197.5$) indicates the regression is very highly statistically
13 significant. The adjusted R-Square of 0.98 indicates the weather, economic, and
14 conservation variable explain 98% of the variation in quarterly NGR. In other words,
15 almost of the volatility in the Company’s NGR is attributable to the indicated
16 variables used in the regression. The t-statistics for the individual X variables
17 indicate the level of statistical significance of each of the variables. The most
18 significant variable is QDD (X3), with a t-Stat of 9.30. The other weather variable,
19 SWDV (X4), has the correct sign (+), but is not statistically significant. For the
20 economic variables, DC PI (X1) is highly statistically significant, with a t-Stat of
21 3.19. The DC UR (X2) has the correct sign (-), but is not statistically significant.
22 The conservation variable, RGP, also has the correct sign (-), but is not statistically

1 significant.²

2 **Q. WHAT IS REVEALED BY YOUR ANALYSIS OF THE POTENTIAL RISK**
3 **REDUCTION FOR DECOUPLING FOR WGL?**

4 A. The results show the risk reduction associated with decoupling is highly significant,
5 in both statistical and economic terms. The findings indicate that 98% of the
6 variation is attributable to the weather, economic, and conservation. As such, the
7 extent to which a decoupling device removes the impact of these variables on the
8 NGRs of WGL, the riskiness of the Company will be reduced.

9

10 **V. DECOUPLING AND AUTHORIZED ROES**

11 **Q. HAVE YOU CONDUCTED ANY STUDIES TO ASCERTAIN THE**
12 **REDUCTION OF RISK ASSOCIATED WITH DECOUPLING RATE DESIGN**
13 **MECHANISMS?**

14 A. No, and I am not aware of any such studies. However, I am aware some state
15 regulatory commissions have adopted such ratemaking mechanisms for electric and
16 gas companies, have recognized the risk reduction associated with the adoption of
17 decoupling ratemaking mechanisms and made an adjustment to the authorized return
18 on equity. A list of several of several decisions is provided in Table 1. These
19 decisions indicate that an adjustment of up to 50 basis points has been used to
20 recognize the risk reduction associated with decoupling.

21

² Due to the correlation between the two weather variables and the two economic variables, the regression was also run using only three variables – QDD, DC PI, and RGP. The results are very similar to those reported in Exhibit OPC (B) -7 with all five variables.

Table 1
State Commission Return on Equity Adjustments to Reflect Decoupling

<u>Decision Date</u>	<u>State</u>	<u>Utility</u>	<u>Docket/Case</u>	<u>Decoupling Adjustment</u>
February 2008	Illinois	Peoples Gas	07-0241/07-024	10 basis points
July 2008	Utah	Questar Gas	07-057-13	50 basis points
July 2007	Maryland	Delmarva Power and Light	9093	50 basis points
July 2007	Maryland	Potomac Electric Power	9092	50 basis points
May 2007	Missouri	MO Gas Energy	GR-2006-0422	32.5 basis points
January 2007	Washington	Cascade Natural Gas	UG-060256	Not quantified
December 2006	Vermont	Green Mountain Power	7175 and 7176	50 basis points

Q. ARE YOU AWARE OF ANY OTHER RECENT REGULATORY DECISIONS ASSESSING THE ROE IMPACT DECOUPLING?

A. Yes. The Connecticut Department of Public Utility Control (“Department”) addressed decoupling in the rate increase application of the Connecticut Natural Gas Corporation (“CNG”). With respect to decoupling and ROE, the Department provided the following insights in denying the CNG’s decoupling proposal:³

The Department agrees with OCC and AG. Full decoupling compensates the Company for any type of reduction in consumption, such as warmer weather, customer loss, and a deteriorating economy as well as permanent and price-induced conservation. Clearly, the very large potential risk of revenue instability is shifted from the Company to customers. If the Company were to purchase an insurance instrument to guaranteed distribution revenues, the insurer would expect compensation and the Company would expect to make payment for the transfer of

³ State of Connecticut, Department of Public Utility Control; Application of the Connecticut Natural Gas Corporation for a Rate Increase, Final Decision, June 30, 2009, pp. 76-7.

1 risk. The Company's decoupling proposal thrusts customers into
2 the role of insurer without proffering compensation. By reviewing
3 the level of compensation customers would require to breakeven
4 under decoupling, the Department concluded that the requisite
5 reduction in ROE needed as compensation would prove too
6 draconian and actually impede the Company's ability to attract
7 capital. The Company's own calculation shows that a 10% change
8 in weather (HDDs) alone translates into a \$4 million change in
9 revenue.

10
11 In its final decision, the Department granted CNG a return on equity of 9.31%
12 without decoupling.

13
14 **VI. OUTSTANDING DISCOVERY**

15 **Q. DOES OPC CURRENTLY HAVE OUTSTANDING DISCOVERY REQUESTS**
16 **TO THE COMPANY?**

17 A. Yes. OPC requested some discovery the Company objected to and is the subject of
18 pending motions to compel with the PSC.

19 **Q. WOULD RECEIPT OF THE DISCOVERY ALTER YOUR TESTIMONY?**

20 A. While I cannot testify the discovery would alter my conclusion or recommendations,
21 receipt of the discovery will allow me to conduct additional studies and analysis.

22 **Q. IF THE PSC GRANTS OPC'S MOTION TO COMPEL AND DISCOVERY IS**
23 **PRODUCED WILL YOU NEED TO SUPPLEMENT YOUR TESTIMONY?**

24 A. Yes, I reserve the right to supplement my testimony should I receive the additional
25 discovery.

26

27

1 **VII. RECOMMENDATIONS AND CONCLUSION**

2 **Q. PLEASE SUMMARIZE YOUR FINDINGS.**

3 A. I have reviewed the testimony of WGL witness Hanley regarding whether a ROE
4 adjustment is needed if the RNA proposal is accepted by the PSC. Mr. Hanley was
5 WGL's cost of capital witness in the Company's last rate case. Mr. Hanley's primary
6 claim is no ROE reduction is needed since any decreased risk associated with
7 decoupling is already reflected in the stock prices of the proxy group companies that
8 were used to compute the equity cost rate in the last rate case. I have highlighted
9 several errors in his analysis. First, whereas he claims to identify the percent of
10 decoupled revenues, he has actually computed the percent of decoupled customers.
11 Second, he identifies as fully decoupled customers of companies that are not fully
12 decoupled. In Exhibit OPC (B) – 3, I breakdown his percentage of customers and
13 highlight the fact that he includes, as fully decoupled, customers of companies that
14 have WNA and SFV rate designs. Third, as indicated, Mr. Hanley's primary
15 justification that no ROE reduction is needed is since any decreased risk associated
16 with decoupling is already reflected in the stock prices of the proxy group companies.
17 However, I show, whereas WGL gets 100% of its revenues from regulated gas
18 revenues, Mr. Hanley's gas companies only receive 75% of revenues from regulated
19 gas operations. Hence, the stock prices of these companies reflect reflect a significant
20 amount of riskier, unregulated business activity that is not protected by RDMs, such
21 as a RNA, SFV, or a WNA. Therefore, my findings indicate the study performed by

1 Mr. Hanley is flawed and does not support his conclusion that no ROE reduction is
2 need if the PSC approves the Company's RNA.

3 I have also demonstrated that, as measured by beta, the gas distribution
4 industry is the lowest risk industry (out of 100) in the U.S. according to the *Value*
5 *Line Investment Survey*. In addition, I perform an analysis of the performance of
6 WGL, WGL-DC, and the H-R Group using earned return on equity over the past five
7 years. My analysis indicates that WGL's performance WGL is in-line with the
8 performance of the H-R Group, while WGL-DC's performance is **BEGIN**
9 **CONFIDENTIAL** **END CONFIDENTIAL** than the group. I have also
10 evaluated the potential risk reduction associated with decoupling for WGL using
11 quarterly data over the past five years. My analysis indicates that 98% of the variation
12 in the quarterly NGRs of the Company can be explained by weather, economic, and
13 conservation variables. This shows decoupling has a great potential to reduce the
14 revenue volatility for the Company.

15 Finally, I have highlighted some regulatory rate cases from different
16 jurisdictions implementing a decoupling mechanism while adjusting the ROE
17 downward to reflect the associated risk reduction.

18 **Q. WHAT ARE YOUR RECOMMENDATIONS REGARDING AN ROE**
19 **ADJUSTMENT FOR WGL IF THE RNA IS APPROVED?**

20 A. I recommend the Company's authorized ROE be reduced by 50 basis points. This is
21 based on my findings that: (1) the study performed by Mr. Hanley is flawed and does
22 not support his conclusion that no ROE reduction is need if the PSC approves the

Exhibit OPC (B)

1 Company's RNA; (2) the gas distribution industry is the lowest risk industry, as
2 measured by beta, in the U.S. according to the *Value Line Investment Survey*; (3)
3 WGL-DC's performance over the past five years is better than that of Mr. Hanley's
4 gas proxy group; (4) 98% of the variation in the quarterly NGRs of the company can
5 be explained by weather, economic, and conservation variables, and therefore, there
6 is a very significant risk reduction potential of decoupling for WGL; and (5) ROE
7 adjustments made by state regulatory agencies is in the 0-50 basis point range. Given
8 WGL-DC's performance, and the large risk reduction that can be attributed to
9 decoupling, I believe a figure at the top end of the range is appropriate. Therefore, I
10 recommend a 50-basis point ROE reduction if the RNA is approved.

11 **Q. WHEN SHOULD THIS REDUCTION BE IMPLEMENTED?**

12 A. The reduction should be implemented at the same time that the RNA is made
13 effective.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

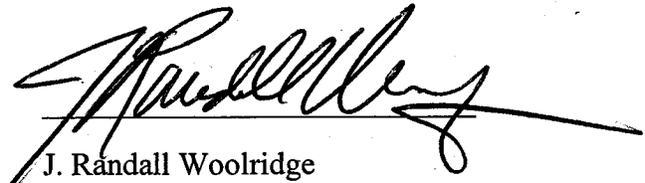
15 A. Yes.

16

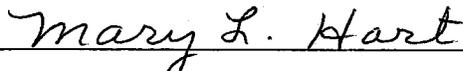
AFFIDAVIT

County of Centre)
Commonwealth of Pennsylvania) SS:

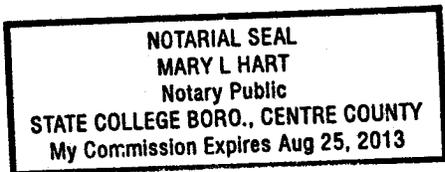
J. Randall Woolridge, being first duly sworn, deposes and states that he is the J. Randall Woolridge whose Testimony accompanies this Affidavit; that such testimony was prepared by him or under his supervision; that he is familiar with the contents thereof; that the facts set forth therein are true and correct to the best of his knowledge, information and belief; and that he does adopt the same as true as his sworn testimony in this proceeding.


J. Randall Woolridge

Subscribed and sworn before me this
10 day of May, 2010.


Notary Public

My Commission Expires:



Appendix A of

OPC Witness

J. Randall Woolridge

Appendix A
Educational Background, Research, and Related Business Experience
J. Randall Woolridge

J. Randall Woolridge is a Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed Faculty Fellow in Business Administration in the College of Business Administration of the Pennsylvania State University in University Park, PA. In addition, Professor Woolridge is Director of the Smeal College Trading Room and President and CEO of the Nittany Lion Fund, LLC.

Professor Woolridge received a Bachelor of Arts degree in Economics from the University of North Carolina, a Master of Business Administration degree from the Pennsylvania State University, and a Doctor of Philosophy degree in Business Administration (major area-finance, minor area-statistics) from the University of Iowa. At Iowa he received a Graduate Fellowship and was awarded membership in Beta Gamma Sigma, a national business honorary society. He has taught Finance courses at the University of Iowa, Cornell College, and the University of Pittsburgh, as well as the Pennsylvania State University. These courses include corporation finance, commercial and investment banking, and investments at the undergraduate, graduate, and executive MBA levels.

Professor Woolridge's research has centered on the theoretical and empirical foundations of corporation finance and financial markets and institutions. He has published over 35 articles in the best academic and professional journals in the field, including the *Journal of Finance*, the *Journal of Financial Economics*, and the *Harvard Business Review*. His research has been cited extensively in the business press. His work has been featured in the *New York Times*, *Forbes*, *Fortune*, *The Economist*, *Financial World*, *Barron's*, *Wall Street Journal*, *Business Week*, *Washington Post*, *Investors' Business Daily*, *Worth Magazine*, *USA Today*, and other publications. In addition, Dr. Woolridge has appeared as a guest to discuss the implications of his research on CNN's *Money Line*, CNBC's *Morning Call* and *Business Today*, and Bloomberg's *Morning Call*.

Professor Woolridge's popular stock valuation book, *The StreetSmart Guide to Valuing a Stock* (McGraw-Hill, 2003), was released in its second edition. He has also co-authored *Spinoffs and Equity Carve-Outs: Achieving Faster Growth and Better Performance* (Financial Executives Research Foundation, 1999) as well as a textbook entitled *Applied Principles of Finance* (Kendall Hunt, 2006). Dr. Woolridge is a founder and a managing director of www.valuepro.net - a stock valuation website.

Professor Woolridge has also consulted with and prepared research reports for major corporations, financial institutions, and investment banking firms, and government agencies. In addition, he has directed and participated in over 500 university- and company- sponsored professional development programs for executives in 25 countries in North and South America, Europe, Asia, and Africa.

Dr. Woolridge has prepared testimony and/or provided consultation services in the following cases:

Pennsylvania: Dr. Woolridge has prepared testimony on behalf of the Pennsylvania Office of Consumer Advocate in the following cases before the Pennsylvania Public Utility Commission; Bell Telephone Company (R-811819), Peoples Natural Gas Company (R-832315), Pennsylvania Power Company (R-832409), Western Pennsylvania Water Company (R-832381), Pennsylvania Power Company (R-842740), Pennsylvania Gas and Water Company (R-850178), Metropolitan Edison Company (R-860384), Pennsylvania Electric Company (R-860413), North Penn Gas Company (R-860535), Philadelphia Electric Company (R-870629), Western Pennsylvania Water Company (R-870825), York Water Company (R-870749), Pennsylvania-American Water Company (R-880916), Equitable Gas Company (R-880971), the Bloomsburg Water Co. (R-891494), Columbia Gas of Pennsylvania, Inc. (R-891468), Pennsylvania-American Water Company (R-90562), Breezewood Telephone Company (R-901666), York Water Company (R-901813), Columbia Gas of Pennsylvania, Inc. (R-901873), National Fuel Gas Corporation (R-911912), Pennsylvania-American Water Company (R-911909), Borough of Media Water Fund (R-912150), UGI Utilities, Inc. - Electric Utility Division (R-922195), Dauphin Consolidated Water Supply Company - General Waterworks of Pennsylvania, Inc. (R-932604), National Fuel Gas Corporation (R-932548), Commonwealth Telephone Company (I-

Appendix A
Educational Background, Research, and Related Business Experience
J. Randall Woolridge

920020), Conestoga Telephone and Telegraph Company (I-920015), Peoples Natural Gas Company (R-932866), Blue Mountain Consolidated Water Company (R-932873), National Fuel Gas Corporation (R-942991), UGI - Gas Division (R-953297), UGI - Electric Division (R-953534), Pennsylvania-American Water Company (R-973944), Pennsylvania-American Water Company (R-994638), Philadelphia Suburban Water Company (R-994868;R-994877;R-994878; R-9948790), Philadelphia Suburban Water Company (R-994868), Wellsboro Electric Company (R-00016356), Philadelphia Suburban Water Company (R-00016750), National Fuel Gas Corporation (R-00038168), Pennsylvania-American Water Company (R-00038304), York Water Company (R-00049165), Valley Energy Company (R-00049345), Wellsboro Electric Company (R-00049313), National Fuel Gas Corporation (R-00049656), T.W. Phillips Gas and Oil Co. (R-00051178), PG Energy (R-00061365), City of Dubois Water Company (Docket No. R-00050671), R-00049165), York Water Company (R-00061322), Emporium Water Company (R-00061297), Pennsylvania-American Water Company (R-00072229), UGI Central Penn Gas (Docket No. R-2008-2079675).

New Jersey: Dr. Woolridge prepared testimony for the New Jersey Department of the Public Advocate, Division of Rate Counsel: New Jersey-American Water Company (R-91081399J), New Jersey-American Water Company (R-92090908J), and Environmental Disposal Corp. (R-94070319).

Alaska: Dr. Woolridge prepared testimony for Attorney General's Office of Alaska: Golden Heart Utilities, Inc. and College Utilities Corp. (Water Public Utility Service TA-29-118 and Sewer Public Utility Service TA-82-97), Anchorage Water and Wastewater Utility (TA-106-122).

Arizona: Dr. Woolridge prepared testimony for Utility Division staff of the Arizona Corporation Commission, Arizona Public Service Company (Docket No. E-01345A-06-0009).

Hawaii: Dr. Woolridge prepared testimony for the Hawaii Office of the Consumer Advocate: East Honolulu Community Services, Inc. (Docket No. 7718).

Delaware: Dr. Woolridge prepared testimony for the Delaware Division of Public Advocate: Artesian Water Company (R-00-649). Dr. Woolridge prepared testimony for the staff of the Public Service Commission: Artesian Water Company (R-06-158).

Ohio: Dr. Woolridge prepared testimony for the Ohio Office of Consumers' Council: SBC Ohio (Case No. 02-1280-TP-UNC R-00-649), Cincinnati Gas & Electric Company (Case No. 05-0059-EL-AIR), Dominion East Ohio Company (Case No. 07-829-GA-AIR), Cleveland Electric Illuminating Company and Toledo Edison Company (Case No. 08-935-EL-SSO), Columbia Gas of Ohio, Inc. (Case No. 08-0072-GA-AIR), and Columbus Southern Power Company (Case No. 08-917-EL-SSO).

Texas: Dr. Woolridge prepared testimony for the Atmos Cities Steering Committee: Mid-Texas Division of Atmos Energy Corp. (Docket No. 9670).

New York: Dr. Woolridge prepared testimony for the County of Nassau in New York State: Long Island Lighting Company (PSC Case No. 942354).

Florida: Dr. Woolridge prepared testimony for the Office of Public Counsel in Florida: Florida Power & Light Co. (Docket No. 050045-EL), Tampa Electric Company (Docket No 080317-EI), Peoples Gas Company (Docket No 080318-GU), Florida Power & Light Co. (Docket Nos. 080677-EI & 090130-EI), and Progress Energy Florida, (Docket No. 090079-EI).

Appendix A
Educational Background, Research, and Related Business Experience
J. Randall Woolridge

Nebraska: Dr. Woolridge prepared testimony for the Office of Public Advocate: Source Gas Distribution Co. (Docket No. NG-0060).

Indiana: Dr. Woolridge prepared testimony for the Indiana Office of Utility Consumer Counsel (OUCC) in the following cases: Southern Indiana Gas and Electric Company (IURC Cause No. 43111 and IURC Cause No. 43112), and Northern Indiana Public Service Company (IURC Cause No. 43526).

Oklahoma: Dr. Woolridge prepared testimony for the Oklahoma Industrial Energy Companies (OIEC) in the following cases: Public Service Company of Oklahoma (Cause No. PUD 200600285), Oklahoma Gas & Electric Company (Cause No. PUD 200700012).

Connecticut: Dr. Woolridge prepared testimony for the Office of Consumer Counsel in Connecticut: United Illuminating (Docket No. 96-03-29), Yankee Gas Company (Docket No. 04-06-01), Southern Connecticut Gas Company (Docket No. 03-03-17), the United Illuminating Company (Docket No. 05-06-04), Connecticut Light and Power Company (Docket No. 05-07-18), Birmingham Utilities, Inc. (Docket No. 06-05-10), Connecticut Water Company (Docket No. 06-07-08), Connecticut Natural Gas Corp. (Docket No. 06-03-04), Aquarion Water Company (Docket No. 07-05-09), Yankee Gas Company (Docket No. 06-12-02), Connecticut Light and Power Company (Docket No. 07-07-01), the United Illuminating Company (Docket No. 08-07-03), Connecticut Natural Gas Corp. (Docket No. 08-12-06), and Southern Connecticut Gas Company (Docket No. 08-12-06).

California: Dr. Woolridge prepared testimony for the Office of Ratepayer Advocate in California: San Gabriel Valley Water Company (Docket No. 05-08-021), Pacific Gas & Electric (Docket No. 07-05-008), San Diego Gas & Electric (Docket No. 07-05-007), Southern California Edison (Docket No. 07-05-003), California-American Water Company (Docket No. 08-05-003), Golden State Water Company (Docket No. 08-05-004), and California Water Service Company (Docket No. 08-05-002).

Colorado: Dr. Woolridge prepared testimony for the Office of Consumer Counsel in Colorado: Public Service Company of Colorado (Docket No. 09AL-299E).

South Carolina: Dr. Woolridge prepared testimony for the Office of Regulatory Staff in South Carolina: South Carolina Electric and Gas Company (Docket No. 2005-113-G), Carolina Water Service Co. (Docket No. 2006-87-WS), Tega Cay Water Company (Docket No. 2006-97-WS), United Utilities Companies, Inc. (Docket No. 2006-107-WS).

Missouri: Dr. Woolridge prepared testimony for the Department of Energy in Missouri: Kansas City Power & Light Company (Case No. ER-2006-0314). Dr. Woolridge prepared testimony for the Office of Attorney General of Missouri: Union Electric Company (CASE NO. ER-2007-0002).

Kentucky: Dr. Woolridge prepared testimony for the Office of Attorney General in Kentucky: Kentucky-American Water Company (Case No. 2004-00103), Union Heat, Light, and Power Company (Case No. 2004-00042), Kentucky Power Company (Case No. 2005-00341), Union Heat, Light, and Power Company (Case No. 2006-00172), Atmos Energy Corp. (Case No. 2006-00464), Columbia Gas Company (Case No. 2007-00008), Delta Natural Gas Company (Case No. 2007-00089), Kentucky-American Water Company (Case No. 2007-00143).

Massachusetts: Dr. Woolridge prepared testimony for the Office of Attorney General: National Grid (Docket No. D.P.U. 09-39).

Washington, D.C.: Dr. Woolridge prepared testimony for the Office of the People's Counsel in the District of Columbia:

Appendix A
Educational Background, Research, and Related Business Experience
J. Randall Woolridge

Potomac Electric Power Company (Formal Case No. 939), and Potomac Electric Power Company (Formal Case No. 1036).

Washington: Dr. Woolridge consulted with trial staff of the Washington Utilities and Transportation Commission on the following cases: Puget Energy Corp. (Docket Nos. UE-011570 and UG-011571); and Avista Corporation (Docket No. UE-011514).

Kansas: Dr. Woolridge prepared testimony on behalf of the Kansas Citizens' Utility Ratepayer Board in the following cases: Western Resources Inc. (Docket No. 01-WSRE-949-GIE), UtiliCorp (Docket No. 02-UTCG701-CIG), and Westar Energy, Inc. (Docket No. 05-WSEE-981-RTS).

Utah: Dr. Woolridge prepared testimony on behalf of the Utah Committee on Consumer Services (CCS) in the following case: Questar Gas Company (Docket No. No. 07-057-13).

FERC: Dr. Woolridge has prepared testimony on behalf of the Pennsylvania Office of Consumer Advocate in the following cases before the Federal Energy Regulatory Commission: National Fuel Gas Supply Corporation (RP-92-73-000) and Columbia Gulf Transmission Company (RP97-52-000).

Vermont: Dr. Woolridge prepared testimony for the Department of Public Service in the Central Vermont Public Service (Docket No. 6988) and Vermont Gas Systems, Inc. (Docket No. 7160).

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-1

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-3 (1)

- Q. With respect to Exhibit WG C-1, Schedule C, pages 2 through 12, for each gas company covered in Schedule C, please:**
- (1) provide, for each company, the decoupled gas revenues, as a percent of total gas revenues**

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A. Regulated gas revenues by jurisdiction are not available in the SEC Forms 10-K of every proxy company. Mr. Hanley believes it is more appropriate, and more accurate, to use the number of meters or customers by jurisdiction to measure the extent of decoupling.**

**SPONSOR: Frank J. Hanley
AUS Consultants**

Washington Gas Light Company
Formal Case No. 1079
Response OPC DR No. 3-5, (1-3)

(In thousands except for Degree Days)

<u>Fiscal Year</u>	<u>Quarter</u>	<u>Regulated Gas Revenues</u>	<u>Cost of Gas</u>	<u>Actual Quarterly Degree Days</u>
2009	1	\$ 530,640	\$ 314,943	1,527
	2	651,127	383,874	2,333
	3	190,101	79,327	343
	4	109,221	51,756	8
2008	1	\$ 464,428	\$ 268,279	1,241
	2	677,749	417,136	1,944
	3	244,384	140,274	271
	4	149,882	59,511	2
2007	1	\$ 433,350	\$ 251,005	1,308
	2	707,662	458,805	2,231
	3	236,184	126,563	406
	4	120,078	56,027	10
2006	1	\$ 604,985	\$ 410,234	1,499
	2	712,809	485,516	1,934
	3	185,768	89,575	255
	4	118,948	46,325	22
2005	1	\$ 412,226	\$ 231,886	1,389
	2	644,636	393,969	2,264
	3	200,060	102,007	365
	4	122,468	68,551	5

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-2

OPC Exhibit (B)-2
Washington Gas Light Company
Summary of the Decoupled Revenues of
the Companies Relied upon by Witnesses Hanley, Rothschild, and Oliver
in Formal Case No. 1054

Panel A
Hanley-Rothschild Gas Companies

Company Name	Percentage of Customers Decoupled	Percentage of Customers Fully Decoupled	Percentage of Customers with SFV	Percentage of Customers with WNA	Percentage of Customers with No RDM
Atmos Energy Corporation	95.65%	0.00%	1.80%	93.84%	4.35%
NICOR, Inc.	100.00%	0.00%	100.00%	0.00%	0.00%
Northwest Natural Gas Company	90.00%	90.00%	0.00%	0.00%	10.00%
Piedmont Natural Gas Company, Inc.	100.00%	69.00%	31.00%	0.00%	0.00%
South Jersey Industries, Inc.	100.00%	100.00%	0.00%	0.00%	0.00%
Southwest Gas Corporation	46.01%	46.01%	0.00%	0.00%	53.99%
WGL Holdings, Inc.	85.72%	40.58%	0.00%	45.14%	14.28%
Average	88.20%	49.37%	18.97%	19.85%	11.80%

Data Source: Exhibit WG C-1. Schedule C

Panel B
All Companies

Company Name	Percentage of Customers Decoupled	Percentage of Customers Fully Decoupled	Percentage of Customers with SFV	Percentage of Customers with WNA	Percentage of Customers with No RDM
AGL Resources, Inc.	95.16%	11.92%	68.50%	14.74%	4.78%
Atmos Energy Corporation	95.65%	0.00%	1.80%	93.84%	4.35%
Consolidated Edison, Inc.	91.67%	91.67%	0.00%	0.00%	8.33%
New Jersey Resources Corporation	100.00%	100.00%	0.00%	0.00%	0.00%
NICOR, Inc.	100.00%	0.00%	100.00%	0.00%	0.00%
Northwest Natural Gas Company	90.00%	90.00%	0.00%	0.00%	10.00%
PEPCO Holdings, Inc.	71.72%	49.95%	21.77%	0.00%	28.28%
Piedmont Natural Gas Company, Inc.	100.00%	69.00%	31.00%	0.00%	0.00%
South Jersey Industries, Inc.	100.00%	100.00%	0.00%	0.00%	0.00%
Southwest Gas Corporation	46.01%	46.01%	0.00%	0.00%	53.99%
WGL Holdings, Inc.	85.72%	40.58%	0.00%	45.14%	14.28%
Average	88.72%	54.47%	20.28%	13.97%	11.27%

Data Source: Exhibit WG C-1. Schedule C

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-3

OPC Exhibit (B)-3

Washington Gas Light Company
Percent of Regulated Gas Revenue

Panel A

Hanley-Rothschild Group

Company	Operating Revenue (\$mil)	Percent of Regulated Gas Revenue
Washington Gas Light Company	1,505.9	100
Atmos Energy Corporation	4,545.6	60
NICOR, Inc.	2,652.1	81
Northwest Natural Gas Company	1,012.7	98
Piedmont Natural Gas Company, Inc.	1,532.2	86
South Jersey Industries, Inc.	845.4	57
Southwest Gas Corporation	1,893.8	85
WGL Holdings, Inc.	2,608.2	52
Mean	2,155.7	74

Data Source: AUS Utility Reports , April, 2010.

Panel B

All Companies

Company	Operating Revenue (\$mil)	Percent of Regulated Gas Revenue
Washington Gas Light Company	1,505.9	100
AGL Resources, Inc.	2,317.0	64
Atmos Energy Corporation	4,545.6	60
Consolidated Edison, Inc.	13,032.0	NA
New Jersey Resources Corporation	2,400.7	42
NICOR, Inc.	2,652.1	81
Northwest Natural Gas Company	1,012.7	98
PEPCO Holdings, Inc.	9,259.0	NA
Piedmont Natural Gas Company, Inc.	1,532.2	86
South Jersey Industries, Inc.	845.4	57
Southwest Gas Corporation	1,893.8	85
WGL Holdings, Inc.	2,608.2	52
Mean	3,827.2	69

Data Source: AUS Utility Reports , April, 2010.

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-4

OPC Exhibit (B)-4

Industry Average Betas

Industry Name	No.	Beta	Industry Name	No.	Beta	Industry Name	No.	Beta
Public/Private Equity	9	2.40	Retail Store	43	1.35	Telecom. Services	140	1.10
Newspaper	15	1.94	Restaurant	68	1.34	Biotechnology	121	1.10
Semiconductor Equip	14	1.93	Shoe	19	1.34	Industrial Services	168	1.07
Steel (Integrated)	15	1.85	Machinery	130	1.32	Reinsurance	8	1.07
Entertainment	95	1.81	Entertainment Tech	35	1.32	Utility (Foreign)	5	1.07
Auto Parts	54	1.75	Apparel	56	1.30	Air Transport	44	1.06
Hotel/Gaming	74	1.74	Trucking	33	1.30	Medical Supplies	264	1.04
Auto & Truck	22	1.72	Railroad	15	1.29	Internet	239	1.04
Cable TV	24	1.69	Natural Gas (Div.)	32	1.29	Beverage	41	1.04
Coal	21	1.67	Chemical (Specialty)	97	1.29	Computer Software/Svcs	333	1.02
Paper/Forest Products	39	1.63	Computers/Peripherals	129	1.29	Medical Services	162	0.97
Property Management	20	1.63	Information Services	29	1.28	Healthcare Information	33	0.97
Steel (General)	20	1.61	Chemical (Basic)	17	1.27	Environmental	91	0.97
Advertising	36	1.60	Petroleum (Integrated)	24	1.24	Bank (Midwest)	39	0.96
R.E.I.T.	143	1.60	Precision Instrument	98	1.24	Retail Building Supply	7	0.95
Semiconductor	125	1.56	Power	77	1.23	Insurance (Prop/Cas.)	85	0.92
Metal Fabricating	36	1.54	Toiletries/Cosmetics	19	1.23	Oil/Gas Distribution	19	0.89
Furn/Home Furnishings	35	1.52	Metals & Mining (Div.)	79	1.23	Pharmacy Services	21	0.88
Wireless Networking	60	1.50	Manuf. Housing/RV	15	1.21	Bank (Canadian)	7	0.86
Retail Automotive	15	1.46	Diversified Co.	121	1.20	Food Processing	121	0.86
Oilfield Svcs/Equip.	113	1.45	Packaging & Container	31	1.20	Water Utility	15	0.82
Homebuilding	28	1.45	Office Equip/Supplies	25	1.19	Electric Util. (Central)	23	0.79
Building Materials	53	1.45	Funeral Services	5	1.19	Tobacco	12	0.78
Publishing	30	1.43	Aerospace/Defense	67	1.19	Investment Co.	19	0.76
Retail (Special Lines)	157	1.43	Precious Metals	78	1.18	Electric Utility (West)	14	0.75
Recreation	65	1.43	E-Commerce	56	1.18	Educational Services	38	0.75
Heavy Construction	14	1.42	Canadian Energy	10	1.18	Bank	481	0.75
Electrical Equipment	87	1.41	Securities Brokerage	30	1.18	Electric Utility (East)	24	0.73
Financial Svcs. (Div.)	296	1.39	Electronics	183	1.16	Thrift	227	0.73
Investment Co.(Foreign)	16	1.39	Petroleum (Producing)	198	1.16	Retail/Wholesale Food	32	0.73
Maritime	53	1.38	Household Products	23	1.15	Natural Gas Utility	24	0.68
Human Resources	30	1.38	Telecom. Equipment	115	1.15	Total Market	7036	1.17
Insurance (Life)	31	1.38	Foreign Electronics	9	1.13			
Chemical (Diversified)	31	1.37	Drug	337	1.11			

Source: Damodaran Online

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-5

Non-Proprietary Version

OPC Exhibit (B)-5
 Washington Gas Light Company
 Five-Year ROE Analysis

Panel A

WGL and H-R Group

	2005	2006	2007	2008	2009	Mean
Washington Gas Light Company	10.7%	10.0%	10.2%	12.4%	11.1%	10.9%
Atmos Energy Corporation (NYSE-ATO)	8.5%	9.8%	8.7%	8.8%	8.3%	8.8%
NICOR Inc. (NYSE-GAS)	12.5%	14.7%	14.3%	12.3%	13.1%	13.4%
Northwest Natural Gas Co. (NYSE-NWN)	9.9%	10.9%	12.5%	10.9%	11.1%	11.1%
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	11.5%	11.0%	11.9%	12.4%	13.2%	12.0%
South Jersey Industries, Inc. (NYSE-SJI)	12.4%	16.3%	12.8%	13.1%	13.1%	13.5%
Southwest Gas Corporation (NYSE-SWX)	6.4%	8.9%	8.6%	5.9%	7.9%	7.5%
WGL Holdings, Inc. (NYSE-WGL)	12.0%	10.3%	10.4%	11.6%	11.6%	11.2%
Mean	10.5%	11.7%	11.3%	10.7%	11.2%	11.1%

Data: WGL - WGL response to OPC DR No. 3-11, H-R Group Companies - *Value Line Investment Survey*.

Panel B

WGL-DC and H-R Group

TABLE DEEMED CONFIDENTIAL						

Data: WGL - WGL's DC ROE Quarterly Report as of September 30, H-R Group Companies - *Value Line Investment Survey*.

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-6

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-5 (1)

Q. For Washington Gas Light Company, please provide the following data on a quarterly basis for the past ten years (1999-2009):

(1) regulated gas revenues;

Please provide copies of the data in both hard copy and electronic formats (Microsoft Excel), with all data and formulas intact.

WASHINGTON GAS' PARTIAL OBJECTION

APRIL 6, 2010

A. Washington Gas partially objects to this request on the grounds that the request seeks data from a very remote time frame. Responding to this request would require an unduly burdensome effort. Washington Gas will provide the data it has available for the last five years.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

A. Please see the attached spreadsheet which provides the requested information.

SPONSOR: Michael G. Donovan
Director – Treasury and Financial Planning

Exhibits of

OPC Witness

J. Randall Woolridge

Exhibit OPC (B)-7

OPC Exhibit (B)-7
 Washington Gas Light Company

Panel A
 Quarterly Net Gas Revenue Analysis

Fiscal Year	Qtr.	Regulated		Net	DC Personal	DC Unemployment	Actual Quarterly	Seasonal	Residential
		Gas Revenues	Cost of Gas	Gas Revenues	Income	Rate	Degree Days	Dummy	Gas Price
				Y	X1	X2	X3	X4	X5
2005	1	\$ 412,226	\$ 231,886	\$ 180,340	30,798	7.27	1,389	1	11.4
	2	644,636	393,969	\$ 250,667	31,389	7.17	2,264	1	10.9
	3	200,060	102,007	\$ 98,053	31,949	6.77	365	0	12.8
	4	122,468	68,551	\$ 53,917	32,505	6.33	5	0	15.6
2006	1	\$ 604,985	\$ 410,234	\$ 194,751	32,833	6.00	1,499	1	15.6
	2	712,809	485,516	\$ 227,293	34,421	5.80	1,934	1	14.0
	3	185,768	89,575	\$ 96,193	34,887	5.80	255	0	14.3
	4	118,948	46,325	\$ 72,623	35,480	5.70	22	0	15.9
2007	1	\$ 433,350	\$ 251,005	\$ 182,345	35,901	5.53	1,308	1	12.5
	2	707,662	458,805	\$ 248,857	36,860	5.40	2,231	1	12.4
	3	236,184	126,563	\$ 109,621	37,228	5.37	406	0	14.8
	4	120,078	56,027	\$ 64,051	37,989	5.40	10	0	16.5
2008	1	\$ 464,428	\$ 268,279	\$ 196,149	38,137	5.50	1,241	1	13.3
	2	677,749	417,136	\$ 260,613	38,786	5.63	1,944	1	12.7
	3	244,384	140,274	\$ 104,110	39,033	6.13	271	0	16.5
	4	149,882	59,511	\$ 90,371	39,198	6.87	2	0	19.7
2009	1	\$ 530,640	\$ 314,943	\$ 215,697	39,507	7.73	1,527	1	14.1
	2	651,127	383,874	\$ 267,253	38,919	8.77	2,333	1	12.1
	3	190,101	79,327	\$ 110,774	39,657	9.73	343	0	12.6
	4	109,221	51,756	\$ 57,465	39,650	10.77	8	0	14.8

Panel B
 Regression Statistics

SUMMARY OUTPUT									
Regression Statistics									
Multiple R	0.992986								
R Square	0.986021								
Adjusted R Square	0.981028								
Standard Error	10362.55								
Observations	20								
ANOVA									
	df	SS	MS	F	Significance F				
Regression	5	1.0604E+11	21208065430	197.5004005	1.82332E-12				
Residual	14	1503353488	107382392						
Total	19	1.07544E+11							
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%	
Intercept	-8076.537	34948.51731	-0.231098128	0.820581825	-83033.65137	66880.57754	-83033.65137	66880.578	
X Variable 1	2.880186	0.901581812	3.19459204	0.006489966	0.946485418	4.813886743	0.946485418	4.8138867	
X Variable 2	-2478.154	1790.046606	-1.384407768	0.187903873	-6317.422545	1361.113693	-6317.422545	1361.1137	
X Variable 3	77.71756	8.354476689	9.302504801	2.26996E-07	59.79898918	95.63612984	59.79898918	95.63613	
X Variable 4	13042.08	13220.10161	0.986534322	0.34061497	-15312.21388	41396.38184	-15312.21388	41396.382	
X Variable 5	-529.1282	1736.073736	-0.304784415	0.76501418	-4252.636045	3194.379608	-4252.636045	3194.3796	

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

**In the Matter of)
Washington Gas Light Company's)
Application for a)
Revenue Normalization Adjustment)
Requesting Authority to Amend)
Its General Service Provisions,) **Formal Case No. 1079**
Residential Service and)
Non-Residential Rate Schedules,)
Firm Delivery Service and Interruptible Rate)
Schedules Rights-of-Way Surcharge)
General Regulations Tariff)**

**DIRECT TESTIMONY AND EXHIBITS OF
THE OFFICE OF THE PEOPLE'S COUNSEL
(NON-PROPRIETARY VERSION)**

VOLUME 2 of 2

**GEORGE E. BRIDEN
J. RANDALL WOOLRIDGE
YOHANNES K.G. MARIAM**

**EXHIBIT OPC (A)
EXHIBIT OPC (B)
EXHIBIT OPC (C)**

**OFFICE OF THE PEOPLE'S COUNSEL
OF THE DISTRICT OF COLUMBIA
1133 Fifteenth Street, N.W.
Suite 500
Washington, DC 20005
(202) 727-3071**

MAY 17, 2010

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OF THE DISTRICT OF COLUMBIA**

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Formal Case No. 1079

**DIRECT TESTIMONY AND EXHIBITS
OF
YOHANNES K.G. MARIAM
EXHIBIT OPC (C)**

**ON BEHALF OF
THE OFFICE OF THE PEOPLE'S COUNSEL**

MAY 17, 2010

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

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Formal Case No. 1079

PRE-FILED DIRECT TESTIMONY OF DR. YOHANNES K.G. MARIAM

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Yohannes K.G. Mariam, PhD. My business address is 1133 15th St.
NW, Suite 500, Washington, DC, 20005. My email address is ymariam@opc-
dc.gov.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Office of the People’s Counsel for the District of Columbia
 (“OPC”) as a Senior Economist.

Q. HOW LONG HAVE YOU BEEN EMPLOYED BY OPC?

A. I have been employed by OPC since June 2008.

1 **Q. PLEASE DESCRIBE YOUR RELEVANT EDUCATIONAL**
2 **BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.**

3 A. I hold a Masters of Science (M.S.) from McGill University in Montreal, Canada,
4 and I was awarded a Doctor of Philosophy (Ph.D.) degree from that school in
5 1993. My areas of specialization were quantitative economics (econometrics and
6 operations research) and resource economics.

7 From 1993 to 1995, I was a fellow of the Natural Science and Engineering
8 Research Council ("NSERC") of Canada. From 1995 to 1997, I worked as a
9 regulatory and socio-economic consultant for Environment Canada. In 1998 and
10 1999, I worked as a staff economist for the Canadian Federal Department of the
11 Environment. In those positions, I worked on a wide variety of projects and wrote
12 several manuscripts dealing with economics, the environment, agriculture,
13 development, and regulatory issues. I was invited to serve as a reviewer for the
14 Journal of the Air and Waste Management, and as an occasional lecturer at
15 McGill University.

16 From September 1999 to June 2007, I was employed by the Washington
17 Utilities and Transportation Commission ("WUTC") as a senior economist
18 (Regulatory Analyst) in the Energy Section of the Regulatory Services Division.
19 In that capacity, I analyzed purchased gas adjustments, incentive mechanisms,
20 and integrated resource planning. As part of my work in general rate cases and
21 other rate proceedings; I have analyzed weather normalization, new resource
22 prudence, power costs, and hydro and cost of service studies. I contributed to the
23 WUTC's analysis of the impacts of proposed rules on small businesses in the

1 railroad, telecommunication and energy industries. I also collaborated with other
2 WUTC Staff members on issues relevant to economic disciplines, and prepared
3 technical papers dealing with regulated energy industries.

4 From August 2007 to May 2008, I was employed as a senior economist by
5 the Public Service Commission of the District of Columbia (“Commission”).
6 Since June 2008, I have been employed by the OPC as Senior Economist.

7 **Q. WERE YOUR TESTIMONY AND EXHIBITS PREPARED BY YOU OR**
8 **UNDER YOUR DIRECT SUPERVISION AND CONTROL?**

9 A. Yes.

10
11 **II. SCOPE OF TESTIMONY**

12 **Q. WHAT IS THE SCOPE OF YOUR TESTIMONY?**

13 A. I present OPC’s recommendations regarding Washington Gas Light Company’s
14 (“WGL” or “Company”) proposed Revenue Normalization Adjustment (“RNA”)
15 with respect to the implementation of energy efficiency measures. Specifically,
16 my testimony deals with designated **Issue 6**, “To what extent does WGL's pursuit
17 of customer end-use efficiency justify the implementation of the proposed RNA?”
18 In addition, my testimony addresses what the Commission has designated as the
19 “overarching” issue in this proceeding: “Is WGL’s proposed RNA is just and
20 reasonable.”

1 **Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR**
2 **RECOMMENDATIONS?**

3 A. Yes. My testimony includes twelve Exhibits:

4 Exhibit OPC (C)-1: Figures Showing Trends in Natural Gas Usage per
5 Customer in the District, Figures 1 and 2

6 Exhibit OPC (C)-2: Statistical Analysis: Differences in Mean Natural
7 Gas Usage per Customer in the District, Tables 1 and 2

8 Exhibit OPC (C)-3: Changes in Natural Gas Usage by Various Classes
9 and Type of Customers in the District, Table 3

10 Exhibit OPC (C)-4: Relative Volatility of Natural Gas Usage per
11 Customer in the District, Tables 4 and 5

12 Exhibit OPC (C)-5: WGL's responses to OPC Data Request No. 3-18
13 and OPC Follow-up to Data Request No. 2-7(e)

14 Exhibit OPC (C)-6: WGL's responses to OPC Data Request Nos. 3-17,
15 3-19, 3-24 and 3-27 and Follow-up to OPC Data Request No. 2-
16 7(b), relevant portion

17 Exhibit OPC (C)-7: WGL's response to OPC Follow-up to Data
18 Request No. 2-4

19 Exhibit OPC (C)-8: WGL's responses to OPC Data Request Nos. 3-15
20 and 3-16

21 Exhibit OPC (C)-9: WGL's response to OPC Data Request No. 3-20

22 Exhibit OPC (C)-10: WGL's responses to OPC Data Request Nos. 1-8
23 and 1-9

1 Exhibit OPC (C)-11: WGL's updated response to OPC Data Request No.

2 1-10 and WGL's response to OPC Data Request No. 3-11

3 Exhibit OPC (C)-12: WGL response to OPC Data Request No. 2-7

4

5 **III. SUMMARY OF TESTIMONY**

6 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING**
7 **WGL'S PROPOSED RNA.**

8 A. OPC recommends the Commission reject WGL's RNA mechanism, which, as
9 proposed, is not an appropriate solution to Company's claimed problem: that its
10 current, volumetric rate design is a disincentive to WGL's implementation of
11 energy efficiency measures and will not allow the Company to recover its
12 volumetric-based fixed costs.

13 This position is based on my review of the evidence presented by WGL in
14 support of its proposal. Specifically: (i) WGL has not shown that energy
15 efficiency has caused a decline in natural gas consumption among its District of
16 Columbia customers; (ii) the Company's testimony and data responses do not
17 support its claim that it is experiencing financial "stress" as a result of its
18 volumetric rate design; (iii) the Company has not offered to undertake an
19 enforceable commitment to implement energy efficiency measures in the District
20 of Columbia in return for RNA approval; and (iv) in the absence of any effort by
21 WGL to implement meaningful energy efficiency initiatives, the RNA stands a
22 better chance of reducing, rather than increasing, conservation efforts by WGL
23 customers. In other words, rejection is appropriate because the proposed RNA

1 has not been properly supported by a showing of a significant loss in revenue due
2 to declining use per customer, and because the promotion of energy efficiency
3 initiatives – the goal of decoupling – will not be advanced by the Company’s
4 proposal in its current form.

5 However, if the Commission chooses to allow implementation of a
6 decoupling mechanism for the Company, OPC requests that WGL be permitted
7 only to implement a “partial” and pilot program RNA. Under this pilot, WGL
8 would be permitted, for a three year period, to recover distribution revenues lost
9 as a consequence of conservation efforts undertaken as a result of new energy
10 efficiency programs implemented by WGL.

11
12 **IV. DISCUSSION**

13 **Q. PLEASE EXPLAIN WHY THE COMPANY HAS PROPOSED THE RNA**
14 **MECHANISM AT ISSUE IN THIS PROCEEDING.**

15 A. The Company’s Revenue Normalization Adjustment is a type of “decoupling”
16 mechanism which separates, or “decouples,” its revenues from its sales of energy,
17 in this case natural gas. This mechanism allows the Company to recover the
18 amount of any deviations in actual revenue from its authorized level of revenue
19 through a monthly surcharge. Alternatively, to the extent distribution revenue in a
20 given month exceeds anticipated levels, the customer is given a credit.

21 WGL indicates because natural gas sales volume is highly volatile, the
22 Company’s revenue is also volatile. WGL asserts there are, therefore, two major
23 justifications for the proposed RNA mechanism. These are: (i) the mismatch

1 between the fixed cost nature of the gas delivery business and the volumetric
2 emphasis of the utility's rate structures, and (ii) that the inconsistency between
3 cost incurrence and cost recovery creates significant disincentives for WGL to
4 promote conservation or energy efficiency (Direct Testimony of Raab, pp. 6-7).
5 WGL contends that these disincentives can be removed if the sale of natural gas is
6 "decoupled" from the level of throughput. The Company also explains that, along
7 with its impact on energy efficiency initiatives, its RNA proposal eliminates the
8 revenue impacts of variations in sales due to changes in weather and other factors
9 outside of management control (*Id.*).

10 **Q. PLEASE EXPLAIN HOW THE RNA IS IMPLEMENTED.**

11 A. A monthly revenue adjustment is calculated as the difference between the actual
12 monthly billing cycle base revenue and the monthly target base revenue that was
13 established in a prior general rate case proceeding. The RNA adjustment will be
14 calculated and applied to customers' bills on a two-month lag basis.

15 **Q. DOES OPC AGREE WITH THE COMPANY'S EXPLANATION AS TO**
16 **THE NEED TO IMPLEMENT THE PROPOSED RNA MECHANISM?**

17 A. No, for a number of reasons. First, the proposed RNA is not the only – or the
18 best – method for the Company to recover its fixed costs. Second, the Company
19 has failed to demonstrate the premise for the RNA – that per customer natural gas
20 consumption in the District is dropping. Finally, the Company has not produced
21 evidence demonstrating the loss in revenue it claims to have experienced due to
22 energy efficiency measures in the District. In fact, the evidence shows that the

1 Company's claims that it is unable to recover its authorized revenues under its
2 current rate design are inaccurate.

3 **Q. DID WGL PRODUCE EVIDENCE ABOUT THE PURPORTED DECLINE**
4 **IN NATURAL GAS USAGE PER CUSTOMER?**

5 A. No. WGL has only cited reports or studies by the American Gas Association (of
6 which it is a member), which identifies space heating efficiency gains, water
7 heating efficiency gains, space heating market share loss, base load appliance
8 market share loss, improved home energy efficiency and demographic changes as
9 potential reasons for the decline in natural gas usage per customer, whether on
10 either a National or regional (*e.g.*, Northeast, Midwest) basis.¹ However, WGL
11 has not attempted to empirically show either that these factors are influencing
12 customer consumption in the District or the magnitude of any such impact.

13 **Q. DO YOU AGREE WITH WGL THAT THERE HAS BEEN A DECLINING**
14 **TREND IN NATURAL GAS USAGE PER CUSTOMER IN THE**
15 **DISTRICT?**

16 A. Not entirely. As shown in Exhibit OPC(C)-1, Figures 1 and 2, mean monthly
17 natural gas usage per residential customer since 2001 in the District is declining.
18 However, the change in mean monthly natural gas use per residential customer is
19 not statistically significant (Exhibit OPC (C)-2, Tables 1 and 2).² This means the
20 decline in usage is not large enough to conclude the trend will continue, or that

¹ See, <https://www.aga.org/NR/rdonlyres/C5DCBEB1-5401-46C4-9851-635AAF1D1C6E/0/BruceMcDowellnaturalgasmarkets.pdf>

² Based on the actual behavior of use per customer data, a line was drawn separating the point where declines start. That point was 2005. Since 2005, it seems declining compared with the period 2001-2005.

1 the Company is experiencing a major shift in consumer behavior. In fact, OPC
2 performed analysis on whether or not there is a statistically significant trend in
3 total monthly gas sold or monthly use per customer. The results show that there is
4 a declining trend. However, the declining trend is not statistically significant
5 (Exhibit OPC (C)-2, Table 3). Therefore, the Company's own, District-specific
6 data do not fully validate one of the major premises of the proposed RNA: the
7 Company's contention that per-customer consumption is declining.

8 **Q. DO YOU AGREE WITH WITNESS RAAB'S CONTENTION, AT PAGE 9,**
9 **LINES 7 THROUGH 11 OF HIS DIRECT TESTIMONY, THAT**
10 **NATURAL GAS CONSUMPTION IN THE DISTRICT HAS DECLINED**
11 **FROM 1,017 THERMS/YEAR IN 2001 TO 783 THERMS/YEAR IN 2009,**
12 **OR A REDUCTION OF ABOUT 23%?**

13 A. No. Exhibit OPC (C)-3, Table 4 shows annual average natural gas consumption
14 for residential and commercial sales and delivery customers in the District for
15 2002-2009. These data show that average natural gas usage per customer among
16 sales (WGL's customers) or sales and delivery (customers of WGL and
17 competitive service providers) residential customers has increased from 680 and
18 700 therms per year in 2002 to about 715 and 730 therms per year in 2009,
19 respectively.³ However, the average natural gas usage among all WGL's sales
20 customers (residential and commercial) has slightly declined from about 1,000
21 therms in 2002 to 967 therms in 2009. This represents a decline of about 3% over
22 a period of about 7 years. On the other hand, when we analyze data showing

³ Sales customer use natural gas purchased and delivered by WGL Delivery customers use natural gas purchased by competitive service providers but delivered through WGL's distribution system.

1 average natural gas usage among all D.C. natural gas consumers (both customers
2 of WGL and competitive natural gas providers), they show that average natural
3 gas usage per customer has increased from 1,245 therms in 2002 to 1,327 therms
4 per year in 2009. This represents an overall increase in natural gas use per District
5 customer of about 7%. As all of these customers pay rates and thereby contribute
6 to WGL's recovery of its fixed costs, the data show that the average sales volume
7 of gas per customer through which fixed costs are recovered has increased by
8 about 7%. These data show that Witness Raab's assertion of a trending decline in
9 usage per customer is inaccurate.

10 **Q. WITNESS RAAB CONTENDS, CITING AN AGA REPORT, THAT**
11 **NATURAL GAS USAGE PER CUSTOMER WILL CONTINUE TO**
12 **DECLINE. HOW DO YOU RESPOND?**

13 **A.** It is possible the factors of which we are aware and that are currently in play
14 today – such as widespread implementation of energy efficiency measures for
15 homes and appliances – may contribute to a decline in natural gas usage per
16 customer. However, WGL has not produced any analysis or study demonstrating
17 there has been and will continue to be a decline in natural gas usage per customer
18 in the District.⁴ The onus is on the Company to present evidence showing the
19 proposed RNA is fair, just and reasonable. So far, WGL has not produced D.C.
20 specific evidence which justifies the need to change the design of the current,
21 regulated rate.

⁴ The AGA report does not provide data specific to the District of Columbia; rather it aggregates data for selected group of states.

1 **Q. DO YOU AGREE WITH WITNESS RAAB'S DIRECT TESTIMONY, AT**
2 **PAGE 24, REGARDING THE ASSERTION OF VOLATILITY IN**
3 **NATURAL GAS SALES?**

4 A. No. OPC performed a simple measure of the relative volatility of total
5 consumption and use per customer data for 2001-2009 by grouping usage data
6 into three categories: (i) shoulder months that include April, May, and October;
7 (ii) summer months that include June, July, August and September; and (iii)
8 winter months that include November-March.⁵ The results show in months
9 during which WGL's sales volume are the highest (winter months) and in non-
10 heating months (summer months) the relative volatility of consumption is small,
11 ranging from 21-36% (Exhibit OPC (C)-4, Table 5). It is only in the shoulder
12 months that the relative volatility shows a modest increase, reaching about 51%.
13 A relative volatility of about 50% in these shoulder months does not represent
14 significant source volatility in revenue because it is much less than 100% (a
15 situation where the mean and standard deviations are equal). In fact, OPC
16 prepared a table that shows the distribution of mean monthly natural gas use per
17 customer around the mean and compared with standards established for normally
18 distributed observations. (Exhibit OPC (C)-4, Table 6). The data indicates almost
19 all use per customer observations lie within two standard deviations from the
20 mean. The standard for a normally distributed data is that 95% of the observations
21 should lie within two standard deviations. If the data show a normal distribution
22 of mean use values per customer, then there is little risk of abnormally high or

⁵ WGL's hedging activity may have moderated fluctuation in prices but not variability in use per customer.

1 low fluctuation in sales volume.⁶ Therefore, the risk of fluctuation in use per
2 customer or total usage purported by WGL is not supported by the results of the
3 analysis performed by OPC. Furthermore, WGL is an authorized entity (act as an
4 agent) to provide service to its customers (principal) for which it is allowed to
5 earn a rate of return that includes the risk of revenue fluctuation that the Company
6 may experience.⁷ If the Company minimizes or eliminates the risk it takes in
7 serving its customers, it should not be allowed to earn a high rate of return on its
8 investment. In other words, there is no reason to reward the utility because it is
9 not sheltering consumers from sources of bill fluctuation.

10 **Q. DO YOU AGREE WITH WITNESS RAAB'S CONTENTION, AT PAGE 18**
11 **OF HIS DIRECT TESTIMONY, THAT THE RNA OFFERS STABLE AND**
12 **PREDICTABLE BILLS?**

13 A. No. Consumers already experience monthly bill volatility due to changes in
14 purchase gas costs. The proposed RNA mechanism adds another layer of
15 volatility, causing consumers to experience a significant degree of variability in
16 their bill, even if the magnitude of adjustment is capped.⁸

⁶ Please note, as seen in Exhibit OPC (C)-4, Table 5, the coefficient of variation for the average monthly customers is about 1%. This means there is insignificant variability regarding the number of customers.

⁷ In economics or game theory, there exists an arrangement between a person or entity (called the agent-in this case the utility) who acts on behalf of another (called the principal- in this case consumers). The latter pays or rewards the former for the services it received.

⁸ Most residents in the District use natural gas for space heating. Natural gas prices are extremely volatile. Use per customer is greatly impacted by weather. Therefore, it is reasonable to assume that if one was to compare the impact of Pepco's BSA with the impact of the proposed WGL's RNA, the latter may result in greater volatility in consumer's bills than the BSA for most D.C. residents.

1 **Q. DO YOU AGREE WITH WITNESS RAAB'S CONTENTION, AT PAGE**
2 **16, LINE 16 THROUGH PAGE 17, LINE 16 OF HIS DIRECT**
3 **TESTIMONY, THAT THE RNA PROVIDES A PRICE SIGNAL TO**
4 **CONSUMERS THAT COULD POTENTIALLY LEAD TO MORE**
5 **EFFICIENT USE OF NATURAL GAS?**

6 A. No. The price that ratepayers see is not in real time. The bill a customer pays
7 does not reflect the price that consumers hear and read about in the marketplace.
8 Instead, the bill reflects a retroactive price of which consumers were presumably
9 unaware when they made their consumption decisions. Further, the bill a
10 consumer pays is composed of several items that do not vary with consumption.⁹
11 Therefore, the RNA cannot intelligibly be argued to serve as a price signal for
12 consumption decisions. To the extent that customers experience any change in
13 the price signal as a result of the RNA's implementation, however, that change is
14 in the opposite direction from what would be desirable if the purpose of a rate
15 design change was to try to encourage conservation behavior among consumers.

16 **Q. PLEASE EXPLAIN.**

17 A. Because the distribution portion of customer natural gas bills would be
18 "decoupled" under the RNA, consumers would no longer experience any drop in
19 the distribution portion of their bills when they reduce their consumption. While
20 they would still experience a reduction in the commodity portion of their bill
21 (because the commodity component of their natural gas service has not been
22 decoupled), the overall effect of the RNA would be to reduce the financial value

⁹ Natural gas customer bills includes items that vary with market price (commodity charge) and those that do not vary with market price (non-price elements) such as customer charge, distribution charge, rights of way tax, and delivery tax.

1 to customers of reducing their natural gas consumption. As WGL has
2 acknowledged, at the present time and based on currently effective rates, the
3 distribution and customer charge component of customer bills comprises about
4 34% of the bill.¹⁰

5 **Q. IF THE OVERALL EFFECT OF THE RNA IS TO REDUCE THE**
6 **FINANCIAL VALUE OF END USE CONSERVATION, WHAT IS THE**
7 **BASIS FOR THE CLAIM THAT DECOUPLING ADVANCES ENERGY**
8 **EFFICIENCY OBJECTIVES?**

9 A. Decoupling can advance energy efficiency goals if, as a result of Commission
10 approval of the mechanism, the utility implements energy efficiency measures
11 and programs that outweigh the impact of the muted price signal. When I discuss
12 energy efficiency measures, I am referring to cost-effective energy efficiency
13 programs that are implemented by the Company with the intent of reducing
14 customer consumption of natural gas. Any such programs should have been
15 implemented elsewhere in the country and demonstrate the potential for
16 successful implementation in the District.

17 **Q. WHAT ARE WGL'S PLANS WITH RESPECT TO THE**
18 **IMPLEMENTATION OF ENERGY EFFICIENCY MEASURES IN THE**
19 **DISTRICT?**

20 A. WGL has stated until the Sustainable Energy Utility ("SEU") is operational; the
21 Company will not propose or implement any energy efficiency measures in the

¹⁰ The determination of this percentage for April 2010 is based on inputting an average natural monthly gas usage of 60 therms to the natural gas bill calculator available at the Commission's website. This percentage will increase to more than 34% in the winter months because of higher volume of natural gas usage for heating.

1 District of Columbia. WGL further states that it does not know when the SEU
2 will become operational (Exhibit OPC (C)-5).

3 **Q. ARE YOU AWARE OF THE STATUS OF THE SEU?**

4 A. Not directly. The People's Counsel and representatives from both WGL and
5 PEPCO are members of the 13 member SEU Advisory Board. It is my
6 understanding that as of the date of the filing of this testimony, the RFP to solicit
7 bidders to perform the SEU contract has not been issued.

8 **Q. WHAT HAS WGL COMMITTED TO DO, WITH RESPECT TO ENERGY**
9 **EFFICIENCY, ONCE THE SEU IS ESTABLISHED?**

10 A. WGL has not committed to do anything. The Company states it is currently
11 evaluating the "possible" implementation in the District of certain energy
12 efficiency programs in place in Virginia. (Exhibit OPC (C)-12). While Witness
13 Buckley states in his testimony that the Company is "actively designing and
14 evaluating" programs for the District (Direct Testimony of Paul S. Buckley, p. 7,
15 lines 3-5), the Company did not produce any document concerning the evaluation
16 in response to discovery requests. (See, Exhibit OPC (C)-6, WGL responses to
17 OPC Data Request Nos. 3-17, 3-19, 3-24 and 3-27 and Follow-up to OPC Data
18 Request No. 2-7(b), relevant portion). OPC does not know the status of the
19 evaluation, when it will be completed, or whether the result will be new energy
20 efficiency programs or measures implemented by WGL here in the District. In
21 short, WGL has not committed to proposing or implementing any energy
22 efficiency programs in the District of Columbia once the SEU is operational.

1 I note in Maryland, WGL has had RNA in place since 2005. The
2 Company has not implemented any new energy efficiency programs in Maryland
3 since its RNA was approved. (See, Exhibit OPC (C)-7, WGL response to OPC
4 Follow-up to Data Request No. 2-4).

5 **Q. HAVE OTHER UTILITIES IN THE DISTRICT TAKEN THE SAME**
6 **POSITION WITH RESPECT TO THE SEU AND ENERGY EFFICIENCY**
7 **PROGRAMMING?**

8 A. No. After the Clean and Affordable Energy Act of 2008 was signed into law,
9 electric and natural gas customers have been incurring a monthly surcharge to
10 fund the Sustainable Energy Trust Fund (“SETF”) to finance energy efficiency
11 measures undertaken in the District. PEPCO requested that the Commission
12 approve funding from the SETF for energy efficiency measures that it had
13 identified for its District of Columbia customers. PEPCO has launched
14 implementation of these measures and files quarterly reports with the
15 Commission.¹¹ It is currently in the process of implementing those programs. I
16 am unaware of any reason why WGL cannot identify appropriate programs, and,
17 like PEPCO, seek funding for such programs.

18
19
20
21

¹¹ Formal Case No. 945, *In the Matter of the Investigation into Electric Service Market Competition and Regulatory Practices*, PEPCO Quarterly Filings.

1 Q. WITNESS BUCKLEY STATES THAT THE NATIONAL ASSOCIATION
2 OF REGULATORY UTILITY COMMISSIONERS ("NARUC") HAS
3 "ENCOURAGED STATE PUBLIC SERVICE COMMISSIONS TO
4 CONSIDER INNOVATIVE RATE DESIGNS, INCLUDING
5 DECOUPLING MECHANISMS, WHICH MAY ASSIST IN THE
6 PROMOTION OF ENERGY EFFICIENCY AND ENERGY
7 CONSERVATION." IN YOUR OPINION, IS THE COMPANY'S RNA
8 PROPOSAL THE KIND OF MECHANISM THAT WOULD
9 ACCOMPLISH THIS RESULT?

10 A. Not as proposed. I understand that NARUC has supported decoupling as a means
11 to achieving energy efficiency goals. As I have described above, the Company's
12 proposal, without any commitment to implement energy efficiency measures, may
13 in fact inhibit end use customer conservation.

14 Q. WITNESS BUCKLEY DESCRIBES A NUMBER OF ENERGY
15 EFFICIENCY PROGRAMS THAT THE COMPANY IMPLEMENTED
16 "BACK IN THE 90S" AS WELL AS CERTAIN PROGRAMS THAT
17 WERE FUNDED BY THE NATURAL GAS TRUST FUND. CAN YOU
18 EXPLAIN THE RELEVANCE OF THESE PROGRAMS TO THE
19 COMPANY'S RNA PROPOSAL?

20 A. I do not know that these programs have any relevance to the RNA. WGL claims
21 that adoption of the proposed RNA will remove a disincentive that is inhibiting
22 the development of new energy efficiency programs. Programs that the Company
23 may have implemented more than a decade ago, or activities in which they may

1 already currently be engaged are not reasons to implement the proposed, forward-
2 looking RNA.

3 **Q. HAS THE COMPANY EVALUATED THE RELATIONSHIP BETWEEN**
4 **ENERGY EFFICIENCY AND NATURAL GAS USAGE RATES IN THE**
5 **DISTRICT?**

6 A. No. According to the Company's response to OPC Data Request Nos. 3-15 and
7 3-16, WGL has neither conducted nor is it aware of any studies that are specific to
8 the District that show the relationship between natural gas usage and energy
9 efficiency measures, including the penetration and implementation of energy
10 efficiency programs (*See*, Exhibit OPC (C)-8, WGL response to OPC Data
11 Response Nos. 3-15 and 3-16).

12 **Q. HAS WGL DEMONSTRATED, BASED ON ITS EXPERIENCE IN**
13 **MARYLAND AND VIRGINIA, THAT SAVINGS FROM ENERGY**
14 **EFFICIENCY MEASURES ARE LARGE ENOUGH TO LOWER ITS**
15 **VOLUMETRIC SALES AND IMPEDE RECOVERY OF ITS**
16 **AUTHORIZED REVENUE REQUIREMENT?**

17 A. No. In response to OPC Data Request No. 3-19, WGL indicated the savings on an
18 energy efficiency measure in Maryland (a small weatherization program that pre-
19 dates the RNA) has not been tracked, and that its Virginia program has not yet
20 produced data (*See*, Exhibit OPC (C)-8). Despite its experience in Maryland, and
21 the availability of data from other utilities that have implemented energy
22 efficiency measures, WGL has not provided any evidence demonstrating that

1 energy efficiency measures have resulted in or will result in declining sales
2 among its customers in the District at a level that threaten its recovery.

3 **Q. HAS WGL PROVIDED DATA TO SHOW THE MAGNITUDE OF LOSS**
4 **IN REVENUE IT WOULD INCUR IN CONNECTION WITH THE**
5 **IMPLEMENTATION OF ENERGY EFFICIENCY MEASURES?**

6 A. No. The only evidence OPC can find in the Company's responses to discovery
7 relating to the impact of energy efficiency on the Company's bottom line shows
8 that the maximum annual spending WGL incurred to promote a low-income
9 weatherization program in Maryland was \$40,000/year (*See*, Exhibit OPC (C)-9,
10 WGL response to OPC Data Request No. 3-20). As previously stated, in response
11 to OPC Data Request No. 3-19, WGL indicated that it had not tracked savings on
12 energy efficiency measures in Maryland. (*See*, Exhibit OPC (C)-6). OPC is not
13 aware of program expenditures by WGL in D.C. to date to promote energy
14 efficiency and conservation measures.¹²

15 **Q. DOES THE RNA CREATE AN INCENTIVE FOR WGL TO IMPLEMENT**
16 **ENERGY EFFICIENCY MEASURES?**

17 A. No. An incentive is a reward for doing something different from status quo. Any
18 regulated utility is expected to study and offer all forms of supply alternatives.
19 The RNA will make the Company indifferent to whether or not to implement
20 energy efficiency measures. It will not reward WGL for implementing such
21 measures. Nonetheless, the Company seems to present a view that by removing

¹² Even in Virginia, WGL plans to implement components of energy efficiency measures approved by Virginia Corporation Commission in starting June 2010 (*See*, WGL response to DCG Data Request No. 1-4 and Follow-up to DCG Data Request No. 1-4).

1 the disincentive, the RNA will in fact incent WGL to engage in energy efficiency
2 measures. As the Company's experience in Maryland demonstrates, however, the
3 removal of the disincentive for WGL to promote efficiency does not create an
4 incentive for the implementation of energy efficiency measures.¹³

5 **Q. IS A RNA THE ONLY WAY TO ADDRESS THE ISSUE OF A UTILITY'S**
6 **DISINCENTIVE TO PROMOTE ENERGY EFFICIENCY MEASURES?**

7 A. No. A RNA is one of many approaches that can be used to address the issue of a
8 utility's disincentive to promote energy efficiency. Other options include straight
9 fixed/variable rate design and tailored lost revenue adjustments/partial decoupling
10 mechanisms. As I explain below, I do not believe the Company's proposed RNA
11 is the appropriate way to address whatever disincentive to promote conservation
12 is inherent in the existing rate structure. Instead, I believe if the Company is to be
13 allowed to implement any decoupling mechanism, it should be a partial
14 decoupling mechanism, implemented on a pilot program basis, in which revenue
15 recovery is tied to the results of specific energy efficiency initiatives that are
16 implemented by WGL. I discuss the benefits of a pilot program later in my
17 testimony.

18
19
20
21

¹³ If WGL is committed to implementing energy efficiency program in the District, it can develop a plan that contains measures similar to those it filed with the Virginia Corporation Commission.

1 **Q. HAS WGL COMPARED THE VARIOUS COMPETING APPROACHES**
2 **TO IMPLEMENT ENERGY EFFICIENCY MEASURES AND SHOWED**
3 **THAT THE PROPOSED RNA IS THE BEST METHOD OF PROMOTING**
4 **ENERGY EFFICIENCY IN THE DISTRICT?**

5 A. No. WGL has not produced evidence showing a comparison among alternative
6 ways to minimize and/or eliminate what it purports to be a disparity between
7 recovery of its fixed cost and declines in sales volume. In the Company's
8 response to OPC Data Request Nos. 1-8 and 1-9, WGL claims there are no written
9 memos, analysis, studies or similar materials comparing the effects on either
10 consumers or the utility of implementing alternative revenue normalization or
11 decoupling mechanisms (*See*, Exhibit OPC (C)-10, WGL response to OPC Data
12 Request Nos. 1-8 and 1-9).

13 **Q. IS THE IMPLEMENTATION OF ENERGY EFFICIENCY MEASURES**
14 **SOLELY A RATEPAYER -- AND NOT A UTILITY -- RESPONSIBILITY?**

15 A. No. The implementation of energy efficiency measures has both individual and
16 societal benefits. In fact, in states such as Washington, the utility is required to
17 include energy efficiency resources as an essential component of its natural gas or
18 electricity supply portfolio. It is common and commendable for a utility to use its
19 resources to finance cost-effective energy efficiency measures as a demonstration
20 of its commitment to its customers and society.

21
22

1 **Q. HOW COULD A UTILITY DEMONSTRATE ITS IS COMMITMENT TO**
2 **THE IMPLEMENTATION OF ENERGY EFFICIENCY MEASURES?**

3 A. The utility can demonstrate its commitment to energy efficiency measures by:
4 (i) exploring innovative ways in which customers can learn about the benefit of
5 energy efficiency measures, and (ii) identifying cost effective measures and
6 financing those measures using its own funds. It can also learn from other states
7 and scholarly literature about approaches that could make a difference to
8 expanded investments in energy efficiency measures. In short, sending out
9 standard flyers or brochures is not adequate. If it was that easy to expand
10 implementation of energy efficiency measures, we would have already seen major
11 transformations in the U.S. energy sector.

12 By contrast, WGL has not provided evidence that it is committed to
13 promoting energy efficiency. In fact, WGL has not identified a single energy
14 efficiency measure it is *committed* to implementing, even assuming RNA
15 approval. The Company's witnesses talk in terms of encouragement and
16 incentives, but do not offer specific and enforceable obligations the Company will
17 undertake with respect to energy efficiency. WGL's experience in Maryland
18 suggests that implementation of an RNA does not in fact cause this company to
19 promote energy efficiency.

20 **Q. ARE THERE BARRIERS TO THE IMPLEMENTATION OF ENERGY**
21 **EFFICIENCY PROGRAMS IN THE DISTRICT OF COLUMBIA?**

22 A. No. I am not aware of any impediment to WGL undertaking new energy
23 efficiency programs in the District of Columbia. The Company, however, takes

1 the position that WGL will not go forward with any programs until the SEU is in
2 place and has made no commitments to propose any energy efficiency programs
3 once the SEU is established. Given these circumstances, one possible path for the
4 Commission to take would be to delay the implementation of any decoupling
5 mechanism until the SEU is established, at which time WGL would be obligated
6 to propose certain programs. However, as I explain below, there are other ways
7 in which this concern can be addressed.

8 If WGL is committed to enhancing energy efficiency measures among its
9 District customers, it must start laying the foundation for such efforts. The most
10 important foundation to pave the way for a maximum saving from investments in
11 energy efficiency is behavioral changes among consumers. There should be a
12 concerted effort to expand market transformation through education and public
13 purpose funding (e.g., grants from District government, federal government,
14 surcharge or contribution from Company shareholders). Second, the Company
15 should create a database or portfolio of potential energy efficiency measures
16 ranked on the basis of parameters such as benefit-cost ratios, technical and
17 achievable energy saving potential, etc. The most effective of these measures
18 should be integrated into WGL's portfolio. Energy efficiency should be fully
19 integrated as a vital resource in a utility's supply portfolio. In addition, there must
20 be a clear and transparent method of measuring savings, and of developing and
21 disseminating innovative educational material that will change the manner in
22 which consumers think and use energy.

23

1 **V. OUTSTANDING DISCOVERY**

2 **Q. DOES OPC CURRENTLY HAVE OUTSTANDING DISCOVERY**
3 **REQUESTS TO THE COMPANY?**

4 A. Yes. OPC requested some discovery the Company objected to and is the subject
5 of pending motions to compel with the PSC.

6 **Q. WOULD RECEIPT OF THE DISCOVERY ALTER YOUR TESTIMONY?**

7 A. While I cannot testify the discovery would alter my conclusion or
8 recommendations, receipt of the discovery will allow me to conduct additional
9 studies and analysis.

10 **Q. IF THE PSC GRANTS OPC'S MOTION TO COMPEL AND DISCOVERY**
11 **IS PRODUCED WILL YOU NEED TO SUPPLEMENT YOUR**
12 **TESTIMONY?**

13 A. Yes, I reserve the right to supplement my testimony should I receive the
14 additional discovery.

15

16 **VI. RECOMMENDATIONS AND CONCLUSIONS**

17 **Q. WHAT IS OPC'S RECOMMENDATION REGARDING THE PROPOSED**
18 **RNA MECHANISM?**

19 A. As discussed by OPC Witness Briden, OPC recommends the Commission reject
20 WGL's proposed RNA mechanism. The Company has not met its burden of
21 establishing this proposal is just and reasonable.

22 A central claim made by WGL is that the RNA is needed because the
23 Company is suffering financial stress as a result of declining consumption in

1 combination with its current, volumetric rate design. In fact, as I have shown,
2 there is no evidence of a statistically significant decline in gas consumption
3 among District of Columbia customers.

4 Moreover, evidence produced in this proceeding shows that WGL is
5 recovering compensatory revenues and earning sufficient returns in the current
6 environment (*See*, Exhibit OPC (C)-11, WGL's updated response to OPC Data
7 Request No. 1-10 and WGL's response to OPC Data Request No. 3-11). The data
8 contained in the Exhibit (specifically, the response to OPC Data Request No.
9 1-10) indicate if the proposed RNA were in place during 2008-2009, the
10 Company would have been required to credit dollars back to ratepayers because it
11 has more than recovered its distribution revenue requirement during that period.
12 Similarly, the response to OPC Data Request No. 3-11 shows the Company would
13 have earned more than its authorized common equity return during the same
14 years.

15 These data show that with the implementation of the RNA mechanism,
16 WGL over-collects as compared to its authorized return on common equity and
17 revenue requirement.

18 Thus, the Company's claim that its finances are being stressed by the
19 combination of reduced sales and a volumetric rate design is not supported by the
20 data produced in this proceeding.

21 What is clear, however, is that while the Company seeks a revenue
22 guarantee, it fails to offer customers a corresponding commitment to pursue the

1 energy efficiency measures WGL contends will be unleashed once the RNA is
2 approved.

3 **Q. IF THE COMMISSION DECLINES TO ACCEPT YOUR**
4 **RECOMMENDATION TO REJECT WGL'S PROPOSED RNA, WHAT**
5 **ALTERNATIVE RECOMMENDATIONS WOULD YOU OFFER FOR**
6 **THE COMMISSION CONSIDERATION?**

7 A Should the Commission determine that a mechanism of some sort should be
8 implemented to encourage energy efficiency measures, OPC is recommending an
9 acceptable alternative to the Company's proposed RNA. OPC recommends the
10 Commission adopt, on a pilot-program basis, a "partial" RNA mechanism that
11 will allow WGL to recover lost revenues from the implementation of energy
12 efficiency measures undertaken by the Company. In other words, to the extent
13 WGL, in fact, proposes and implements energy efficiency measures, this proposal
14 would make such action revenue neutral to the Company. Cost-effective energy
15 efficiency measures benefit customers and society through lower customer bills,
16 reduced pollution and lower rates. The social and customer value of removing the
17 disincentive for the utility to promote energy efficiency warrants a pilot for a
18 partial RNA mechanism. A partial RNA mechanism will allow WGL to recover
19 the fixed costs that are lost between general rate cases as a result of utility-funded
20 efficiency programs, or customer self-funded efficiency efforts. Removing this
21 disincentive should incent WGL into pursuing energy efficiency more
22 aggressively than it has in the past.

1 **Q. PLEASE EXPLAIN WHY SALES VARIATIONS DUE TO WEATHER**
2 **SHOULD NOT BE INCLUDED IN THE PARTIAL RNA MECHANISM?**

3 A. OPC's goal related to the partial RNA mechanism is to align ratemaking with the
4 policy goal of encouraging more efficient use of energy and to allow the
5 Company to recover lost revenue from the test year due to the implementation of
6 energy efficiency measures. The accomplishment of this goal does not require
7 accounting for weather variations. The Company has not demonstrated any basis
8 for shifting to customers the bill impacts of volatility in consumption and revenue
9 due to weather.

10 **Q. PLEASE EXPLAIN HOW THE PARTIAL RNA MECHANISM IS**
11 **DIFFERENT FROM THE RNA MECHANISM PROPOSED BY WGL.**

12 A. OPC's proposed pilot RNA mechanism is aimed only at adjusting revenues for
13 the non-weather related effects that cause changes in usage, such as customer
14 conservation and efficiency improvements.

15 **Q. WHY DO YOU RECOMMEND A "PILOT" PARTIAL RNA**
16 **MECHANISM?**

17 A. The RNA is admittedly a departure from traditional rate making approaches.
18 Neither the Commission nor OPC can take this change lightly, because the cost
19 increases and risks of bill volatility will be passed through to customers.
20 Although natural gas prices may be lower today than prices in 2001 (during the
21 California energy crises) or 2005-2006 (during the aftermath of Hurricane
22 Katrina), prices are expected to rise. As prices increase, consumers will
23 experience potentially significant bill volatility. Therefore, the Commission

1 should take time to gather data on the impact of a partial RNA mechanism and
2 determine whether or not it is in the best interest of consumers and society to
3 make the partial RNA a permanent part of the Company's rate design.

4 **Q. PLEASE ADDRESS WHAT YOU MEAN BY A "PILOT" PROGRAM.**

5 A. What I mean is the partial RNA mechanism should be limited to an effective
6 period of three years. At the conclusion of the three year pilot, the data on
7 measures implemented, saving attained, and costs incurred will be studied to
8 determine whether or not converting the pilot to a permanent program is in the
9 best interest of ratepayers and the Company. In addition, I recommend a cap on
10 the annual rate change that would be applied. Given the current state of our
11 economy and likely slow economic recovery, I recommend the rate change should
12 not exceed 10% of the base rate established in this proceeding. I believe that the
13 pilot program can be implemented using a baseline revenue requirement that the
14 Commission concludes reasonable.

15 Finally, OPC recommends WGL should be required to make a compliance
16 filing with the Commission within three months of the final order in this case. The
17 filing should identify proposed energy efficiency measures, cost-benefit ratios or
18 other measures of cost effectiveness, specific timelines and benchmarks, the
19 achievement of which is required in order to undertake the pilot RNA mechanism.
20 The plan submitted by WGL should be open for public comments, which should
21 be considered by the Commission before it takes action on the Company's filing.
22

1 **Q. PLEASE EXPLAIN WHY OPC RECOMMENDS THAT WGL FILE AN**
2 **ENERGY EFFICIENCY PLAN, INCLUDING CONSERVATION**
3 **TARGETS, WITHIN THREE MONTHS OF THE FINAL ORDER IN THIS**
4 **PROCEEDING.**

5 A. If WGL believes energy efficiency and conservation efforts are one of the causes
6 of reduced sale volume, and if it believes expanded implementation of energy
7 efficiency serves the interest of consumers and the society, it should identify
8 measures that are cost-effective. It should develop plans to implement those
9 programs, along with estimates of associated program costs and anticipated
10 savings or benefits. Without such a plan, there is no commitment and no reason to
11 change the current rate design.

12 **Q. IS OPC TAKING A DIFFERENT POSITION ON THE WGL RNA**
13 **PROPOSAL THAN IT TOOK WITH RESPECT TO PEPCO'S**
14 **DECOUPLING PROPOSAL, WHICH WAS AT ISSUE IN FORMAL CASE**
15 **NO. 1053, PHASE II? IF SO, WHY IS THAT THE CASE?**

16 A. No. In Formal Case No. 1053, Phase II, OPC opposed the full decoupling
17 proposal advanced by PEPCO. OPC likewise opposes the RNA version of full
18 decoupling advanced here by Washington Gas. However, OPC acknowledges the
19 importance of aggressively pursuing energy conservation and/or efficiency
20 measures, and recognizes that this proceeding is an opportunity in which to move
21 positively in that direction. If structured properly, OPC believes that a partial
22 decoupling mechanism can provide environmental benefits by cutting
23 consumption, while assuring that WGL is not unfairly disadvantaged. In addition,

1 in working toward the development of an alternative, OPC notes that it is mindful
2 and appreciative of the Commission's recent ruling on PEPCO's energy
3 efficiency programs.

4 OPC's alternative, pilot, partial decoupling proposal was developed to
5 promote energy efficiency initiatives in the District. However, the OPC proposal
6 rejects the notion implicit in the proposed RNA – that the Company is entitled to
7 a revenue guarantee against any and all events, and without a corresponding and
8 enforceable commitment to undertake concrete actions to promote conservation.
9 Instead, OPC has developed a partial decoupling proposal that ties the recovery of
10 lost revenues to specific and successful energy efficiency programs implemented
11 by Washington Gas. The Office asserts that this program appropriately balances
12 and aligns the interests of the Company and its customers, and will properly
13 encourage the implementation of energy efficiency programs in the District.

14 **Q. PLEASE DISCUSS THE PROPOSED IMPLEMENTATION OF OPC'S**
15 **PARTIAL RNA MECHANISM.**

16 A. In developing its proposal, OPC assumes that (a) the SEU may not be fully
17 functioning before the end of 2011; (b) once fully functional, the SEU will
18 vigorously encourage the implementation by District utilities of energy efficiency
19 measures beyond those that receive SEU funding; and (c) the Commission will
20 have the authority to consider energy efficiency programs that may not be
21 implemented by SEU after it becomes fully operational.

1 Assuming the above conditions prevail, the OPC proposes that the
2 Commission take the following actions to facilitate the implementation of partial
3 decoupling:

4 (i) The Order in this proceeding should require Commission Staff to
5 establish, within 30 days of issuance, a working group that includes all
6 stakeholders in this proceeding.

7 (ii) The Order in this proceeding should require WGL to file, within 90 days,
8 an energy efficiency work plan (“Workplan”). The Workplan should identify all
9 technically feasible and cost-effective energy efficiency program options known
10 to the Company, along with estimated implementation costs and anticipated
11 consumption savings. The Workplan will include a discussion of how
12 (a) consumption savings will be measured, and (b) lost revenues will be
13 calculated and recovered.

14 (iii) Prior to submission of the Workplan, the Company should be required to
15 share its contents with the working group and to obtain their comments and
16 recommendations. The transmittal letter accompanying the filing of the
17 Workplan with the Commission should discuss the working group consultation
18 process and its role in shaping the contours of the Workplan.

19 (iv) The Order in this proceeding should provide a timetable with respect to
20 the filing of comments and recommendations on the Workplan filed by WGL.

21 (v) The Commission should review the Workplan, adjust it as necessary in
22 response to comments by the working group members or others, and direct WGL
23 to revise its Workplan accordingly.

1 (vi) The Commission should decide how best to implement whatever
2 acceptable energy efficiency programs are included in the Workplan and the
3 timetable for their implementation.

4 (vii) The Commission should require WGL to file quarterly reports on progress
5 made in implementing approved energy efficiency measures, and verifying
6 realized savings and resulting revenue surcharges.

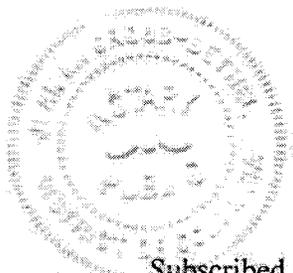
7 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

8 **A. Yes.**

AFFIDAVIT

WASHINGTON,)
DISTRICT OF COLUMBIA) SS:
)

Yohannes K.G. Mariam, Ph.D., being first duly sworn, deposes and states that he is the Yohannes K.G. Mariam, Ph.D., whose Testimony accompanies this Affidavit; that such testimony was prepared by him or under his supervision; that he is familiar with the contents thereof; that the facts set forth therein are true and correct to the best of his knowledge, information and belief; and that he does adopt the same as true as his sworn testimony in this proceeding.





Yohannes K.G. Mariam, Ph.D.

Subscribed and sworn before me this
11th day of May, 2010.



Notary Public

My Commission Expires: 3-31-2015

Jean M. Gross-Bethel
Notary Public, District of Columbia
My Commission Expires 3-31-2015

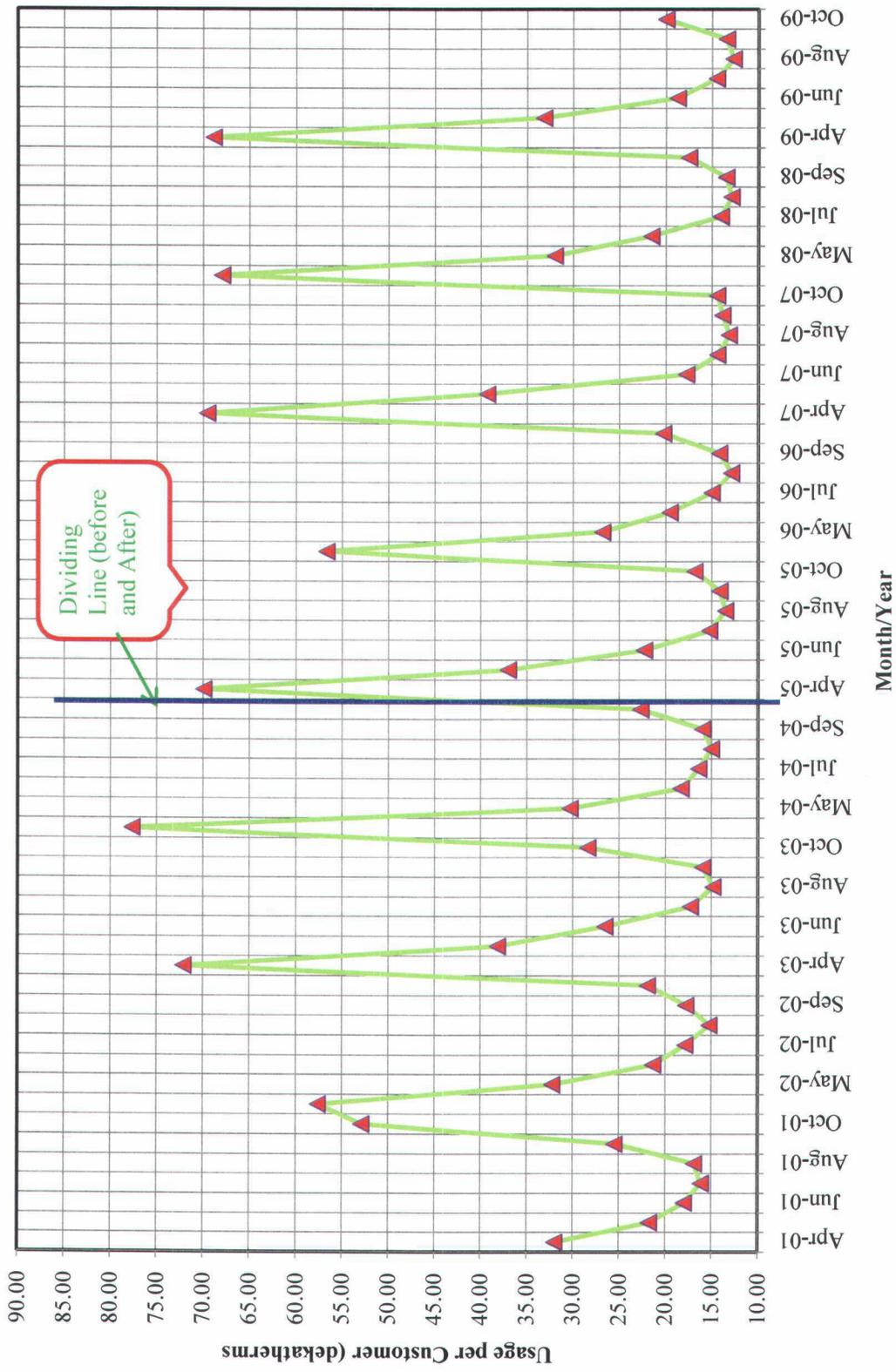
Exhibits of

OPC Witness

Yohannes K.G. Mariam

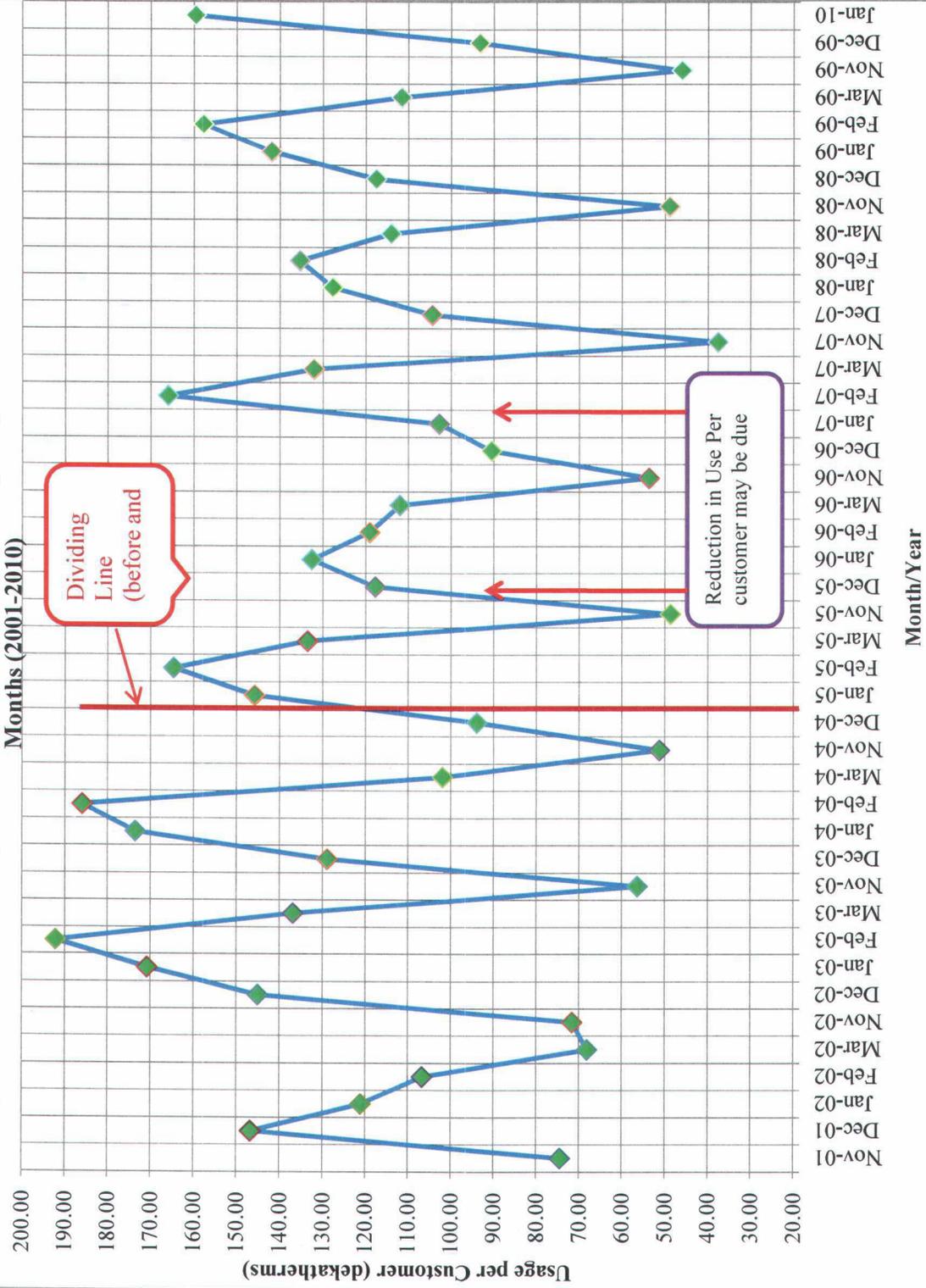
Exhibit OPC (C)-1

Figure 1: Trends in Monthly Residential Natural Gas Consumption per Customer for Summer Months (2001-2010)



Source of Data: WGL's Monthly DC Delivery Service Participation Analysis

Figure 2. Trends in Monthly Residential Natural Gas Consumption per Customer for Winter Months (2001-2010)



Source of Data: WGL's Monthly DC Delivery Service Participation Analysis

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-2

Table 1: T-Test for Two Sample Means (2001-2004 Vs 2005-2010)

Parameters	T-Test: Two-Sample Assuming Equal Variances		T-Test: Two-Sample Assuming Unequal Variances	
	2001-2004	2005-2010	2001-2004	2005-2010
Mean	27.74	25.65	27.74	25.65
Variance	293.23	339.21	293.23	339.21
Observations	28	35	28	35
Pooled Variance	318.86			
Hypothesized Mean Difference	0		0	
Degree of Freedom	61		60	
T-Statistics	0.462		0.466	
P(T<=t) one-tail	0.323		0.321	
T- Critical one-tail	1.670		1.671	
P(T<=t) two-tail	0.646		0.643	
T- Critical two-tail	2.000		2.000	

Table 2: F-tests for Two Sample Means and Variances (2001-2004 Vs 2005-2010)

F-Test Two-Sample for Variances		
	2001-2004	2005-2010
Mean	27.74	25.65
Variance	293.23	339.21
Observations	28	35
Degree of Freedom	27	34
F	0.864	
P(F<=f) one-tail	0.352	
F Critical one-tail	0.537	

Table 3: Testing for the presence of Trend in natural gas sales and use per customer among the District Consumers

Category	Total Sales to all Consumers in the District				Sales to only WGL Consumers in the District				
Variable	Coeff.	Std. Error	t-Stat.	Prob.	Variable	Coeff.	Std. Error	t-Stat.	Prob.
C	18.089	1.721	10.511	0	C	23.121	1.509	15.320	0.000
@TREND	-0.001	0.002	-0.415	0.6788	@TREND	-0.002	0.003	-0.776	0.440
LOG(ALLSALES(-1))	-0.103	0.105	-0.984	0.3274	LOG(SALESCON(-1))	-0.444	0.094	-4.739	0.000
AR(1)	1.103	0.031	35.326	0	AR(1)	1.646	0.041	39.745	0.000
AR(3)	-0.530	0.030	-17.385	0	AR(2)	-0.924	0.042	-22.257	0.000
R-squared	0.921				R-squared	0.918			
Adjusted R-squared	0.917				Adjusted R-squared	0.915			
Durbin-Watson stat	2.107				Durbin-Watson stat	2.312			
	Test for Use per Customer for all Consumers				Test for Use per Customer for WGL Consumers				
Variable	Coeff.	Std. Error	t-Stat.	Prob.	Variable	Coeff.	Std. Error	t-Stat.	Prob.
C	4.983	0.481	10.361	0	C	6.190	0.438	14.121	0.000
@TREND	-0.001	0.002	-0.540	0.5903	@TREND	-0.004	0.003	-1.276	0.205
LOG(UPCAL(-1))	-0.109	0.105	-1.044	0.2989	LOG(UPCSAL(-1))	-0.440	0.094	-4.696	0.000
AR(1)	1.103	0.031	35.533	0	AR(1)	1.648	0.041	39.986	0.000
AR(3)	-0.531	0.030	-17.479	0	AR(2)	-0.925	0.041	-22.375	0.000
R-squared	0.921				R-squared	0.920			
Adjusted R-squared	0.917				Adjusted R-squared	0.917			
Durbin-Watson stat	2.111				Durbin-Watson stat	2.304			

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-3

Table 4. Annual Natural Gas Consumption (therms) per Sales and Delivery Residential and Commercial Customers, 2002-2009

Year	Residential Use Per Customers for Sales Service	Residential Use Per Customer for Delivery and Sales Customers	Residential and Commercial Sales Consumers	All Consumers (Residential and Commercial Sales and Delivery)
2002	679.68	696.31	1000.22	1244.49
2003	839.44	898.47	1296.36	1527.27
2004	775.93	803.14	1149.19	1428.78
2005	773.96	799.37	1111.23	1408.87
2006	655.8	673.14	946.45	1245.24
2007	707.15	725.42	986.52	1323.51
2008	704.93	723.05	975.96	1332.99
2009	713.21	731.93	966.87	1327.03

Source of Data: WGL's Monthly DC Delivery Service Participation Analysis

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-4

Table 5: Summer of Selected Parameters by Time Period

Time Period	Parameters	Customers	Mean Consumption per Customer
Summer Months (June-September)	Average	136120	16.57
	Standard Deviation	1670	3.42
	Coefficient of Variation	1.2%	20.6%
Shoulder Months (April, May and October)	Average	135779	39.93
	Standard Deviation	1985	20.28
	Coefficient of Variation	1%	51%
Winter Months (December-March)	Average	136219	114.89
	Standard Deviation	1528	41.05
	Coefficient of Variation	1%	36%

Source of Data: WGL's Monthly DC Delivery Service Participation Analysis

Table 6: Distribution of Mean Natural Gas Use Per Customer around the Mean

Category	Use Per Customer		Standard for Normal Distribution
	April-October	November-March	
Within +/- 1 Standard Deviation	86%	81%	68%
Within +/- 2 Standard Deviation	98%	100%	95%

Source of Data: WGL's Monthly DC Delivery Service Participation Analysis

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-5

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-18

- Q.** With reference to Exhibit WG (A) page 6, lines 3-5, please provide a detailed narrative description of the approval process that WGL must go through with the SEU (and/or any other relevant agency or entity) before its proposed energy efficiency programs can be implemented in the District of Columbia.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A.** The SEU has not been selected yet. Therefore, there is not a process in place to propose energy efficiency programs.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-7 (e)

- Q.** On page 5, at line 7, of the Testimony Mr. Buckley states that "By removing, or decoupling, the direct relationship between customer usage and distribution revenues, the Company can more actively encourage wiser use of energy without the negative consequences to its earnings" (emphasis added.) Later at line 14, Mr. Buckley goes on to state that "Importantly, Washington Gas can more aggressively promote energy efficiency and conservation through education programs and through the efforts supported by legislation with the District of Columbia government." (Emphasis added.) Insofar as the RNA would place the Company in a position in which it could promote conservation more "actively" and "aggressively", is the Company stating a commitment at this time to actually do so? If the answer is "Yes", please provide a description of the programs the Company is committed to undertake, the costs therefore, and the source of the funding to implement these programs.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Company continues to evaluate the possible implementation of the proposed programs appended to my Direct Testimony as Exhibit WG(A)-2. A description is contained within the Exhibit. The estimated cost of the programs is \$1.9M for Virginia customers; however, the amount would be lower for the District of Columbia since there are fewer customers. Work has not yet been completed on all programs. Funding would be provided by the SEU once it is established, if the SEU approves the proposed programs.

OPC FOLLOW-UP DATA REQUEST

APRIL 6, 2010

- Q.** Wherein the Company indicates that "funding would be provided by the SEU, once it is established," please state: (1) how much funding will be coming from the SEU; (2) what, if any, restrictions will be imposed on any funding "provided" to WGL by the SEU; (3) how WGL plans to handle the funding and/or

Implementation of energy efficiency and conservation programs in the period between now and when the SEU is "established?"

WASHINGTON GAS' FOLLOW-UP DATA RESPONSE

APRIL 13, 2010

- A. Any program approved and administrated by the SEU will have 100% funding. Between now and the establishment of the SEU, the Company does not plan to propose any energy efficiency and conservation programs.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-6

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-17

- Q. Referring to Exhibit WG (A), pages 7-8. Have the programs referred to been approved in Virginia? If not, when is final approval expected. If yes, provide the order issuing final approval. Of the Virginia programs, what specific programs is WGL advocating for the District of Columbia? When would WGL implement the programs in the District of Columbia? Please provide all documents that concern or relate to the implementation of energy efficiency programs in the District of Columbia.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A. Please see the SCC order issued March 26, 2010. See the attached link to the SCC Web site to obtain a copy of the order. Regarding program implementation, please see the response to AOBA No. 2, Q. 2-14. Similar to what has been established in Virginia, Washington Gas expects that it will propose programs in the District of Columbia that would involve the major gas consuming appliances in the home and program elements that could reach a broad base of customers such as programmable thermostats.

<http://docket.scc.state.va.us/vaproduct/main.asp>

Enter Washington Gas

Click on Case PUE 2009-00064

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-19

- Q.** For each energy efficiency measure or program that has been implemented by WGL in the District of Columbia, Virginia, or Maryland, please provide, by program/measure, the savings that have been achieved during each of the past five years.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A.** This information is not available in the format requested. Maryland has a small program which provides supplementary funds to augment work performed by local LIHEAP agencies. Accordingly, the program is not a traditional utility-run program and savings have not been tracked. The Virginia SCC recently approved an application for WGL energy efficiency programs in March, but data is not available at this time.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-24

- Q. Please provide any customer surveys conducted by or for WGL concerning energy efficiency or conservation measures or programs. In addition, please provide all documents that evaluate, assess or otherwise address the results of such customer surveys.**

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A. Washington Gas has not conducted a customer survey concerning energy efficiency or conservation measures.**

**SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs**

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-27

- Q.** Please provide copies of studies conducted by or for WGL (or other entities) that show housing stock (including square foot, type of residential unit, age, insulation type, etc.), and the number/percentage of houses that use natural gas as the primary source of fuel for space heating. Please show how changes in insulation or other upgrades in the housing stock of WGL's District of Columbia customers will reduce use per customer among the company's residential and non-residential customers.

WASHINGTON GAS' PARTIAL OBJECTION

APRIL 6, 2010

- A.** Washington Gas partially objects to this request on the grounds that some of the requested information is unavailable; however, the Company will provide responsive data it has available or direct OPC to publicly available sources.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A.** Washington Gas does not track the requested housing stock data for its entire customer base nor the entire stock of housing in the District of Columbia. However, the US Census will provide, within ranges, the number of occupied housing units in the District of Columbia using natural gas for heating, the year the structure was built, and the number and type of structure. Additionally, for most local jurisdictions, the real estate taxing authority will collect and maintain some of this data. Finally, Washington Gas has not undertaken an effort to evaluate the impact of changes in insulation or other upgrades in the housing stock and their impact on energy use per residential or commercial customer.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-7 (b)

- Q.** On page 5, at line 7, of the Testimony Mr. Buckley states that “By removing, or decoupling, the direct relationship between customer usage and distribution revenues, the Company can more actively encourage wiser use of energy without the negative consequences to its earnings” (emphasis added.) Later at line 14, Mr. Buckley goes on to state that “Importantly, Washington Gas can more aggressively promote energy efficiency and conservation through education programs and through the efforts supported by legislation with the District of Columbia government.” (Emphasis added.) Insofar as the RNA would place the Company in a position in which it could promote conservation more “actively” and “aggressively”, is the Company stating a commitment at this time to actually do so? If the answer is “Yes”, please provide a description of the programs the Company is committed to undertake, the costs therefore, and the source of the funding to implement these programs.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Company continues to evaluate the possible implementation of the proposed programs appended to my Direct Testimony as Exhibit WG(A)-2. A description is contained within the Exhibit. The estimated cost of the programs is \$1.9M for Virginia customers; however, the amount would be lower for the District of Columbia since there are fewer customers. Work has not yet been completed on all programs. Funding would be provided by the SEU once it is established, if the SEU approves the proposed programs.

OPC FOLLOW-UP DATA REQUEST

APRIL 6, 2010

- Q.** Please provide copies of all documents that constitute, concern or relate to the evaluation of the possible implementation in the District of Columbia of the proposed programs appended to Mr. Buckley's testimony as Exhibit WG(A)-2.

WASHINGTON GAS' FOLLOW-UP DATA RESPONSE

APRIL 13, 2010

- A.** Please see the attached VA testimony of Witness Raab in Case No. PUE 2009-00064 that describes the benefit cost evaluation of similar proposed programs.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-7

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-4

- Q. On page 2, at line 23 of the Testimony, Mr. Buckley states that "The Company has a track record of successful implementation of an RNA mechanism in Maryland." Please provide a narrative describing the basis for Mr. Buckley's assertion.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A. The Maryland Public Service Commission approved the Company's RNA application in 2005. Washington Gas has applied the RNA mechanism since that time. As a result, timely and accurate rates for the ratepayers of Maryland have been implemented on a monthly basis. There have been very few, if any, complaints by customers regarding the RNA.

OPC FOLLOW-UP DATA REQUEST

APRIL 6, 2010

- Q. Please identify and describe in detail the new energy efficiency/conservation/DSM programs that have been implemented by WGL in Maryland since the adoption of a decoupling rate mechanism.

WASHINGTON GAS' FOLLOW-UP RESPONSE

APRIL 13, 2010

- A. Washington Gas has not submitted any new energy efficiency/conservation programs in Maryland since the approval of the RNA mechanism. Maryland state agencies have been primarily focused in recent years on the ambitious electric demand and energy reductions required by the EmPower Maryland legislation. It is my understanding that reductions in the use of natural gas will be established in the future.

Washington Gas does have a long-standing DSM program in MD that provides the Department of Housing and Community Development with \$100,000 for weatherization/furnace replacement program costs and \$10,000 for administrative costs, a total of \$110,000. The state agency is to use the funding for low-income customers. On March 19, 2010, the Company filed to update this program. See the attached filing.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs



FO 1079 - Attachment
WG Response to OPC Follow-Up No. 2, Q. 2-4
Page 1 of 10

101 Constitution Avenue, NW
Washington, DC 20080
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Direct: (202) 624-6507
Fax: (202) 624-6789
dhayes@washgas.com

March 19, 2010

Via Electronic Mail and Federal Express

Terry J. Romine
Executive Secretary
Maryland Public Service Commission
6 St. Paul Street, 16th Floor
Baltimore, Maryland 21202

Re: #14, 1/27/10 AM; ML#120590, DS-312.
Washington Gas DSM Surcharge - Low-Income Furnace Program

Dear Ms. Romine:

Enclosed for filing with the Commission are the original and 17 copies of proposed Eighth Revised Page No. 84 and First Revised Page No. 85 (clean and legislative versions) of Washington Gas Light Company's gas tariff, P.S.C. Md. No. 6. The purpose of the proposed revisions is to revise the Company's annually-updated Demand-Side Management ("DSM") surcharge applicable to Rate Schedule Nos. 1 (Residential Service) and 1A (Firm Residential Delivery Service) to fund a proposed gas furnace DSM program for qualified low-income customers, as described below.

The proposed DSM surcharge is designed to recover the costs associated with a proposed gas furnace DSM program for qualified low-income customers, which will be administered by the Maryland Department of Housing and Community Development ("DHCD"). Washington Gas has previously been authorized by the Commission to collect \$110,000 each year through the DSM surcharge to provide funding for, and to offset administrative costs related to, a low-income DSM program with two separate components - a weatherization program and a natural gas furnace replacement/repair program. Of the amount collected, \$50,000 has been dedicated to the weatherization program and \$50,000 to the natural gas furnace replacement/repair program. Washington Gas's Low-Income DSM program has been renewed each year since its initial approval. However, in response to Washington Gas's filing to renew the DSM surcharge through 2010, Staff noted that ample funding is currently available to DHCD and will be through 2012 for weatherization programs under the American Recovery and Reinvestment Act ("ARRA"). Moreover, Staff noted that since 2006, actual spending under the program has fallen short of the authorized amount of \$100,000. Therefore, Staff recommended that the Commission suspend Washington Gas's DSM program for two years and require the Company to refund to customers through a bill credit all amounts previously collected and remaining from the 2009 surcharge.

At the January 27, 2010 Administrative Meeting, DHCD indicated that although funds for the weatherization program were available through the ARRA, it can not use such funds for furnace replacement or repairs and requested that Washington Gas's low-income gas furnace program be continued, but modified so as to make the program funding more accessible than it has been in previous years. By letter order issued January 27, 2010, the Commission suspended the proposed tariff revisions for up to 150 days and directed Staff and the Company to meet with other interested persons "to discuss other options to structure the DSM program."

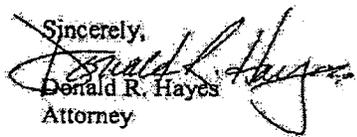
Washington Gas has conferred with representatives from Staff, the Office of People's Counsel and DHCD to discuss modifications to the low-income DSM gas furnace program. Based on such discussions, the Company proposes revised terms for a proposed low-income DSM gas furnace program. As described in more detail in Attachment A, Washington Gas proposes to make available for two years, through 2012, the full \$100,000 collected each year through the DSM Surcharge for natural gas furnace replacement or repairs, or gas furnace cleaning and tune-ups. Under the proposed program, DHCD will be authorized to use such funds to cover the entire cost of gas furnace repair or replacement, or up to \$250 for gas furnace cleaning and tune-up for qualified customers. The average expenditures for gas furnace repair or replacement is projected to be \$3,500 per dwelling.

Washington Gas proposes to determine the impact on gas usage by tracking annual gas usage at each dwelling before and after the furnace work. The results of such study will not be available until after the two-year period of this program.

Proposed Eighth Revised Page No. 84 reflects the annually updated Demand-Side Management ("DSM") surcharge applicable to Rate Schedule Nos. 1 (Residential Service) and 1A (Firm Residential Delivery Service). The Company requests that the proposed Demand Side Management ("DSM") Surcharge Net Factor of 0.01¢ per therm be approved for the May 2010 billing cycle, effective for meter readings on and after April 27, 2010. Proposed First Revised Page No. 85 reflects the revised DSM program parameters. In addition, the Company has proposed a modification to First Revised Page No. 85 to eliminate language related to lost margins attributable to the DSM program, as it is no longer applicable.

Washington Gas respectfully requests that the Commission consider and approve the proposed revised tariff pages before April 16, 2010, in order to implement the revised DSM surcharge.

Sincerely,


Donald R. Hayes
Attorney

Enclosures

cc: Lloyd Spivak, Staff Attorney
Cynthia Green-Warren, Assistant People's Counsel
Jim McAteer, Maryland Department of Housing and Community Development

**WASHINGTON GAS LIGHT COMPANY
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT (DHCD)**

**GUIDELINES FOR NATURAL GAS HEATING SYSTEM
CLEANING AND TUNE-UPS AND REPAIR/REPLACEMENTS,**

SCOPE OF WORK

Washington Gas Light Company (WGL) will make up to \$100,000 per program period ended October 31 in Demand Side Management (DSM) funds available for furnace cleaning and tune-ups, repairs and/or replacements in conjunction with the DHCD's Weatherization Assistance Program (WAP) activities. This project will begin upon approval by the Maryland Public Service Commission and will conclude on October 31, 2011. The following are the major tenets of this Scope of Work:

- WGL shall reimburse the DHCD up to \$100,000 in DSM funds per period to be collected by WGL through the DSM Surcharge Adjustment provision included as GSP No. 22 in the Company's Maryland tariff for performance of this scope of work.
- DHCD will use Local Weatherization Agencies (LWA) to perform the scope of work. WGL DSM funds will be allocated to each local agency in an amount determined by DHCD. DHCD will be responsible for any subcontractor or local agency's compliance with the terms of this Agreement.

FURNACE REPAIR/REPLACEMENT: Gas Furnace Repair/Replacement is a priority for using WGL funds in conjunction with WAP. The entire amount of furnace repair/replacement costs may be paid with WGL funds. The average cost of repair or replacement per dwelling is expected to be \$3,500.

FURNACE BURNER CLEAN AND TUNE UP: Up to \$250 of WGL DSM funds for burner clean and tune services when indicated to avoid future major repairs or replacement. If the cost incurred is in excess of this amount, DHCD/LWA must find another source of funding or request approval for the additional cost from WGL.

PROGRAM ELIGIBILITY AND REQUIREMENTS:

- Only WGL gas customers who heat with gas-fired furnaces or boilers will be deemed eligible for participation in the program. In addition, income shall be at 175% or below of the Office of Management and Budget's Poverty level and substantiated proof of ownership in accordance with WAP policies. Rental properties may qualify for the program if the Landlord/Owner provides

all required documentation in accordance with WAP policies and contributes not less than 25% of the cost of the furnace repair or replacement or cleaning and tune-up. Customers may be identified and referred by the local Maryland Energy Assistance Program (MEAP) office to the local WAP office or by application intake by the local WAP.

- Prior to determining whether the dwelling unit may receive services, DHCD or the auditor of its LWA must perform a combustion analysis test on the furnace or boiler. If any of the following conditions are found to exist after testing by the auditor, using the Bacharach or comparable equipment, the central heating system may be replaced:
 1. Steady state efficiency (SSE) is less than 69% for a Gas FHA appliance and the system's life is estimated to be less than 5 years;
 2. The Gas Forced Hot Air system has a proven cracked heat exchanger, CO levels in the flue gas are above WAP establish standards, CO is evident in ambient air, or the health and safety of the family is at risk;
 3. No operable gas central heating system exists; however, a distribution system is evident and can be used for the new heating system; or
 4. Estimated repairs to the gas central heating system exceed 60% of the replacement costs and the life expectancy of the existing furnace is less than 5 years.
- DHCD/LWA must secure a Manual J from the HVAC contractor, ensuring the heating appliance is sized properly for the dwelling. New gas hot air furnaces must have an Annual Fuel Utilization Efficiency (AFUE) ratio of 80+. Gas force hot air heating equipment with an AFUE ratio of 90+ is recommended when installation is cost effective and practical. The AFUE for new boilers must be a minimum of 83+. All vented space heaters must have a minimum SSE rating of 85+. DHCD/LWA will be responsible for ensuring that 90+ AFUE gas furnaces are vented properly.
- Prior to determining the acceptability of cost estimates, DHCD staff may request to visit the home and perform a secondary inspection.
- After completion of all services associated with the furnace cleaning and tune-up, repair or replacement in a dwelling, the LWA will submit an invoice to the DHCD for reimbursement. The invoice will consist of a final invoice, the completed work order, and the Manual J.

- DHCD must obtain and make available to WGL the following documents for furnace repair/replacement reimbursement:
 1. Evidence of customer eligibility,
 2. An invoice indicating the costs and charges to each funding source; and
 3. A copy of the Manual J signed by the licensed contractor.
- DHCD will make available to WGL all paid invoices with supporting documentation for review and inspection upon request.

**Proposed Revised Tariff Pages
("Clean" and "Legislative" Versions)**

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

II. APPLICATION (Continued)

C. The DSM surcharge, comprised of the sum of the "current factor" as determined in III.A.I.(b)(iv) and the "reconciliation factor" as determined in III.B., below, shall be applied to monthly bills beginning with the billing month of May 2010 ~~February 2009~~. The DSM surcharge factors shall be as follows:

<u>Rate Schedule</u>	<u>Current Factor</u>	<u>Recon- ciliation Factor</u>	<u>DSM Surcharge Net Factor</u>
No. 1 (Residential Service)	.04¢	(.03¢) (-.02¢)	.01¢ .02¢ per therm
No. 1A (Residential Delivery Service)	.04¢	(.03¢) (-.02¢)	.01¢ .02¢ per therm
No. 2 (Firm Commercial & Industrial Sales Service)	.00¢	.00¢	.00¢ per therm
No. 2A (Firm Commercial & Industrial Delivery Service)	.00¢	.00¢	.00¢ per therm
No. 3 (Firm Group Metered Apartment Sales Service)	.00¢	.00¢	.00¢ per therm
No. 3A (Firm Group Metered Apartment Delivery Service)	.00¢	.00¢	.00¢ per therm

D. The DSM surcharge shall be added to the Distribution Charge/Delivery Service Charge as appropriate and applied to customers' bills. The Company shall furnish Commission Staff sufficient workpapers for the review and audit of the DSM surcharge.

E. Nothing in this General Service Provision shall serve to prevent the Company's application for recovery of DSM program costs in base rates.

ISSUED: ~~December 10, 2008~~ March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010 ~~January 29, 2009~~

Roberta W. Sims Adrian P. Chapman - Vice President, Operations, Regulatory Affairs & Energy Acquisition

EXPLANATION: STRIKEOUT Indicates Matter Stricken from Current Tariff

UNDERSCORING Indicates Matter Added to Current Tariff

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

III. COMPUTATION

A. Current Factor

1. The current factor for the 12-month period beginning January each year shall be determined for Rate Schedules No. 1, No. 1A, No. 2, No. 2A, No. 3 and No. 3A by dividing the total amount allocated (as hereinafter defined) to each rate schedule for the 12-month period by the applicable estimated therm sales and delivery volumes.

The amount to be recovered is computed as described below:

- (a) Projected DSM program costs shall be based on historic DSM expenditures from the prior annual period November through October and include:

- (1) utility expenditures for gas furnace repairs and/or replacements and gas furnace cleaning and tune-ups. The gas furnace repair/replacement cost is expected to average \$3,500 per customer. Funds for gas furnace cleaning and tune-up services may be paid up to \$250.

- (2) incentive payments to customers, lost margins from program savings and those expenses and costs not elsewhere recovered in rates including, but not limited to, incremental Company labor, labor-related expenses, consultants' and other vendors' fees and expenses, office supply and expense and other costs and expenses incurred in the implementation and operation of DSM programs.

Revenues from customers for DSM products or services shall be offset against projected program costs.

~~Lost Margins are the monthly non-gas revenues not billed because of lost sales from approved conservation programs. Lost Margins are determined using current base rates by Rate Schedule. Lost Sales are from program impact evaluations and are not reflected in the test year level used in the Company's most recent base rate proceeding.~~

~~Lost Margins will be included in the surcharge on a prospective basis based on historic annual program participation levels. Reconciliation of Lost Margins is based upon actual program participation. Lost Margins are treated identically to other program costs for recovery contingent on satisfactorily meeting the Quarterly Earnings Test. Lost Margins will not be subject to future recovery in such case that the Quarterly Earnings Test is not satisfied.~~

ISSUED: ~~September 27, 2002~~ March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010 ~~September 30, 2002~~

Roberta W. Sims ~~Adrian P. Chapman~~ - Vice President, Operations, Regulatory Affairs & Energy Acquisition

EXPLANATION: ~~STRIKEOUT~~ Indicates Matter Stricken from Current Tariff.

UNDERSCORING Indicates Matter Added to Current Tariff.

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

II. APPLICATION (Continued)

C. The DSM surcharge, comprised of the sum of the "current factor" as determined in III.A.1(b)(iv) and the "reconciliation factor" as determined in III.B., below, shall be applied to monthly bills beginning with the billing month of May 2010. The DSM surcharge factors shall be as follows:

<u>Rate Schedule</u>	<u>Current Factor</u>	<u>Recon- ciliation Factor</u>	<u>DSM Surcharge Net Factor</u>
No. 1 (Residential Service)	.04¢	(.03¢)	.01¢ per therm
No. 1A (Residential Delivery Service)	.04¢	(.03¢)	.01¢ per therm
No. 2 (Firm Commercial & Industrial Sales Service)	.00¢	.00¢	.00¢ per therm
No. 2A (Firm Commercial & Industrial Delivery Service)	.00¢	.00¢	.00¢ per therm
No. 3 (Firm Group Metered Apartment Sales Service)	.00¢	.00¢	.00¢ per therm
No. 3A (Firm Group Metered Apartment Delivery Service)	.00¢	.00¢	.00¢ per therm

D. The DSM surcharge shall be added to the Distribution Charge/Delivery Service Charge as appropriate and applied to customers' bills. The Company shall furnish Commission Staff sufficient workpapers for the review and audit of the DSM surcharge.

E. Nothing in this General Service Provision shall serve to prevent the Company's application for recovery of DSM program costs in base rates.

ISSUED: March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010

Roberta W. Sims - Vice President, Regulatory Affairs & Energy Acquisition

GENERAL SERVICE PROVISIONS (Continued)

22. DEMAND-SIDE MANAGEMENT SURCHARGE ADJUSTMENT (Continued)

III. COMPUTATION

A. Current Factor

1. The current factor for the 12-month period beginning January each year shall be determined for Rate Schedules No. 1, No. 1A, No. 2, No. 2A, No. 3 and No. 3A by dividing the total amount allocated (as hereinafter defined) to each rate schedule for the 12-month period by the applicable estimated therm sales and delivery volumes.

The amount to be recovered is computed as described below:

- (a) Projected DSM program costs shall be based on historic DSM expenditures from the prior annual period November through October and include:

- (1) utility expenditures for gas furnace repairs and/or replacements and gas furnace cleaning and tune-ups. The gas furnace repair/replacement cost is expected to average \$3,500 per customer. Funds for gas furnace cleaning and tune-up services may be paid up to \$250.
- (2) incentive payments to customers and those expenses and costs not elsewhere recovered in rates including, but not limited to, incremental Company labor, labor-related expenses, consultants' and other vendors' fees and expenses, office supply and expense and other costs and expenses incurred in the implementation and operation of DSM programs.

Revenues from customers for DSM products or services shall be offset against projected program costs.

ISSUED: March 19, 2010

EFFECTIVE: For meter readings on and after April 27, 2010

Roberta W. Sims - Vice President, Regulatory Affairs & Energy Acquisition

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-8

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-15

- Q. Has Washington Gas Light Company conducted, or is it aware of, any studies or analysis on the penetration and implementation of the energy efficiency measures supported by the Company in the District of Columbia for the past five years? If yes, please provide copies of the studies and/or analysis, and indicate who conducted the study or analysis and when it was conducted.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A. Washington Gas is not aware of any studies or analysis on the penetration and implementation in the District of Columbia of energy efficiency measures that are supported by the Company within the past five years. Washington Gas is aware of studies performed by other organizations that show how much more efficient the direct use of natural gas is compared to other energy sources, such as electricity, when the total fuel cycle is considered. Examples of these studies include the Energy Solutions Center, ComfortableResponsible.org, and the American Gas Association. The National Academies of Science has also endorsed the use of total fuel cycle analysis.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-16

- Q. Has Washington Gas Light Company conducted, or is it aware of, any studies or analysis on the direct correlation between the implementation of energy efficiency programs in the District of Columbia and natural gas usage by rate class in the past five years? If yes, please provide copies of the studies and/or analysis, and indicate who conducted the study or analysis

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

A. No.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-9

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-20

- Q.** For each of the past five years, please provide the level of expenditures (in \$) by WGL to promote energy efficiency and conservation measures in the District of Columbia, Virginia, and Maryland, respectively.

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A.** The direct program expense amounts spent on the low income weatherization program in Maryland for the past five years are shown below.

11/04-10/05	\$6,400
11/05-10/06	\$38,601
11/06-10/07	\$34,537
11/07-10/08	\$42,961
11/08-10/09	\$29,908

There have been no program expenditures for the District of Columbia and Virginia.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-10

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-8

Q. With reference to the proposed "Revenue Normalization Adjustment" section of the General Service Provisions (Section 26):

Please provide any and all studies, memoranda, analyses or similar materials prepared by or for the Company in support of the revenue normalization mechanism proposed in this proceeding and/or evaluating the impact of the proposed revenue normalization mechanism on either ratepayers, the Company, or both.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

A. No studies, memoranda, or written analyses were prepared to evaluate the impact of the RNA proposed in this proceeding.

Sponsor: James B. Wagner
Manager, Rates and Regulatory Affairs

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-9

- Q. With reference to the proposed "Revenue Normalization Adjustment" section of the General Service Provisions (Section 26):**

Please provide any and all studies, memoranda, analyses or similar materials prepared by or for the Company addressing any alternative revenue normalization or decoupling mechanisms considered by the Company and/or evaluating the impact of the such mechanisms on ratepayers, the Company, or both.

WASHINGTON GAS' PARTIAL OBJECTION

February 23, 2010

Washington Gas objects in part to this request on the grounds that some of the requested information may be confidential and those documents will only be provided to those parties that have executed a confidentiality agreement with Washington Gas.

WASHINGTON GAS' RESPONSE

March 9, 2010

- A. There are no documents which support an alternative revenue normalization or decoupling mechanism may have been considered by the Company.**

**SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs**

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-11

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO
OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 1

QUESTION NO. 1-10

- Q. With reference to the proposed "Revenue Normalization Adjustment" section of the General Service Provisions (Section 26):

Using the most recent 36 months of available data, perform the adjustments as set forth in Section 26 as if the revenue normalization mechanism had been in place for those 36 months, and provide the results along with any and all related workpapers in Excel electronic format with all formulas and linkages intact.

WASHINGTON GAS' RESPONSE

MARCH 9, 2010

- A. The rates currently in effect for District of Columbia customers began in January 2008 after the completion of Formal Case No. 1054. Therefore, any rates in effect prior to January 2008 are not relevant in the current proceeding. The Company has simulated the impact of the RNA for the calendar years 2008 and 2009 in the attached worksheets. A copy of the worksheets is being provided on disk.

WASHINGTON GAS' UPDATED RESPONSE

MAY 3, 2010

- A. The Company is providing the attached revised spreadsheets for this data request. The two changes are as follows: 1) The peak usage charge revenues are included in the actual revenues for the firm non-residential class; and 2) The fixed revenue per customer has been adjusted to be consistent with the changes in the number of Interruptible customers as reflected in revised pages 1 and 9 in Exhibit WG(D)-1.

SPONSOR: James B. Wagner
Manager, Rates and Regulatory Affairs

Washington Gas Light Company
 District of Columbia
 Revenue Normalization Adjustment (RNA) Calculation
 Based on 12 Months Ended December 31, 2008

	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008	TUE Dec 2008
District of Columbia													
GMA Hig / FC 3075													
No. of Customers	1,823	1,809	1,812	1,808	1,804	1,804	1,814	1,800	1,802	1,803	1,805	1,833	18,462
Fixed Rev per Cust	\$ 1,032.84	\$ 1,074.70	\$ 892.28	\$ 914.03	\$ 293.04	\$ 150.02	\$ 151.18	\$ 127.87	\$ 93.51	\$ 189.42	\$ 406.07	\$ 1,655	\$ 1,655
Target Distribution Revs	\$ 1,879,299	\$ 1,942,289	\$ 1,623,876	\$ 1,653,132	\$ 528,827	\$ 275,027	\$ 275,027	\$ 232,035	\$ 169,003	\$ 348,167	\$ 739,399	\$ 3,026,222	\$ 3,026,222
Actual Rev (Books)	\$ 1,882,375	\$ 1,818,223	\$ 1,475,068	\$ 1,074,648	\$ 507,818	\$ 314,538	\$ 245,118	\$ 203,356	\$ 139,511	\$ 275,488	\$ 833,212	\$ 1,943,318	\$ 1,943,318
RNA Charge (Credit)	\$ 32,324	\$ 111,066	\$ (163,793)	\$ (578,516)	\$ (228,641)	\$ (60,206)	\$ (1,111)	\$ (3,321)	\$ (64,700)	\$ 11,659	\$ (1,979,890)	\$ (423,089)	\$ (423,089)
GMA Non Hig													
No. of Customers	866	867	819	801	801	797	820	810	779	829	787	801	8,841
Fixed Rev per Cust	\$ 244.89	\$ 245.81	\$ 197.38	\$ 175.72	\$ 124.92	\$ 121.80	\$ 108.33	\$ 93.52	\$ 105.28	\$ 114.23	\$ 141.80	\$ 188.87	\$ 188.87
Target Distribution Revs	\$ 197,104	\$ 197,989	\$ 163,150	\$ 140,752	\$ 108,071	\$ 97,075	\$ 86,681	\$ 75,751	\$ 82,021	\$ 94,387	\$ 113,094	\$ 151,126	\$ 151,126
Actual Rev (Books)	\$ 183,496	\$ 188,973	\$ 165,984	\$ 148,437	\$ 112,010	\$ 101,976	\$ 84,742	\$ 79,580	\$ 70,518	\$ 86,566	\$ 102,194	\$ 180,835	\$ 180,835
RNA Charge (Credit)	\$ 13,608	\$ 8,412	\$ (30,833)	\$ (8,655)	\$ (1,937)	\$ (4,971)	\$ 2,139	\$ (6,800)	\$ 2,703	\$ (2,122)	\$ (13,040)	\$ (28,710)	\$ (28,710)
Intermittible													
No. of Customers	187	188	189	196	182	175	159	154	150	164	192	180	2,145
Fixed Rev per Cust	\$ 5,844.92	\$ 5,193.37	\$ 5,056.88	\$ 5,164.23	\$ 2,978.44	\$ 2,803.16	\$ 2,900.61	\$ 3,556.22	\$ 3,485.89	\$ 3,242.89	\$ 2,766.64	\$ 4,141.82	\$ 4,141.82
Target Distribution Revs	\$ 1,093,845	\$ 973,908	\$ 955,372	\$ 1,012,488	\$ 572,662	\$ 485,564	\$ 481,977	\$ 547,604	\$ 524,256	\$ 531,834	\$ 531,002	\$ 748,308	\$ 748,308
Actual Rev (Books)	\$ 1,210,650	\$ 1,227,988	\$ 1,082,958	\$ 1,030,548	\$ 707,248	\$ 545,883	\$ 514,001	\$ 541,108	\$ 534,878	\$ 481,745	\$ 646,887	\$ 980,811	\$ 980,811
RNA Charge (Credit)	\$ (122,815)	\$ (254,070)	\$ (112,394)	\$ (118,380)	\$ (120,390)	\$ (180,329)	\$ (62,804)	\$ 6,396	\$ 49,278	\$ 40,089	\$ (119,985)	\$ 120,303	\$ 120,303

Washington Gas Light Company
 District of Columbia
 Revenue Normalization/Adjustment (RNA) Calculation
 Based on 12 Months Ended December 31, 2009

	Jan-2009	Feb-2009	Mar-2009	Apr-2009	May-2009	Jun-2009	Jul-2009	Aug-2009	Sep-2009	Oct-2009	Nov-2009	Dec-2009	TME Dec 2009
District of Columbia													
Residential Htg/H/C													
No. of Customers	125,670	125,658	125,633	125,633	124,926	124,730	124,926	124,730	124,730	124,628	124,434	124,367	1,487,328
Fixed Rev per Cust	\$ 83.06	\$ 83.05	\$ 83.06	\$ 83.06	\$ 82.47	\$ 82.47	\$ 82.47	\$ 82.47	\$ 82.47	\$ 82.47	\$ 82.47	\$ 82.47	\$ 82.47
Target Distribution Revs	\$ 10,479,790	\$ 10,479,790	\$ 10,479,790	\$ 10,479,790	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000	\$ 10,287,000
Actual Rev (Books)	\$ 7,098,389	\$ 8,927,605	\$ 8,896,167	\$ 8,825,628	\$ 8,728,827	\$ 8,625,720	\$ 8,525,339	\$ 8,430,870	\$ 8,334,334	\$ 8,235,170	\$ 8,138,426	\$ 8,042,653	\$ 81,181,145
RNA Charge (Credit)	\$ -4,281,401	\$ -3,052,185	\$ -3,083,524	\$ -3,053,162	\$ -3,102,893	\$ -3,202,228	\$ -3,297,661	\$ -3,394,334	\$ -3,489,866	\$ -3,585,422	\$ -3,680,978	\$ -3,776,534	\$ -37,161,897
Residential Non Htg													
No. of Customers	16,726	16,735	16,863	16,702	16,770	16,992	16,851	16,943	16,874	16,796	16,779	16,661	168,281
Fixed Rev per Cust	\$ 5.66	\$ 5.64	\$ 5.65	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64	\$ 5.64
Target Distribution Revs	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154	\$ 92,154
Actual Rev (Books)	\$ 315,306	\$ 128,876	\$ 94,633	\$ 71,481	\$ 61,402	\$ 43,034	\$ 27,214	\$ 34,334	\$ 31,291	\$ 28,754	\$ 26,902	\$ 25,051	\$ 250,867
RNA Charge (Credit)	\$ -183,150	\$ -140,131	\$ -102,921	\$ -71,063	\$ -56,731	\$ -38,668	\$ -23,228	\$ -19,334	\$ -15,866	\$ -13,082	\$ -11,182	\$ -9,280	\$ -90,767
CA1 Htg/H/C < 3075													
No. of Customers	4,927	4,959	4,411	4,313	4,398	4,275	4,251	4,298	4,302	4,326	4,259	4,479	51,916
Fixed Rev per Cust	\$ 111.30	\$ 120.15	\$ 77.53	\$ 57.24	\$ 24.54	\$ 16.78	\$ 13.06	\$ 14.30	\$ 8.07	\$ 11.74	\$ 31.10	\$ 62.65	\$ 62.65
Target Distribution Revs	\$ 499,595	\$ 595,959	\$ 341,968	\$ 246,876	\$ 106,405	\$ 71,649	\$ 55,421	\$ 61,462	\$ 34,703	\$ 50,674	\$ 132,695	\$ 281,969	\$ 2,394,131
Actual Rev (Books)	\$ 424,732	\$ 577,132	\$ 418,980	\$ 253,081	\$ 66,972	\$ 126,875	\$ 79,625	\$ 318,291	\$ 46,754	\$ 76,902	\$ 153,479	\$ 200,081	\$ 2,770,645
RNA Charge (Credit)	\$ -46,863	\$ -118,827	\$ -122,988	\$ -93,795	\$ -39,433	\$ -44,774	\$ -23,796	\$ -1,171	\$ -1,049	\$ -1,772	\$ -3,193	\$ -7,980	\$ -73,486
CA1 Htg/H/C > 3075													
No. of Customers	3,061	3,411	3,084	3,097	3,051	3,082	3,054	3,050	3,094	2,993	2,900	3,013	36,529
Fixed Rev per Cust	\$ 3,183.23	\$ 1,178.18	\$ 768.40	\$ 633.42	\$ 275.74	\$ 177.75	\$ 154.08	\$ 149.83	\$ 156.32	\$ 180.04	\$ 417.95	\$ 783.82	\$ 783.82
Target Distribution Revs	\$ 9,744,146	\$ 4,015,318	\$ 2,360,000	\$ 1,953,368	\$ 841,263	\$ 547,026	\$ 470,875	\$ 456,391	\$ 413,894	\$ 537,023	\$ 1,211,930	\$ 2,360,916	\$ 28,471,666
Actual Rev (Books)	\$ 3,429,227	\$ 3,733,302	\$ 2,631,050	\$ 2,017,356	\$ 965,606	\$ 679,412	\$ 564,094	\$ 481,887	\$ 501,869	\$ 642,893	\$ 1,392,461	\$ 2,388,440	\$ 19,630,337
RNA Charge (Credit)	\$ -22,421	\$ -681,916	\$ -728,950	\$ -935,012	\$ -845,657	\$ -867,614	\$ -907,281	\$ -974,507	\$ -1,011,925	\$ -1,054,130	\$ -1,119,469	\$ -1,272,476	\$ -10,841,329
CA1 Non Htg													
No. of Customers	2,278	2,286	2,319	2,271	2,270	2,255	2,316	2,265	2,283	2,288	2,284	2,256	27,365
Fixed Rev per Cust	\$ 209.91	\$ 199.56	\$ 155.92	\$ 172.46	\$ 134.57	\$ 125.19	\$ 122.12	\$ 117.51	\$ 114.40	\$ 122.46	\$ 160.58	\$ 180.08	\$ 180.08
Target Distribution Revs	\$ 457,873	\$ 456,194	\$ 361,578	\$ 391,725	\$ 305,474	\$ 282,829	\$ 282,854	\$ 269,561	\$ 269,750	\$ 278,871	\$ 366,608	\$ 408,230	\$ 4,117,137
Actual Rev (Books)	\$ 512,844	\$ 550,557	\$ 497,695	\$ 405,386	\$ 300,680	\$ 287,712	\$ 266,810	\$ 298,835	\$ 261,890	\$ 290,629	\$ 334,507	\$ 596,085	\$ 4,822,359
RNA Charge (Credit)	\$ -55,071	\$ -93,863	\$ -103,983	\$ -186,339	\$ -204,994	\$ -215,097	\$ -216,044	\$ -231,276	\$ -267,860	\$ -277,241	\$ -332,073	\$ -407,745	\$ -4,004,822
CA1 Non Htg < 3075													
No. of Customers	520	518	527	512	520	506	531	484	509	514	503	501	6,320
Fixed Rev per Cust	\$ 150.59	\$ 150.11	\$ 116.81	\$ 88.87	\$ 43.70	\$ 37.11	\$ 26.64	\$ 22.65	\$ 17.13	\$ 25.59	\$ 73.12	\$ 336.29	\$ 336.29
Target Distribution Revs	\$ 78,288	\$ 77,778	\$ 61,404	\$ 45,503	\$ 22,724	\$ 13,772	\$ 13,860	\$ 11,099	\$ 8,649	\$ 13,099	\$ 42,562	\$ 73,071	\$ 484,673
Actual Rev (Books)	\$ 77,805	\$ 83,924	\$ 94,906	\$ 98,191	\$ 20,629	\$ 14,000	\$ 13,702	\$ 5,948	\$ 8,304	\$ 10,117	\$ 35,590	\$ 46,484	\$ 410,481
RNA Charge (Credit)	\$ 683	\$ -16,143	\$ -6,989	\$ -6,362	\$ -2,095	\$ -2,239	\$ -184	\$ 5,151	\$ 1,175	\$ 2,982	\$ 7,012	\$ 26,597	\$ 74,192

Washington Gas Light Company
District of Columbia

Revised 5/31/10 -- FC 1079
WG Response to OPC DR No. 1, Q. 1-10
Page 4 of 4

Revenue Normalization Adjustment (RNA) Calculation
Based on 12 Months Ended December 31, 2009

District of Columbia

	Jan-2009	Feb-2009	Mar-2009	Apr-2009	May-2009	Jun-2009	Jul-2009	Aug-2009	Sep-2009	Oct-2009	Nov-2009	Dec-2009	TME Dec 2009
No. of Customers													
Fixed Rev per Cust	1,636	1,654	1,633	1,636	1,603	1,643	1,617	1,645	1,634	1,612	1,625	1,604	1,651
Target Distribution Revs.	\$ 3,032,84	\$ 1,072,70	\$ 852,28	\$ 614,03	\$ 203,04	\$ 159,02	\$ 151,18	\$ 127,87	\$ 93,51	\$ 408,42	\$ 408,07	\$ 689,89	\$ 1,851
Actual Rev (Books)	\$ 1,685,198	\$ 1,796,384	\$ 1,381,773	\$ 1,004,553	\$ 472,874	\$ 261,270	\$ 244,443	\$ 210,295	\$ 102,769	\$ 273,099	\$ 684,336	\$ 1,100,122	\$ 9,241,009
RNA Charge (Credit)	\$ 4,526	\$ (39,013)	\$ (68,449)	\$ (342,449)	\$ (40,961)	\$ (30,103)	\$ (1,960)	\$ (2,280)	\$ (88,852)	\$ (88,819)	\$ (194,052)	\$ 1,346,033	\$ 9,859,136
No. of Customers													
Fixed Rev per Cust	808	762	818	796	801	800	776	821	809	801	822	790	9,638
Target Distribution Revs.	\$ 244,85	\$ 245,81	\$ 181,36	\$ 175,72	\$ 103,92	\$ 121,80	\$ 106,33	\$ 93,52	\$ 105,29	\$ 114,23	\$ 141,90	\$ 168,87	\$ 9,638
Actual Rev (Books)	\$ 192,094	\$ 198,513	\$ 172,189	\$ 140,940	\$ 109,917	\$ 89,003	\$ 80,612	\$ 80,375	\$ 81,518	\$ 80,166	\$ 139,241	\$ 176,712	\$ 1,497,699
RNA Charge (Credit)	\$ 5,245	\$ (4,851)	\$ (16,036)	\$ (1,247)	\$ (1,468)	\$ (992)	\$ 3,687	\$ (3,373)	\$ 3,700	\$ 1,248	\$ (22,037)	\$ 12,100	\$ 64,181
No. of Customers													
Fixed Rev per Cust	191	197	193	194	182	173	189	191	198	169	185	186	2,104
Target Distribution Revs.	\$ 5,549,62	\$ 5,180,37	\$ 5,064,66	\$ 5,164,23	\$ 2,979,44	\$ 2,803,18	\$ 2,900,61	\$ 3,155,22	\$ 3,485,89	\$ 3,242,89	\$ 2,766,64	\$ 4,141,62	\$ 2,104
Actual Rev (Books)	\$ 1,096,023	\$ 999,811	\$ 975,592	\$ 1,001,860	\$ 572,062	\$ 450,347	\$ 481,187	\$ 572,391	\$ 550,770	\$ 548,048	\$ 599,999	\$ 770,341	\$ 6,500,731
RNA Charge (Credit)	\$ 1,230,072	\$ (1,439,161)	\$ (1,113,067)	\$ (1,030,532)	\$ 662,587	\$ 597,628	\$ 476,930	\$ 473,388	\$ 476,517	\$ 465,512	\$ 859,658	\$ 844,265	\$ 8,377,285
	\$ 1,270,050	\$ (439,250)	\$ (1,137,375)	\$ (26,672)	\$ (193,03)	\$ (15,781)	\$ (15,781)	\$ 99,003	\$ 74,253	\$ (2,506)	\$ (117,353)	\$ 433,904	\$ (876,654)

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

**WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO**

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 3

QUESTION NO. 3-11

- Q. Please provide the annual authorized and earned return on common equity over the past ten years for Washington Gas Light Company. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.**

WASHINGTON GAS' PARTIAL OBJECTION

APRIL 6, 2010

- A. Washington Gas partially objects to this request on the grounds that the request seeks data from a very remote time frame. Responding to this request would require an unduly burdensome effort. Washington Gas will provide the data it has available for the last five years.**

WASHINGTON GAS' RESPONSE

APRIL 20, 2010

- A. Please see the attached spreadsheet for the requested information for the last five years.**

**SPONSOR: Michael G. Donovan
Director – Treasury and Financial Planning**

**Washington Gas Light
Return on Average Common Equity**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income applicable to common stock	105,265	112,862	89,180	84,521	87,893
Average Common Equity	950,744	910,220	871,372	846,555	823,695
Return on Average Common Equity	<u>11.1%</u>	<u>12.4%</u>	<u>10.2%</u>	<u>10.0%</u>	<u>10.7%</u>

Exhibits of

OPC Witness

Yohannes K.G. Mariam

Exhibit OPC (C)-12

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

FORMAL CASE NO. 1079

WASHINGTON GAS' RESPONSE
AND/OR OBJECTIONS/UNAVAILABILITY TO

OFFICE OF THE PEOPLE'S COUNSEL

DATA REQUEST NO. 2

QUESTION NO. 2-7

- Q.** On page 5, at line 7, of the Testimony Mr. Buckley states that "By removing, or decoupling, the direct relationship between customer usage and distribution revenues, the Company can more actively encourage wiser use of energy without the negative consequences to its earnings" (emphasis added.) Later at line 14, Mr. Buckley goes on to state that "Importantly, Washington Gas can more aggressively promote energy efficiency and conservation through education programs and through the efforts supported by legislation with the District of Columbia government." (Emphasis added.) Insofar as the RNA would place the Company in a position in which it could promote conservation more "actively" and "aggressively", is the Company stating a commitment at this time to actually do so? If the answer is "Yes", please provide a description of the programs the Company is committed to undertake, the costs therefore, and the source of the funding to implement these programs.

WASHINGTON GAS' RESPONSE

MARCH 30, 2010

- A.** The Company continues to evaluate the possible implementation of the proposed programs appended to my Direct Testimony as Exhibit WG(A)-2. A description is contained within the Exhibit. The estimated cost of the programs is \$1.9M for Virginia customers; however, the amount would be lower for the District of Columbia since there are fewer customers. Work has not yet been completed on all programs. Funding would be provided by the SEU once it is established, if the SEU approves the proposed programs.

SPONSOR: Paul S. Buckley
Director, Rates and Regulatory Affairs

CERTIFICATE OF SERVICE

Formal Case No. 1079, In the Matter of Washington Gas Light Company's Application for a Revenue Normalization Adjustment Requesting Authority to Amend Its General Service Provisions, Residential Service and Non-Residential Rate Schedules, Firm Delivery Service and Interruptible Rate Schedules Rights-of-Way Surcharge General Regulations Tariff

I hereby certify that on this 17th day of May, 2010, a copy of the "Office of People's Counsel's Direct Testimony and Exhibits (Non-Proprietary Version)" was served on the following parties of record by hand delivery, first class mail, postage prepaid, or electronic mail:

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