



1000 Maine Avenue, SW  
Suite 700  
Washington, DC 20024  
[www.washingtongas.com](http://www.washingtongas.com)

[cthurston-seignious@washgas.com](mailto:cthurston-seignious@washgas.com)

May 15, 2024

**VIA ELECTRONIC FILING**

Brinda Westbrook-Sedgwick  
Commission Secretary  
Public Service Commission  
of the District of Columbia  
1325 "G" Street, N.W., Suite 800  
Washington, D.C. 20005

**Re: Formal Case No. 1169  
[Washington Gas's Affiliate Cost of Service Study - PUBLIC]**

Dear Ms. Westbrook-Sedgwick:

Pursuant to Public Service Commission of the District of Columbia Order No. 21963, transmitted for filing is Washington Gas Light Company's Affiliate Cost of Service Study (public version). A confidential version will be filed under separate cover.

Sincerely,

Cathy Thurston-Seignious  
Supervisor, Administrative and  
Associate General Counsel

pc: Per Certificate of Service

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

IN THE MATTER OF )  
 )  
THE APPLICATION OF WASHINGTON GAS )  
LIGHT COMPANY FOR AUTHORITY TO ) Formal Case No. 1169  
INCREASE EXISTING RATES AND CHARGES )  
FOR GAS SERVICE )

---

**WASHINGTON GAS LIGHT COMPANY’S AFFILIATE COST OF SERVICE STUDY**

On December 22, 2023, the Public Service Commission of the District of Columbia (“Commission”) issued its Opinion and Order in the above-captioned proceeding, granting, in part, Washington Gas Light Company’s (“Washington Gas” or “Company”) request for authority to increase existing rates and charges for gas service in the District of Columbia.<sup>1</sup> In its Order on Reconsideration of Order No. 21939, the Commission directed Washington Gas to file an Affiliate Cost of Service Study (“ACOSS”) 90 days before it files its next base rate case.<sup>2</sup> The Commission also provided some general guidance regarding an ACOSS, stating, “the ACOSS should be designed to increase the transparency and granularity of the data provided in the CAM and its appendices to make it more user-friendly for parties” and granted parties 20 days from the date of the Order to file any additional information they believed should be included in an ACOSS.<sup>3</sup> By Order No. 21963, the Commission granted an extension of time, until March 29, 2024, for parties to file additional information on an ACOSS and adjusted the ACOSS filing requirement to 75 days before the Company files its next base rate case application.<sup>4</sup> By this filing, the 75-day timeline will begin.

---

<sup>1</sup> Formal Case No. 1169, Opinion and Order No. 21939 (December 22, 2023).

<sup>2</sup> Formal Case No. 1169, Order No. 21959 at 13 (February 22, 2024).

<sup>3</sup> *Id.* at 12.

<sup>4</sup> Formal Case No. 1169, Order No. 21963 at 3 (March 7, 2024).

The Apartment and Office Building Association of Metropolitan Washington (“AOBA”) filed comments on March 29, 2024, recommending that the following information be included in an ACOSS:

- the costs Washington Gas incurs as part of its provision of services to affiliated entities;
- the compensation Washington Gas receives from the entities to which it provides services;
- differences in the timing of costs incurred and revenue received;
- greater documentation of the data and mathematics used to compute each allocation factor employed in the determination of affiliate cost responsibilities;
- demonstration of the comparability of measures of costs or activities that are relied upon for the entities to which each allocation factor is developed and applied;
- costs by FERC account and subaccount ... listed in the left-hand column of each page;
- to the immediate right of costs by FERC account and subaccount, the allocation factor employed for each account and subaccount identified along with the total dollar amount ... [as well as] the entities to which costs are allocated or assigned; and
- costs and revenues shown separately and not “netted.”<sup>5</sup>

To meet the spirit of the Commission’s Order to bring transparency and granularity to the Company’s Cost Allocation and Inter-Company Pricing Manual (“CAM”) filing, as

---

<sup>5</sup> Formal Case No. 1169, Comments of the Apartment and Office Building Association in Response to Order No. 21959 Regarding Additional Information to be Included in an Affiliate Cost of Service Study (March 29, 2024).

well as to incorporate AOBA's comments, where advisable, Washington Gas' ACOSS is presented in three parts as further described below. Additionally, the Company presents the following summary table to help orient the Commission and parties.

	Income Statement	Balance Sheet	Total
	<u>\$ 872,525,170</u>		
O&M Expenses Before Affiliate Activity			
Pass Through Amounts/Cash Payments			
To Affiliates	\$ -	\$ (42,021,192)	\$ (42,021,192)
From Affiliates	-	23,151,671	\$ 23,151,671
Total Pass Through Amounts/Cash Payments	<u>-</u>	<u>(18,869,521)</u>	<u>(18,869,521)</u>
Services			
Total Direct Assignments To Affiliates	-	(4,330,952)	(4,330,952)
Total Allocations out to Affiliates	(1,902,393)	(4,749,432)	(6,651,825)
Direct Assignment From Affiliates			-
SEMCO	932,511		932,511
Hampshire	10,124,707		10,124,707
Total Direct Assignment From Affiliates	<u>11,057,218</u>	<u>-</u>	<u>11,057,218</u>
Total Allocations From ALA	<u>19,452,091</u>	<u>3,161,496</u>	<u>22,613,587</u>
Net Services (Provided To) Received From Affiliates	<u>28,606,916</u>	<u>(5,918,888)</u>	<u>33,745,246</u>
Total Affiliate Transactions	<u>28,606,916</u>	<u>\$ (24,788,409)</u>	<u>\$ 3,818,507</u>
Per Book Operation and Maintenance Expense	<u>\$ 901,132,086</u>		

(Formal Case No. 1169, Exhibit WG (F)-3, Schedule EX, page1 of 10, line 2 and 3, column d.)

1. Part A - Description of methodologies for cost assignments and allocations.
2. Part B - Summary of charges allocated to and from affiliates, which ties to the December 31, 2021 CAM, including:
  - a. Description of whether the charges had an impact on Washington Gas' operating expenses or were simply pass-thru;
  - b. A reconciliation of total operating expenses per the Per Books Study in Formal Case No. 1169 to what those operating expenses would have been had none of the appropriate charges been allocated out;
  - c. Whether the charges are direct or associated with an allocation calculation; and
  - d. The affiliate to which costs are allocated or assigned.

3. Part C - Detailed calculation for each overhead allocation, including affiliate charged, FERC account, description of cost pool and burden rate/allocation factor used.

As a part of this ACOSS filing, the Company is incorporating the CAM filed on May 2, 2022. Also, in response to AOBA's request for "differences in the timing of costs incurred and revenue received," all inter-company receivables/payables are settled on a monthly basis and, therefore, there are no significant timing differences. Additionally, Washington Gas does not record revenues related to inter-company charges and assignments out to affiliates presented on the CAM but simply reduces operating expense or passes through those charges on its balance sheet.

Washington Gas proposes to hold a meeting, within 45 days of this filing, if parties and their consultants are interested in discussing the ACOSS in advance of the Company's next base rate case filing.



**Washington  
Gas**

**WASHINGTON GAS LIGHT  
COMPANY**

**Affiliate Cost of Service Study  
Formal Case No. 1169  
December 31, 2021**

-----

Filed with the Public Service Commission of the District of Columbia

Washington Gas  
Affiliate Cost of Service Study  
Formal Case No. 1169  
12/31/2021  
Part A

**Part A - Description of methodologies for cost assignments and allocations**

*Direct Costs*

Washington Gas and its affiliates' policy is that costs will be directly assigned to the appropriate affiliate whenever reasonably possible. As such, direct costs that benefit an affiliate are "assigned and billed" directly to the appropriate affiliate. These costs have no impact to WGL's revenue or expense.

*Common/shared Costs*

Where tracking costs is not reasonable because one or more affiliates benefit from the expenditures, such costs will be allocated based on appropriate allocation methodology and factors described herein.

**Allocation Factors**

- *Benefits Overhead Rates*  
The benefit overhead rate is calculated as a percentage of the specific budgeted benefit costs compared to the total budgeted Labor costs (ex: Budgeted FICA Costs / Total Budgeted Labor Costs = FICA Benefit Overhead Rate). The detailed benefit overhead rates are presented in Part C.

- *Direct Labor Costs Ratio*

This calculation is system automated and described below:

Direct labor assigned to the affiliate / Total labor

For the building service allocations, the labor costs used in the calculations are specific to the WGL departments occupying each building/facility.

- *Modified Massachusetts Formula*  
The Modified Massachusetts Formula ("MMF") is a method used to allocate costs incurred by a parent company on behalf of its affiliates to those affiliates using a simple average of three allocation factors. Washington Gas uses: 1) Adjusted net revenue, 2) Direct & assigned labor and 3) Average invested capital.

The calculation is shown below:

(Adjusted Net Revenue of the affiliate / Total Adjusted Net Revenue

Washington Gas  
 Affiliate Cost of Service Study  
 Formal Case No. 1169  
 12/31/2021  
 Part A

$$\begin{aligned}
 &+ \\
 &\text{Direct \& assigned labor of the affiliate / Total Direct \& assigned labor} \\
 &+ \\
 &\text{Average invested capital of the affiliate / Total Average invested capital) / 3}
 \end{aligned}$$

**Methodology for Overhead Calculations**

**Table 1**

<b>Allocation</b>	<b>Basic Calculation</b>	<b>Pool Description</b>
Payroll Overheads	Pool x <b>Benefit Overhead Rate</b>	Direct Time & Labor Charged to each Affiliate (All levels)
Other Supplemental Benefits Costs	Pool x <b>Benefit Overhead Rate</b>	Direct Time & Labor Charged to each Affiliate (Directors, AVP's, Executives)
Executive Supplemental Benefit Costs (SERP)	Pool x <b>Benefit Overhead Rate</b>	Direct Time & Labor Charged to Affiliates (Executives)
Building Services Costs	Pool costs x <b>Direct Labor Costs Ratio</b>	Cost of leases for facilities, facility staff, maintenance, and other facility costs.
Telephone Expenses	Pool costs x <b>Direct Labor Costs Ratio</b>	Telephone - land & wireless related costs.
Software Expenses	Pool costs x <b>Modified Massachusetts Formula</b>	Capitalized Software Amortization & Return on the asset.
WGL Common Services	Pool costs x <b>Modified Massachusetts Formula</b>	Labor and non-labor costs for corporate support services that benefit WGL Holdings and subsidiaries.
ASUS Corporate Shared Services	Costs x <b>Modified Massachusetts Formula</b>	Labor and non-labor costs for corporate support services that benefit ASUS and all affiliates.
US Utility Shared Services	Costs x <b>Modified Massachusetts Formula</b>	Labor and non-labor costs for corporate support services that benefit US Utilities (WG and SEMCO).
Altagas Ltd. Corporate Shared Services	Costs x <b>Modified Massachusetts Formula</b>	Altagas Ltd corporate allocation of shared services.

PART B  
CONFIDENTIAL

PART C  
CONFIDENTIAL

## CERTIFICATE OF SERVICE

I, the undersigned counsel, hereby certify that on this 15th day of May 2024, I caused copies of the foregoing document to be hand-delivered, mailed, postage-prepaid, or electronically delivered to the following:

Lara Walt, Esquire  
Public Service Commission  
of the District of Columbia  
1325 "G" Street, NW. 8<sup>th</sup> Floor  
Washington, DC 20005  
[lwalt@psc.dc.gov](mailto:lwalt@psc.dc.gov)

Laurence Daniels, Esquire  
Office of the People's Counsel  
for the District of Columbia  
655 15<sup>th</sup> Street, NW, Suite 200  
Washington, DC 20005  
[ldaniels@opc-dc.gov](mailto:ldaniels@opc-dc.gov)

Frann G. Francis, Esquire  
Apartment and Office Building  
Association of Metropolitan Washington  
1025 Connecticut Avenue, NW, Suite 1005  
Washington, DC 20036  
[ffrancis@aoba-metro.org](mailto:ffrancis@aoba-metro.org)

Brian Caldwell, Esquire  
Office of the Attorney General  
for the District of Columbia  
441 4<sup>th</sup> Street, NW, Suite 600-S  
Washington, DC 20001  
[brian.caldwell@dc.gov](mailto:brian.caldwell@dc.gov)

Kristi Singleton, Esquire  
The U.S. General Services Administration  
1800 F Street, NW, #2016  
Washington, DC 20405  
[kristi.singleton@gsa.gov](mailto:kristi.singleton@gsa.gov)

Timothy R. Oberleiton  
Earthjustice  
1001 G Street, NW, Suite 1000  
Washington, DC 20001  
[toberleiton@earthjustice.org](mailto:toberleiton@earthjustice.org)

Barbara K. Mitchell  
Assistant General Counsel  
Office of Legal Affairs  
District of Columbia Water and Sewer Authority  
1385 Canal Street, SE  
Washington, DC 20003  
[barbara.mitchell@dcwater.com](mailto:barbara.mitchell@dcwater.com)

A handwritten signature in blue ink, appearing to read "Cathy Thurston-Seignious". The signature is fluid and cursive, with a large loop at the end.

---

CATHY THURSTON-SEIGNIOUS