

May 19, 2025

Brinda Westbrook-Sedgwick  
Commission Secretary  
Public Service Commission  
of the District of Columbia  
1325 "G" Street, NW, 8<sup>th</sup> Floor  
Washington, D.C. 20005

**Re: Formal Case No. 1180  
[Washington Gas's Rejoinder Testimony and Supporting Exhibits] - PUBLIC**

Dear Ms. Westbrook-Sedgwick:

Transmitted for filing is Washington Gas Light Company's ("Washington Gas" or "Company") Rejoinder Testimony and Supporting Exhibits of the following Company witnesses:

- James D. Steffes, Exhibit WG (4A)
- Dylan W. D'Ascendis, Exhibit WG (3C)
- Aaron B. Gibson, Exhibit WG (4D)
- Tracey M. Smith, Exhibit WG (3F)
- Kimberly Bell, Exhibit WG (3H)
- Frederick J. Morrow, Exhibit WG (4I)
- Ghislaine Quenum, Exhibit WG (3J)
- Patrick Baryenbruch, Exhibit WG (3L)
- Andrew Lawson, Exhibit WG (4O)
- Kevin Murphy, Exhibit WG (3P)

Excel files associated with the testimony and exhibits are being provided via SharePoint.

Sincerely,



John C. Dodge  
Associate General Counsel and  
Director, Regulatory Matters

cc: Per Certificate of Service

BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

**FORMAL CASE No. 1180**

**PUBLIC**

IN THE MATTER OF THE APPLICATION OF WASHINGTON GAS LIGHT COMPANY  
FOR AUTHORITY TO INCREASE EXISTING RATES  
AND CHARGES FOR GAS SERVICE

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**VOLUME 1 OF 1**

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REJOINDER TESTIMONY  
WG (4A), WG (3C), WG (4D), WG (3F), WG (3H), WG (4I), WG (3J), WG (3L),  
WG (4O) AND WG (3P)

(WITNESSES STEFFES, DASCENDIS, GIBSON, SMITH,  
BELL, MORROW, QUENUM, BARYENBRUCH, LAWSON AND MURPHY)

SUPPORTING EXHIBITS  
WG (3C)-1, WG (4D)-1 THROUGH (4D)-2, WG (4I)-1 THROUGH (4I)-2

KAREN M. HARDWICK  
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ATTORNEYS FOR

WASHINGTON GAS LIGHT COMPANY  
1000 MAINE AVENUE, SW, SUITE 700  
WASHINGTON, DC 20024

DATED: MAY 19, 2025

(202) 624-6722

**WITNESS STEFFES  
EXHIBIT WG (4A)**

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BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE  
DISTRICT OF COLUMBIA

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IN THE MATTER OF	)	
	)	
THE APPLICATION OF WASHINGTON GAS	)	
LIGHT COMPANY FOR AUTHORITY TO	)	FORMAL CASE NO. 1180
INCREASE EXISTING RATES AND	)	
CHARGES FOR GAS SERVICE	)	
_____	)	

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF JAMES D. STEFFES**  
**Exhibit WG (4A)**

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WASHINGTON GAS LIGHT COMPANY

DISTRICT OF COLUMBIA

**REJOINDER TESTIMONY OF JAMES D. STEFFES**

**I. INTRODUCTION**

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

A. My name is James D. Steffes and I am Senior Vice President for Washington Gas Light Company ("Washington Gas" or "Company"). My business address is 1000 Maine Avenue, S.W., Washington, DC 20024.

Q. ARE YOU THE SAME JAMES D. STEFFES WHO HAS PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET ON BEHALF OF WASHINGTON GAS?

A. Yes.

**II. PURPOSE OF TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

A. My rejoinder testimony responds to certain portions of the surrebuttal testimony submitted by Sierra Club Witness Exhibit SC (2A), the surrebuttal testimony of Karl Rábago. In addition, I will address certain topics raised by the public and the public input hearings held by the Commission on April 8, 21 and 29, 2025.<sup>1</sup> The absence of rejoinder testimony on other issues raised by AOBA,

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<sup>1</sup> The first Community Hearing was held on April 10, 2025, from 5:30 p.m. to 7:30 p.m., at Benning (Dorothy I. Height) Neighborhood Library, 3935 Benning Road, NE, Meeting Room 1. The transcript references for this hearing are "CH 1 Tr." The second Community Hearing was held on April 21, 2025, from 5:00 p.m. to 7:00 p.m., at Petworth Neighborhood Library, 4200 Kansas Avenue, NW, Meeting Room 1. The transcript references for this hearing are "CH 2 Tr." And the third Community Hearing was held on April 29, 2025, from 6:00 p.m. to 8:00 p.m., in the Commission Hearing Room at 1325 G Street, NW, Suite 800. The transcript references for this hearing are "CH 3 Tr."

1 OPC or Sierra Club should not be construed as an indication that the Company  
2 agrees with those positions.

3 Q. DO YOU HAVE ANY EXHIBITS WITH YOUR REJOINDER TESTIMONY?

4 A. No.

5  
6 **III. REJOINDER TO SIERRA CLUB WITNESS RÁBAGO**

7 Q. WHAT PORTIONS OF WITNESS RÁBAGO'S TESTIMONY ARE YOU  
8 RESPONDING TO?

9 A. I am responding to Witness Rábago's arguments regarding the  
10 applicability of the District's climate policies to this proceeding. Specifically,  
11 Witness Rábago's surrebuttal testimony only serves to confirm that his  
12 approach to this case is to propose groundless and vague disallowances based  
13 on his unsubstantiated beliefs about the future of energy in the District. These  
14 unsubstantiated beliefs should be compared to the facts presented in this case;  
15 the facts show that Washington Gas incurred reasonable costs in the historic  
16 test year which were necessary to provide safe and reliable service to our  
17 customers.

18 Q. IS THERE A FUNDAMENTAL FLAW IN WITNESS RÁBAGO'S RESPONSE TO  
19 YOUR REBUTTAL TESTIMONY?

20 A. Yes. The vast majority of Witness Rábago's surrebuttal testimony points  
21 back to his direct testimony rather than providing any evidence in response to  
22 points raised in my rebuttal testimony. In this regard, Witness Rábago offers  
23 nothing more than an argument that re-iterates his interpretation of climate-  
24 related policies within the District. His testimony fails, entirely, to point to a  
25 single fact in the record in this proceeding indicating: (1) that Washington Gas's

1 costs were not prudently incurred in the historic test year to serve its existing  
2 customers; or (2) that during the rate effective period the circumstances of  
3 Washington Gas's service will change substantially such that modifications to  
4 its proposed cost of service might be appropriate. In responding to my  
5 testimony, Witness Rábago's surrebuttal testimony provides not one single  
6 concrete fact for the Commission to consider.<sup>2</sup>

7 Q. WITNESS RÁBAGO ASSERTS THAT YOU HAVE DEVELOPED A "NEW  
8 TEST" FOR USED AND USEFUL PLANT. IS THAT CORRECT?

9 A. No, his assertion is not correct. The test for used and useful plant has  
10 consistently considered whether plant is in service and used to serve the public  
11 during the test year as the threshold for the used and useful analysis. Where  
12 plant is in service and used to serve the public during the test year, it may be  
13 included in a utility's rates. It is Witness Rábago who seeks to layer in a further  
14 question—i.e., whether plant may have an unspecified chance at an undefined  
15 point in the future where it will no longer be used to serve the public—to argue  
16 that the Commission should disallow the full cost of plant in service and used by  
17 the public now, because it may stop being useful before the end of its "useful"  
18 life.<sup>3</sup> While Witness Rábago asserts that we are in "an era of transition away  
19 from dependence on fossil fuels,"<sup>4</sup> he fails to show any evidence that this is true  
20 with regard to the Washington Gas system such that the costs incurred during  
21 the historic test year were imprudently incurred in light of the Company's  
22

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23 <sup>2</sup> For example, on page 2 of his surrebuttal testimony, Witness Rábago incorrectly asserts that in my  
24 rebuttal testimony I denied that there was evidence of "electrification policy" in the District, where my  
25 testimony clearly focuses not on policy but on evidence showing the actual pace of any alleged  
electrification.

<sup>3</sup> I note that the useful life concept raised by Witness Rábago is distinguishable from the depreciable life  
used for ratemaking purposes, although Witness Rábago's testimony conflates these concepts in his  
discussion of stranded assets. See Rábago surrebuttal, p. 3 lines 9 to 13.

<sup>4</sup> See Rábago surrebuttal, p. 3, line 6.

1 obligation to reliably and safely serve its customers. Nor does Witness Rábago  
2 offer any evidence his described “transition era” meaningfully changes the  
3 immediate operating circumstances of the Company in a way that would be  
4 appropriate to reflect in rates in this case. Further, even if one assumed, despite  
5 the lack of record evidence in support of his position, that Witness Rábago was  
6 correct in his arguments about the future, the end-of-life plant questions would  
7 be appropriately addressed through adjustments to depreciation, negative net  
8 salvage, or other accounting methodologies that focus on plant retirement timing  
9 and associated cost recovery. Importantly, they should not be addressed by a  
10 front-end disallowance of plant in service to the public. For these and other  
11 reasons, Witness Rábago’s arguments fly in the face of this Commission’s  
12 approach to ratemaking.

13 Q. WITNESS RÁBAGO CITES DC CODE § 34-1101(A) TO SUPPORT HIS  
14 CONCLUSION THAT THE COMPANY’S RATES ARE UNJUST,  
15 UNREASONABLE, AND DISCRIMINATORY. WHAT IS THE COMPANY’S  
16 RESPONSE?

17 A. Witness Rábago’s reliance on DC Code § 34-1101(a) is in error. While I  
18 am not a lawyer, the plain language of this provision does not provide any  
19 support for Witness Rábago’s conclusory opinion. Witness Rábago does not  
20 explain how the costs incurred by the Company in the historic test year, which  
21 the Company has shown in this case were necessary to ensure safe and  
22 adequate service to its existing customers during the period in question, was  
23 somehow unjust or unreasonable. In this regard, it is notable that the majority  
24 of the Company’s plant in service in this proceeding remains unopposed. Nor  
25 does Witness Rábago make any effort to show that Washington Gas acted in a



manner that discriminated against any customer class. He presents no evidence that the Company has established rates which do not reasonably differentiate between its customer classes.

**IV. REJOINDER TO TESTIMONY PROVIDED AT COMMUNITY HEARINGS**

**Q.** HAVE YOU HAD AN OPPORTUNITY TO REVIEW THE TESTIMONY PROVIDED BY MEMBERS OF THE PUBLIC AT THE THREE COMMUNITY HEARINGS HELD IN THIS MATTER?

**A.** Yes.

**Q.** PLEASE SUMMARIZE THE TESTIMONY AT THE PUBLIC INPUT HEARINGS.

**A.** The three public input hearings included testimony from approximately 75 witnesses, including a number of witnesses who testified at more than one public input hearing. The witnesses included customers and individuals that are not customers (including both non-customer individuals and representatives of special interest groups). The testimony both supported and opposed the Company's positions. Further, while it is good to see strong customer participation at the public input hearings, it is important to recognize that only a small number of customers participated compared to the more than 163,000 customers served by Washington Gas in the District that depend on the Company to provide them with safe, reliable and affordable gas service every day of the year.

Across these witnesses, there were common themes relevant to this proceeding, as well as topics that are not part of this proceeding. The common themes raised by those testifying at the public input hearings were: concerns regarding the affordability of service; climate issues; the future of gas use in the District; and the weather normalization adjustment ("WNA"). Witness Lawson

1 responds to the testimony on the WNA, however, I will provide the Company's  
2 response to the other topics raised.

3 Q. WHAT IS THE COMPANY'S RESPONSE TO THE PUBLIC INPUT  
4 TESTIMONY REGARDING AFFORDABILITY?

5 A. Many witnesses testified regarding their concern that a rate increase  
6 would impact the ability of customers to afford utility service, and that this would  
7 be particularly impactful for low-income customers. The Company recognizes  
8 that the cost of utility service is important for our customers. Washington Gas  
9 works to operate efficiently and to control costs. In fact, the Company has made  
10 adjustments to the Company's operations and those costs are reflected in this  
11 case. In addition, Washington Gas has customer support programs available  
12 for District customers, with a number of programs that focus on helping low-  
13 income customers. However, this rate increase is justified based on the  
14 Company's cost to serve its customers. Timely and adequate cost recovery  
15 based on the cost of operating in the District is critical for Washington Gas, so  
16 that the Company can continue (1) providing safe and reliable natural gas  
17 service that customers and the community find valuable, (2) funding good  
18 paying jobs that fuel the local economy and support our operations, and (3)  
19 securing capital at a reasonable cost such that the Company can continue to  
20 operate safely and maintain and modernize its system.

21 Q. WHAT IS THE COMPANY'S RESPONSE TO THE PUBLIC INPUT  
22 TESTIMONY REGARDING CLIMATE ISSUES?

23 A. Washington Gas is engaged within the District, and at the Commission,  
24 regarding how the Company can contribute to the District's climate goals and  
25 has previously offered ideas and proposals to support decarbonization. In fact,  
concurrent with the filing of Formal Case No. 1180, Washington Gas filed four

1 climate focused proposals in Formal Case No. 1167. However, the climate  
2 concerns raised at the public input hearings do not provide any basis for  
3 modifying the cost recovery sought in this historic test year rate case  
4 proceeding, which are based on operations in the historic test year. Further,  
5 the climate concerns raised do not acknowledge the duty that Washington Gas  
6 has to provide its current customers with safe and reliable service, nor do they  
7 recognize that we must serve those individuals and businesses that wish to  
8 become natural gas customers. These obligations provide the foundation for  
9 the costs incurred in the historic test year and for which Washington Gas seeks  
10 cost recovery.

11 Q. WHAT IS THE COMPANY'S RESPONSE TO THOSE MEMBERS OF THE  
12 PUBLIC THAT TESTIFIED THAT A RATE INCREASE SHOULD BE DENIED  
13 BASED ON THEIR BELIEF THAT GAS WILL NOT BE NEEDED IN THE  
14 FUTURE?

15 A. Much like the concerns regarding climate issues, the testimony on the  
16 future of gas use in the District generally did not acknowledge that the Company  
17 has an existing duty to serve its customers, and that the costs reflected in this  
18 proceeding were costs incurred to meet that obligation. The testimony  
19 regarding ways in which the use of Washington Gas's services will change at  
20 some unknown point in the future, or alternatives to gas use that may be  
21 deployed, are not relevant to the disposition of this case. Despite this testimony,  
22 there is no evidence in the record that during the test year or the rate effective  
23 period any changes are anticipated that should alter the evaluation of the cost  
24 and operational data provided by Washington Gas in this proceeding.

25

1 Q. DID THE PUBLIC INPUT HEARINGS INCLUDE TESTIMONY THAT IS  
2 OUTSIDE THE SCOPE OF THE ISSUES BEING ADDRESSED IN FORMAL  
3 CASE NO. 1180?

4 A. Yes. In addition to the above-described testimony, there was extensive  
5 testimony regarding Formal Case No. 1179. The testimony on Formal Case  
6 No. 1179 is not relevant to the Commission's determination in this proceeding.<sup>5</sup>

7 Q. WERE ANY OTHER TOPICS DISCUSSED AT THE PUBLIC INPUT  
8 HEARINGS?

9 A. A number of witnesses raised proposals and issues that could be  
10 addressed in Formal Case No. 1167 rather than this historic test year rate case.  
11 Witnesses also raised concerns regarding service line insurance, competitive  
12 gas supplier issues, and PJM wholesale power market matters.

13 Q. DOES THE COMPANY HAVE ANY CONCLUDING REMARKS REGARDING  
14 THE TESTIMONY OFFERED BY THE PUBLIC?

15 A. Yes. Washington Gas appreciates the Commission's engagement and  
16 the public participation in the public input hearing process. This process  
17 provides customers with an opportunity to share their views with the  
18 Commission and indirectly to the Company. We appreciate receiving the  
19 feedback and insights from customers. In closing, the rates and rate design  
20 proposed by the Company are just and reasonable, considering the extensive  
21 record in this proceeding, including the public comments, and should be  
22 approved by the Commission.

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24 <sup>5</sup> Formal Case No. 1179, *In the Matter of The Investigation into Washington Gas Light Company's*  
25 *Strategically Targeted Pipe Replacement Plan*, Order No. 22367, February 19, 2025, Attachment A. Washington Gas notes that it has the opportunity to file additional testimony in Formal Case No. 1179 on May 27, 2025. To the extent necessary, the Company will use this proper venue to address comments related to that proceeding.

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**V. CONCLUSION**

Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes, it does.

## ATTESTATION

I, JAMES D. STEFFES, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

  
\_\_\_\_\_  
JAMES D. STEFFES

5-13-28  
\_\_\_\_\_  
DATE

**WITNESS D'ASCENDIS  
EXHIBIT WG (3C)**

BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE  
DISTRICT OF COLUMBIA

IN THE MATTER OF THE  
APPLICATION OF WASHINGTON GAS  
LIGHT COMPANY FOR AUTHORITY TO  
INCREASE EXISTING RATES AND CHARGE  
FOR GAS SERVICE

FORMAL CASE NO. 1180

REJOINDER TESTIMONY OF DYLAN W. D'ASCENDIS  
EXHIBIT WG (3C)

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Exhibits

<u>Title</u>	<u>Exhibit</u>
Forecast Bias of Damodaran Projected Market Returns .....	Exhibit WG (3C)-1



WASHINGTON GAS LIGHT COMPANY

District of Columbia

REJOINDER TESTIMONY OF DYLAN W. D'ASCENDIS

**I. INTRODUCTION**

Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.

A. My name is Dylan W. D'Ascendis. I am employed by ScottMadden, Inc. as Partner. My business address is 1820 Chapel Avenue W, Suite 300, Cherry Hill, NJ 08003.

Q. DID YOU SUBMIT DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I did.

**II. PURPOSE, SUMMARY, AND OVERVIEW**

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY IN THIS PROCEEDING?

A. The purpose of my Rejoinder Testimony is to respond to certain portions of the surrebuttal testimonies of Mr. Aaron L. Rothschild, witness for the Office of the People's Counsel ("OPC") and Mr. Timothy B. Oliver, witness for the Apartment and Office Building Association ("AOBA") (jointly, the "Opposing Witnesses") concerning Washington Gas Light Company's ("Washington Gas" or the "Company") return on common equity ("ROE") on its District of Columbia rate base. The absence of rejoinder testimony on

1 other issues raised by AOBA, OPC or Sierra Club should not be construed  
2 as an indication that the Company agrees with those positions.

3 Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR REJOINDER  
4 TESTIMONY?

5 A. Yes. I am sponsoring Exhibit WG (3C)-1, which was prepared by me  
6 or under my direct supervision:

- 7 • Exhibit WG (3C)-1, presents the Forecast Bias of Damodaran  
8 Projected Market Returns

9 **III. RESPONSE TO MR. ROTHSCHILD**

10 Q. PLEASE PROVIDE A SUMMARY OF MR. ROTHSCHILD'S  
11 SURREBUTTAL TESTIMONY AND RECOMMENDATION.

12 A. Mr. Rothschild maintains his position that my cost of common equity  
13 analysis, including the results updated as of January 15, 2025, is based on  
14 the application of flawed cost of common equity models, and that the results  
15 are excessive.<sup>1</sup>

16 As it relates to the critiques put forth in my Rebuttal Testimony, Mr.  
17 Rothschild appears to respond to those critiques but generally has not  
18 changed my position.  
19  
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22  
23  
24 <sup>1</sup> Rothschild Surrebuttal Testimony, at 7.

1 Q. PLEASE SUMMARIZE THE REMAINDER OF YOUR RESPONSE TO MR.  
2 ROTHSCCHILD INCLUDED IN YOUR REJOINDER TESTIMONY.

3 A. My response to Mr. Rothschild will address the following: (1) his  
4 assessment of my cost of common equity analysis; (2) his position that his  
5 recommended ROE of 8.22% is adequate; (3) his response to my critiques  
6 of his cost of common equity analysis; and (4) his assessment of current  
7 capital market conditions.

8 **A. CRITIQUE OF UPDATED COST OF COMMON EQUITY**  
9 **ANALYSIS**

10 Q. DOES MR. ROTHSCCHILD OFFER ANY NEW EVIDENCE IN  
11 SURREBUTTAL AS IT RELATES TO YOUR COST OF COMMON EQUITY  
12 ANALYSIS?

13 A. No, he does not. However, he provides a new argument regarding  
14 his recommendation to reduce the ROE if the Commission approves the  
15 Company's requested weather normalization adjustment ("WNA"). In  
16 support of this position, Mr. Rothschild states that:

17  
18 "Even if the regulated operations of the companies in his proxy  
19 group do have similar risk reducing mechanisms, these  
20 companies have significant unregulated operations that are  
21 riskier by nature than WGL and their unregulated operations  
22 do not have any risk reducing mechanisms."<sup>2</sup>

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23  
24 <sup>2</sup> Rothschild Surrebuttal Testimony, at 9.

Q. HAVE YOU ASSESSED THE DEGREE TO WHICH THE COMPANIES IN YOUR PROXY GROUP ARE COMPRISED OF UNREGULATED OPERATIONS?

A. Yes. As a preliminary matter though, I note that, in neither of his Testimonies did Mr. Rothschild make any adjustment to his proxy group-based results to account for the unregulated operations of his proxy group. I further note Mr. Rothschild uses the same proxy group I use. That said, Table 1 below presents the percentage of unregulated operations attributable to net operating income ("NOI") and assets at the proxy group.

**Table 1: Percentage of Unregulated Operations for the Combined Proxy Group<sup>3</sup>**

Company	% Unregulated NOI	% Unregulated Assets
Atmos Energy Corporation	0.00%	0.00%
New Jersey Resources Corporation	53.02%	31.39%
NiSource Inc.	0.48%	16.04%
Northwest Natural Holding Company	0.00%	0.00%
ONE Gas, Inc.	0.00%	0.00%
Southwest Gas Holdings, Inc.	14.61%	20.71%
Spire Inc.	<u>17.96%</u>	<u>30.23%</u>
Average	<u>12.30%</u>	<u>14.05%</u>

As observed in Table 1, the proxy group contains three companies with no unregulated operations, and on average, is comprised of approximately 12% to 14% unregulated operations.

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<sup>3</sup> Sources: Company SEC Filed 10-Ks for the fiscal year ended 2024.

1 Q. MR. ROTHSCHILD MAINTAINS THAT IT IS CONSISTENT WITH  
2 COMMISSION PRECEDENT TO REDUCE THE COMPANY'S ROE IF THE  
3 WNA IS APPROVED.<sup>4</sup> DO YOU AGREE?

4 A. No, I do not. Mr. Rothschild seems to ignore Commission precedent  
5 regarding ROE and decoupling as put forth in my Rebuttal Testimony at page  
6 74. The relevant portion of Order No. 20755 is reproduced below for the  
7 Commission's convenience:

8  
9 "We further note that most of the companies in the  
10 D'Ascendis peer group of companies in this case have full  
11 (with one having partial) decoupling. Consistent with the  
12 Commission's findings in *Formal Case No. 1129*, the  
13 Commission continues to believe that the effects of  
14 decoupling mechanisms are reflected in the market data  
15 since most of the companies in the peer group have  
16 decoupling mechanisms."

17 The Commission precedent in this matter does not suggest a  
18 downward adjustment to the ROE for the implementation of a WNA, as Mr.  
19 Rothschild contends, but rather supports my findings on page 48 and Exhibit  
20 WG (C)-10 of my Direct Testimony. Mr. Rothchild's suggestion that a  
21 downward ROE adjustment is warranted if the WNA is accepted is  
22 unsupported and is in conflict with existing Commission precedent and  
23 therefore should be rejected.

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24 <sup>4</sup> Rothschild Surrebuttal Testimony, at 8.

**B. ADEQUACY OF RECOMMENDATION**

Q. PLEASE SUMMARIZE MR. ROTHSCHILD'S SURREBUTTAL POSITION AS IT RELATES TO THE ADEQUACY OF HIS RECOMMENDATION.

A. Mr. Rothschild believes that his recommendation satisfies the "Corresponding Risk" standard set forth in the *Hope* and *Bluefield* U.S. Supreme Court decisions despite that his recommendation, if approved, would be the lowest authorized ROE for a gas distribution utility company since at least 1980.<sup>5</sup> He supports this conclusion by referring to the expected returns of investment banks and brokerage houses and a South Carolina Public Service Commission ("SC PSC") Final Order for Blue Granite Water Company ("Blue Granite").<sup>6</sup>

Q. MR. ROTHSCHILD ASSERTS THAT YOU DO NOT BELIEVE THAT HIS RECOMMENDED ROE FOR WASHINGTON GAS SATISFIES THE "CORRESPONDING RISK" STANDARD BECAUSE IT IS LOWER THAN THE AVERAGE ROE APPROVED IN OTHER JURISDICTIONS.<sup>7</sup> IS THIS A MISLEADING STATEMENT?

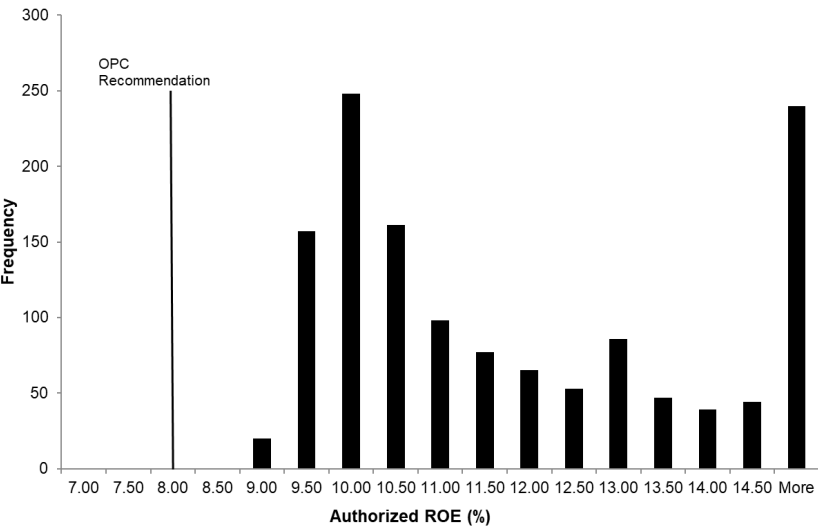
A. Yes, it is. While Mr. Rothschild's recommended ROE of 8.22% is below any recent average ROE authorized for a gas distribution utility, it is below **ALL** authorized ROEs for **ANY** gas distribution utilities since at least 1980. The histograms of authorized ROEs relative to Mr. Rothschild's

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<sup>5</sup> Rothschild Surrebuttal Testimony at 12.  
<sup>6</sup> Rothschild Surrebuttal Testimony at 13-17.  
<sup>7</sup> Rothschild Surrebuttal Testimony, at 15.

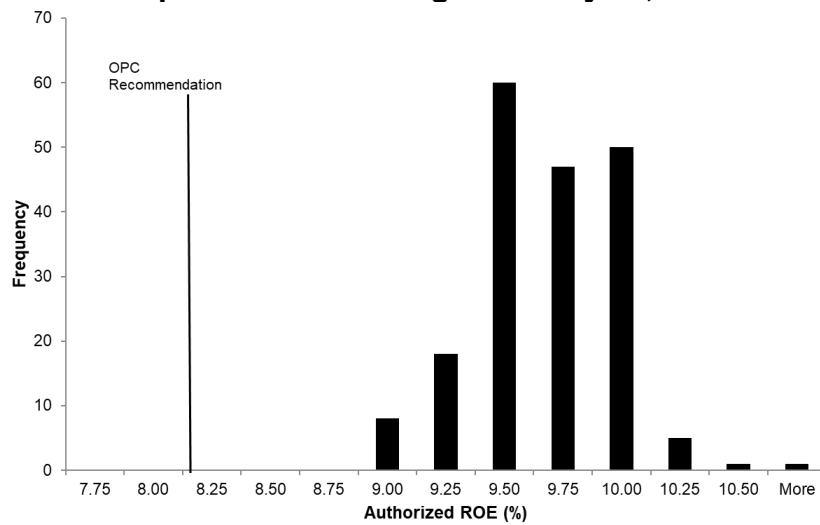
1 recommendation were provided as Charts 1 and 2 in my Rebuttal Testimony  
2 and are reproduced here for convenience. Again, as shown below, Mr.  
3 Rothschild's recommendation is not simply below an industry average, it is  
4 non-competitive as it relates to other companies with comparable risks, and  
5 is therefore, in violation of the "Comparable Risk" standard set forth in the  
6 *Hope* and *Bluefield* U.S. Supreme Court decisions.

7 **Chart 1: Histogram of Authorized ROEs for Natural Gas**  
8 **Companies 1980 through January 15, 2025<sup>8</sup>**



8  
24 Source of Information: Regulatory Research Associates.

**Chart 2: Histogram of Authorized ROEs for Natural Gas Companies 2020 through January 15, 2025<sup>9</sup>**



Q. ARE YOU USING PREVIOUSLY AUTHORIZED ROES IN A CIRCULAR MANNER TO DETERMINE THE ROE FOR WASHINGTON GAS IN THIS PROCEEDING?<sup>10</sup>

A. No. I do not suggest the Commission rely on authorized ROEs in setting its return in this case. Charts 1 and 2 of my Rebuttal Testimony simply illustrate the extent to which Mr. Rothschild's recommendation significantly departs from the "Corresponding Risk" standard. As Mr. Rothschild states, "[r]egulatory precedent should inform – not dictate – the ROE analysis."<sup>11</sup> The histograms are offered as a sanity check showing that Mr. Rothschild's recommendations are not just well outside the results indicated by the proxy

<sup>9</sup> Source of Information: Regulatory Research Associates.

<sup>10</sup> Rothschild Surrebuttal Testimony, at 19.

<sup>11</sup> Rothschild Surrebuttal Testimony, at 19.



1 group selected in this proceeding, but are outside the results for the entire  
2 industry over decades of cases.

3 Q. DOES MR. ROTHSCCHILD DISPUTE THE DIFFERENCE BETWEEN  
4 EXPECTED RETURNS FROM INVESTMENT HOUSES AND REQUIRED  
5 RETURNS FROM INVESTORS?

6 A. No.

7 Q. PLEASE RESPOND TO MR. ROTHSCCHILD'S CLAIM THAT YOUR  
8 POSITION IMPLIES THE ROE SHOULD BE SET BELOW THE EXPECTED  
9 RETURNS PUBLISHED BY INVESTMENT BANKS AND BROKERAGE  
10 HOUSES.<sup>12</sup>

11 A. First, Mr. Rothschild's position assumes that I would agree with his  
12 expected return measures, which I do not. Pages 20 and 21 of my Rebuttal  
13 Testimony called into question the validity of the expected returns relied on  
14 by Mr. Rothschild, which he has not disputed. Second, Mr. Rothschild  
15 presents one part of my response out of context. Mr. Rothschild claims that  
16 I equate expected returns with required returns, which is incorrect. My  
17 Rebuttal Testimony states:

18  
19 "Because *expected* returns may or may not equal *required*  
20 returns, one cannot assume pension funding assumptions or  
21 expected returns from investment houses (that is, expected  
22

---

23  
24 <sup>12</sup> Rothschild Surrebuttal Testimony, at 14.

returns) may be viewed as a measure of investors' required returns."<sup>13</sup>

As illustrated by the quote above, I do not agree with Mr. Rothschild premise that expected returns can be viewed as measures of the required return.

Q. MR. ROTHSCHILD REFERS TO DAMODARAN'S EXPECTED RETURN ON THE OVERALL MARKET OF 8.85% IN AN ATTEMPT TO SUPPORT HIS ROE RECOMMENDATION.<sup>14</sup> DOES DAMODARAN'S EXPECTED RETURN ON THE MARKET REFLECT MARKET EXPERIENCE?

A. No, it does not. I have calculated the forecast bias<sup>15</sup> of Damodaran's expected market return alongside the long-term average return from 2008 through 2023, similar to the analysis presented in my Rebuttal Testimony at 24 and 25 and Exhibit WG (2C)-3. Similar to the other measures considered as support for Mr. Rothschild's recommended ROE, Damodaran's expected market return significantly and consistently understates market experience and should not be relied upon. The result of this analysis is shown in Exhibit WG (3C)-1 and Table 2, below:

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<sup>13</sup> Exhibit WG (2C), at 19-20.

<sup>14</sup> Rothschild Surrebuttal Testimony, at 21.

<sup>15</sup> Forecast bias can be described as a tendency to either over-forecast or under-forecast a given variable.

**Table 2: Comparison of Forecast Bias for Long-Term Average Returns and Damodaran's Expected Market Returns: 2009-2023**

Year	Observed Market Return	Long-Term Average Return	Damodaran Forecasted Market Return
2009	26.46%	11.67%	8.64%
2010	15.06%	11.85%	8.20%
2011	2.11%	11.88%	8.49%
2012	16.00%	11.77%	7.89%
2013	32.39%	11.82%	7.54%
2014	13.69%	12.05%	8.00%
2015	1.38%	12.07%	7.95%
2016	11.96%	11.95%	8.39%
2017	21.83%	11.95%	8.14%
2018	-4.38%	12.06%	7.49%
2019	31.49%	11.88%	8.64%
2020	18.40%	12.09%	7.12%
2021	28.71%	12.16%	5.65%
2022	-18.11%	12.33%	5.75%
2023	26.61%	12.02%	9.82%
2024	25.62%	12.16%	8.48%
Sum	249.22%	191.71%	126.19%
Forecast Bias <sup>16</sup>		<b>76.93%</b>	<b>50.63%</b>

Q. DOES MR. ROTHSCILD REFUTE OR REBUT THE UNDERSTATEMENT OF HIS BENCHMARK EXPECTED RETURNS PRESENTED IN YOUR REBUTTAL TESTIMONY?

A. No, he does not.

---

<sup>16</sup> Calculated by dividing the sum of the forecast returns by the sum of the actual returns.

1 Q. MR. ROTHSCHILD RELIES ON A SC PSC ORDER THAT REJECTED  
2 YOUR ANALYSIS IN SUPPORT OF HIS APPROACH.<sup>17</sup> HAS THE SC PSC  
3 ACCEPTED YOUR RECOMMENDED ROE IN A PRIOR CASE?

4 A. Yes, it has. In Docket No. 2017-292-WS, Order No. 2018-345, the  
5 SC PSC accepted my entire position regarding ROE. The relevant portion  
6 is included below:

7  
8 “The Commission finds Mr. D’Ascendis’ arguments  
9 persuasive. He provided more indicia of market returns, by  
10 using more analytical methods and proxy group calculations.  
11 Mr. D’Ascendis’ use of analysts’ estimates for his DCF  
12 analysis is supported by consensus, as is his use of the  
13 arithmetic mean. The Commission also finds that Mr.  
14 D’Ascendis’ nonprice regulated proxy group more accurately  
15 reflects the total risk faced price regulated utilities and CWS.  
16 Furthermore, there is no dispute that CWS is significantly  
17 smaller than its proxy group counterparts, and, therefore, it  
18 may present a higher risk. An appropriate ROE for CWS is  
19 10.45% to 10.95%. The Company used an ROE of 10.5% in  
20 computing its Application, a return on the low end of Mr.  
21 D’Ascendis’ range, and the Commission finds that ROE is  
22 supported by the evidence.”<sup>18</sup>

23 The acceptance of my position regarding ROE in Blue Granite’s 2018  
24 rate case and the rejection of it in its 2020 rate case is based, in part, on  
25 Blue Granite’s poor record with customers, as discussed at pages 18 and 19  
of my Rebuttal Testimony. After the SC PSC accepted my position regarding

---

17 Rothschild Surrebuttal Testimony, at 16-17.

18 South Carolina Public Service Commission, Docket No. 2017-292-WS, Order No. 2018-345, at 14.

ROE, the SC PSC specifically discusses Blue Granite's improving customer service in Docket No. 2017-292-WS, Order No. 2018-345 below:

"This Commission would observe that, in prior years, the Company's customer service was perceived by some as being below standard. However, the Company's testimony in this case shows that it is committed to improvement in a proactive fashion. Relatively few customers appeared to complain about quality of service, as compared to the last several rate cases. We hold that the Company should routinely be responsive on quality of service issues, and that CWS [now Blue Granite] should set the standard for quality and customer service."<sup>19</sup>

Simply, Mr. Rothschild's reference to the SC PSC's decision as a strict comparison between mine and his approaches at the time is misleading at best. The Commission should weigh the evidence in this record in making its determination for the appropriate ROE for Washington Gas in this proceeding.

**C. MR. ROTHSCCHILD'S COST OF COMMON EQUITY ANALYSIS**

Q. PLEASE SUMMARIZE MR. ROTHSCCHILD'S RESPONSE TO YOUR CRITIQUES OF HIS COST OF COMMON EQUITY ANALYSES.

A. Mr. Rothschild response to my critiques of his cost of common equity analysis includes the following: (1) the traceability of his workpapers; (2) that options are appropriate for determining the ROE; (3) that six-month betas

---

<sup>19</sup> South Carolina Public Service Commission, Docket No. 2017-292-WS, Order No. 2018-345, at 31.

are appropriate for use in the Capital Asset Pricing Model ("CAPM"); (4) that the sustainable growth rate is applicable in the Discounted Cash Flow ("DCF") model; and (5) that his non-constant DCF model is appropriate for determining the ROE.

Q. DOES MR. ROTHSCHILD'S RESPONSE<sup>20</sup> TO YOUR CRITIQUE THAT HIS WORKPAPERS ARE A "CONFUSING WEB OF WORKSHEETS" ALLEVIATE YOUR CONCERNS?

A. No. Simply looking at his response illustrates the extent to which my concern is valid. For example, several of the bullets Mr. Rothschild presents state that "several tabs are copied and feed into the main model"<sup>21</sup> but he does not indicate which tabs or what data exactly those reference. Even more confusing is the following bullet he presented:

"Fundamentals \ Historical Betas folder contains detailed calculations of all historical betas for companies in the RFC Gas Proxy Group. In each subfolder, there is a primary file containing a summary of all historical betas for the dates contained in the file name and a "Support Files" folder containing detailed calculations for each ticker and date, as easily identifiable from each file name. 5YWD BETAS.xlsx, 2YWD BETAS.xlsx, and 6MWD BETAS.xlsx files in each "Support Files" folder contain summaries for each beta type for each relevant date period."<sup>22</sup>

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<sup>20</sup> Rothschild Surrebuttal Testimony, at 30-32.

<sup>21</sup> Rothschild Surrebuttal Testimony, at 31.

<sup>22</sup> Rothschild Surrebuttal Testimony, at 31-32.

1           As is clear, one must navigate through sub-folders and multiple files  
2           within those folders to untangle his workpaper web.

3   Q.   HOW DOES MR. ROTHSCHILD RESPOND TO YOUR POSITION THAT  
4       OPTIONS ARE NOT REPRESENTATIVE OF A LONG-TERM  
5       INVESTMENT HORIZON OR THE PRICE INVESTORS ARE WILLING TO  
6       PAY?

7   A.       Mr. Rothschild responds by noting the institutional investors use  
8       options for a variety of reasons, including risk management, yield  
9       enhancement, volatility trading and speculating on directional movements.<sup>23</sup>  
10      Mr. Rothschild does not mention long-term investing or present any evidence  
11      that options are used for that purpose in his response.

12           As it relates to the relationship between option prices and stock  
13       prices, given the reasons noted by Mr. Rothschild presented above, he has  
14       not shown that the price of options is related to the price long-term investors  
15       are willing to pay for a share of stock.

16   Q.   DO YOU AGREE WITH MR. ROTHSCHILD'S POSITION THAT THE  
17       RELATIVELY FEW DATA POINTS HE RELIES ON ARE HIGHLY  
18       VALUABLE?<sup>24</sup>

19   A.       No. Among the companies in the proxy group, the call volume for  
20       NiSource Inc's. relied on by Mr. Rothschild represented a total of 6,300  
21

---

22  
23   <sup>23</sup>       Rothschild Surrebuttal Testimony, at 24.

24   <sup>24</sup>       Rothschild Surrebuttal Testimony, at 38.

1 shares, or 0.33% of NiSource's actual stock trading volume on the same  
 2 day.<sup>25</sup> Given that over 99% of the investors that purchased NiSource's stock  
 3 on that particular day did not also engage in the purchase or sale of options  
 4 for the company clearly indicates the extent to which it is not relied on by  
 5 long-term investors and provides little value in this proceeding.

6 Such low volume intuitively poses additional challenges. For  
 7 example, OGS had zero volume, meaning that a buyer and seller could not  
 8 agree on the price of a contract, whereas 469,100 shares traded at an  
 9 agreed upon price. For Mr. Rothschild to claim that the "price" of the option  
 10 data he relies on is valuable is, on its face, without merit.<sup>26</sup>

11 Q. DOES MR. ROTHSCHILD ADDRESS YOUR CONCERN THAT SIX-  
 12 MONTH BETAS ARE SUBJECT TO SIGNIFICANT NOISE AND  
 13 FLUCTUATIONS?

14 A. No. In addition to not responding to the fact that he does not show  
 15 why investors would rely specifically on his calculated betas, he has not  
 16 addressed my concern that six-month betas are subject to significant noise.  
 17 As I showed on Chart 7 of my Rebuttal Testimony, six-month betas eclipse  
 18 1.00 and fall below 0.00 on several occasions. On one occasion, six-month  
 19 betas eclipsed 2.50, meaning that an investor using six-month betas would  
 20  
 21

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22  
 23 <sup>25</sup> See Tables 3 and 4 in Exhibit WG (2C); each option contract equals 100 shares of the  
 underlying stock.

24 <sup>26</sup> Rothschild Surrebuttal Testimony, at 38.



1 expect utility stock prices to move at a rate of over two and a half times the  
2 market. That is clearly an unreasonable assumption.

3 Q. DO YOU AGREE WITH MR. ROTHSCHILD'S OPINION THAT ACADEMIC  
4 RESEARCHERS SHOULD NOT HAVE AN OPINION ON HOW THEIR  
5 RESEARCH SHOULD BE APPLIED?<sup>27</sup>

6 A. No, I do not. Mr. Rothschild blatantly ignores and provides no rebuttal  
7 to the guidance from Chang, Christoffersen, Jacobs, and Vainberg regarding  
8 the circumstances when option-implied betas are useful as discussed at 31  
9 through 33 of my Rebuttal Testimony.

10 Q. LIKEWISE, MR. ROTHSCHILD STATES THAT THE AUTHORS GIVE  
11 "VARIOUS IDEAS OF HOW OPTION-IMPLIED BETAS COULD BE USED  
12 IN VARIOUS APPLICATIONS, INCLUDING UTILITIES..."<sup>28</sup> DO THE  
13 AUTHORS DISCUSS APPLICATIONS OF OPTION-IMPLIED BETAS FOR  
14 UTILITIES?

15 A. No. The only mention of utilities in the article is describing the lack of  
16 volume of options for utilities as compared to other sectors studied (utilities  
17 had the lowest volume of all industries studied).<sup>29</sup>

---

22 <sup>27</sup> Rothschild Surrebuttal Testimony, at 28-29.

23 <sup>28</sup> Rothschild Surrebuttal Testimony, at 28-29.

24 <sup>29</sup> Bo-Young Chang, Peter Christoffersen, Kris Jacobs, and Gregory Vainberg, "Option-Implied Measures of Equity Risk", Review of Finance, March 1, 2011, at 392-393.

1 Q. HAS MR. ROTHSCCHILD SHOWN THAT THE SUSTAINABLE GROWTH  
2 RATE IS APPROPRIATE TO USE IN THE DCF MODEL?

3 A. No. First, Mr. Rothschild has not refuted the evidence I put forward in  
4 my Rebuttal Testimony discussing the superiority of Earnings Per Share  
5 (EPS) growth rates, nor disputed that EPS growth rates are investor  
6 influencing. To that end, he continues to claim J.P. Morgan relies on the  
7 sustainable growth rate despite the evidence I presented on pages 44 and  
8 45 of my Rebuttal Testimony shows that not to be the case. Second, he has  
9 not presented any analysis in response to the analysis I present in Exhibit  
10 WG (2C)-6 which demonstrates that the sustainable growth rate is a poor  
11 proxy of long-term growth. Given Mr. Rothschild offers nothing new in  
12 support of the use of sustainable growth rates, I maintain my position that  
13 EPS growth rates are the appropriate growth rate to apply in the DCF model.

14 Q. DOES MR. ROTHSCCHILD AGREE THAT HIS NON-CONSTANT DCF  
15 MODEL IS OVERLY SIMPLISTIC?<sup>30</sup>

16 A. Yes. While Mr. Rothschild agrees his non-constant DCF model is  
17 relatively simple he makes no effort to account for the fact that differing  
18 "investor expectations are powerful determinants of equity valuations."<sup>31</sup>  
19 Given Mr. Rothschild did not disagree with my calculations as presented in  
20  
21

---

22  
23 <sup>30</sup> Rothschild Surrebuttal Testimony, at 35.

24 <sup>31</sup> Rothschild Surrebuttal Testimony, at 36.

1 Table 7, he would have observed that the average ROE based on the data  
2 in that table is 9.88%.

3 ***D. CAPITAL MARKET CONDITIONS***

4 Q. PLEASE SUMMARIZE MR. ROTHSCHILD'S POSITIONS REGARDING  
5 THE CURRENT CAPITAL MARKET CONDITIONS.

6 A. Mr. Rothschild focuses on the recent performance of his proxy group  
7 relative to the overall market, observing that since approximately mid-  
8 February 2025, his proxy group has outperformed the overall market. Based  
9 on this observation, Mr. Rothschild concludes that the long-term cost of  
10 common equity for his proxy group has decreased.<sup>32</sup>

11 Q. DO YOU AGREE WITH MR. ROTHSCHILD'S CONCLUSION BASED ON  
12 THE DATA IN THE CAPITAL MARKETS?

13 A. No, I do not. Generally, market fluctuations or relative movements of  
14 a group of companies and the market over a relatively short period are not  
15 determinative of long-term cost of capital or long-term relationships. Mr.  
16 Rothschild does not address my longer-term historical relationship and  
17 performance of utility stocks and the market as discussed on pages 40 and  
18 41 of my Rebuttal Testimony.

19  
20  
21  
22  
23  
24 <sup>32</sup> Rothschild Surrebuttal Testimony, at 42-43.

IV. RESPONSE TO MR. T. OLIVER

Q. PLEASE PROVIDE A SUMMARY OF MR. T. OLIVER'S SURREBUTTAL TESTIMONY.

A. Mr. T. Oliver continues to disagree with my recommended ROE, maintaining that his recommended ROE of 9.50%, or 9.25% if the WNA is accepted, is more appropriate.<sup>33</sup>

Q. HAS MR. T. OLIVER'S SURREBUTTAL TESTIMONY CONVINCED YOU TO CHANGE ANY OF YOUR POSITIONS?

A. No, it does not.

Q. DO YOU HAVE A GENERAL OBSERVATION REGARDING MR. T. OLIVER'S SURREBUTTAL TESTIMONY?

A. Yes, I do. Mr. T. Oliver infers that the Commission has an established preference for gradualism in its ROE decisions<sup>34</sup> but provides no evidence supporting his statement. The role of ROE witnesses is to testify regarding the return required by equity investors, i.e., the ROE at a given point in time, and therefore, the application of "gradualism" is inappropriate. Gradualism is a concept properly employed by experts in the final design of rates.

---

<sup>33</sup> T. Oliver Surrebuttal Testimony, at 6-7.

<sup>34</sup> T. Oliver Surrebuttal Testimony, at 4.

1 Q. PLEASE SUMMARIZE THE REMAINDER OF YOUR RESPONSE TO MR.  
2 T. OLIVER.

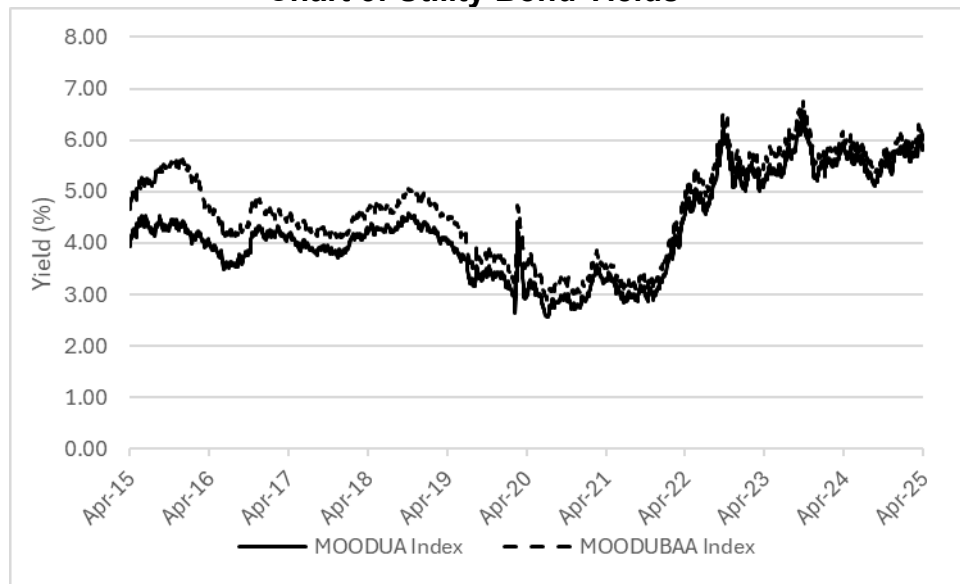
3 A. My response to Mr. T. Oliver will address the following: (1) his  
4 statement that my analysis fails to account for the “general decline in utility  
5 bond yields”; and (2) his suggestion that my recommended ROE is primarily  
6 justified by current levels of “market volatility, inflationary pressures, and  
7 comparative risk analysis”.<sup>35</sup>

8 Q. DOES YOUR ANALYSIS ACCOUNT FOR UTILITY BOND YIELD LEVELS?

9 A. Yes, it does. As shown in Exhibit WG (C)-4, pages 1-10, and Exhibit  
10 WG (2C)-1, pages 11-20, my Risk Premium Model (“RPM”) relies on  
11 prospective and current A2 utility bond yields as a direct input. Further, while  
12 Mr. T. Oliver suggests that utility bond yields, and therefore the cost of  
13 capital, have declined, that is simply not the case. As shown in Chart 3,  
14 below, utility bond yields are approximately equal to the highest levels  
15 observed in the past decade.

---

22  
23  
24 <sup>35</sup> T. Oliver Surrebuttal Testimony, at 3.

**Chart 3: Utility Bond Yields<sup>36</sup>**

Q. IS YOUR RECOMMENDED ROE NECESSARY ONLY BECAUSE OF MARKET VOLATILITY, INFLATIONARY PRESSURES, AND YOUR COMPARATIVE RISK ANALYSIS?

A. No, it is not. My recommended ROE is based primarily on the results of my DCF, RPM, and CAPM models. My discussion as it relates to those capital market factors was primarily in response to Mr. Rothschild's discussion of current capital market conditions.

Mr. T. Oliver also mischaracterizes my Rebuttal Testimony, suggesting that I attempt to use recent changes in federal tariff policy to suggest an upward adjustment to Washington Gas's ROE.<sup>37</sup> The only

<sup>36</sup> Source: Bloomberg Professional Services

<sup>37</sup> T. Oliver Surrebuttal Testimony, at 6.

reference I make to tariff policy is in rebutting Mr. Rothchild's suggestion that utilities are not exposed to political or international market risks.<sup>38</sup>

**V. CONCLUSIONS AND RECOMMENDATIONS**

Q. WHAT ARE YOUR OVERALL CONCLUSIONS AND RECOMMENDATIONS?

A. Based on the analyses discussed throughout my Rebuttal Testimony, I continue to believe that the reasonable range of ROE estimates is from 10.50% to 11.21% and within that range, 10.50% continues to be a reasonable, although conservative, estimate of the Company's cost of equity.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

---

<sup>38</sup> D'Ascendis Rebuttal Testimony, at 78.

Washington Gas Light Company  
Comparison of Market Return Measures

	[1]	[2]	[3]
Year	Actual Market Return (1)	LT average Market Return (2)	Damodaran Return (3)
2009	26.46%	11.67%	8.64%
2010	15.06%	11.85%	8.20%
2011	2.11%	11.88%	8.49%
2012	16.00%	11.77%	7.89%
2013	32.39%	11.82%	7.54%
2014	13.69%	12.05%	8.00%
2015	1.38%	12.07%	7.95%
2016	11.96%	11.95%	8.39%
2017	21.83%	11.95%	8.14%
2018	-4.38%	12.06%	7.49%
2019	31.49%	11.88%	8.64%
2020	18.40%	12.09%	7.12%
2021	28.71%	12.16%	5.65%
2022	-18.11%	12.33%	5.75%
2023	26.61%	12.02%	9.82%
2024	25.62%	12.16%	8.48%
Sum	249.22%	191.71%	126.19%
Forecast Bias (4)		<b>76.93%</b>	<b>50.63%</b>

Notes:

- (1) Source: Kroll, 2023 SBBI, Appendix A-1, A-7; Cost of Capital Navigator
- (2) Rolling historic long-term average of data in Column 1 since 1926
- (3) Source: Damodaran: Implied Equity Risk Premiums - United States plus corresponding risk-free rate.
- (4) Sum of forecasts divided by sum of actual observations



## ATTESTATION

I, DYLAN W. D'ASCENDIS, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.



---

DYLAN W. D'ASCENDIS



---

DATE



BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE  
DISTRICT OF COLUMBIA

IN THE MATTER OF )  
 )  
 )  
THE APPLICATION OF WASHINGTON GAS ) FORMAL CASE NO. 1180  
LIGHT COMPANY FOR AUTHORITY TO )  
INCREASE EXISTING RATES AND )  
CHARGES FOR GAS SERVICE )

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF AARON B. GIBSON**  
**Exhibit WG (4D)**

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<u>Title</u>	<u>Exhibits</u>	<u>Exhibit</u>
The Company’s Response to Commission Data Request No. 3-4 Formal Case No. 1169.....		Exhibit WG (4D)-1
Correction of BCO Adjustment No. 1 .....		Exhibit WG (4D)-2

WASHINGTON GAS LIGHT COMPANY

District of Columbia

**REJOINDER TESTIMONY OF AARON B. GIBSON**

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

A. My name is Aaron B. Gibson. I am the Senior Director of Finance for Washington Gas Light Company ("Washington Gas" or the "Company"). My business address is 6801 Industrial Road, Springfield, VA 22151.

**I. SUMMARY OF YOUR REJOINDER TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of this rejoinder testimony is to address the surrebuttal testimonies of the Office of the People's Counsel for the District of Columbia ("OPC") Witnesses Bion Ostrander and David Dismukes. My rejoinder testimony corrects mistakes OPC Witness Ostrander made in his surrebuttal testimony and addresses his new position regarding the removal of tax sharing payments from rate base that are required by the tax normalization rules. I also address the logical inconsistency in OPC Witness Dismukes's claim of no financial harm to the Company caused by deviations in weather and explain why a competitive bid process is unnecessary to establish that weather insurance is not an economic alternative.

The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions.

**II. SUMMARY OF EXHIBITS**

Q. DO YOU SPONSOR ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. Yes, I sponsor the following 2 rejoinder exhibit(s):

Exhibit WG (4D)-1 – The Company’s Response to Commission Data Request No. 3-4 in Formal Case No. 1169;

Exhibit WG (4D)-2 – Correction of BCO Adjustment No. 1.

**III. REJOINDER REGARDING THE COMPANY’S WEATHER NORMALIZATION ADJUSTMENT PROPOSAL**

Q. OPC WITNESS DISMUKES ARGUES THAT THE COMPANY HAS NOT PROVIDED EVIDENCE OF FINANCIAL HARM. IS THIS CORRECT?

A. No. While OPC Witness Dismukes generally denies my testimony, he does not specially (a) provide facts that rebut my demonstration of financial harm or (b) provide accounting facts to rebut my showing that weather variability causes financial harm. He also contradicts himself on this point. On page 10 of his Surrebuttal testimony, lines 8 to 10, he states that, had the Weather Normalization Adjustment (“WNA”) been in operation in the past, it would have resulted in additional revenues of \$31.97 million collected by Washington Gas. That \$31.97 million shortfall in revenues was derived by calculating the difference between the experienced weather and the normal weather incorporated into base rates, and is clear evidence of actual financial harm due to the weather. The deviation in weather deprived Washington Gas of its opportunity to earn a fair return due to an external factor outside the Company’s control.

Q. AT PAGE 9, LINES 8-18 OF HIS SURREBUTTAL TESTIMONY OPC WITNESS DISMUKES CRITICIZES THE INSURANCE QUOTE YOU PROVIDED IN REBUTTAL AND STATES THE COMPANY NEEDED TO CONDUCT A

1 COMPETITIVE BID PROCESS TO DEMONSTRATE INSURANCE IS NOT AN  
2 ECONOMIC OPTION. IS THAT TRUE?

3 A. No. Washington Gas's broker, Aon, solicited indicative pricing from  
4 several weather insurance markets and concluded weather insurance would be  
5 more costly for customers than the proposed Weather Normalization Adjustment  
6 mechanism. Aon is the world's second largest insurance brokerage firm, with  
7 over 50,000 employees operating in more than 120 countries.<sup>1</sup> Aon is highly  
8 experienced and qualified to evaluate the weather insurance market.<sup>2</sup> Given  
9 Aon's expertise, the Company relied on Aon's conclusion to determine the  
10 feasibility of weather insurance products. A competitive bid process is not  
11 necessary or helpful.

12  
13 **IV. REJOINDER REGARDING PROJECT*pipes* ROLL-IN**

14 Q. FOR CLARITY, DID THE COMPANY CHANGE ITS REVENUE INCREASE  
15 REQUEST IN REBUTTAL OR PROPOSE UPDATED ADJUSTMENTS?

16 A. No. The PROJECT*pipes* information as of December 31, 2024 was  
17 informational. I suggested that the Commission adopt these amounts in its final  
18 order. However, if adoption would cause the Commission-ordered revenue  
19 increase to exceed \$45.6 million, then it is my understanding that the  
20 Commission would limit the roll-in such that revenue increase did not exceed the  
21 \$45.6 million requested.

22 Q. DID OPC WITNESS OSTRANDER CHALLENGE YOUR RATIONALE FOR  
23 ADOPTING THE DECEMBER 31, 2024, BALANCES?

24  
25 <sup>1</sup> "Form 10-K for the Fiscal Year Ended December 31, 2022." Aon plc, 2023,  
[https://filecache.investorroom.com/mr5ir\\_aon/526/Aon%20plc%202022%2010-K.pdf](https://filecache.investorroom.com/mr5ir_aon/526/Aon%20plc%202022%2010-K.pdf)

<sup>2</sup> *Id.*

1 A. No, he did not. It remains OPC's position that a surcharge for  
2 PROJECT*pipes* or the District Strategic Accelerated Facility Enhancement  
3 ("SAFE") program should not continue. Thus, to minimize the amounts that  
4 would potentially remain in the surcharge, the Commission should adopt the  
5 most recent, final balances for PROJECT*pipes* for inclusion in rate base in this  
6 case.

7 Q. ON PAGES 14, 15 AND 30 OF HIS SURREBUTTAL OPC WITNESS  
8 OSTRANDER CALCULATES INCREASED PERCENTAGES AND CLAIMS  
9 THE INCREASES SHOULD SUPPORT A REJECTION OF THE COMPANY'S  
10 RECOMMENDATION. HOW DO YOU RESPOND?

11 A. This Commission is well-informed as to why the balances for Gross Plant  
12 in Service increased and will continue to increase. This is the result of the work  
13 the Company performs under approved PROJECT*pipes* programs and approved  
14 project lists. As time passes, the Company completes more of this work and the  
15 completed work is recorded in Gross Plant in Service. Gross Plant in Service is  
16 an accumulation of completed plant additions at original cost (less retirements),  
17 and projects completed to plant in service represent an accumulation of costs for  
18 those projects over many accounting periods. Cost of Removal increases in  
19 tandem, as it is an allocation of capital expense. Depreciation, Reserve for  
20 Depreciation and Accumulated Deferred Income Taxes ("ADIT") also increase in  
21 tandem as they are calculations derived from Gross Plant in Service and Cost of  
22 Removal. This information is also regularly reviewed by the Commission in  
23 Formal Case Nos. 1115, 1154, and 1179.

24 Q. DID THE COMMISSION RELY ON A SIMILAR SCHEDULE IN ADOPTING THE  
25 DECEMBER 31, 2021 PROJECT*PIPES* BALANCES (AS UPDATED FOR

COMPLETED CONSTRUCTION ON NOVEMBER 30, 2022) THE COMMISSION ROLLED INTO RATE BASE IN FORMAL CASE NO. 1169?

A. Yes. I have attached as WGL Exhibit (4D-1) Commission Data Request No. 3-4 from Formal Case No. 1169 cited in the Commission's Order No. 21939 at 42. This did not include a detailed project list. And, for the aforementioned reasons, the Commission likely did not need a more detailed project list as they review these details in a separate docket.

**V. REJOINDER REGARDING OTHER PLANT ADJUSTMENTS**

Q. HAS OPC WITNESS OSTRANDER CORRECTED THE MISTAKES IN HIS ADJUSTMENT BCO-1 THAT YOU POINTED OUT IN REBUTTAL?

A. No. He attempts to correct them at pages 33 to 34 of his Surrebuttal Testimony and Exhibit OPC (2B)-4, Schedule 1, Page 2 of 4. However, his calculations continue to reflect mathematical errors. He does not properly calculate a book-tax temporary difference. He reports his calculation of the depreciation reserve as the temporary difference and multiplies that by the tax rate to arrive at his estimate of ADIT. The depreciation reserve is neither the book basis nor the tax basis. A correct calculation of the temporary difference is made by determining the difference between the book basis to the tax basis to determine the temporary difference. In the case of the projects he is disallowing, the tax basis is zero as they were deducted as repairs and not capitalized for tax purposes. The book basis is his GPIS disallowance net of the associated reserve for depreciation. I have provided a proper and correct calculation of ADIT in Exhibit WG (4D)-2 as well correcting his GPIS, depreciation expense, and reserve for depreciation. All corrections were based on information provided to



1 OPC in discovery, specifically OPC Data Request No. 21-4 attached to OPC  
2 Witness Ostrander's testimony as Exhibit (2B)-8 as well as the Company's  
3 Exhibit WG (G)-2 for current depreciation rates.

4 I still recommend the Commission reject this adjustment in total. However,  
5 to correct the record, I have correctly calculated his BCO-1 Adjustment in Exhibit  
6 WG (4D)-2. The corrections would yield a net reduction to rate base of  
7 \$8,238,256 versus OPC Witness Ostrander's incorrect calculation of  
8 \$19,747,608, and a correct reduction to test year depreciation expense of  
9 \$405,487.

10 Q. AT PAGE 35, LINE 6 THROUGH PAGE 36, LINE 15, OPC WITNESS  
11 OSTRANDER DISPUTES YOUR CHARACTERIZATION OF HIS ORIGINAL  
12 ADJUSTMENT AS A TAX NORMALIZATION VIOLATION. WHY WAS THIS A  
13 TAX NORMALIZATION VIOLATION?

14 A. Witness Ostrander's original adjustment omitted any changes to the  
15 reserve for depreciation and ADIT. Internal Revenue Code Section  
16 168(i)(9)(B)(i) provides that one way the normalization requirements will not be  
17 satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or  
18 adjustment which is inconsistent with such requirements. Under Section  
19 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of  
20 an estimate or projection of the taxpayer's tax expense, depreciation expense,  
21 or reserve for deferred taxes, unless such estimate or projection is also used, for  
22 ratemaking purposes, with respect to all three of these items and with respect to  
23 the rate base ("Consistency Rule"). The Consistency Rule requires the  
24 synchronization of adjustments to the reserve for deferred taxes (also referred to  
25 as ADIT), book depreciation expense, and tax expense. It specifically prohibits

1 what OPC Witness Ostrander did in his Direct testimony, which was to adjust  
2 only GPIS. And the normalization violation would have occurred as one of the  
3 projects included used tax depreciation (that is, the Modified Accelerated Cost  
4 Recovery System ("MACRS")). That one project for tools was withdrawn by OPC  
5 Witness Fitzhenry in Surrebuttal.

6  
7 **VI. REJOINDER REGARDING NET OPERATING LOSS CARRYFORWARD**

8 Q. AT PAGE 77, LINE 4 THROUGH PAGE 78, LINE 3 OF HIS SURREBUTTAL  
9 TESTIMONY OPC WITNESS OSTRANDER CLAIMS THE SETTLEMENT IN  
10 FORMAL CASE NO. 1151 ONLY CONCERNED THE TAX CUTS AND JOBS  
11 ACT ("TCJA") EXCESS DEFERRED INCOME TAX ("EDIT") AMOUNTS. IS  
12 THAT CORRECT?

13 A. No. The settlement adopted full normalization of taxes for ratemaking  
14 purposes going forward. This was accomplished through the cessation of flow-  
15 through income tax treatment and the amortization of the regulatory asset related  
16 to flow-through income taxes over a 15-year period.<sup>3</sup> As the settlement covers  
17 the change to full normalization, it covers the entire ADIT balance included in  
18 rate base. Thus, Revenue Procedure 2017-47 should be relied upon for that  
19 settlement to correct a normalization violation. Equally, what OPC Witness  
20 Ostrander proposes is flow-through income tax treatment as determined in the  
21 Private Letter Rulings ("PLR") described by Company Witness Bell. Therefore,  
22 the Commission should also disregard OPC Witness Ostrander's position as it

23  
24 <sup>3</sup> Formal Case No. 1151, *In the Matter of the Impact of the Tax Cuts and Jobs Act of 2017 on the*  
25 *Existing Distribution Service Rates and Charges for Potomac Electric Power Company and Washington*  
*Gas Light Company* ("Formal Case No. 1151"), Joint Motion for Approval of Unanimous Agreement of  
Stipulation and Full Settlement ("Joint Motion"); Unanimous Agreement of Stipulation and Full  
Settlement ("Settlement Agreement"), filed April 30, 2018. Settlement Agreement at 4.

1 violates the settlement in Formal Case No. 1151 by adopting flow-through  
2 income tax treatment in rates once more.

3 Q. IF THE COMMISSION IS INCLINED TO REQUIRE THE COMPANY TO SEEK  
4 A PLR ON THE EXCLUSION OF TAX SHARING PAYMENTS FROM RATE  
5 BASE, WHAT RATEMAKING AND REGULATORY ACCOUNTING  
6 TREATMENT SHOULD THE COMMISSION ADOPT IN THIS CASE?

7 A. If the Commission requires the Company to obtain a PLR, the  
8 Commission should adopt Company Adjustment No. 32 as proposed in my Direct  
9 Testimony to avoid a normalization violation as described by Company Witness  
10 Bell. For regulatory accounting purposes, the Commission should order  
11 Washington Gas to establish a regulatory liability for tracking purposes until the  
12 IRS rules on a requested PLR. The regulatory liability would track the return  
13 collected in rates on the adjustment amount included in rate base less the costs  
14 of obtaining a PLR. The regulatory liability would not reduce rate base in the  
15 current case and would include an accrual for interest costs (representing the  
16 time value of money over this period). If the PLR establishes the same  
17 treatments as the other PLRs Company Witness Bell describes, then the  
18 regulatory liability would be eliminated. If the PLR establishes that tax sharing  
19 payments may be included as a reduction to rate base, then the regulatory  
20 liability would be refunded to customers through a rate reduction over a time  
21 period that reasonably represented the interval at which base rates normally  
22 change by Commission order.

23 Q. DOES THAT COMPLETE YOUR REJOINDER TESTIMONY?

24 A. Yes.

25

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

WASHINGTON GAS LIGHT COMPANY

FORMAL CASE NO. 1169

WASHINGTON GAS'S RESPONSE  
AND/OR NOTICE OF OBJECTION/UNAVAILABILITY TO  
THE PUBLIC SERVICE COMMISSION

COMMISSION DATA REQUEST NO. 3

QUESTION NO. 3-4

**Q.** Please reference Witness Tuoriniemi's Rebuttal Testimony filed on January 6, 2023. Exhibit WG (3D)-6-PROJECTpipes December 31, 2021 (Page 1 of 1617) shows PROJECTpipes surcharge costs incurred as of December 31, 2021, that WGL has requested for inclusion in base rates including CWIP completed and placed in service as of November 2022.

(a) Please update the table below with End of Period balances of how much of PROJECTpipes surcharge costs incurred as of December 31, 2021, and requested for inclusion in base rates as of December 31, 2022, and as of June 30, 2023, in the same format as provided in Exhibit WG (3D)-6.

PROJECTpipes Costs Incurred at December 31, 2021 & Requested for Inclusion in Base Rates				
Account	Direct Testimony	Rebuttal as of November, 2022 (b)	End of Period Balance as of December 31, 2022	End of Period Balance as of June 30, 2023
Gas Plant In Service	\$ 46,523,368	\$ 48,181,568	\$ XXXXX	\$ XXXXX
Construction Work in Progress	8,181,436	6,684,407	XXXXX	XXXXX
Cost of Removal	5,096,033	5,605,982	XXXXX	XXXXX
<b>Total</b>	<b>59,800,837</b>	<b>60,471,957</b>	XXXXX	XXXXX
Less: Construction Work in Progress	8,181,436	6,684,407	XXXXX	XXXXX
<b>PROJECTpipes In Service</b>	<b>\$ 51,619,401</b>	<b>\$ 53,787,550</b>	<b>\$ XXXXXX</b>	<b>\$ XXXXXX</b>
<b>Less:</b>				
Accumulated Depreciation	XXX	XXX	XXXXX	XXXXX
Accumulated Deferred Income Taxes (ADIT)	XXXX	XXXX	XXXXX	XXXXX
<b>PROJECTpipes In Service Net Rate Base</b>	<b>\$ XXXXXX</b>	<b>\$ XXXXXX</b>	<b>\$ XXXXXX</b>	<b>\$ XXXXXX</b>

(b) Please provide the breakdown of the net rate base amount of PROJECTpipes surcharge that relates to PROJECTpipes 1 including carry- over projects & PROJECTpipes 2 including new projects.

**WASHINGTON GAS'S RESPONSE**

09/22/2023

- A. a. Please refer to Attachment No. 1 for End of Period balances for PROJECT *pipes* balances, as of December 31, 2022, and June 30, 2023.
- b. The individual components of Rate Base are not available in the categories requested.

SPONSOR: Robert E. Tuoriniemi  
Chief Regulatory Accountant

**Washington Gas Light Company**  
**PROJECT*pipes* Costs Requested for Inclusion in Base Rates**

<b>Account</b>	<b>Direct (a)</b>	<b>Rebuttal as of November, 2022 (b)</b>	<b>EOP Balance as of December 31, 2022</b>	<b>EOP Balance as of June 31, 2023</b>
Gas Plant In Service	\$ 46,523,368	\$ 48,181,568	\$ 105,994,462	\$ 130,475,614
Construction Work in Progress	8,181,436	6,684,407	6,847,856	11,871,660
Cost of Removal	5,096,033	5,605,982	11,356,041	14,713,807
<b>Total</b>	59,800,837	60,471,957	124,198,359	157,061,080
Less: Construction Work in Progress	8,181,436	6,684,407	6,847,856	11,871,660
<b>PROJECT<i>pipes</i> In Service</b>	<b>\$ 51,619,401</b>	<b>\$ 53,787,550</b>	<b>\$ 117,350,503</b>	<b>\$ 145,189,421</b>
<b>Less:</b>				
Accumulated Depreciation	1,040,784	1,043,464.41	2,684,191	3,984,560
Accumulated Deferred Income Tax (ADIT)	13,318,862	13,318,862.20	30,363,803	37,678,845
Project Pipes In Service Net Rate Base	<b>\$ 37,259,754</b>	<b>\$ 39,425,224</b>	<b>\$ 84,302,508</b>	<b>\$ 103,526,015</b>

**Notes:**

(a) Detail originally provided in Exhibit WG (D)-5 Adjustment 21

(b) Updated for Completed Construction Work in Progress through November 2022

Washington Gas Light Company  
District of Columbia Jurisdiction

**Adjustment No. 21 - PROJECT*pipes* Average to End of Period**

Twelve Months Ended December 31, 2022

Line No.	Description	Reference	Dec-22 Average Amount	Dec-22 EOP Amount	Ratemaking Adjustment
	A	B	C	D	E = D - C
1	<b>Expense (12 Months)</b>				
2	Depreciation	EX:6:22	\$ 1,656,720	\$ 2,277,239	\$ 620,519
3	<b>Net GPIS (13 Month Average)</b>				
4	Gas Plant in Service	RB:3:16	\$ 74,887,725	\$ 105,994,462	\$ 31,106,737
5	Construction Work in Progress	RB:5:23	\$ 12,780,442	\$ 6,847,856	\$ (5,932,586)
6	Depreciation Reserve	RB:10:35	\$ 1,761,255	\$ 2,684,191	\$ 922,937
7	Cost of Removal	RB:10:35	\$ (8,024,852)	\$ (11,356,041)	\$ (3,331,189)
8	Accumulated Deferred Income Tax	RB:11:16	\$ 21,134,118	\$ 30,363,803	\$ 9,229,685
9	Net Rate Base Change	+ Ln. 4 + Ln. 5 - Ln. 6 - Ln. 7 - Ln.8			<u>\$ 18,352,718</u>
10	<b><u>Adjustment Description:</u></b> To adjust December PROJECT <i>pipes</i> expense and rate base to end of period amounts.				

Washington Gas Light Company  
District of Columbia Jurisdiction

**Adjustment No. 21 - PROJECTpipes Average to End of Period**

Twelve Months Ended June 31, 2023

Line No.	Description	Reference	Jun-23 Average Amount	Jun-23 EOP Amount	Rate-making Adjustment E = D - C
	A	B	C	D	
1	<b>Expense (12 Months)</b>				
2	Depreciation	EX:6:22	\$ 2,274,429	\$ 2,277,239	\$ 2,810
3	<b>Net GPIS (13 Month Average)</b>				
4	Gas Plant in Service	RB:3:16	\$ 103,532,600	\$ 130,475,614	\$ 26,943,014
5	Construction Work in Progress	RB:5:23	\$ 8,584,347	\$ 11,871,660	\$ 3,287,313
6	Depreciation Reserve	RB:10:35	\$ 2,748,850	\$ 3,984,560	\$ 1,235,710
7	Cost of Removal	RB:10:35	\$ (11,091,716)	\$ (14,713,807)	\$ (3,622,091)
8	Accumulated Deferred Income Tax	RB:11:16	\$ 29,596,323	\$ 37,678,845	\$ 8,082,522
9	Net Rate Base Change	+ Ln. 4 + Ln. 5 - Ln. 6 - Ln. 7 - Ln.8			<u>\$ 24,534,186</u>
10	<b><u>Adjustment Description:</u></b> To adjust December PROJECTpipes expense and rate base to end of period amounts.				



WASHINGTON GAS LIGHT COMPANY  
RATE BASE AND RATE OF RETURN CALCULATION  
JANUARY 2021 THROUGH DECEMBER 2022

Month	CAPEX	COR	CAPEX & COR	Cumulative CAPEX ± COR	Net Plant Additions	Cumulative Plant Additions	Depreciation Expense	Accumulated Depr	Deferred Income Taxes	Accumulated Deferred Income Taxes
	a	b	c = a + b	d = c (cumulative)	e	f	g	h = g cumulative	i = b + e - h *	j = i (cumulative)
<b>Beginning Balance</b>	82,936,586	11,298,225	94,141,750	94,141,750	74,499,242	74,499,242	3,028,718	57,993,836		(22,775,890)
<b>Oct-19</b>	3,462,818	484,518	3,947,336	98,089,086	2,084,781	76,584,023	133,461	3,162,179	670,282	(23,446,172)
<b>Nov-19</b>	2,579,604	317,863	2,897,468	100,986,553	1,622,896	78,206,919	137,141	3,299,320	(496,311)	(23,942,483)
<b>Dec-19</b>	1,882,691	260,406	2,143,097	103,129,650	1,609,331	79,816,250	140,020	3,439,340	(475,975)	(24,418,458)
<b>Post Test Year Closings</b>					2,449,770	82,266,021				
<b>FC1162 Roll-In</b>				(99,505,088)	(82,266,021)	(82,266,021)		(3,439,340)		24,418,458
<b>Post Rate Case</b>				3,624,562	-	-	-	-	-	-
<b>Jan-20</b>	1,576,373	105,030	1,681,403	5,305,965	1,102,375	1,102,375	1,974	1,974	(292,934)	(292,934)
<b>Feb-20</b>	1,584,792	129,916	1,714,708	7,020,673	1,568,441	2,670,816	4,782	6,755	(427,497)	(720,431)
<b>Mar-20</b>	1,513,193	122,066	1,635,259	8,655,932	1,999,885	4,670,701	8,362	15,118	(543,342)	(1,263,773)
<b>Apr-20</b>	1,851,293	21,915	1,873,209	10,529,140	4,523,641	9,194,342	16,461	31,579	(1,209,283)	(2,473,057)
<b>May-20</b>	1,404,418	94,560	1,498,979	12,028,119	1,986,808	11,181,150	20,018	51,598	(529,433)	(3,002,490)
<b>Jun-20</b>	1,539,487	102,098	1,641,585	13,669,704	1,401,385	12,582,534	22,527	74,125	(369,598)	(3,372,088)
<b>Jul-20</b>	1,194,265	45,792	1,240,057	14,909,760	997,362	13,579,896	24,313	98,438	(242,289)	(3,614,378)
<b>Aug-20</b>	3,940,642	235,542	4,176,184	19,085,944	3,429,172	17,009,068	30,453	128,891	(963,021)	(4,577,399)
<b>Sep-20</b>	3,945,909	246,749	4,161,670	23,247,615	3,342,947	20,352,014	36,438	165,329	(1,107,508)	(5,684,907)
<b>Oct-20</b>	2,453,270	163,060	2,616,331	25,863,945	1,126,163	21,478,177	38,454	203,783	(306,274)	(5,991,181)
<b>Nov-20</b>	2,328,760	134,401	1,330,037	27,193,983	452,502	21,930,679	39,264	243,047	(112,479)	(6,103,660)
<b>Dec-20</b>	3,573,498	219,318	0	27,193,983	1,222,909	23,153,588	41,454	284,500	(347,083)	(6,450,743)
<b>Jan-21</b>	2,185,016	129,219	2,314,235	29,508,218	1,505,197	24,658,786	44,148	328,649	(399,130)	(6,849,872)
<b>Feb-21</b>	2,719,742	205,887	2,925,629	32,433,846	960,672	25,619,457	45,868	374,517	(269,916)	(7,119,788)
<b>Mar-21</b>	3,240,572	271,001	3,511,573	35,945,419	1,140,361	26,759,818	47,910	422,427	(336,725)	(7,456,513)
<b>Rate Case Roll-In</b>					-	-	-	-	-	-
<b>Apr-21</b>	3,447,272	277,966	3,725,238	39,670,657	1,947,139	28,706,957	51,396	473,824	(559,678)	(8,016,190)
<b>May-21</b>	3,207,443	306,193	3,513,636	43,184,293	1,293,459	30,000,416	53,712	527,536	(425,640)	(8,441,830)
<b>Jun-21</b>	2,571,235	259,242	2,830,477	46,014,770	1,448,997	31,449,412	56,306	583,842	(454,862)	(8,896,692)
<b>Jul-21</b>	2,753,691	216,703	2,248,080	48,262,851	1,958,629	33,408,042	59,813	643,655	(581,927)	(9,478,619)
<b>Aug-21</b>	1,733,204	133,108	1,107,700	49,370,551	5,693,892	39,101,934	70,007	713,662	(1,584,564)	(11,063,183)
<b>Sep-21</b>	2,295,700	235,664	825,015	50,196,566	956,369	40,058,303	71,719	785,381	(308,674)	(11,371,857)
<b>Oct-21</b>	4,256,006	577,391	3,947,880	54,144,447	2,768,906	42,827,209	76,677	862,058	(900,229)	(12,272,086)
<b>Nov-21</b>	3,103,927	445,585	2,199,726	56,344,173	1,370,098	44,197,307	79,130	941,188	(482,857)	(12,754,942)
<b>Dec-21</b>	5,326,313	927,575	4,138,936	60,483,108	3,995,412	48,192,719	86,283	1,027,471	(563,920)	(13,318,862)
<b>Jan-22</b>	3,084,527	333,254	3,417,781	63,900,890	2,563,469	50,756,188	90,873	1,118,344	(772,726)	(14,091,588)
<b>Feb-22</b>	4,563,193	469,292	5,032,485	68,933,374	1,456,847	52,213,035	93,481	1,211,825	(504,938)	(14,596,526)
<b>Mar-22</b>	2,849,685	312,239	3,161,924	72,095,298	7,409,677	59,622,712	106,747	1,318,572	(2,096,289)	(16,692,815)

Apr-22	2,633,667	295,865	2,929,532	75,024,830	11,437,179	71,059,891	127,224	1,445,796	(3,194,725)	(19,887,540)
May-22	2,108,384	215,965	2,324,349	77,349,179	1,022,716	72,082,607	129,055	1,574,851	(306,449)	(20,193,989)
Jun-22	2,689,781	474,906	3,164,687	80,513,866	3,477,015	75,559,622	135,280	1,710,131	(1,051,417)	(21,245,406)
Jul-22	3,251,087	393,940	3,645,027	84,158,893	1,136,033	76,695,655	137,314	1,847,445	(384,348)	(21,629,755)
Aug-22	4,103,766	526,977	4,630,743	88,789,636	7,156,735	83,852,390	150,127	1,997,572	(2,074,280)	(23,704,035)
Sep-22	4,967,739	642,960	5,610,700	94,400,335	1,681,363	85,533,753	153,138	2,150,710	(598,688)	(24,302,723)
Oct-22	4,346,345	618,027	4,964,373	99,364,708	6,219,747	91,753,501	164,273	2,314,983	(1,837,663)	(26,140,386)
Nov-22	4,954,874	555,734	5,510,608	104,875,316	8,470,387	100,223,888	179,438	2,494,422	(2,435,720)	(28,576,105)
Dec-22	5,918,690	910,900	6,829,589	111,704,905	5,770,575	105,994,462	189,770	2,684,191	(1,787,698)	(30,363,803)

13 Month Average RB - Dec 2022				83,199,564		74,887,725		1,781,255		(21,134,118)
End of Period RB - Dec 2022				111,704,905		105,994,462		2,684,191		(30,363,803)
Adjustment				28,505,340		31,106,737		922,937		(9,229,685)

TME Depreciation Expense - Dec 2022							1,656,720			
EOP Depreciation Expense							2,277,239			
							1,627,178		(19,779,590)	
							2,494,422		(28,576,105)	

	CAPEX	COR	Additions	CWIP	COR	GPIS	COR+GPIS
Jan-20	5,200,935	105,030	1,102,375	4,098,560	105,030	1,102,375	1,207,405
Feb-20	6,785,726	234,947	2,670,816	4,114,910	234,947	2,670,816	2,905,763
Mar-20	8,298,919	357,013	4,670,701	3,628,218	357,013	4,670,701	5,027,714
Apr-20	10,150,212	378,928	9,194,342	955,870	378,928	9,194,342	9,573,270
May-20	11,554,630	473,488	11,181,150	373,480	473,488	11,181,150	11,654,638
Jun-20	13,094,117	575,587	12,582,534	511,583	575,587	12,582,534	13,158,121
Jul-20	14,268,382	621,378	13,579,896	708,486	621,378	13,579,896	14,201,274
Aug-20	18,229,024	856,920	17,009,068	1,219,956	856,920	17,009,068	17,865,988
Sep-20	22,174,933	1,103,669	20,352,014	1,822,918	1,103,669	20,352,014	21,455,683
Oct-20	24,628,203	1,266,729	21,478,177	3,150,026	1,266,729	21,478,177	22,744,907
Nov-20	26,956,963	1,401,130	21,930,679	5,026,284	1,401,130	21,930,679	23,331,810
Dec-20	30,530,461	1,620,448	23,153,588	7,376,873	1,620,448	23,153,588	24,774,037
Jan-21	32,715,477	1,749,668	24,658,786	8,056,691	1,749,668	24,658,786	26,408,453
Feb-21	35,435,218	1,955,555	25,619,457	8,815,781	1,955,555	25,619,457	27,575,012
Mar-21	38,675,790	2,226,555	26,759,818	11,915,972	2,226,555	26,759,818	28,986,373
Apr-21	42,123,062	2,504,521	28,706,957	13,416,105	2,504,521	28,706,957	31,211,478
May-21	45,330,505	2,810,714	30,000,416	15,330,089	2,810,714	30,000,416	32,811,130
Jun-21	47,901,740	3,069,956	31,449,412	16,452,328	3,069,956	31,449,412	34,519,369
Jul-21	50,655,432	3,286,659	33,408,042	17,247,390	3,286,659	33,408,042	36,694,701
Aug-21	52,388,635	3,419,767	39,101,934	13,286,701	3,419,767	39,101,934	42,521,701
Sep-21	54,684,336	3,655,431	40,056,303	14,626,033	3,655,431	40,056,303	43,713,734
Oct-21	58,940,341	4,232,822	42,827,209	16,113,132	4,232,822	42,827,209	47,060,031
Nov-21	62,044,268	4,678,407	44,197,307	17,846,961	4,678,407	44,197,307	48,875,715
Dec-21	67,370,580	5,605,982	48,192,719	19,177,862	5,605,982	48,192,719	53,798,701
Jan-22	70,455,107	5,939,237	50,756,188	19,698,919	5,939,237	50,756,188	56,695,425
Feb-22	75,018,300	6,408,529	52,213,035	22,805,265	6,408,529	52,213,035	58,621,564
Mar-22	77,867,985	6,720,767	59,622,712	18,245,273	6,720,767	59,622,712	66,343,479
Apr-22	80,501,652	7,016,632	71,059,891	9,441,761	7,016,632	71,059,891	78,076,523
May-22	82,610,037	7,232,597	72,082,607	10,527,429	7,232,597	72,082,607	79,315,204
Jun-22	85,299,817	7,707,503	75,559,622	9,740,195	7,707,503	75,559,622	83,267,125
Jul-22	88,550,905	8,101,443	76,695,655	11,855,249	8,101,443	76,695,655	84,797,098
Aug-22	92,654,070	8,628,420	83,852,390	8,802,280	8,628,420	83,852,390	92,480,810
Sep-22	97,622,410	9,271,380	85,533,753	12,088,656	9,271,380	85,533,753	94,805,134
Oct-22	101,968,755	9,889,408	91,753,501	10,215,254	9,889,408	91,753,501	101,642,908
Nov-22	106,923,629	10,445,141	100,223,888	6,899,741	10,445,141	100,223,888	110,669,029
Dec-22	112,842,318	11,356,041	105,994,462	6,847,856	11,356,041	105,994,462	117,350,503

13 Month Average RB - Dec 2022	87,668,167	8,024,852	74,887,725	12,780,442	8,024,852	74,887,725	82,912,577
End of Period RB - Dec 2022	112,842,318	11,356,041	105,994,462	6,847,856	11,356,041	105,994,462	117,350,503
Adjustment	25,174,152	3,331,189	31,106,737	(8,832,686)	3,331,189	31,106,737	34,437,926

WASHINGTON GAS LIGHT COMPANY  
RATE BASE AND RATE OF RETURN CALCULATION  
JANUARY 2021 THROUGH June 2023

Month	CAPEX	COR	CAPEX & COR	Cummulative CAPEX + COR	Net Plant Additions	Cummulative Plant Additions	Depreciation Expense	Accumulated Depr	Deferred Income Taxes i = b+e-h * Tax Rate	Accumulated Deferred Income Taxes j = i (cumulative)
	a	b	c = a + b	d = c (cumulative)	e	f	g	h = g cumulative		
<b>Beginning Balance</b>	82,936,586	11,298,225	94,141,750	94,141,750	74,499,242	74,499,242	3,028,718	57,993,836		(22,775,890)
Oct-19	3,462,818	484,518	3,947,336	98,089,086	2,084,781	76,584,023	133,461	3,162,179	670,282	(23,446,172)
Nov-19	2,579,604	317,863	2,897,468	100,986,553	1,622,896	78,206,919	137,141	3,299,320	(496,311)	(23,942,483)
Dec-19	1,882,691	260,406	2,143,097	103,129,650	1,609,331	79,816,250	140,020	3,439,340	(475,975)	(24,418,458)
<b>Post Test Year Closings</b>					2,449,770	82,266,021				
<b>FC1162 Roll-In</b>				(99,505,088)	(82,266,021)	(82,266,021)		(3,439,340)		24,418,458
<b>Post Rate Case</b>				3,624,562	-	-		-		-
Jan-20	1,576,373	105,030	1,681,403	5,305,965	1,102,375	1,102,375	1,974	1,974	(292,934)	(292,934)
Feb-20	1,584,792	129,916	1,714,708	7,020,673	1,568,441	2,670,816	4,782	6,755	(427,497)	(720,431)
Mar-20	1,513,193	122,066	1,635,259	8,655,932	1,999,885	4,670,701	8,362	15,118	(543,342)	(1,263,773)
Apr-20	1,851,293	21,915	1,873,209	10,529,140	4,523,641	9,194,342	16,461	31,579	(1,209,283)	(2,473,057)
May-20	1,404,418	94,560	1,498,979	12,028,119	1,986,808	11,181,150	20,018	51,598	(529,433)	(3,002,490)
Jun-20	1,539,487	102,098	1,641,585	13,669,704	1,401,385	12,582,534	22,527	74,125	(369,598)	(3,372,088)
Jul-20	1,194,265	45,792	1,240,057	14,909,760	997,362	13,579,896	24,313	98,438	(242,289)	(3,614,378)
Aug-20	3,940,642	235,542	4,176,184	19,085,944	3,429,172	17,009,068	30,453	128,891	(963,021)	(4,577,399)
Sep-20	3,945,909	246,749	4,161,670	23,247,615	3,342,947	20,352,014	36,438	165,329	(1,107,508)	(5,684,907)
Oct-20	2,453,270	163,060	2,616,331	25,863,945	1,126,163	21,478,177	38,454	203,783	(306,274)	(5,991,181)
Nov-20	2,328,760	134,401	1,330,037	27,193,983	452,502	21,930,679	39,264	243,047	(112,479)	(6,103,660)
Dec-20	3,573,498	219,318	0	27,193,983	1,222,909	23,153,588	41,454	284,500	(347,083)	(6,450,743)
Jan-21	2,185,016	129,219	2,314,235	29,508,218	1,505,197	24,658,786	44,148	328,649	(399,130)	(6,849,872)
Feb-21	2,719,742	205,887	2,925,629	32,433,846	960,672	25,619,457	45,868	374,517	(269,916)	(7,119,788)
Mar-21	3,240,572	271,001	3,511,573	35,945,419	1,140,361	26,759,818	47,910	422,427	(336,725)	(7,456,513)
<b>Rate Case Roll-In</b>					-					
Apr-21	3,447,272	277,966	3,725,238	39,670,657	1,947,139	28,706,957	51,396	473,824	(559,678)	(8,016,190)
May-21	3,207,443	306,193	3,513,636	43,184,293	1,293,459	30,000,416	53,712	527,536	(425,640)	(8,441,830)
Jun-21	2,571,235	259,242	2,830,477	46,014,770	1,448,997	31,449,412	56,306	583,842	(454,862)	(8,896,692)
Jul-21	2,753,691	216,703	2,248,080	48,262,851	1,958,629	33,408,042	59,813	643,655	(581,927)	(9,478,619)
Aug-21	1,733,204	133,108	1,107,700	49,370,551	5,693,892	39,101,934	70,007	713,662	(1,584,564)	(11,063,183)
Sep-21	2,295,700	235,664	826,015	50,196,566	956,369	40,058,303	71,719	785,381	(308,674)	(11,371,857)
Oct-21	4,256,006	577,391	3,947,880	54,144,447	2,768,906	42,827,209	76,677	862,058	(900,229)	(12,272,086)
Nov-21	3,103,927	445,585	2,199,726	56,344,173	1,370,098	44,197,307	79,130	941,188	(482,857)	(12,754,942)
Dec-21	5,326,313	927,575	4,138,936	60,483,108	3,995,412	48,192,719	86,283	1,027,471	(563,920)	(13,318,862)
Jan-22	3,084,527	333,254	3,417,781	63,900,890	2,563,469	50,756,188	90,873	1,118,344	(772,726)	(14,091,588)
Feb-22	4,563,193	469,292	5,032,485	68,933,374	1,456,847	52,213,035	93,481	1,211,825	(504,938)	(14,596,526)
Mar-22	2,849,685	312,239	3,161,924	72,095,298	7,409,677	59,622,712	106,747	1,318,572	(2,096,289)	(16,692,815)
Apr-22	2,633,667	295,865	2,929,532	75,024,830	11,437,179	71,059,891	127,224	1,445,796	(3,194,725)	(19,887,540)
May-22	2,108,384	215,965	2,324,349	77,349,179	1,022,716	72,082,607	129,055	1,574,851	(306,449)	(20,193,989)
Jun-22	2,689,781	474,906	3,164,687	80,513,866	3,477,015	75,559,622	135,280	1,710,131	(1,051,417)	(21,245,406)
Jul-22	3,251,087	393,940	3,645,027	84,158,893	1,136,033	76,695,655	137,314	1,847,445	(384,348)	(21,629,755)
Aug-22	4,103,766	526,977	4,630,743	88,789,636	7,156,735	83,852,390	150,127	1,997,572	(2,074,280)	(23,704,035)
Sep-22	4,967,739	642,960	5,610,700	94,400,335	1,681,363	85,533,753	153,138	2,150,710	(598,688)	(24,302,723)
Oct-22	4,346,345	618,027	4,964,373	99,364,708	6,219,747	91,753,501	164,273	2,314,983	(1,837,663)	(26,140,386)
Nov-22	4,954,874	555,734	5,510,608	104,875,316	8,470,387	100,223,888	179,438	2,494,422	(2,435,720)	(28,576,105)
Dec-22	5,918,690	910,900	6,829,589	111,704,905	5,770,575	105,994,462	189,770	2,684,191	(1,787,698)	(30,363,803)
Jan-23	4,038,665	500,404	4,539,068	116,243,973	5,127,475	111,121,938	198,950	2,883,142	(1,495,253)	(31,859,056)
Feb-23	4,387,067	399,754	4,786,822	121,030,795	4,196,154	115,318,091	206,463	3,089,604	(1,209,295)	(33,068,351)
Mar-23	2,816,641	329,822	3,146,464	124,177,259	3,977,629	119,295,720	213,584	3,303,188	(1,127,955)	(34,196,307)
Apr-23	5,914,640	695,069	6,609,710	130,786,968	4,117,206	123,412,926	220,956	3,524,144	(1,264,902)	(35,461,208)
May-23	7,078,136	818,314	7,896,450	138,683,418	3,273,307	126,686,233	226,816	3,750,960	(1,065,013)	(36,526,222)
Jun-23	5,269,806	614,402	5,884,208	144,567,626	3,789,381	130,475,614	233,600	3,984,560	(1,152,624)	(37,678,845)
13 Month Average RB - June 2023				110,715,208		103,532,600		2,748,850		(29,596,323)
End of Period RB - June 2023				144,567,626		130,475,614		3,984,560		(37,678,845)
Adjustment				33,852,418		26,943,014		1,235,710		(8,082,522)
TME Depreciation Expense - June 2023							2,274,429			
EOP Depreciation Expense							2,803,205			

	CAPEX	COR	Additions	CWIP	COR	GPIS	COR+GPIS
Jan-20	5,200,935	105,030	1,102,375	4,098,560	105,030	1,102,375	1,207,405
Feb-20	6,785,726	234,947	2,670,816	4,114,910	234,947	2,670,816	2,905,763
Mar-20	8,298,919	357,013	4,670,701	3,628,218	357,013	4,670,701	5,027,714
Apr-20	10,150,212	378,928	9,194,342	955,870	378,928	9,194,342	9,573,270
May-20	11,554,630	473,488	11,181,150	373,480	473,488	11,181,150	11,654,638
Jun-20	13,094,117	575,587	12,582,534	511,583	575,587	12,582,534	13,158,121
Jul-20	14,288,382	621,378	13,579,896	708,486	621,378	13,579,896	14,201,274
Aug-20	18,229,024	856,920	17,009,068	1,219,956	856,920	17,009,068	17,865,988
Sep-20	22,174,933	1,103,669	20,352,014	1,822,918	1,103,669	20,352,014	21,455,683
Oct-20	24,628,203	1,266,729	21,478,177	3,150,026	1,266,729	21,478,177	22,744,907
Nov-20	26,956,963	1,401,130	21,930,679	5,026,284	1,401,130	21,930,679	23,331,810
Dec-20	30,530,461	1,620,448	23,153,588	7,376,873	1,620,448	23,153,588	24,774,037
Jan-21	32,715,477	1,749,668	24,658,786	8,056,691	1,749,668	24,658,786	26,408,453
Feb-21	35,435,218	1,955,555	25,619,457	9,815,761	1,955,555	25,619,457	27,575,012
Mar-21	38,675,790	2,226,555	26,759,818	11,915,972	2,226,555	26,759,818	28,986,373
Apr-21	42,123,062	2,504,521	28,706,957	13,416,105	2,504,521	28,706,957	31,211,478
May-21	45,330,505	2,810,714	30,000,416	15,330,089	2,810,714	30,000,416	32,811,130
Jun-21	47,901,740	3,069,956	31,449,412	16,452,328	3,069,956	31,449,412	34,519,369
Jul-21	50,655,432	3,286,659	33,408,042	17,247,390	3,286,659	33,408,042	36,694,701
Aug-21	52,388,635	3,419,767	39,101,934	13,286,701	3,419,767	39,101,934	42,521,701
Sep-21	54,684,336	3,655,431	40,058,303	14,626,033	3,655,431	40,058,303	43,713,734
Oct-21	58,940,341	4,232,822	42,827,209	16,113,132	4,232,822	42,827,209	47,060,031
Nov-21	62,044,268	4,678,407	44,197,307	17,846,961	4,678,407	44,197,307	48,875,715
Dec-21	67,370,580	5,605,982	48,192,719	19,177,862	5,605,982	48,192,719	53,798,701
Jan-22	70,455,107	5,939,237	50,756,188	19,698,919	5,939,237	50,756,188	56,695,425
Feb-22	75,018,300	6,408,529	52,213,035	22,805,265	6,408,529	52,213,035	58,621,564
Mar-22	77,867,985	6,720,767	59,622,712	18,245,273	6,720,767	59,622,712	66,343,479
Apr-22	80,501,652	7,016,632	71,059,891	9,441,761	7,016,632	71,059,891	78,076,523
May-22	82,610,037	7,232,597	72,082,607	10,527,429	7,232,597	72,082,607	79,315,204
Jun-22	85,299,817	7,707,503	75,559,622	9,740,195	7,707,503	75,559,622	83,267,125
Jul-22	88,550,905	8,101,443	76,695,655	11,855,249	8,101,443	76,695,655	84,797,098
Aug-22	92,654,670	8,628,420	83,852,390	8,802,280	8,628,420	83,852,390	92,480,810
Sep-22	97,622,410	9,271,380	85,533,753	12,088,656	9,271,380	85,533,753	94,805,134
Oct-22	101,968,755	9,889,408	91,753,501	10,215,254	9,889,408	91,753,501	101,642,908
Nov-22	106,923,629	10,445,141	100,223,888	6,699,741	10,445,141	100,223,888	110,669,029
Dec-22	112,842,318	11,356,041	105,994,462	6,847,856	11,356,041	105,994,462	117,350,503
Jan-23	116,880,983	11,856,445	111,121,938	5,759,045	11,856,445	111,121,938	122,978,382
Feb-23	121,268,050	12,256,199	115,318,091	5,949,959	12,256,199	115,318,091	127,574,291
Mar-23	124,084,692	12,586,022	119,295,720	4,788,971	12,586,022	119,295,720	131,881,742
Apr-23	129,999,332	13,281,091	123,412,926	6,586,406	13,281,091	123,412,926	136,694,017
May-23	137,077,468	14,099,405	126,686,233	10,391,235	14,099,405	126,686,233	140,785,638
Jun-23	142,347,273	14,713,807	130,475,614	11,871,660	14,713,807	130,475,614	145,189,421
13 Month Average RB - June 2023	112,116,946	11,091,716	103,532,600	8,584,347	11,091,716	103,532,600	114,624,315
End of Period RB - June 2023	142,347,273	14,713,807	130,475,614	11,871,660	14,713,807	130,475,614	145,189,421
Adjustment	<b>30,230,327</b>	<b>3,622,091</b>	<b>26,943,014</b>	<b>3,287,313</b>	<b>3,622,091</b>	<b>26,943,014</b>	<b>30,565,105</b>

Formal Case No. 1180  
Exhibit WG (4D)-2  
Page 1 of 1

Actual from Exhibit  
WG (G)-2, Statement A,  
Current Rates

**WGL Notes**  
**PROJECT** pipes above + Supporting Schedule Table 2  
**PROJECT** pipes above + Supporting Schedule Table 1  
**PROJECT** pipes above + Table 5  
Updated to composite tax rate

**Table 1 - 13 Month Average Reserve for Depreciation Calculation**

[illegible]

### Table 3 - Test Year 13 Month Average GPIS Calculation

Project	Notes	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Average 13 months	
DC AOP - Penn. Ave SE & Minn. Ave SE Intersection - Ward 7		\$ 620,328	\$ 619,242	\$ 618,157	\$ 617,071	\$ 615,986	\$ 614,900	\$ 613,814	\$ 612,729	\$ 611,643	\$ 610,558	\$ 609,472	\$ 608,387	\$ 607,301	\$ 613,814	
AOP - Cleveland Park Streetscape - G007NW - Ward 3		\$ -	\$ -	\$ -	\$ -	\$ 294,774	\$ 294,559	\$ 294,345	\$ 294,131	\$ 293,916	\$ 293,702	\$ 293,488	\$ 293,274	\$ 293,059	\$ 203,481	
DC AOP - Reconstruction of Florida Ave NW - Ward 1		\$ 15,751	\$ 15,722	\$ 15,694	\$ 15,665	\$ 15,636	\$ 15,608	\$ 15,579	\$ 15,550	\$ 15,522	\$ 15,493	\$ 15,465	\$ 15,436	\$ 15,407	\$ 15,579	
DC INT - Aspen St NW - A013NW - Ward 4 (Related to BCA 287799 & 283129)																
ABAND GAS SERV AT MAIN === 705 4TH		\$ -	\$ 27,210	\$ 27,165	\$ 27,120	\$ 27,075	\$ 27,030	\$ 26,985	\$ 26,940	\$ 26,895	\$ 26,850	\$ 26,805	\$ 26,760	\$ 26,715	\$ 24,888	
ILI Readiness - Strip 24 - Launcher		\$ 19,562	\$ 19,562	\$ 19,562	\$ 19,561	\$ 19,561	\$ 19,561	\$ 19,560	\$ 19,560	\$ 19,560	\$ 19,559	\$ 19,559	\$ 19,559	\$ 19,558	\$ 19,560	
															Total	\$ 877,323

## ATTESTATION

I, AARON B. GIBSON, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

*Aaron Gibson*

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AARON B. GIBSON

15/05/2025

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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. 1180
INCREASE EXISTING RATES AND	)	
CHARGES FOR GAS SERVICE	)	
_____	)	

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF TRACEY M. SMITH**  
**Exhibit WG (3F)**

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III.	CONCLUSION .....	3

WASHINGTON GAS LIGHT COMPANY

District of Columbia

**REJOINDER TESTIMONY OF TRACEY M. SMITH**

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

A. My name is Tracey M. Smith. I am the Director of Regulatory Accounting and Financial Reporting for Washington Gas Light Company ("Washington Gas" or the "Company"). My business address is 6801 Industrial Road, Springfield, VA 22151.

Q. ARE YOU THE SAME TRACEY M. SMITH WHO HAS PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?

A. Yes, I am.

**I. PURPOSE OF TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

A. The purpose of this rebuttal testimony is to respond to the Surrebuttal Testimony of the Office of People's Counsel ("OPC") Witness Bion Ostrander regarding his adjustment to reduce labor costs associated with the VSP.<sup>1</sup> Specifically, Witness Ostrander dismissed my rebuttal testimony as "piecemeal" and "limited" and blames his flawed methodology on the discovery process. In

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<sup>1</sup> Exhibit OPC (2B) at 89:12-92:2.

addition, he continues to offer up an adjustment, which has elements that are neither known nor measurable at this time. The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions.

## II. REJOINDER TO WITNESS OSTRANDER'S TESTIMONY

Q. DO YOU AGREE WITH WITNESS OSTRANDER'S TESTIMONY?

A. No.

Q. WHY NOT?

A. As I noted in my rebuttal testimony, there are three reasons his adjustment warrants rejection.<sup>2</sup> I will not restate all of them here, but he has not rebutted any of them. However, I would like to address his attempt to address a critical flaw in his method, *i.e.*, his conflating of the Company's proposed ISP adjustment with his VSP adjustment.<sup>3</sup> In his surrebuttal testimony, Ostrander continues to conflate separate, independent programs into a single adjustment in an attempt to justify a substantial decrease to the Company's revenues that is untethered to known and measurable costs.

Q. HOW SHOULD THE COMMISSION ACT ON WITNESS OSTRANDER'S PROPOSED VSP ADJUSTMENT?

A. The Commission should reject his adjustment for the reasons I stated in my rebuttal. However, if the Commission is inclined to adopt an adjustment related to the VSP and ISP, Washington Gas submits it should simply reject both

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<sup>2</sup> Exhibit WG (2F) at 6:20-7:12.

<sup>3</sup> Exhibit WG (2F) at 5:1-7:20.

1 Witness Ostrander's proposed disallowance of labor costs related to the VSP, as  
2 well as my proposed increase in labor costs related to the ISP. Witness  
3 Ostrander's attempt to tether his VSP adjustment to my ISP adjustment is based,  
4 in part, on his claim that if the Company proposed an ISP adjustment it should  
5 have also proposed a VSP adjustment. That being the case, rejection of both  
6 the VSP and ISP adjustments would be more reasonable than his proposal.

7 Q. IF THE COMMISSION ADOPTED THIS ALTERNATIVE, WHAT IMPACT WILL  
8 THIS WITHDRAWAL HAVE ON WASHINGTON GAS'S PROPOSED REVENUE  
9 INCREASE?

10 A. This proposal would reduce the revenue requirement by \$196,435  
11 (\$271,011 \* 72.48%).


12  
13 **III. CONCLUSION**

14 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

15 A. Yes.  
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## ATTESTATION

I, TRACEY M. SMITH, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

  
TRACEY M. SMITH  
05/19/2025  
DATE



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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. 1180
INCREASE EXISTING RATES AND	)	
CHARGES FOR GAS SERVICE	)	
_____	)	

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF KIMBERLY M. BELL**  
**Exhibit WG (3H)**

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II.	Rejoinder Testimony .....	1



WASHINGTON GAS LIGHT COMPANY

DISTRICT OF COLUMBIA

**REJOINDER TESTIMONY OF KIMBERLY M. BELL**

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

A. My name is Kimberly M. Bell. I am the Senior Manager of Tax Technology, Special Projects, and Regulatory Liaison for Washington Gas Light Company ("Washington Gas" or the "Company"). My business address is 1000 Maine Avenue SW, Washington, DC 20024.

**I. PURPOSE OF YOUR REJOINDER TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of this rejoinder testimony is to address parts of the surrebuttal testimony of the Office of the People's Counsel for the District of Columbia ("OPC") Witness Bion Ostrander. Specifically, I address the new position OPC Witness Ostrander has taken in surrebuttal with respect to the tax sharing normalization violations. The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions.

**II. REJOINDER TESTIMONY**

Q. BEFORE ADDRESSING THE CONCERNS AND RECOMMENDATIONS ADVANCED BY OPC WITNESS OSTRANDER IN HIS SURREBUTTAL TESTIMONY, DOES OPC WITNESS OSTRANDER PRESENT ANY NEW INFORMATION OR FACTS FOR THE COMMISSION TO CONSIDER REGARDING THE TAX SHARING NORMALIZATION VIOLATION ISSUE?

1 A. No, he does not. In this regard, the Commission has been presented with  
2 the following facts, which are unchanged and undisputed from my direct and  
3 rebuttal testimonies.

- 4 • Washington Gas is a member of a group of corporations that file a  
5 consolidated federal corporate income return.
- 6 • Washington Gas and the other member of the consolidated federal income  
7 tax group are parties to a tax sharing agreement (“TSA”).
- 8 • Washington Gas has incurred net operating losses (“NOL”) for federal  
9 income tax purposes as a result of large, accelerated tax depreciation  
10 deductions.
- 11 • Washington Gas accounts for the taxes it is able to defer as a result of  
12 accelerated tax depreciation deductions in excess of its book depreciation  
13 expense as a deferred tax liability (“DTL”). In order to claim accelerated  
14 depreciation for federal income tax purposes, Washington Gas is required  
15 to follow the federal tax law normalization requirements and account for its  
16 deferred taxes in this manner.
- 17 • Also under the normalization rules, to the extent Washington Gas is not able  
18 to receive a tax benefit from all its accelerated tax deductions because it  
19 has insufficient income, it records an NOL – deferred tax asset (“NOL-DTA”)  
20 to offset its DTL.
- 21 • Under the terms of the TSA, Washington Gas has received tax sharing  
22 payments equal to the federal income tax savings attributable to the use of  
23 its NOLs to offset the income of other members of the consolidated group  
24 through the filing of a consolidated federal income tax return.

- 1 • Prior to 2024, Washington Gas accounted for the tax sharing payments it

2 received by debiting (increasing) cash and crediting (decreasing) its NOL-

3 DTA as if it was able to receive the tax benefit from its accelerated tax

4 deductions.
- 5 • For ratemaking purposes, and consistent with the normalization rules

6 Washington Gas reduces its rate base by its DTL and increases its rate

7 base by its NOL-DTA. Prior to 2024 Washington Gas decreased its rate

8 base for the tax sharing payment by treating the tax sharing payment as a

9 reduction in its NOL-DTA, under the belief that this treatment was consistent

10 with the normalization rules.
- 11 • In April 2024, the Internal Revenue Service (“IRS”) published three Private

12 Letter Rulings (“PLR”) with facts similar to Washington Gas that made it

13 clear that the reduction of the NOL-DTA, which reduced rate base by the

14 amount of the tax sharing payments for rate making purposes, was a

15 violation of the tax normalization rules.
- 16 • Washington Gas reviewed the published PLRs, compared the facts in the

17 rulings to the WGL facts, applied the substantive tax law to the Washington

18 Gas facts and determined that Washington Gas had inadvertently been

19 violating the normalization rules by reducing its NOL-DTA and rate base by

20 payments that did not come from the government, but rather from the parent

21 of its consolidated tax group.
- 22 • Washington Gas self-reported the inadvertent normalization violation on the

23 consolidated 2023 federal corporate income tax return in accordance with

24

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the safe-harbor rules for remedying an inadvertent normalization violation provided by the IRS in Revenue Procedure 2017-47.

- Washington Gas filed testimony in Formal Case No. 1180 in accordance with Revenue Procedure 2017-47 which requires a correction of an inadvertent normalization violation at the next available opportunity in order to preserve the right to claim accelerated tax depreciation.

Q. IF THERE ARE NO NEW FACTS OR INFORMATION PRESENTED BY OPC WITNESS OSTRANDER, WHY IS IT NECESSARY TO RESPOND TO HIS SURREBUTTAL TESTIMONY?

A. While OPC Witness Ostrander does not present any new facts or information in his surrebuttal testimony, he fundamentally alters his position on this issue. OPC Witness Ostrander now presents seven “new” recommendations in his surrebuttal testimony to address the normalization violation rooted in OPC’s disagreement with Washington Gas’s established basis that an inadvertent “normalization violation” has occurred. Washington Gas has demonstrated why the normalization violation exists, and OPC has attempted to dispute that position. In addition, and importantly, OPC Witness Ostrander has conceded that the facts recited above constitute a potential normalization violation.<sup>1</sup>

Q. WHAT IS YOUR RESPONSE TO OPC WITNESS OSTRANDER’S CONCESSION THAT A “POTENTIAL” NORMALIZATION VIOLATION HAS OCCURED?

A. While the Commission is not the appropriate entity to resolve this question, it is clear that Washington Gas, OPC and the Commission are all on notice that

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<sup>1</sup> Exhibit OPC (2B), at 39:4.

1 these facts may constitute a normalization violation. Under these circumstances,  
2 the Commission must recognize that if it attempts to interpret the normalization  
3 rules to allow Washington Gas to reduce its DTA-NOLC by the TSA payments (as  
4 OPC has suggested), and this interpretation is decided by the IRS to be wrong  
5 (and it is), the Commission's actions will turn an inadvertent violation of  
6 normalization rules into an intentional violation. Ignoring the guidance interpreting  
7 the law that is readily available to the Company to determine whether it complies  
8 with applicable tax laws is not inadvertent. The consequence of Washington Gas  
9 being found to have committed a normalization violation and failing to follow the  
10 safe harbor procedures in Rev. Proc. 2017-47 would be that Washington Gas  
11 would lose its eligibility for accelerated depreciation. The loss of accelerated  
12 depreciation would result in a higher rate base and higher revenue requirement  
13 that would be paid by customers. The consequence for the Company and  
14 ratepayers would total in the hundreds of millions of dollars as the Company would  
15 be forced off a normalization method of accounting. For this reason alone, the  
16 Commission must affirmatively act on this issue in this rate case.

17 Q. WHAT SPECIFIC CHANGES DOES OPC WITNESS OSTRANDER MAKE TO  
18 HIS POSITION AND RECOMMENDATIONS RELATED TO THE NOL/TSA  
19 ADJUSTMENT IN HIS SURREBUTTAL TESTIMONY?

20 A. After conceding that a potential normalization violation may have occurred,  
21 OPC Witness Ostrander advances seven "concerns and recommendations" that  
22 he did not previously raise in his direct testimony.<sup>2</sup> None of these  
23 recommendations are proper and none of these recommendations actually  
24

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25 <sup>2</sup> Exhibit OPC (2B), at 39:3-42:3.

address the fundamental flaws with his position that result from conceding that a potential normalization violation may have occurred based on the undisputed facts of this case.

Q. IN LIGHT OF WITNESS OSTRANDER'S CHANGE IN POSITION REGARDING A PLR REQUEST,<sup>3</sup> DOES WASHINGTON GAS BELIEVE A PLR SHOULD BE REQUESTED FROM THE IRS?

A. No, the Company does not believe a PLR request is needed to voluntarily comply with the tax law. The Washington Gas facts are straight forward and the tax guidance available to Washington Gas in the form of the law and regulations is sufficient to conclude that Washington Gas has inadvertently violated the normalization rules.

Q. DOES THE IRS DETERMINE THAT A NORMALIZATION VIOLATION EXISTS, AS SUGGESTED BY WITNESS OSTRANDER?

A. No, in fact, taxpayers must apply the tax laws to their own facts and determine whether a normalization violation exists or does not exist, consistent with the principle of voluntary compliance. Taxpayers are required by law to determine how to comply with the tax laws, and while the IRS has the right to verify a taxpayer's compliance with the law by auditing the taxpayer, it has no obligation to assist a taxpayer in determining its tax responsibilities.

Q. OPC WITNESS OSTRANDER RECOMMENDS ELIMINATING THE \$26.4M NOLC/TSA ADJUSTMENT.<sup>4</sup> DO YOU AGREE?

A. No. The Company disagrees with the recommendation to remove the \$26.4M NOLC/Tax Sharing Agreement ("TSA") adjustment, which would continue

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<sup>3</sup> Exhibit OPC (2B), at 40:12-14.

<sup>4</sup> Exhibit OPC (2B), at 39:12-14.

to reflect the normalization violation in the Company's District rates. Since the normalization violation has been identified, the Commission must affirmatively address this issue in this rate case in order to avoid an intentional normalization violation. Reversal of the adjustment, by itself, would be a normalization violation.

Q. SHOULD A REGULATORY ASSET BE ESTABLISHED IN THIS PROCEEDING AS OPC WITNESS OSTRANDER RECOMMENDS?

A. No. The Commission should affirmatively reflect the appropriate tax treatment in the Company's rates. Once the Commission reflects the tax treatment in rates, no regulatory asset is appropriate. Three PLRs already exist with operating circumstances identical to those of Washington Gas, and therefore the tax treatment is clear.

Q. IN OPC WITNESS OSTRANDER'S RECOMMENDATION 3<sup>5</sup> HE CONTENDS THAT HE CANNOT CALCULATE THE \$26.4M DTA – NOLC. DOES THIS CLAIM SUPPORT ANY OF HIS RECOMMENDATIONS?

A. No. Washington Gas has provided responses to every data request served by OPC regarding this issue and had ample time to request any information to assist him with this request.

Q. DOES WASHINGTON GAS AGREE WITH WITNESS OSTRANDER'S RECOMMENDATION 4,<sup>6</sup> TO REDUCE THE EQUITY BY THE ADJUSTMENT?

A. No. Washington Gas does not agree with Witness Ostrander because he mentions the equity accounts should be reduced on page 40 line 3 through 6 and subsequently on page 43 line 10 through 14 indicates the company should increase the retained earnings/equity account. If the tax sharing payment is not

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<sup>5</sup> Exhibit OPC (2B), at 39:25-27.

<sup>6</sup> Exhibit OPC (2B), at 40:1-10.

recorded in the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") account 190, then the natural alternative place to record the credit would be to Account 211 Miscellaneous Paid-in Capital. That would increase, not decrease, the Company's equity balance.

Q. DO YOU AGREE WITH WITNESS OSTRANDER'S RECOMMENDATION NUMBER 6,<sup>7</sup> THAT THE COMPANY SHOULD ASK THE IRS TO INTERPRET AND APPLY THE GENERIC LEGAL ADVICE MEMORANDUM ("GLAM") AND REV PROC 2017-47 TO INCREASE THE NOLC WITHOUT INCREASING CUSTOMER RATES?

A. No, I do not. First, it is not possible to obtain IRS guidance prior to this case being resolved by the Commission, because obtaining such guidance takes in excess of one year. More critically, however, the IRS will not provide advice for the Commission to increase the DTA-NOLC while simultaneously not impacting customer rates as this would create an additional, intentional normalization violation.

Q. DO THE GLAM AND REVENUE PROCEDURE 2017-47 APPLY IN THIS INSTANCE?

A. Yes. The GLAM interprets the Revenue Procedure as not requiring retroactive ratemaking. The GLAM clarifies Revenue Procedure 2017-47 by allowing prospective recovery only on the restored DTA-NOL in rates. It does not require a recovery from customers of the return on the lower rate base that would have been produced through the recognition of the appropriate tax treatment.

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<sup>7</sup> Exhibit OPC (2B), 40:27-30.



1 Q. PLEASE RESPOND TO OPC WITNESS OSTRANDER'S RECOMMENDATION  
2 6 ii.<sup>8</sup>

3 A. While Witness Ostrander's Recommendation 6(ii) is very unclear, the  
4 Company can definitively say that all cash payments received have reduced the  
5 DTA-NOL and reduced rate base. There are no other NOLC/TSA cash payments  
6 available, and therefore this recommendation is not relevant.

7 Q. IS THERE ANY MERIT TO OPC WITNESS OSTRANDER'S  
8 RECOMMENDATION 6iv<sup>9</sup>?

9 A. No. The IRS does not require a TSA so it cannot determine if it is non-  
10 compliant.

11 Q. IN OPC WITNESS OSTRANDER'S RECOMMENDATION 6 v<sup>10</sup> HE SUGGESTS  
12 THAT THE IRS MUST DETERMINE A SPECIFIC METHOD WASHINGTON GAS  
13 SHOULD USE TO CALCULATE THE NOLC. IS THIS NEEDED?

14 A. No, it is not needed, because Section 172 of the Internal Revenue Code  
15 provides the method to calculate the NOLC. Therefore, Witness Ostrander's  
16 Recommendation 6v should be rejected.

17 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

18 A. Yes.  
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24 8 Exhibit OPC (2B), at 40:32-35.

25 9 Exhibit OPC (2B), at 41:8-10.

10 Exhibit OPC (2B), 41:12-15.

## ATTESTATION

I, KIMBERLY BELL, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

\_\_\_\_\_*Kimberly Bell*\_\_\_\_\_  
KIMBERLY BELL

\_\_\_\_\_05/19/2025\_\_\_\_\_  
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**WITNESS MORROW  
EXHIBIT WG (4)**

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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. 1180
INCREASE EXISTING RATES AND	)	
CHARGES FOR GAS SERVICE	)	
	)	

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**PUBLIC**

**REJOINDER TESTIMONY OF FREDERICK J. MORROW**  
**Exhibit WG (4I)**

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Exhibits

<u>Title</u>	<u>Exhibit</u>
PROJECT <i>pipes</i> (Confidential) .....	Exhibit WG (4I)-1
Table on inconsistent disallowance justification methodology .....	Exhibit WG (4I)-2

WASHINGTON GAS LIGHT COMPANY

DISTRICT OF COLUMBIA

**REJOINDER TESTIMONY OF FREDERICK J. MORROW**

**I. INTRODUCTION**

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

A. My name is Frederick John Morrow III. I am the Senior Director, Regional Leader for Virginia at Washington Gas Light Company ("Washington Gas" or "Company"), located at 6801 Industrial Road, Springfield, Virginia, 22151.

Q. ARE YOU THE SAME FREDERICK J. MORROW WHO HAS PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET ON BEHALF OF WASHINGTON GAS?

A. Yes.

**II. PURPOSE OF TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

A. My rejoinder testimony responds to certain portions of the testimony submitted by Office of People's Counsel ("OPC") Witness Colin T. Fitzhenry. Specifically, I respond to proposed disallowances of costs related to certain non-PROJECT*pipes* projects, due to variances between the budgeted and actual amounts for those projects as well as the PROJECT*pipes* plant additions between April 2024 through December 2024. The absence of rejoinder testimony on other

1 issues raised by AOBA, OPC or Sierra Club should not be construed as an  
2 indication that the Company agrees with those positions.

3 Q. DO YOU HAVE ANY EXHIBITS WITH YOUR REJOINDER TESTIMONY?

4 A. Yes. I sponsor two (2) exhibits. Exhibit WG (4I) – 1 (CONFIDENTIAL),  
5 which provides project information for the PROJECT*pipes* projects that incurred  
6 charges between April 2024 and December 2024. Exhibit WG (4I) – 2 is a table  
7 on the inconsistent disallowance justification methodology used by Witness  
8 Fitzhenry.

9  
10 **III. REJOINDER TO OPC WITNESS FITZHENRY**

11 Q. PLEASE SUMMARIZE THE PORTION OF WITNESS FITZHENRY'S  
12 SURREBUTTAL TESTIMONY THAT YOU WILL ADDRESS.

13 A. First, Witness Fitzhenry continues to advance an argument related to how  
14 the Company recovers costs associated with critical pipeline safety work—and in  
15 particular emergency service replacement work—to attempt to support a review  
16 of how the Company utilizes internal and external labor to perform this work.<sup>1</sup>

17 Second, while Witness Fitzhenry has accepted my explanations regarding  
18 cost-variances associated with certain of the nine non-PROJECT*pipes* projects  
19 and withdrawn his proposal to disallow recovery of the cost variances associated  
20 with those projects, he continues to recommend disallowance of cost variances  
21 for six projects,<sup>2</sup> as well as the disallowance for PROJECT*pipes* project costs.<sup>3</sup>

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<sup>1</sup> Exhibit OPC (2C) at 6:16-7:13.

<sup>2</sup> Exhibit OPC (2C) at 7:14-16:11

<sup>3</sup> Exhibit OPC (2C) at 5:15-17.

1           Finally, I will provide detailed information on the projects included in  
2           Company Witness Gibson's calculations,<sup>4</sup> and Witness Fitzhenry's proposed  
3           disallowance of the additional capital expenditures.<sup>5</sup>

4  
5       Q.     DO YOU AGREE WITH WITNESS FITZHENRY'S CONTINUED  
6           RECOMMENDATION THAT THE COMPANY BE ORDERED TO ANALYZE  
7           HOW IT UTILIZES INTERNAL AND EXTERNAL LABOR TO PERFORM  
8           PIPELINE WORK?

9       A.     No, I do not agree.   Witness Fitzhenry continues to recommend  
10          micromanagement of the Company's decisions regarding the skilled labor force  
11          used to perform capital projects.  However, in his surrebuttal testimony, Witness  
12          Fitzhenry focuses specifically on the Company's use of internal versus external  
13          labor to perform emergency service replacements.<sup>6</sup>

14               This focus ignores the nature of the work being performed.  With respect  
15          to this specific category, this work involves emergency service replacements.  
16          Emergency service replacements are most often the result of a grade 1 leak,  
17          which must be remediated before Washington Gas personnel or contractor  
18          personnel may leave the site.  The Company's internal crews performed 9% of the  
19          emergency service replacements in the District of Columbia for the twelve-months  
20          ended March 31, 2024.<sup>7</sup> Washington Gas's decision to utilize both internal and

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<sup>4</sup> Exhibit WG (3D) – 1

<sup>5</sup> Exhibit OPC (2C) at 19:15-20:9.

<sup>6</sup> Exhibit OPC (2C) at 7:5-13.

<sup>7</sup> Response to FC 1180 OPC Data Request 19 – 2.

1 external resources to address this work minimizes the risk associated with the  
2 varying number of leaks. The distribution of leaks identified is not consistent  
3 throughout the year, and peaks in the winter months. If the Company were to  
4 utilize only internal resources for emergency service replacements, as suggested  
5 by Witness Fitzhenry, the Company would either have to hire and lay off internal  
6 resources based on need or carry resources that were not fully utilized for a  
7 portion of the year. Managing the fluctuations with external resources avoids both  
8 of these issues. Further, these emergency response activities must be done while  
9 performing the Company's normal operations and maintenance activities, in order  
10 to maintain a safe and reliable system in the District. Additionally, based on the  
11 Company's current operations pursuant to the District Department of  
12 Transportation's permitting process, a service replacement is a multi-day project.  
13 While an emergency service replacement would be remediated in less time, it  
14 would still tie-up the Company's internal resources, potentially prohibiting them  
15 from responding to future leak calls or completing necessary maintenance  
16 activities expeditiously in the normal course of business, adding additional  
17 unnecessary risk to the Company's operations.

18  
19 Q. DO YOU AGREE WITH WITNESS FITZHENRY'S CONTINUED  
20 RECOMMENDATION TO DISALLOW RECOVERY OF COSTS ASSOCIATED  
21 WITH SIX OF THE PROJECTS HE IDENTIFIED?

22 A. No. Before I respond to each of his claims regarding the six specific  
23 projects where he continues to recommend a disallowance, I want to generally



1 address Witness Fitzhenry's proposal.

2  
3 Q. WHAT IS YOUR GENERAL RESPONSE TO WITNESS FITZHENRY'S  
4 RECOMMENDED DISALLOWANCES?

5 A. Witness Fitzhenry never addresses the fact that the additional charges for  
6 these projects over the original cost estimate were necessary to maintain the  
7 safety and reliability of the Company's systems and ultimately maintain the safety  
8 of its workers and the public. These costs were prudently incurred to maintain the  
9 safety and integrity of the gas system. In each instance, the cost variances  
10 resulted from field conditions that altered the proposed construction of the project;  
11 those field conditions were due to issues that, in many cases, were outside the  
12 Company's control. However, what is within the Company's control with these  
13 projects is the ability to complete them to maintain the safety and integrity of the  
14 system. While the Company will always take the steps necessary to maintain the  
15 safety and reliability of its system, Witness Fitzhenry essentially advances a  
16 proposal that penalizes the Company for performing the necessary work to do so.  
17 This proposal is counter to the Company's duties with respect to system safety  
18 and reliability.

19  
20 Q. DID WITNESS FITZHENRY INCLUDE ANY ADDITIONAL ADJUSTMENTS TO  
21 NON-PROJECTPIPES EXPENDITURES IN HIS SURREBUTTAL TESTIMONY  
22 THAT WERE NOT PREVIOUSLY IDENTIFIED IN DIRECT TESTIMONY AND  
23 THAT SHOULD BE REJECTED BY THE COMMISSION?

1 A. Yes. OPC Witness Fitzhenry proposed in his surrebuttal testimony to  
2 disallow costs associated with the Strip 15 Valve 23 Replacement project.

3  
4 Q. WHY SHOULD THE COMMISSION REJECT OPC WITNESS FITZHENRY'S  
5 PROPOSED DISALLOWANCE?

6 A. This appears to be an entirely new adjustment that OPC Witness Fitzhenry  
7 has proposed for the first time in his surrebuttal testimony. This project is not  
8 among the nine (9) projects identified by OPC Witness Fitzhenry in his direct  
9 testimony; it does not appear in his narrative or in his Table 5.<sup>8</sup> In addition, it was  
10 not included in OPC's financial exhibits. It is not proper for OPC Witness Fitzhenry  
11 to attempt to propose an adjustment related to an entirely new project, after  
12 Washington Gas submitted rebuttal to his direct testimony proposals. Importantly,  
13 OPC Witness Fitzhenry could have and should have proposed this adjustment in  
14 his direct testimony because the information necessary for him to do so was  
15 available at that time.<sup>9</sup> However, he did not do so. The Commission should reject  
16 this entirely new adjustment for this reason alone.

17  
18 Q. ARE THERE ANY OTHER ISSUES WITH THE UNTIMELY INCLUSION OF THIS  
19 PROJECT?

20 A. Yes. Witness Fitzhenry has failed to appropriately update the calculation  
21 of his proposed disallowance to reflect his revised recommendations. To

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<sup>8</sup> Exhibit OPC (C) at 25:11.

<sup>9</sup> Exhibit WG (2I) – 1.

1 accurately reflect the changes from Witness Fitzhenry's Direct and Surrebuttal  
2 Testimony the Company has prepared Exhibit WG (4I) – 2. This exhibit also  
3 shows that Witness Fitzhenry does not use a consistent methodology in  
4 approaching allowing or disallowing certain variances. Specifically, Witness  
5 Fitzhenry added the Strip 15 Valve 23 Replacement to his proposed disallowance,  
6 and for the first time in surrebuttal he proposes an additional \$898,045  
7 disallowance associated with this project.<sup>10</sup> Witness Fitzhenry proposes a "revised  
8 adjustment" of \$4,837,902, which he states is "\$1.7 million less than the Non-  
9 Pipes Capital Expenditure Disallowance included in my direct testimony."<sup>11</sup>  
10 Actually, Witness Fitzhenry merely adds his assessment of the costs associated  
11 with the Strip 15 Valve 23 replacement to his list of disallowances without  
12 providing any detailed explanation.<sup>12</sup> Without any explanation of this added  
13 disallowance, the Commission should reject the untimely addition of the STRIP  
14 15 Valve 23 replacement project.

15  
16 Q. WHAT WAS THE PURPOSE OF THE STRIP 15, VALVE 23 REPLACEMENT  
17 PROJECT?

18 A. Work Order C1005588 was designed to replace the existing plug valve  
19 (Valve 23) with a ball valve to allow for in-line inspection ("ILI")<sup>13</sup> on Strip 15 in the

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<sup>10</sup> Exhibit OPC (2C) at 15:7-11.

<sup>11</sup> Exhibit OPC (2C) at 15:9-11.

<sup>12</sup> Exhibit OPC (2C) at 15:7-11.

<sup>13</sup> ILI is a methodology that can detect the presence, location, and magnitude of corrosion or other pipe defects that may exist and is more comprehensive than an external corrosion direct assessment. Some ILI tools are also capable of examining the pipe for other features such as dents or cracks. Running ILI tools internally through pipelines will allow the Company to identify more potential integrity issues such as

1 future. The assessment of pipelines using ILI tools helps the Company better  
2 address threats, such as external corrosion, and other pipeline defects, which can  
3 negatively impact pipeline integrity. The US Department of Transportation  
4 (“USDOT”) Title 49 Code of Federal Regulations (“CFR”) 192 subpart O requires  
5 pipeline operators to assess the integrity of their USDOT transmission pipelines  
6 every seven years. The Company currently meets this requirement by conducting  
7 external corrosion direct assessment in its High Consequence Areas (“HCAs”) on  
8 the majority of its USDOT transmission pipelines. However, the Company has  
9 been modifying Strip 15 in order to allow future in-line inspections that will provide  
10 greater safety and system integrity benefits and is the preferred pipeline  
11 assessment method by PHMSA. The replacement of Valve 23 on Strip 15 is one  
12 of those modifications, and it enhances the safety and maintenance of the  
13 Company’s transmission system.

14  
15 Q. WHAT WAS THE REASON FOR THE COST VARIANCE ON THE STRIP 15,  
16 VALVE 23 REPLACEMENT?

17 A. The Company’s original estimate for this project was \$1,558,826. During  
18 the project execution, the District Department of Transportation (“DDOT”)   
19 rescinded its permit and required a significant modification to the Traffic Control  
20 Plan, which required additional closures of the sidewalk along Massachusetts Ave  
21 and the installation of a concrete sidewalk bypass. This design change increased

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corrosion, dents, and manufacturing defects. Strip 15 contains some appurtenances including valves that are not full port, certain fittings such as short radius elbows and large diameter non-barred tees that do not allow an ILI tool to pass through the pipeline.

1 the project cost by approximately \$76,000. Due to the rescinding of the DDOT  
2 permit, unanticipated world leader visits and events at the Italian Embassy (this  
3 valve is located in front of the embassy), and relocation of the blowdown location,  
4 the Company experienced additional costs for the project in the amount of  
5 \$166,000. Lastly, there was a change order to relocate the hot tap/line stop fitting.  
6 This process required additional nitrogen to blow down the longer section of pipe  
7 and installation of sound attenuation panels for the drawdown compressor, which  
8 was located in a residential area, which increased the cost by approximately  
9 \$13,000. Finally, the estimated duration for this project was thirty (30) days of  
10 work. However, the actual project required sixty-four (64) days to complete, due  
11 to the delays caused by the embassy and site conditions. These conditions were  
12 not known at the time of the estimate but were necessary to complete this project  
13 to remain in compliance with USDOT regulations while enhancing the safety and  
14 maintenance of the Company's transmission system.

15  
16 Q. OTHER THAN THE ADDITIONAL PROJECT ADDED TO HIS DISALLOWANCE,  
17 DID WITNESS FITZHENRY MAKE ADDITIONAL ADJUSTMENTS TO HIS NON-  
18 PIPES CAPITAL EXPENDITURE DISALLOWANCES?<sup>14</sup>

19 A. Yes. Witness Fitzhenry removed four (4) projects from his recommended  
20 disallowance and adjusted one (1) to a partial disallowance. These adjustments  
21 equate to a reduction in the disallowance recommended by Witness Fitzhenry by

---

<sup>14</sup> Exhibit OPC (2C) at 15:9.

1 approximately \$1.7 million, as he noted in his testimony.<sup>15</sup>

2 Q. WHAT WERE WITNESS FITZHENRY'S REASONS FOR MAKING THESE  
3 ADJUSTMENTS?

4 A. Witness Fitzhenry states that "developing an accurate budget is important  
5 to establish cost controls for a project, [however] a poorly developed budget does  
6 not necessarily imply imprudence."<sup>16</sup> Witness Fitzhenry accepted the cost  
7 variance for Aspen Street NW, due to the fact that it encountered atypical  
8 conditions, (*i.e.*, a 6" bypass), that was not reflected in historical averages.<sup>17</sup>

9 Witness Fitzhenry also accepted the cost variance for the replacement of  
10 Strip 7 Valve 8, due to the fact that the "additional cost incurred for this project  
11 was the result of necessary changes to the project scope,"<sup>18</sup> as the Company is  
12 "obligated to fix leaks in order to maintain the safety and reliability of this system."<sup>19</sup>

13 Witness Fitzhenry accepted the Company's decision to replace additional  
14 gas monitors for Field Operations personnel due to employee safety.<sup>20</sup>

15 In addition, Witness Fitzhenry accepted the change in cost for the Strip 12  
16 TIMP Dig because the estimated costs were completed prior to receiving the bid  
17 from the contractor.<sup>21</sup>

18 Finally, Witness Fitzhenry accepted a partial reduction in his proposed  
19 disallowance for the Strip 24 launcher from \$926,027 to \$456,027 due to the

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<sup>15</sup> Exhibit OPC (2C) at 15:7-11.

<sup>16</sup> Exhibit OPC (2C) at 12:10-12. The Company disagrees with Witness Fitzhenry's contention that its budgets are poorly developed, for the reasons stated in my rebuttal and rejoinder testimony.

<sup>17</sup> Exhibit OPC (2C) at 12:5-7.

<sup>18</sup> Exhibit OPC (2C) at 14:4-5.

<sup>19</sup> Exhibit OPC (2C) at 14:3-4.

<sup>20</sup> Exhibit OPC (2C) at 14:17.

<sup>21</sup> Exhibit OPC (2C) at 15:3-4.

1           permitting and development plan costs being “prudent.”<sup>22</sup>

2  
3       Q.     WHAT WAS WITNESS FITZHENRY'S REASONING FOR CONTINUING TO  
4           RECOMMEND A DISALLOWANCE FOR “DC AOP – PENN AVE SE & MINN.  
5           AVE SE INTERSECTION – WARD 7”?

6       A.           Witness Fitzhenry agrees with the importance of employee safety, and  
7           seemingly accepts certain additional costs identified in my rebuttal, such as armed  
8           security, but states that he cannot separate this cost from the other “cost  
9           overruns.” He continues to recommend the remaining costs for disallowance,  
10          based on his belief that the scope of the project did not change and that the  
11          Company installed less main than originally planned and retired less main.<sup>23</sup>

12  
13      Q.     WHAT IS THE COMPANY'S RESPONSE?

14      A.           First, this project is still being as-built and has not yet recorded the  
15          remaining main retirement footages in the Company's Asset Resource  
16          Management system. Furthermore, as shown in Table 1 in Witness Fitzhenry's  
17          Surrebuttal Testimony,<sup>24</sup> the additional footage required was related to a 12”  
18          offset, which increased in length by over 50%. The installation of 12” main at a  
19          depth over five feet requires additional shoring and safety measures per the  
20          Occupational Safety and Health Administration (“OSHA”) requirements, adding  
21          additional costs for labor, traffic control, etc. These costs are justified for the same

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<sup>22</sup> Exhibit OPC (2C) at 13:8-11.

<sup>23</sup> Exhibit OPC (2C) at 10:1-7.

<sup>24</sup> Exhibit OPC (2C) at 10

1 reasons that Witness Fitzhenry accepts other project costs, such as the Field Ops  
2 Tools project costs and the Strip 7 Valve 8 project, where changes to the project  
3 scope were driven by the need for safety and reliability of the system and the  
4 Company's workers. The Company was unable to know that that depth and tie-in  
5 methods would require additional construction measures until after the pipe was  
6 uncovered. Thus, Witness Fitzhenry's statement that "[u]ltimately the scope of this  
7 project did not materially change,"<sup>25</sup> is fundamentally incorrect, because a change  
8 in the depth and shoring of a construction project is a type of scope change, even  
9 where it is not reflected in the final units. Finally, Witness Fitzhenry overlooks the  
10 Company's need to get additional permits from the National Park Service that also  
11 increased costs. These are similar in nature to the costs of permitting and design  
12 for the Company's Strip 24 Launcher project, which Witness Fitzhenry accepted.<sup>26</sup>

13  
14 Q. WHAT WAS WITNESS FITZHENRY'S REASONING FOR CONTINUING TO  
15 RECOMMEND A DISALLOWANCE FOR "AOP – CLEVELAND PARK  
16 STREETScape – G007NW – WARD 3"?

17 A. Witness Fitzhenry suggests that "the Company had disregarded DDOT  
18 policy, which ultimately required the Company to redo this work."<sup>27</sup> That is not  
19 accurate. This was not a permit compliance issue, but rather a field change driven  
20 by DDOT's installation method. The Company's original offset did not conflict with  
21 DDOT's proposed drainage. However, it was in conflict with DDOT's shoring

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<sup>25</sup> Exhibit OPC (2C) at 9:16.

<sup>26</sup> Exhibit OPC (2C) at 13:8-11.

<sup>27</sup> Exhibit OPC (2C) at 11:14-16.



1 installation, which the Company could not have anticipated; nor was it identified  
2 as a potential issue until the start of the roadway construction activities by DDOT.  
3 Washington Gas followed its standard design practices and underwent design  
4 and conflict reviews with DDOT. Had the Company maintained the elevation of  
5 the original offset, it would have posed a risk to the gas main during DDOT's  
6 installation, potentially leading to an incident. It was therefore prudent, and in the  
7 best interest of public safety to alter the offset. This modification is similar to the  
8 variance justification for Strip 7 Valve, which Witness Fitzhenry accepted as  
9 serving safety and reliability concerns.

10  
11 Q. WHAT WAS WITNESS FITZHENRY'S REASONING FOR CONTINUING TO  
12 RECOMMEND A DISALLOWANCE FOR "DC AOP – RECONSTRUCTION OF  
13 FLORIDA AVE NW – WARD 1"?

14 A. Florida Avenue experienced costs above the original project estimate due  
15 to the depth of pipe, which required additional shoring, excavation time, traffic  
16 control, etc., as well as costs required to complete paving and restoration that  
17 were originally estimated to be completed by DDOT. Witness Fitzhenry incorrectly  
18 states, "[t]he Company is responsible for the extended time it took to complete the  
19 project."<sup>28</sup>

20 He also incorrectly states that "[a]s a result of the delay, DDOT did not  
21 complete the paving restoration work as originally planned."<sup>29</sup> Washington Gas

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<sup>28</sup> Exhibit OPC (2C) at 8:14.

<sup>29</sup> Exhibit OPC (2C) at 8:15-16

1 completed its relocation work as scheduled. However, DDOT's project was  
2 delayed, unrelated to Washington Gas activities. Per the permit granted by DDOT,  
3 Washington Gas is responsible for the paving and restoration of its replacement  
4 work in the right-of-way ("ROW"). It would have created an unsafe environment  
5 for pedestrians and vehicle traffic had the Company delayed the final restoration  
6 and repair of the roadway and sidewalks through DDOT's construction, over a  
7 year later. While Witness Fitzhenry believes Washington Gas should require  
8 DDOT to provide reimbursement, that is not a basis for a disallowance of these  
9 costs. Further, it is not clear that the Company has any basis for obtaining  
10 reimbursement from DDOT.<sup>30</sup> Witness Fitzhenry also does not address the depth  
11 of the main or associated costs to comply with Occupational Safety and Health  
12 Administration ("OSHA") guidelines for this project.

13 The drivers of the variance, and the purpose they are serving (e.g., public  
14 safety), on this project are similar to those for the Strip 7 Valve 8 replacement  
15 project, as well as the Field Operations Tools variance, both of which Witness  
16 Fitzhenry accepted.<sup>31</sup>

17  
18 Q. WHAT WAS WITNESS FITZHENRY'S REASONING FOR CONTINUING TO  
19 RECOMMEND A DISALLOWANCE FOR "ABAND GAS SERV AT MAIN – 705  
20 4<sup>TH</sup>"?

21 A. As stated in my direct testimony, the Company was required to perform

---

<sup>30</sup> Exhibit OPC (2C) at 8:18-20.

<sup>31</sup> Exhibit OPC (2C) at 14:3-4.

1 extensive pavement restoration in compliance with the permit received by DDOT,  
2 provided as Exhibit WG (3I) – 8.<sup>32</sup> Witness Fitzhenry states that the Company's  
3 non-compliance with DDOT policies is inadequate justification for these costs.<sup>33</sup>  
4 Witness Fitzhenry is mistaken. Washington Gas was not “non-compliant”, as  
5 Witness Fitzhenry states. Rather, in order to comply with its DDOT permit for this  
6 specific project, the Company had to expand its paving limits. As a result of  
7 *complying* with DDOT's requirements to expand the paving limits, the Company  
8 incurred extensive costs. The extended paving limits were atypical of the  
9 Company's historic abandonment costs. This was not a matter of the Company's  
10 non-compliance with a regulation or policy.

11 Further, taking Witness Fitzhenry's position to its logical conclusion, it  
12 appears that Witness Fitzhenry would have considered this paving cost prudent if  
13 the Company had budgeted for the excessive paving. However, because the  
14 Company established its budget based on historic paving requirements, and then  
15 experienced a variance, Witness Fitzhenry is proposing a disallowance. This  
16 variance focused approach to prudence ignores that the costs for this project were  
17 necessary and had been compelled by a government agency.

18  
19 Q. WHAT WAS WITNESS FITZHENRY'S REASONING FOR CONTINUING TO  
20 RECOMMEND A PARTIAL DISALLOWANCE FOR “ILI READINESS – STRIP 24  
21 – LAUNCHER”?

---

<sup>32</sup> Exhibit WG (3I) at 34:9-23.

<sup>33</sup> Exhibit OPC (2C) at 9:3-5.

1 A. The Strip 24 – Launcher project had unexpected requirements from the  
2 Prince George’s County Department of Permitting, Inspection, and Enforcement  
3 (“DPIE”) which led to additional fees and permitting delays and caused a shift in  
4 the timing of the work to winter. Working in the winter extended the construction  
5 duration and increased charges due to crew hours, shortened days, additional  
6 traffic control, weather delays, frozen ground, etc. Witness Fitzhenry states that  
7 “the permitting and development plans were prudent, but having to complete the  
8 work during the winter period does not justify the remaining cost variance.”<sup>34</sup> The  
9 installation of a new launcher facility on Strip 24 facilitated critical pipeline integrity  
10 testing required per USDOT regulations. The Company was scheduled to  
11 complete the in-line inspection in 2023 for the 2024 assessment deadline, per  
12 USDOT regulations, and therefore the construction could not be delayed. If the  
13 increased cost of construction was due to a process that Witness Fitzhenry found  
14 prudent, the resulting costs of those delays should be as well. Further, the need  
15 to work in winter was both outside of the Company’s control regarding this project,  
16 which was planned for warm weather construction but needed to be completed  
17 by a certain date. The Company performs construction work year-round, so just  
18 because work is performed in the winter and costs slightly more does not make  
19 the project imprudent. This once again emphasizes that Witness Fitzhenry’s  
20 variance focused approach to prudence ignores the practical realities of running  
21 a utility that is undertaking extensive capital replacement work. It is unreasonable  
22 for Witness Fitzhenry to find delays due to permitting issues prudent and not

---

<sup>34</sup> Exhibit OPC (2C) at 13:8-11.

1 accept the resulting cost variance as prudent due to the construction schedule  
2 change that resulted in the project being completed in the winter. These  
3 circumstances were outside of the Company's control and necessary to maintain  
4 the safety and reliability of the system.

5  
6 Q. DID WITNESS FITZHENRY CONTINUE TO RECOMMEND A DISALLOWANCE  
7 ON THE PROJECT PIPES EXPENSES?

8 A. Yes. Witness Fitzhenry does not attempt to address the three PIPES  
9 projects in my testimony, nor my comments regarding his calculation for his  
10 disallowance. Rather than provide a response, Witness Fitzhenry accuses the  
11 Company of blaming other regulatory bodies and argues that the Company has  
12 failed to adapt to new policies.<sup>35</sup> The cost variances he disallows, however, are  
13 not due to fines or other penalties incurred by the Company's lack of compliance,  
14 and are instead the direct result of additional traffic control requirements, design  
15 requirements, etc. necessary to comply with DDOT permit requirements and  
16 restrictions. Said differently, the Company's adaptation to the newly enforced  
17 policies, which caused it to incur additional costs above its project budgets, is the  
18 very thing that Witness Fitzhenry has proposed to disallow.

19 Further, Witness Fitzhenry proposes a sweeping disallowance, without any  
20 specific determination of the prudence of the individual project charges incurred  
21 to provide safe and reliable service to customers. I had provided additional  
22 variance explanations for the three (3) PIPES projects identified by Witness

---

<sup>35</sup> Exhibit OPC (2C) at 5:10-17.

1 Fitzhenry in his Direct Testimony. Witness Fitzhenry does not address these  
2 explanations in his Surrebuttal, unlike the non-PIPES projects.<sup>36</sup> Had Witness  
3 Fitzhenry reviewed these three projects, they would have aligned with the other  
4 projects in which he accepted the Company's cost variances as prudent.

5 The Company's abandonment at 215 G Street NE required extensive  
6 excavations that were not known prior to construction due to the numerous  
7 conflicts with existing utilities.<sup>37</sup> These adjustments reflected a change in the  
8 scope that was necessary to maintain service and reliability to customers, similar  
9 to the justification for the variance associated with Strip 7 Valve 8 that was  
10 accepted by Witness Fitzhenry.<sup>38</sup>

11 The Company's replacement at Cleveland Park was redesigned to  
12 abandon an additional 1,000 feet of eligible cast iron main, as well as addressing  
13 a large amount of rock near the regulator station. The additional cost to retire  
14 1,000 feet of relatively high-risk cast iron was a scope change to enhance safety  
15 in the District, similar to Strip 7, Valve 8, accepted by Witness Fitzhenry.<sup>39</sup> The  
16 presence of rock in the District is an anomaly, and was not reflected in the  
17 historical costs nor would it be known, similar to the variance for Aspen Street  
18 NW, that was accepted by Witness Fitzhenry.<sup>40</sup>

19 Finally, the Company's replacement on 40<sup>th</sup> Street was limited to restricted  
20 working hours and required extensive excavations due to numerous unmarked

---

<sup>36</sup> Exhibit OPC (C) at 21:1.

<sup>37</sup> Exhibit WG (3I) at 28:23-29:13.

<sup>38</sup> Exhibit OPC (2C) at 14:3-5.

<sup>39</sup> Exhibit OPC (2C) at 14:3-5.

<sup>40</sup> Exhibit OPC (2C) at 12:5-12.

1 utilities. The restricted working hours are dictated by the DDOT permit and  
2 therefore the costs were prudent to comply with the DDOT permit and to ensure  
3 the safe replacement of the relatively high-risk cast iron pipe. These additional  
4 costs related to the requirements applied by DDOT are similar to the permit  
5 requirements accepted by Witness Fitzhenry in relation to the Strip 24 Launcher.  
6

7 Q. WHAT WAS THE FINAL DISALLOWANCE RECOMMENDED BY WITNESS  
8 FITZHENRY?

9 A. Witness Fitzhenry is recommending that the Commission disallow cost  
10 recovery of all post-test year PROJECT*pipes* plant additions.<sup>41</sup> He states that the  
11 Company has not provided project names, scope of work, in-service dates, or  
12 identified whether the projects are used and useful.<sup>42</sup>  
13

14 Q. HAS THE COMPANY PROVIDED THE INFORMATION STATED BY WITNESS  
15 FITZHENRY?

16 A. The Company did not previously provide the BCAs in Formal Case No.  
17 1180, as they were not requested in discovery by any party after the Company  
18 provided its update in rebuttal. However, the PROJECT*pipes* projects are  
19 submitted to the Commission and all intervenors with the project name, scope of  
20 work, estimated construction dates and the Company files both semi-annual and  
21 annual reports with construction completion dates, actual units installed, and

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<sup>41</sup> Exhibit OPC (2C) at 19:15-16.

<sup>42</sup> Exhibit OPC (2C) at 18:6-8.

1 project variance information, including cost, scope, and schedule.

2  
3 Q. DOES THE COMPANY HAVE THE PROJECT*PIPES* CHARGES FROM APRIL  
4 2024 THROUGH DECEMBER 2024 IN A FORMAT SIMILAR TO EXHIBIT WG  
5 (2I) – 1?

6 A. Yes. Included in Exhibit WG (4I) – 1, I am providing the PROJECT*pipes*  
7 BCAs that incurred charges between April 2024 and December 2024 and that  
8 Witness Gibson reflected in rates in his rebuttal testimony. Exhibit WG (4I) – 1  
9 includes the project name, program, project justification/need, construction  
10 completion date, actual charges between April 2024 and December 2024, the  
11 total charges incurred through December 2024, the total project cost estimate,  
12 and any variance explanations.

13  
14 Q. HOW DOES EXHIBIT WG (4I) – 1 DIFFER FROM EXHIBIT WG (2I) – 1?

15 A. Exhibit WG (2I) – 1 included the charges for all work orders over \$500,000  
16 for all capital charges, in accordance with Order No. 22311. Exhibit WG (4I) – 1  
17 includes only the PROJECT*pipes* projects that have incurred costs from April  
18 2024 to December 2024, however, it provides the total project charges through  
19 December 2024 for all work orders associated with each BCA. This is because  
20 the Company is only proposing to reflect the completed PROJECT*pipes* work  
21 through December 2024 in the final rates in this proceeding, and not other capital  
22 work completed after the end of the historic test year.

23



1 Q. WERE THE CHARGES ON PIPES PROJECTS BETWEEN APRIL 2024 AND  
2 DECEMBER 2024 PRUDENTLY INCURRED?

3 A. Yes. The Company used the same cost management practices discussed  
4 in my rebuttal testimony to ensure project costs were prudent and necessary to  
5 enhance safety and increase reliability in the District. Furthermore, the Company  
6 has continuously reported on PROJECT*pipes* projects, costs and progress in  
7 Formal Case No. 1154 including project variances throughout the life of the  
8 projects, including a number of the projects on Exhibit WG (4I) – 1.

9  
10 **IV. CONCLUSION**

11 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

12 A. Yes, it does.

FC 1180  
EXHIBIT (4I)-1  
CONFIDENTIAL

Item No.	Project	Direct Testimony Disallowances	Surrebuttal Testimony Disallowances	Variance Direct vs Surrebuttal Testimony	Witness Fitzhenry Justificaiton for Acceptance of Cost Variance	Washington Gas Justificaiton for Acceptance of Cost Variance
1	DC AOP - Penn. Ave SE & Minn. Ave SE Intersection - Ward 7	\$2,254,303	\$2,254,303	\$0		Additional costs were incurred to maintain the safety and reliability of the system and employees as well as costs related to permitting and design. This justification was accepted by Witness Fitzhenry in items 8 and 9.
2	AOP - Cleveland Park Streetscape - G007NW - Ward 3	\$1,071,222	\$1,071,222	\$0		Additional costs were incurred to maintain the safety and reliability of the system and the public. This justification was accepted by Witness Fitzhenry in item 8.
3	DC AOP - Reconstruction of Florida Ave NW - Ward 1	\$59,423	\$59,423	\$0		Additional costs were incurred to maintain the safety of the public. This justification was accepted by Witness Fitzhenry in items 8 and 9.
4	DC INT - Aspen St NW - A013NW - Ward 4 (Related to BCA 287799 & 283129)	\$241,664	\$0	-\$241,664	Company encountered atypical conditions that were not reflected in historical averages.	
5	ABAND GAS SERV AT MAIN === 705 4TH	\$98,882	\$98,882	\$0		Company encountered atypical conditions that were not reflected in historical averages. This justification was accepted by Witness Fitzhenry in item 4.
6	Strip 15 Valve 23 Replacement	\$0	\$898,045	\$898,045		Additional costs were incurred to maintain the safety and reliability of the system. This justification was accepted by Witness Fitzhenry in item 8.
7	ILI Readiness - Strip 24 - Launcher	\$926,027	\$456,027	-\$470,000	Additional costs were due to costs related to permitting and development of plans.	Additional costs were incurred to maintain the safety and reliability of the system. This justification was accepted by Witness Fitzhenry in item 8.
8	Strip 7 Valve 8	\$366,745	\$0	-\$366,745	Additional costs were incurred to maintain the safety and reliability of the system.	
9	Tools Field Ops	\$330,809	\$0	-\$330,809	Additional costs were incurred due to employee safety.	
10	Strip 12 TIMP Dig	\$261,439	\$0	-\$261,439	Estimated costs were completed prior to receiving a bid from the contractor.	
	<b>Total</b>	<b>\$5,610,514</b>	<b>\$4,837,902</b>	<b>-\$772,612</b>		

## ATTESTATION

I, FREDERICK J MORROW III, whose Testimony accompanies this Attestation,

state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

*Frederick J Morrow III*  
\_\_\_\_\_  
FREDERICK J MORROW III

5/13/25

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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. 1180
INCREASE EXISTING RATES AND	)	
CHARGES FOR GAS SERVICE	)	
_____	)	

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF GHISLAINE (CELINE) QUENUM**  
**Exhibit WG (3J)**

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WASHINGTON GAS LIGHT COMPANY

District of Columbia

**REJOINDER TESTIMONY OF GHISLAINE QUENUM**

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

A. My name is Ghislaine (Celine) Quenum. I am Manager, Corporate Accounting at Washington Gas Light Company ("Washington Gas" or "Company"). My business address is 1000 Maine Avenue, SW, Washington, D.C. 20024.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A. Yes, I submitted Direct Testimony and Rebuttal Testimony in this proceeding.

**I. PURPOSE OF YOUR REJOINDER TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my limited rejoinder testimony is to address the claims and concerns raised by Apartment and Office Building Association of Metropolitan Washington ("AOBA") Witness Timothy Oliver ("T. Oliver") related to the Company's affiliate transactions and its Affiliate Cost of Service Study ("ACOSS"). Much of AOBA Witness T. Oliver's Surrebuttal Testimony is simply rehashed arguments that have been previously addressed in this docket and/or rejected by the Commission previously. The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions

**II. SUMMARY OF EXHIBITS**

Q. DO YOU SPONSOR ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. No. I do not sponsor any exhibit in support of my Rejoinder Testimony.

**III. DISCUSSION**

Q. AOBA WITNESS T. OLIVER CONTENDS THAT THE MODIFIED MASSACHUSSETS FORMULA (MMF) APPLIED IN THE ACOSS LACKS DOCUMENTATION AND SUPPORT AND DOES NOT PROVIDE INFORMATION ON THE DERIVATION OF DATA USED TO ALLOCATE COSTS TO AFFILIATES. DO YOU AGREE?

A. No, I do not agree.

Q. WHY NOT?

A. Washington Gas has provided supporting documentation for the computation of the MMF. Specific to Formal Case 1180, supporting documentation related to the MMF was appended to the Company's ACOSS (Exhibit WG (J)-5—Washington Gas's ACOSS for the 12 months ended March 31, 2024, the test year in this case. (Confidential version). Further, as noted in my rebuttal testimony, in Compliance with the Commission's Order and subsequent to the joint working sessions with AOBA and other parties, and also taking into account AOBA's feedback from the joint working sessions, Washington Gas prepared seven additional support files which were filed with the rate case application. The additional support files were designed especially for AOBA and were intended to provide further transparency into the Company's



1 reporting of affiliates; the additional support files were a part of the Company's  
2 compliance filing for this rate case and they included: 1) Detailed financial data  
3 and calculation of the burden rates utilized in the allocation of fringe benefits; 2)  
4 Detailed financial data and calculation of the MMF factors by affiliates and for  
5 quarters included in the test year; 3) Detailed financial data for time and labor  
6 charged by Washington Gas employees to each affiliate; 4) Detailed financial  
7 data, description of the type of cost-components of the Building Services  
8 Allocation Pool, and a simulation of building services allocation to affiliates for  
9 the test year; 5) Detailed financial data, description of the type of cost-  
10 components of the Telephone Services Allocation Pool, and a simulation of  
11 telephone allocation to affiliates for the test year; and 6) Detailed financial data  
12 and bank activity for cash settlements and a reconciliation for amounts billed to  
13 affiliates by Washington Gas and from affiliates to Washington Gas, to  
14 demonstrate that Washington Gas was made whole for its cost of service to  
15 affiliates for the test year.

16 Q. BASED UPON THE PRIOR PROVISION OF THE SUPPORT FILES, AND YOUR  
17 REVIEW OF AOBA WITNESS T. OLIVER'S SURREBUTTAL TESTIMONY,  
18 WHAT DO YOU CONCLUDE?

19 A. Washington Gas' reporting of affiliate transactions in this rate case  
20 proceeding is consistent with prior filings and is sound and accurate; the addition  
21 of the ACROSS in FC 1180 provides even greater transparency into affiliate  
22 transactions and the cost of service by Washington Gas to affiliates. The  
23 Company's affiliate transactions have consistently been audited by an  
24 independent auditor according to the rules and regulations established by the  
25 Commission, and as stated in its ruling in Formal Case 1169, paragraph 463, the

1 Commission found “no imprudence related to Washington Gas’ intercompany  
2 affiliate transactions”. No new facts have developed or occurred in the time  
3 frame since the Order in Formal Case 1169 to alter that conclusion.

4 AOBA Witness T. Oliver provided no evidence to support his conclusory  
5 statements, arguments and recommendations concerning affiliates transactions  
6 throughout this proceeding; therefore, his arguments have no merit, and they  
7 should be rejected by the Commission.

8 Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

9 A. Yes.

## ATTESTATION

I, GHISLAINE QUENUM, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

*Celine Quenum*

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GHISLAINE QUENUM

5/14/2025

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DATE



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. 1180  
INCREASE EXISTING RATES AND )  
CHARGES FOR GAS SERVICE )  
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WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF PATRICK L. BARYENBRUCH**  
**Exhibit WG (3L)**

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WASHINGTON GAS LIGHT COMPANY

DISTRICT OF COLUMBIA

**REJOINDER TESTIMONY OF PATRICK L. BARYENBRUCH**

**I. INTRODUCTION AND QUALIFICATIONS**

Q. PLEASE STATE YOUR NAME, POSITION OF EMPLOYMENT AND BUSINESS ADDRESS.

A. My name is Patrick L. Baryenbruch, and I am the President of my own consulting practice, Baryenbruch & Company, LLC.

Q. ARE YOU THE SAME PATRICK L. BARYENBRUCH WHO PREFILED DIRECT AND REBUTTAL TESTIMONY IN THIS CASE?

A. Yes.

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A. I am responding to the certain issues contained in the surrebuttal testimony of Office of the People's Counsel ("OPC") Witness Bion C. Ostrander who makes contentions regarding the services provided to Washington Gas by AltaGas and SEMCO.

The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions.

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR REJOINDER TESTIMONY?

A. No.

Q. HAS THE SURREBUTTAL TESTIMONY FROM OPC WITNESS OSTRANDER

1 CAUSED YOU TO MODIFY OR ADJUST YOUR CONCLUSIONS PROVIDED IN  
2 YOUR PREVIOUS TESTIMONY?

3 A. No.

4 **II. RESPONSE TO OPC**

5 Q. WHAT DOES OPC ARGUE IN ITS SURREBUTTAL TESTIMONY?

6 A. OPC, through the surrebuttal testimony of Witness Ostrander, challenges the  
7 following aspects of my previous testimony:

- 8 1. Acceptance of My Methodology by Regulators
- 9 2. Cost Components and Profit Margins for Outside Service Providers
- 10 3. Findings of Unreasonableness and Recommended Disallowances

11 Q. WERE THESE TOPICS COVERED IN PREVIOUS DIRECT TESTIMONY?

12 A. Topics 1 and 3 are new lines of inquiry. Topic 2 was the subject of Witness  
13 Ostrander's direct and surrebuttal testimony and many OPC data requests. I  
14 address Topic 2 only to the extent of identifying errors or providing additional  
15 clarity.

16 **Acceptance of My Methodology by Regulators**

17 Q. WHAT IS WITNESS OSTRANDER'S CONTENTION REGARDING THIS TOPIC?

18 A. Witness Ostrander contends that my response to OPC Data Request No.  
19 21-16(d) and (f) is incorrect. Those data requests asked if my cost comparison  
20 methodology had been rejected by any regulators. My response was no.

21 Q. TO WHICH OF YOUR PAST RATE CASES DOES THIS RELATE?

22 A. Kentucky Public Service Commission's (KPSC) case 2010-00476 in which  
23 I was the affiliate transactions witness for Water Service Corporation of Kentucky  
24 (WSKY), a water company owned by a utility holding company. Services were

provided to WSKY by its affiliate service company, Water Service Corporation (WSC).

Q. PLEASE EXPLAIN THE CIRCUMSTANCES OF THIS RATE CASE.

A. In that case, I made the following cost comparisons for WSKY's rate case:

- Lower of Cost or Market (LCM) Comparison – Comparison of WSC's cost of services provided to WSKY versus the cost of outside service providers.

This is the same type of comparison that I made for WGL's cost of services from affiliates AltaGas and SEMCO.

- Service Company A&G Charges per Customer – Comparison of WSC's costs per customer for A&G services from WSC versus the same costs for A&G services provided by affiliate service companies to other utilities. I did not perform this comparison for WGL's current case.

Q. WHAT WAS THE KPSC's CONCERN WITH WSKY'S AFFILIATE CHARGES IN THAT CASE?

A. The KPSC's primary concern related to WSKY's independence from its service-providing affiliate WSC. The KPSC's final order said the following:

*"The AG's position centers upon the lack of any independent review of allocated indirect expenses. The agreement between Water Service Corporation and WSKY contains no provisions for WSKY to monitor and challenge assignments of indirect expenses. Moreover, the members of WSKY's Board of Directors also serve as directors of other UI subsidiaries, including Water Service Corporation. On its face, this arrangement presents an apparent conflict of interest and raises questions about WSKY's willingness to question transactions with Water Service Corporation. "In that Water Service Corporation has virtually no compunction when it comes to allocating amounts to Kentucky which have no discernable connection with the provision of reasonable utility service," the AG argues, "the lack of independence works to the material detriment*



1           *of. . . [WSKY's] ratepayers."*<sup>1</sup>

2 Q. DID THE KPSC HAVE CONCERNS ABOUT YOUR COST COMPARISON  
3 METHODOLOGY?

4 A. The KPSC had no concern with my LCM comparison. It did take issue with  
5 my A&G cost per customer comparison (a separate issue), stating that my  
6 testimony should have also included a cost comparison to water companies of  
7 comparable size to WSKY.

8 Q. DID THE KPSC ORDER A DISALLOWANCE OF WSK'S CHARGES FROM  
9 AFFILIATES?

10 A. Yes, it disallowed WSC's charges to WSKY. However, the basis for the  
11 disallowance was not my cost comparison methodology.

12 Q. ARE THERE ANY OTHER KENTUCKY CASES THAT DEMONSTRATE THE  
13 KPSC'S APPROVAL OF YOUR COST COMPARISON METHODOLOGY?

14 A. Yes. Around the same time as WSKY Case 2010-00476, I acted as the  
15 affiliate charges witness in Case 2010-00036 for Kentucky American Water  
16 Company (KAWC), a subsidiary of American Water. I supported charges for  
17 services from KAWC's service company affiliate, American Water Works Service  
18 Company (AWWSC). I performed the same cost comparisons (LCM and affiliate  
19 A&G charges per customer) that I did in WSKY Case 2010-00476.

20           Given that the KPSC approved the very same cost comparison  
21 methodology I used in the KAWC case that I used in the WSKY, it is clear that the

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<sup>1</sup>Case No. 2010-00476 *In the Matter of Application of Water Service Corporation of Kentucky for an Adjustment of Rates* Final Order, pages 9-10, November 11, 2011.

1 KPSC's criticism was not about the methodology I used. Rather, the outcomes of  
2 the KAWC case described above evidence that the KPSC accepts my  
3 methodology.

4 Q. HOW DO THE COST COMPARISONS USED IN THESE KENTUCKY CASES  
5 COMPARE TO THOSE YOU DEVELOPED FOR THE WASHINGTON GAS  
6 CASE?

7 A. The LCM comparison in this Washington Gas case is the very same one I  
8 prepared for the Kentucky cases. For this Washington Gas case, I prepared a total  
9 A&G expenses cost comparison to other combination electric and gas utilities.  
10 Total A&G expenses include expenses that Washington Gas incurs directly and  
11 charges from affiliates AltaGas and SEMCO. Recall that for the Kentucky cases,  
12 my metric is just affiliate A&G-related charges per customer. I did not perform that  
13 comparison in this Washington Gas case because its comparison group consists  
14 of utilities whose A&G services are substantially all provided by service companies  
15 affiliates. AltaGas has no such service company.

16 Q. HOW DO YOU RESPOND TO WITNESS OSTRANDER'S CONTENTION YOU  
17 HAVE NOT BEEN FORTHCOMING IN YOUR RESPONSE TO OPC DATA  
18 REQUEST NO. 21-16?

19 A. In his surrebuttal testimony, Witness Ostrander asked for the number of  
20 times regulators have ruled in my previous rate cases that my cost comparison  
21 methodology was: (a) accepted, (b) rejected or (c) no position was expressed.  
22 (source: WGL Response to OPC Data Request No. 21-16(e) and (f)). I replied that  
23 regulators in twenty-one jurisdictions had accepted my cost comparison

1 methodology, because in each of those cases the methodology was either  
2 expressly accepted or implicitly accepted because no position was expressed.

3 Q. PLEASE SUMMARIZE YOUR POSITION REGARDING WITNESS  
4 OSTRANDER'S CHARACTERIZATION OF PRIOR ACCEPTANCE OF YOUR  
5 METHODOLOGY.

6 A. My cost comparison methodology was not the reason the KPSC disallowed  
7 the utility's affiliate charges. It was because the KPSC did not believe the utility  
8 had sufficient review and approval authority over services provided by its affiliate.  
9 Around the time of that case, I presented the same cost comparisons in another  
10 Kentucky utility's case, and the same cost comparison was accepted by the KPSC.  
11 I stand by my previous statement that regulators in twenty-one states in which I  
12 have appeared as a rate case witness have accepted my cost comparison  
13 methodology.

14 **Cost Components and Profit Margins for Outside Service Providers**

15 Q. WHAT IS WITNESS OSTRANDER'S CONTENTION RELATED TO THIS ISSUE?

16 A. He contends that the hourly rates for affiliates AltaGas and SEMCO are not  
17 comparable to the hourly billing rates of outside service providers because their  
18 rates include a profit margin. As a remedy, Witness Ostrander specifies the  
19 following:

20 *"Witness Baryenbruch should have either removed the profit*  
21 *component of outsider [sic] providers' billing rates, or imputed a profit*  
22 *margin into WGL affiliates billing rates to arrive at an apples-to-apples*  
23 *comparison."*<sup>2</sup>

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<sup>2</sup> Surrebuttal Testimony of Bion C. Ostrander, Exhibit OPC (2B), page 119, 112-14

1 Q. IS OPC WITNESS OSTRANDER CORRECT?

2 A. No.

3 Q. WHAT IS THE BASIS FOR YOUR LCM COMPARISON?

4 A. I utilize the method recommended by National Association of Regulatory  
5 Utility Commissions (NARUC), which recommends pricing of services provided by  
6 unregulated affiliates to a regulated utility at the lower of cost or market, as  
7 described below:

8 *"Generally, the price for services, products and the use of assets*  
9 *provided by a non-regulated affiliate to a regulated affiliate should be*  
10 *at the lower of fully allocated cost or prevailing market prices."*<sup>3</sup>

11 Q. IS THIS WHAT YOUR LCM COMPARISON VALIDATES IN THIS CASE?

12 A. Yes. I calculated the fully allocated hourly cost for AltaGas and SEMCO  
13 services. Then I compared these affiliate rates to those of outside providers to  
14 whom such work could be outsourced. I found outside provider billing rates to be  
15 **203% higher** than the cost of affiliates.

16 Q. DOES NARUC'S RECOMMENDED METHODOLOGY INCLUDE THE  
17 TREATMENT OF PROFIT MARGIN AS WITNESS OSTRANDER PRESCRIBES?

18 A. No. Witness Ostrander's notion of an LCM comparison is inappropriate.  
19 My methodology is straightforward, reflecting the actual charges of the utilities  
20 involved as well as the actual market rates. The use of these financial realities is  
21 in line with NARUC's guidelines. Witness Ostrander, on the other hand, proposes  
22 the use of a phantom "profit factor" that is not recognized by the NARUC guidelines

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<sup>3</sup> Guidelines for Cost Allocations, National Association of Regulatory Utility Commissioners

1 and, in my experience, has never been employed in an LCM comparison. His  
2 attempt to falsely inflate these charges based upon an unrecognized and untested  
3 factor should be rejected.

4 Q. DID WITNESS OSTRANDER PROVIDE ANY ADDITIONAL, NEW BASIS TO  
5 SUPPORT HIS RECOMMENDATION THAT YOUR LCM COMPARISON BE  
6 REJECTED?

7 A. Yes, he recommends the Commission reject my LCM comparison because  
8 it fails to meet a burden of proof.<sup>4</sup>

9 Q. WHAT IS YOUR RESPONSE?

10 A. The basis for Witness Ostrander's contention regarding burden of proof is  
11 his mistaken belief that Washington Gas's response to OPC Data Request No. 21-  
12 11 was insufficient. Witness Ostrander's testimony is without merit and should be  
13 rejected. Quite simply, he requested excessive and non-existent information that  
14 the Company could not provide. That information is described below:

- 15 • (21-11 b and c) Hourly rates, including the labor and non-labor components  
16 for 2020, 2021, 2022, 2023 and the year ending March 31, 2024, for each  
17 AltaGas employee, function and cost pool: There is no on-going business  
18 need for this information, so it is not normally compiled, maintained or  
19 reported. Thus, it would have required a time-consuming special study.
- 20 • (21-11 d,e,f) Breakdown of outside service providers' hourly billing rates by  
21 cost component and a reconciliation between those cost components and

---

<sup>4</sup> Surrebuttal Testimony of Bion C. Ostrander, Exhibit OPC (2B), page 121, l16-17

the cost types included in the hourly cost for AltaGas employees (see screenshot below): There is no source information on the cost components for outside service providers' billing rates.

Accounts Included in Baryenbruch's AltaGas Hourly Rate Calculation

70015 - Salaries & Wages - Regular	70176 - Defined Contribution	70690 - Reference Materials
70020 - Salaries & Wages - Overtime	70178 - Other Post-Employment Benefits	70725 - Telephone
70044 - Labour Manual Adj	70185 - Trade and Professional Dues	70730 - Courier Costs
70045 - Severance	70195 - Training and Development	70735 - Postage
70046 - US Allocation - In	70390 - Corporate Dues	70760 - Printing
70050 - Recharge Offset	70420 - Conferences	70765 - Mailings
70055 - Short Term Disability	70615 - Office Rent	70770 - Public Communications
70060 - Vacation Expense	70620 - Office Operating Costs	70775 - Wire Service and Webcasts
70061 - Statutory Vacation Pay - G&A	70625 - Move Costs	70835 - Corporate Insurance
70090 - Employee Group Benefits	70630 - Furniture Maintenance	70858 - Regulatory Fees
70094 - Benefits Manual Adj	70635 - Offsite File Storage	71065 - Bank Service Charges
70095 - Provincial Health Care	70645 - Office Supplies	71090 - Other G&A Expenses
70098 - US Federal Tax	70646 - Kitchen Supplies	71115 - Stock Exchange Fees
70100 - Employer Employment Insurance	70650 - Toner and Printer Cartridges	71120 - Registrar Fees
70105 - Employer Canada Pension Plan	70660 - Computer Expense	71125 - Translation Fees
70110 - EI Rate Reduction	70662 - Hardware Expense	71175 - Business Tax
70115 - Workers' Compensation Board	70664 - Software Expense	71180 - Property Tax
70120 - Savings Plan	70667 - Cloud Service Subscription	71195 - Provincial Sales Tax
70125 - Employee and Family Assistance	70668 - Contract Software Maintenance	71197 - General Taxes
70130 - Short Term Incentive Plan	70670 - Computer Supplies	73020 - Depr-Furniture and Fixtures
70140 - Bonus (non-STIP)	70672 - Communications Data	73060 - Depr-Buildings
70160 - Parking	70685 - Newspaper	73491 - Depr - Finance Lease

- (21-11 g,h,i) Profit margins in each outside provider's hourly billing rate:

There is no source of information on outside provider profit margins. I stated this in the Company's response to this data request:

*"Outside providers are generally private, not public, companies and, as such, are not required to publish their financial statements. Consequently, it is not possible to determine their profit margins".<sup>5</sup>*

Witness Ostrander's burden-of-proof contention is incorrect. It is unreasonable to expect WGL to readily produce the requested AltaGas information. He requested information that is not publicly available. His recommendation that my LCM comparison be rejected lacks merit.

Q. IN HIS SURREBUTTAL TESTIMONY<sup>6</sup>, WITNESS OSTRANDER SEEMINGLY ACKNOWLEDGES HIS CONFUSION AND LACK OF UNDERSTANDING AS TO THE LCM COMPARISON. HOW DO YOU RESPOND?

A. Witness Ostrander's testimony in this proceeding does indicate his confusion in many places regarding the LCM, and thus his testimony should not be given any weight. For example, there are several instances where he discusses or confuses Washington Gas employees with those of AltaGas and SEMCO. He mistakenly describes the LCM comparison to be between the costs of outside service providers and WGL, not its affiliates. Also, he incorrectly describes my LCM comparison to cover the cost of WGL employees providing services to affiliates.<sup>7</sup>

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<sup>5</sup> WGL's response to OPC Data Request No. 21-11 i

<sup>6</sup> Surrebuttal Testimony of Bion C. Ostrander, Exhibit OPC (2B), page 117, l14-17

<sup>7</sup> Direct Testimony of Bion C. Ostrander, Exhibit OPC (B), page 116, l 13-14, page 121, l 3-6, page 121, l 7-11, page 121, l 14-16, page 123, l 5-10

**Findings of Unreasonable and Recommended Disallowances**

Q. WITNESS OSTRANDER ARGUES THAT THE LCM METHODOLOGY IS BIASED BECAUSE PAST RESULTS HAVE NOT RECOMMENDED DOWNWARD ADJUSTMENTS.<sup>8</sup> HOW DO YOU RESPOND?

A. These results are not surprising. Utilities are closely regulated, and it is reasonable to assume that they are compliant with local commission regulations and rules. For example, the NARUC guidelines referenced above are well-known and utilities would expect to conduct their affiliate transactions in a way that meets that LCM standard. During my three decades of experience as a rate case witness, I have seen relatively few disallowances related to affiliate transactions, and the most likely conclusion to reach is that utilities are complying with known standards.

In addition, it is reasonable to conclude that a utility with high-cost affiliate charges would be unlikely to hire me as their rate case witness, given that the utility industry knows my methodology and the cost comparison metrics I use to evaluate affiliate charges. High-cost utilities can see from my past rate case analyses whether they fall in the range of my cost comparison groups before they retain me to be a witness. As such, it makes sense that I have only been retained by utilities that have appropriate affiliate costs, and therefore the results of my analysis align with that reality.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.

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<sup>8</sup> Surrebuttal Testimony of Bion C. Ostrander, Exhibit OPC (2B), page 120, l 14-17



## ATTESTATION

I, PATRICK BARYENBRUCH, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.



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PATRICK BARYENBRUCH

May 13, 2025

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DATE



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. 1180  
INCREASE EXISTING RATES AND )  
CHARGES FOR GAS SERVICE )  
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WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF ANDREW LAWSON**  
**Exhibit WG (40)**

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WASHINGTON GAS LIGHT COMPANY  
DISTRICT OF COLUMBIA  
**REJOINDER TESTIMONY OF R. ANDREW LAWSON**

**I. INTRODUCTION**

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

A. My name is R. Andrew Lawson. I am employed as Manager of Regulatory Affairs at Washington Gas Light Company ("Washington Gas" or "Company"), 6801 Industrial Road, Springfield, Virginia, 22151.

Q. ARE YOU THE SAME ANDREW LAWSON WHO HAS PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET ON BEHALF OF WASHINGTON GAS?

A. Yes.

**II. PURPOSE OF TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

A. My rejoinder testimony responds to certain portions of the testimony regarding the Company's proposed Weather Normalization Adjustment ("WNA") provided by members of the public at the three Community Hearings held in this matter. I also respond specifically to the surrebuttal testimony of Sierra Club witness Karl Rábago ("Witness Rábago").

The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions."

1 Q. DO YOU HAVE ANY EXHIBITS WITH YOUR REJOINDER TESTIMONY?

2 A. No.

3  
4 **III. REJOINDER TO TESTIMONY PROVIDED AT COMMUNITY HEARINGS**

5 Q. HAVE YOU HAD AN OPPORTUNITY TO REVIEW THE TESTIMONY  
6 PROVIDED BY MEMBERS OF THE PUBLIC AT THE THREE COMMUNITY  
7 HEARINGS HELD IN THIS MATTER?

8 A. Yes.

9 Q. PLEASE SUMMARIZE THE ISSUES RAISED AT THE COMMUNITY HEARINGS  
10 THAT YOU WILL ADDRESS.

11 A. As noted above, I will respond to testimony provided by various members  
12 of the public regarding the Company's proposed WNA at the three Community  
13 Hearings held in this matter.<sup>1</sup> Generally speaking, this testimony raised concerns  
14 about the WNA that fell into one of three categories. First, members of the public  
15 testified that the proposed WNA will discourage or prevent customers' energy  
16 efficiency and conservation efforts.<sup>2</sup> Second, members of the public testified that  
17 the WNA is not fair to customers and only protects the Company.<sup>3</sup> Third, members  
18 of the public asserted that the WNA is only needed by the Company due to climate  
19 change and the fact that Washington Gas is losing revenues due to warmer

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<sup>1</sup> The first Community Hearing was held on April 10, 2025, from 5:30 p.m. to 7:30 p.m., at Benning (Dorothy I. Height) Neighborhood Library, 3935 Benning Road, NE, Meeting Room 1. The transcript references for this hearing are "CH 1 Tr." The second Community Hearing was held on April 21, 2025, from 5:00 p.m. to 7:00 p.m., at Petworth Neighborhood Library, 4200 Kansas Avenue, NW, Meeting Room 1. The transcript references for this hearing are "CH 2 Tr." And the third Community Hearing was held on April 29, 2025, from 6:00 p.m. to 8:00 p.m., in the Commission Hearing Room at 1325 G Street, NW, Suite 800. The transcript references for this hearing are "CH 3 Tr."

<sup>2</sup> See, e.g., CH Tr. 2, at 21:21-22:2; CH Tr. 3, at 77:10-15.

<sup>3</sup> See, e.g., CH Tr. 2, at 22:3-7; CH Tr. 3, at 18:25-19:3.

1 weather.<sup>4</sup>

2 Q. DO YOU AGREE THAT THE PROPOSED WNA WILL DISCOURAGE OR  
3 PREVENT CUSTOMERS' ENERGY EFFICIENCY AND CONSERVATION  
4 EFFORTS?

5 A. No.

6 Q. WHY NOT?

7 A. The WNA is not designed to influence customer efforts to consume natural  
8 gas more efficiently or conserve their use. Nor is it designed to serve as a  
9 disincentive to conserve. As I explained in my rebuttal, the Company's WNA  
10 proposal is only active from October to May each year and, in the event a WNA  
11 factor is applied, it is applied on a volumetric basis. This means that customers  
12 who use less gas during the WNA period, will continue to save more relative to  
13 customers who use more gas during this period. The WNA does not stand in the  
14 way of conservation and efforts by customers to operate more efficiently.

15 Using a hypothetical scenario, if the weather observed during the WNA  
16 period were exactly as predicted using the 30-year normal used to establish rates  
17 in this case, and one residential customer reduced their usage by 50% and  
18 another maintained their normal usage, there would be no WNA adjustment  
19 applied to either of the customers' bills and the Company would collect no  
20 additional revenues from customers. However, the customer that used less gas  
21 would ultimately have a lower bill than the other customer. In a similar scenario,  
22 where again, one residential customer reduces usage by 50% and another  
23 maintains normal usage, but the observed weather is colder than normal, the

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<sup>4</sup> See, e.g., CH Tr. 2, at 29:7-29:20; CH Tr. 3, at 74:11.

1 WNA will be a credit to both customers despite the fact that the Company will  
2 have under-recovered the revenues its rates were designed to recover. And,  
3 moreover, the customer that used less gas will ultimately have an even lower bill  
4 than the other customer, even after accounting for the fact that both received a  
5 bill credit. This demonstrates that the WNA does not insulate the Company from  
6 customer conservation efforts, nor does it insulate the Company from the effects  
7 of potential electrification efforts despite claims to the contrary.

8 The same is true on a class basis. If the customer class, in total, reduces  
9 its usage by 50% and the weather was colder than normal, the WNA would still  
10 be a credit and there would be no adjustment to compensate the Company for  
11 lost revenues due to conservation. The only revenue adjustment made is to  
12 reflect the change in usage due to weather variation based on the 'variation per  
13 HDD' as established in this case as part of the Commission's normal weather  
14 determination.

15 Q. ARE THERE OTHER ELEMENTS OF WASHINGTON GAS'S RATES THAT  
16 WILL SEND PRICE SIGNALS TO CUSTOMERS IF THE WNA IS ADOPTED?

17 A. Yes, commodity prices are a direct indication to customers of the impact  
18 their usage has on their ultimate bill. Customers and parties raising these  
19 concerns (including Witness Rábago) fail to appreciate that the commodity cost  
20 portion of customers' bills (e.g., the purchase gas cost for those customers on  
21 default service) will continue to fully reflect the customer's use or conservation,  
22 and will continue to send a clear signal rewarding customers for their conservation  
23 efforts. The commodity costs regularly make up approximately 40 to 60% of  
24 residential customer bills during the winter months, where there is the greatest  
25 opportunity for conservation activities. This also true for the various taxes

1 collected on a volumetric basis on the customer bill.

2 Q. PLEASE EXPLAIN WHY THE WNA IS FAIR TO CUSTOMERS AND DOES NOT  
3 PROTECT ONLY THE COMPANY IN RESPONSE TO THE SECOND  
4 CATEGORY OF COMMUNITY HEARING TESTMONY YOU HAVE  
5 SUMMARIZED.

6 A. As I have explained in my direct and rebuttal testimony, the WNA provides  
7 protections for both customer and the Company and, while there is a difference  
8 in how under- and over-recoveries are returned through the mechanism, this  
9 asymmetry is to the benefit of our customers. Specifically, the WNA is designed  
10 to ensure that when the Company over-recovers revenue due to periods of  
11 extreme cold when customer bills will increase, the Company returns those over-  
12 recoveries to customers as soon as possible. On the other hand, accruing under-  
13 recoveries until either the end of May or a calculation in subsequent months  
14 results in a cumulative revenue excess, allows the Company to smooth any  
15 impacts and minimize the potential for bill volatility associated with the WNA when  
16 compared to a mechanism that would adjust bills each month.

17 Q. PLEASE RESPOND TO THE THIRD CATEGORY OF COMMUNITY HEARING  
18 TESTMONY YOU HAVE SUMMARIZED.

19 A. As I stated in my Rebuttal testimony, weather normalization adjustments  
20 and, in many cases, full revenue decoupling are widely accepted ratemaking tools  
21 that fairly balance the interests of customers and the Company. The WNA  
22 protects both customers and the Company from risks that neither party can  
23 control. In this case, that risk is the variation of actual weather from the weather  
24 assumed in the design of the Company's rates.

25 Q. DO YOU HAVE ANY FURTHER STATEMENTS REGARDING THE WNA,



1           BASED UPON YOUR REVIEW OF THE COMMUNITY HEARING?

2           A.           Yes. I think that many of the concerns raised regarding the WNA are based  
3           on a lack of understanding as to how it functions. As a part of the WNA  
4           implementation the Company will develop education materials to be provided in  
5           bill inserts and will develop a WNA webpage on its website to educate customers  
6           on why the WNA exists and how it will be implemented. The Company will also  
7           train its customer service representatives to explain the WNA to customers. The  
8           Company expects the design of the WNA will smooth any WNA charges over the  
9           entire heating season, thereby minimizing bill volatility that may cause confusion  
10          among customers compared to monthly adjustments. The Company expects any  
11          WNA credits will be welcomed by customers and will not generate customer  
12          confusion or inquiries.

13  
14                           **IV. REJOINDER TO SIERRA CLUB WITNESS RÁBAGO**

15          Q.          PLEASE SUMMARIZE THE TESTIMONY OF SIERRA CLUB WITNESS  
16          RÁBAGO THAT YOU WILL ADDRESS.

17          A.           While I continue to disagree with Witness Rábago's criticisms of the WNA,  
18          I will specifically respond to his assertion that the WNA "weakens price signals."<sup>5</sup>

19          Q.          HOW DO YOU RESPOND?

20          A.           Witness Rábago similarly avoids acknowledgement, but does not dispute,  
21          that the WNA applies on a volumetric basis to a customer's bill. As I explained  
22          above with respect to similar testimony from the Community Hearings, this means  
23          that if a customer uses less, then this customer's bill will ultimately be lower than

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<sup>5</sup> Exhibit SC(2A), at 6:9-12.

a customer who uses more. This does not weaken price signals. Instead, it appropriately addresses a causal factor of chronic underearning in the District in such a way that does not impede efficiency and conservation efforts taken by individual customers. In addition, as noted above, the commodity cost will continue to send a clear price signal to customers regarding the benefits of using less gas.

Q. DO YOU AGREE WITH WITNESS RÁBAGO'S ASSERTION THAT THE WNA WILL WEAKEN SIGNALS SUPPORTING ELECTRIFICATION?

A. No, I do not, because Witness Rábago's argument that the WNA weakens price signals for electrification is unequivocally false. If anything, the status quo masks the true cost of operating the Company's system when compared to electric service. Currently, the Commission authorizes a cost of service which the Company should have a reasonable opportunity to recover. To establish rates to recover those revenues, billing determinants (usage) must be estimated and those billing determinants are greatly impacted by the assumed weather. If the assumed weather (normal weather heating degree days) is substantially colder than is actually likely to occur, the assumed level of usage will be substantially higher than is likely to occur. This, in turn results in volumetric rates that are too low to recover the Company's cost of service as authorized, and the Company will chronically under-recover simply because the weather assumption is wrong. Over the long-term, this trend will provide customers with feedback that the cost of providing them with natural gas service is lower than it actually is.<sup>6</sup> If customers are given the false impression that gas service is less expensive than

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<sup>6</sup> Conversely, the opposite situation would occur if the weather (Normal weather HDDs) upon which Company rates are based was assumed to be warmer than was actually likely to occur.

1 it actually is, that is a distortion of price signals when comparing gas and electric  
 2 service. Further exacerbating the current distortion of price signals is the fact the  
 3 electric utility in the District has full revenue decoupling. This means that in a  
 4 substantially warmer than normal winter, electric customers will likely receive a  
 5 substantial charge to compensate the electric utility for under-recovered  
 6 revenues, while gas customers will receive no such adjustment. The WNA, while  
 7 not fully bridging the price signal gap, is a step toward equalizing the cost recovery  
 8 methodology between the electric and gas systems, which serves to send clearer  
 9 signals to consumers about the relative cost of gas and electric service.

10  
 11 **V. CONCLUSION**

12 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

13 A. Yes, it does.

## ATTESTATION

I, R. ANDREW LAWSON, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

A handwritten signature in black ink, appearing to read 'R. Andrew Lawson', is written over a horizontal line.

R. ANDREW LAWSON

5/19/2025  
DATE



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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. 1180
INCREASE EXISTING RATES AND	)	
CHARGES FOR GAS SERVICE	)	
_____	)	

WASHINGTON GAS LIGHT COMPANY  
District of Columbia

**REJOINDER TESTIMONY OF KEVIN MURPHY**  
**Exhibit WG (3P)**

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WASHINGTON GAS LIGHT COMPANY  
DISTRICT OF COLUMBIA  
**REJOINDER TESTIMONY OF KEVIN MURPHY**

**I. INTRODUCTION**

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

A. My name is Kevin Murphy. I am Vice President, Asset Management, Engineering & Supply at Washington Gas Light Company (“Washington Gas” or “Company”). My business address is 6801 Industrial Road, Springfield, VA 22151.

Q. ARE YOU THE SAME KEVIN MURPHY WHO HAS PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET ON BEHALF OF WASHINGTON GAS?

A. Yes.

**II. PURPOSE OF TESTIMONY**

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

A. My rejoinder testimony responds to certain portions of the testimony submitted by Office of People’s Counsel (“OPC”) Witness Colin T. Fitzhenry. Specifically, I respond to his arguments regarding the Company’s planning practices and the applicability of District Department of Transportation (“DDOT”) permitting to the costs reflected in this case.

The absence of rejoinder testimony on other issues raised by AOBA, OPC or Sierra Club should not be construed as an indication that the Company agrees with those positions.

1 Q. DO YOU HAVE ANY EXHIBITS WITH YOUR REJOINDER TESTIMONY?

2 A. No.

3  
4 **III. REJOINDER TO OPC WITNESS FITZHENRY**

5 Q. DOES WASHINGTON GAS HAVE ANY INITIAL RESPONSE TO WITNESS  
6 FITZHENRY'S SURREBUTTAL TESTIMONY?

7 A. Yes. Witness Fitzhenry's surrebuttal testimony relies, in large part, on  
8 testimony and materials submitted in Formal Case No. 1179. He even goes so  
9 far as to copy and paste verbatim his supplemental testimony in Formal Case  
10 No. 1179 responding to me on pages 4-5 of his surrebuttal testimony.  
11 Throughout this case, Witness Fitzhenry attempts to conflate the two dockets,  
12 without regard to the critical distinctions as to what is being reviewed in each.  
13 For example, in OPC DR 23-2, OPC requested information that was previously  
14 provided in Formal Case No. 1179. Therefore, the Company's confidential  
15 response to that data request provided material previously provided in Formal  
16 Case No 1179.

17 To be clear, in this case Washington Gas is asking the Commission to  
18 reflect, in the Company's base rates, projects that were already evaluated and  
19 approved for inclusion in the PROJECTpipes rider. From my perspective as an  
20 engineer this means that the Commission has found that these replacement  
21 projects are needed to enhance public safety.

22 At this stage, the only inquiry left is whether the projects are in service  
23 (i.e., used and useful) and whether the costs incurred by the Company were  
24 appropriate given the operating circumstances (i.e., prudent). In the Company's  
25 rebuttal testimony, Witness Morrow described in detail the specific cost drivers



for each of the projects identified by Witness Fitzhenry for disallowance based on the variance between the budgeted project and the actual project cost (i.e., Witness Fitzhenry's challenge to the prudence of the project costs). Witness Fitzhenry's testimony in this proceeding regarding the DDOT restrictions appears to be nothing more than a general criticism that does not reveal any specific costs that should not have been incurred by Washington Gas. His testimony also does not identify any specific disallowances that are appropriate, because the Company has properly accounted for the impact of the DDOT restrictions on the completed projects.

Q. HAS WITNESS FITZHENRY PROVIDED ANY TESTIMONY THAT REFUTES THE IMPACT DDOT'S PERMIT CONDITIONS HAVE ON THE COMPANY'S COST AND PACE OF REPLACEMENT?

A. No. Witness Fitzhenry does not dispute that the general effect of the DDOT permit conditions identified by the Company is to increase the cost and slow the pace of replacement, all else being equal. Nor does he directly engage with the question of whether the permit conditions identified by Washington Gas were applied to the projects completed since the last rate case.

Q. WHAT FACTUAL CHALLENGE DOES WITNESS FITZHENRY RAISE REGARDING THE CONTROL OF COSTS INCURRED BY WASHINGTON GAS FOR THE PROJECTS HE HAS IDENTIFIED?

A. While he discusses the "lack of cost control" and the need to develop "methodologies and procedures,"<sup>1</sup> he does not actually identify any failures to

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<sup>1</sup> See OPC Exhibit 3(C), at 5.

1 control costs.<sup>2</sup> Neither does Witness Fitzhenry specify any methodologies or  
2 procedures the Company should adopt, nor does he attempt to assess the impact  
3 those unidentified methodologies and procedures would have on the costs or  
4 operational efficiency of Washington Gas.<sup>3</sup> Simply stated, Witness Fitzhenry has  
5 provided no actual evidence. Without stating specific practices the Company  
6 should employ, Witness Fitzhenry still maintains his recommendation that the  
7 Commission disallow a significant level of costs of plant in service, including  
8 costs that were incurred pursuant to the Company's Commission-approved  
9 PROJECT*pipes* program. Witness Fitzhenry has not put forward evidence to  
10 support his recommendation to which the Company can respond. In addition, it  
11 appears that Witness Fitzhenry is arguing that unspecified practices that the  
12 Company should implement going forward somehow justifies disallowances of  
13 costs already incurred. That approach is not reasonable or appropriate.

14 Q. WHAT DOES WITNESS FITZHENRY TESTIFY TO REGARDING THE IMPACT  
15 PERMIT CONDITIONS IN THE DISTRICT HAVE ON THE COST AND PACE  
16 OF THE WORK PERFORMED UNDER PROJECTPIPES OR SINCE THE LAST  
17 RATE CASE?

18 A. Witness Fitzhenry notes that "the timing of new work permit conditions or  
19 DDOT policies do not align with Mr. Morrow's justification for the increased  
20 expenditures incurred in recent years."<sup>4</sup> Witness Fitzhenry does not base this

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<sup>2</sup> I note that Witness Fitzhenry does not acknowledge in his testimony that the Company's two most recent management audits were generally supportive of the Company's cost control measures, nor does he attempt to distinguish his criticism here with those findings. See Exhibit WG 3(I) Page 19, lines 4-12.

<sup>3</sup> To the extent OPC Witness Fitzhenry's reference to costs and procedures includes his recommendation to use internal crews, which is not clear based on the plain language of his surrebuttal testimony, Company Witness Morrow's rebuttal and rejoinder testimony explains why OPC Witness Fitzhenry's recommendation to use internal crews more than external crews shifts risk onto customers. See Exhibit WG (3I) Page 15 lines 9-21; Exhibit WG (4I) Page 3 line 6 to Page 4 line 19.

<sup>4</sup> Exhibit OPC (3C), at 3.

1 testimony on his own review or experience, but rather he relies upon unverified  
2 comments filed by DDOT in Formal Case No. 1179, to which the Company  
3 provided extensive response.<sup>5</sup>

4 Q. IS WITNESS FITZHENRY CORRECT IN ASSERTING THAT THE ADOPTION  
5 DATE OF THE DDOT RESTRICTIONS IS RELEVANT TO THE COST  
6 IMPACTS ON PIPE REPLACED BY WASHINGTON GAS REFLECTED IN THIS  
7 CASE?<sup>6</sup>

8 A. No, he is not correct. The Company has explained drivers for its cost  
9 trends, including evolving permit conditions. While it is correct that certain of the  
10 restrictions being enforced by DDOT through permits issued to Washington Gas  
11 for the projects reflected in this case were on the books for many years, they  
12 were not consistently being applied to Washington Gas projects. The adoption  
13 or maintenance of the restrictions on their own does not impact the Company.  
14 The Company is impacted by the application of those restrictions to the individual  
15 project permits it seeks. Where DDOT has and exercises discretion to apply  
16 restrictions to a specific project, those conditions will adversely impact project  
17 costs and timing. Witness Fitzhenry's position is that the Company should not  
18 be permitted to recover the costs for complying with permitting restrictions, once  
19 DDOT elected to impose them, because the initial project budgets did not reflect  
20 the application of those permit restrictions.

21 It is clear that DDOT has changed its approach to the conditions applied  
22 to the Company's permits, and this should be considered in Formal Case No.

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<sup>5</sup> As stated above, the Company encourages the Commission to maintain the distinction between its two proceedings in Formal Case No. 1179 and Formal Case No. 1180.

<sup>6</sup> Exhibit OPC (3C), at 3-4.

1 1179, where the Company must evaluate the drivers of future pipe replacement  
2 costs in developing forward estimates. What is relevant in this case, however, is  
3 simply that Washington Gas is required to comply with DDOT's permitting  
4 requirements to complete critical safety projects. The associated costs of  
5 compliance are known and measurable, and the associated plant is in service.  
6 Therefore, recovery is appropriate.

7 Q. WHAT IS YOUR RESPONSE TO WITNESS FITZHENRY'S DISCUSSION OF  
8 THE DDOT PERMITTING PROCESS IN HIS SURREBUTTAL TESTIMONY?

9 A. Based on my experience, Witness Fitzhenry fundamentally  
10 misunderstands how DDOT permitting works. Witness Fitzhenry does not seem  
11 to recognize how DDOT permits modify the nature of the work or how those  
12 modifications impact costs. Witness Fitzhenry appears to believe that if a  
13 restriction is on the books then the Company should have planned for and  
14 followed the work restrictions. This ignores the practicalities, that, when DDOT  
15 issues a permit, it has discretion to apply these restrictions (or not), and the  
16 permit is the document that authorizes Washington Gas to perform the subject  
17 work. Thus, what matters is what restrictions are actually applied in the permit.  
18 Washington Gas must comply with the permit once issued to perform the work,  
19 so Witness Fitzhenry's recommendation to disallow the costs of compliance with  
20 the permits that were issued is inappropriate, because it would unjustly deprive  
21 the Company of cost recovery for District mandated actions. As such, Witness  
22 Fitzhenry's testimony on this topic should be rejected.<sup>7</sup>

23 Q. DOES WITNESS FITZHENRY ADDRESS ANY OTHER PORTIONS OF YOUR

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<sup>7</sup> See, e.g., Exhibit OPC (3C), at 9.

REBUTTAL TESTIMONY?

A. Yes. Witness Fitzhenry responded to my testimony regarding his peer group and performance analysis. Specifically, Witness Fitzhenry rejects my inclusion of Consolidated Edison Company ("Con-Ed"), even though it fits within the criteria for the peer group included in his direct testimony.

Q. DO YOU AGREE WITH OPC WITNESS FITZHENRY'S CLAIM THAT MANHATTAN AND THE DISTRICT ARE DISSIMILAR?<sup>8</sup>

A. I do not.<sup>9</sup> Witness Fitzhenry's focus on the relative density is not relevant from a design and construction perspective, given that Manhattan's population density is accomplished through taller buildings, rather than anything about the ground and below ground infrastructure or the nature of the Con-Ed distribution system. In addition, to the extent Witness Fitzhenry believes Manhattan should be excluded, other entities in his peer group are just as dissimilar to the District as the District is dissimilar to Manhattan. Which, of course, goes to the fundamental problem with his peer analysis: local distinctions play a very large role in both performance metrics and cost drivers. The only reasonable conclusion that can be drawn from OPC's selected peer group, with or without the addition of Con-Ed, is that Washington Gas's performance is in the middle of the range with respect to service and main leak rates compared to other utilities that are similarly situated based primarily on the prevalence of vintage materials on their systems (i.e., Northeastern utilities where cast iron comprises greater than 12% of the miles of main).

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<sup>8</sup> *Id.* at 16.

<sup>9</sup> Witness Fitzhenry's position is moot; I excluded Con-Ed as an outlier in my rebuttal testimony. Exhibit WGL (2P), at 9. So, it is not clear to what Witness Fitzhenry is responding.

1 Q. IS WITNESS FITZHENRY'S PEER GROUP ANALYSIS MEANINGFUL IN THE  
2 CONTEXT OF THIS PROCEEDING?

3 A. It is not. Witness Fitzhenry copied his peer analysis in Formal Case No.  
4 1179 and brought it into this proceeding. However, the relative performance of  
5 utilities has no probative value in assessing whether the specific pipe  
6 replacement costs incurred by one of those specific utilities should be recovered.  
7 The only conclusion that can be drawn from the peer group is that all of those  
8 utilities are undertaking substantial, capital-intensive, main replacement  
9 programs to address vintage materials. Just like Washington Gas, they are  
10 replacing aged infrastructure through accelerated pipe replacement programs,  
11 then reflecting those investments in rate base through base rate cases. Witness  
12 Fitzhenry's efforts to disallow the very costs that are needed to reduce leaks and  
13 improve system performance is both inconsistent with widespread utility practice  
14 and dangerous.

15 Q. WITNESS FITZHENRY ASSERTS COMPANY PRACTICES SHOULD BE  
16 TAILORED TO ITS JURISDICTIONS<sup>10</sup>. HOW DO YOU RESPOND?

17 A. Witness Fitzhenry suggests that the Company's approach is not  
18 responsive to District policies and Commission directives. That is not correct.  
19 The Company's practices comply fully with District policies and Commission  
20 directives, including the permit conditions imposed by DDOT. Compliance with  
21 these policies and directives does, however, contribute to the higher costs  
22 experienced in the District compared to other jurisdictions. Further, I note that  
23 this testimony from Witness Fitzhenry contradicts his recommended

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<sup>10</sup> Exhibit OPC (3C), at 17:9-11.

1 disallowances where additional costs were incurred by Washington Gas in order  
2 to comply with District specific policies.

3  
4 **V. CONCLUSION**

5 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

6 A. Yes, it does.

## ATTESTATION

I, KEVIN MURPHY, whose Testimony accompanies this Attestation, state that such testimony was prepared by me or under my supervision; that I am familiar with the contents thereof; that the facts set forth therein are true and correct to the best of my knowledge, information and belief; and that I adopt the same as true and correct.

  
\_\_\_\_\_  
KEVIN MURPHY

May 19, 2025  
\_\_\_\_\_  
DATE



## **CERTIFICATE OF SERVICE**

I, the undersigned counsel, hereby certify that on this 19<sup>th</sup> day of May 2025, I caused copies of the foregoing **Public** document to be hand-delivered, mailed, postage-prepaid, or electronically delivered to the following:

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