

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

ORDER

July 29, 2024

**WGPOR-2024-01, IN THE MATTER OF THE INVESTIGATION INTO THE
ESTABLISHMENT OF A PURCHASE OF RECEIVABLES PROGRAM FOR NATURAL
GAS SUPPLIERS AND THEIR CUSTOMERS IN THE DISTRICT OF COLUMBIA,
Order No. 22244**

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) approves Washington Gas Light Company’s (“WGL” or “Company”) request to revise the discount rate and reconciliation factor components of its Purchase of Receivables (“POR”) program. This revision applies to Rate Schedule No. 5, Component Nos. 1 through 9 of its General Regulations Tariff. The revised POR discount rate will become effective upon publication of the Notice of Final Tariff in the *D.C. Register*. Finally, the Commission approves WGL’s use of 2022 Residential Bad Debt Expense and Late Fees as a proxy for calculating the 2024 Residential POR discount rate.

II. BACKGROUND

2. In the context of the natural gas market in the District of Columbia, there are two main types of entities: natural gas suppliers and the utility. Natural gas suppliers are the companies that sell gas to consumers, and the utility (in this case, WGL) is the Company that delivers natural gas to consumers. When consumers buy natural gas from third-party suppliers, there is always a risk that some consumers will not pay their bills. This unpaid debt is called “bad debt.” Natural gas suppliers must usually handle this bad debt, which can be costly. A POR program seeks to solve this problem and is designed to help natural gas suppliers manage this bad debt risk. In a POR program, instead of waiting for consumers to pay, the suppliers sell the right to collect these payments (called receivables) to the utility.¹ The utility then buys these receivables at a discount.² The utility takes on the responsibility of collecting payments from consumers. For suppliers, this reduces their risk and administrative burden. Utility companies have the resources and mechanisms to handle the risk of bad debt more efficiently than individual suppliers. Ideally, this

¹ See generally, *Formal Case No. 1140, In the Matter of the Investigation into the Establishment of a Purchase of Receivables Program for Natural Gas Suppliers and Their Customers in the District of Columbia* (“*Formal Case No. 1140*”), Order No. 18798, rel. June 15, 2017 (“*Order No. 18798*”).

² For example, if the total receivables from an individual consumer are \$100, WGL might pay \$90 for them, anticipating that not all consumers will pay their bills. If WGL manages to collect more than the \$90 it paid, the Company can keep the extra amount. If WGL collects less, it bears the loss.

arrangement can lead to more competition among suppliers, which can result in better service and possibly lower prices.³

3. By Order No. 19140, the Commission approved a POR program for WGL.⁴ Subsequently, Order No. 19772 directed WGL to track and report all revenue from its POR program at the end of the first year of operation.⁵ Additionally, the Commission instructed WGL to file the POR discount rate calculations annually with any new tariff pages reflecting the updated discount rates.⁶

4. Accordingly, on April 5, 2024, WGL submitted an update to its POR tariff for Commission approval.⁷ The Commission issued a Notice of Proposed Tariff (“NOPT”) published in the *D.C. Register* on May 10, 2024, and the Commission received no comments.⁸

5. WGL’s instant filing consists of: (1) WGPOR 2024 Purchase of Receivables Discount Rate Calculation; (2) WGPOR 2024 - Year 5 Implementation Cost Calculation; (3) WGPOR 2024 – Reconciliation Factor; (4) Year 5 - 3rd Party Marketer Revenue Lag; (5) WGPOR 2024 – Commodity Billed Revenues Five Year Average; (6) WGPOR 2024 – Year 4 Implementation Cost Calculation; (7) Year 4 – 3rd Party Marketer Revenue Lag; (8) WGPOR 2024 Utility Cost of Capital – Overall and Pretax Returns Effective January 16, 2024 from *Formal Case No. 1169* Approved Order; (9) WGPOR 2024 – Class Allocation Factors; (10) WGPOR 2024 – Calculation of the 3rd Party Marketer AR LagWG; and (11) Determination of Operating Revenues Composite Days Lag.⁹

6. The WGPOR 2024 POR Discount Rate Calculation includes the following components: (1) Component No. 1 Bad Debt Expense \$231,233; (2) Sub-Component No. 1 Late Payment Revenues (\$188,038); (3) Component No. 1 - Bad Debt Expense - Net Late Payment Revenues of \$43,195 [*i.e.*, Component 1 plus Sub-Component No.1]; (4) Component No. 2 - Implementation Costs, \$108,508; (5) Component No. 3 - Incremental Collection Costs, \$38,178; (6) Component No. 4 – Cash Working Capital Costs, \$243,321; (7) Component No. 5 – Risk Factor, \$0; (8) Component No. 6 - Reconciliation Factor \$225,751; (9) Total Annual Costs, \$658,954; (10) Commodity Billed by WGL on Behalf of 3rd Party Marketers, 2014 for first-year calculation, \$30,816,628; and (11) POR Discount Rate – Residential 7.718%; Non-Residential 0.478%.

³ *Formal Case No. 1140*, Order No. 18798, ¶ 11.

⁴ *Formal Case No. 1140*, Order No. 19140, ¶ 1, rel. October 19, 2017.

⁵ *Formal Case No. 1140*, Order No. 19772, ¶ 2, rel. December 13, 2018.

⁶ *Formal Case No. 1140*, Order No. 19772, ¶ 2.

⁷ *WGPOR-2024-01, In the Matter of the Investigation into the Establishment of a Purchase of Receivables Program for Natural Gas Suppliers and Their Customers in the District of Columbia*, Washington Gas Light Company – Annual Purchase of Receivables Discount Rate and Calculations, filed April 5, 2024, (Tariff Filing).

⁸ 71 *D.C. Reg.* 006042-006044 (May 10, 2024).

⁹ Tariff Filing at 1-19.

III. DECISION

7. In a POR program, the utility purchases the retail supplier's monthly receivables at a discounted rate. The discount rate includes various components such as the utility's actual bad debt expense, cash working capital, program costs, late payment revenues, and a reconciliation factor for true-up adjustments. The discount rate is applied to the utility's monthly payments to natural gas suppliers and is periodically reconciled. The reconciliation factor, a discount rate component, was designed to be adjusted in future years to allow for the recovery of under-collected costs or credit for over-collected costs.

8. WGL proposes utilizing a reconciliation factor in 2024 to adjust the POR program costs included in the discount rates for the residential and non-residential classes. WGL proposes to reduce the POR discount rate for non-residential classes due to the over-collection of bad debt expense from the natural gas suppliers. WGL proposes to increase the POR discount rate for the residential class due to the under-collection of bad debt expense from the natural gas suppliers. The discount rate increased due to higher program costs, including increased net uncollectible expenses primarily for residential customers following the end of the COVID-related moratorium on disconnections, and the credit from over-collected costs from prior years was exhausted in calendar year 2022.

9. The Commission has reviewed the WGL's POR 2024 Discount Rate Calculations, including the supporting calculation tables and schedules for each component of the POR discount rate filed on April 5, 2024. The review also covered the supporting information, proposed discount rate, and documentation for the commodity billed by WGL on behalf of third-party marketers. Based on the calculation methodology approved by the Commission and included in WGL's tariff, the new discount rate for residential and non-residential customers will be 7.718% and 0.478%, respectively. Additionally, the Commission approves the Company's use of the 2022 Bad Debt Expense as the proxy of ongoing costs as it provides a more reasonable estimate of 2024 costs due to the resumption of disconnections coming out of the moratorium. WGL explained that it declined to use the 2023 Bad Debt Expense and Late Fees for 2024 projections because to do so would result in a Residential POR Discount Rate of more than 15 percent.¹⁰

10. Based on the Commission's review, we conclude that WGL's discount rate calculations are consistent with our directives in Order Nos. 18798, 19140, and 19772, and with our policy that natural gas suppliers pay for the complete cost of the program. Accordingly, WGL's POR tariff filing is approved.

THEREFORE, IT IS ORDERED THAT:

11. Washington Gas Light Company's request to revise the discount rate and reconciliation factor components of its Purchase of Receivables program, as detailed in Rate Schedule No. 5, Component Nos. 1 through 9 of its General Regulations Tariff is **APPROVED**; and

¹⁰ Tariff Filing at 1.

12. Washington Gas Light Company's Purchase of Receivables 2024 discount rate is effective upon publication of a Notice of Final Tariff in the *D.C. Register*.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:

A handwritten signature in black ink, reading "Brinda Westbrook-Sedgwick". The signature is written in a cursive, flowing style.

CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**