



APARTMENT AND OFFICE BUILDING
ASSOCIATION OF
METROPOLITAN WASHINGTON

December 20, 2013

Brinda Westbrook-Sedgwick
Commission Secretary
D.C. Public Service Commission
1333 H Street, N.W.
Second Floor, West Tower
Washington, DC 20005

Re: Case No. 1110

In the Matter of the Application of Washington Gas Light Company for Approval of a
Weather Normalization Adjustment

AOBA Comments

Dear Ms. Westbrook-Sedgwick:

Enclosed please find an original and twenty-five (25) copies of the Comments of
the Apartment and Office Building Association of Metropolitan Washington's ("AOBA").

Also, enclosed is an additional copy. Please stamp the additional copy and
return it to me in the enclosed envelope. Please call me if you have any questions.
Thank you for your attention in this matter.

Sincerely,

Frann G. Francis
Senior Vice-President and General Counsel

cc: All parties of record
Case No. 1110



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CERTIFICATE OF SERVICE
Formal Case No. 1093

I hereby certify on this 20th day of December, 2013, that the attached Comments were filed electronically on behalf of the Apartment and Office Building Association of Metropolitan Washington in Formal Case No. 1110 and an original and twenty-five (25) copies of the above Comments were sent by Federal Express to Brinda Westbrook-Sedgwick, Commission Secretary, District of Columbia Public Service Commission, 1333 H Street, N.W., 2nd Floor, West Tower, Washington, D.C. 20005, and copies were mailed first class, postage prepaid to the service list below.

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Frann G. Francis, Esquire

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

IN THE MATTER OF THE)	
)	
Application of Washington Gas Light Company')	Formal Case No. 1110
For Approval of a Weather Normalization Adjustment)	

**COMMENTS OF
THE APARTMENT AND OFFICE BUILDING ASSOCIATION
OF METROPOLITAN WASHINGTON
ON THE WASHINGTON GAS LIGHT COMPANY'S
APPLICATION FOR A WEATHER NORMALIZATION ADJUSTMENT**

The Apartment and Office Building Association of Metropolitan Washington ("AOBA"), pursuant to the Commission's November 21, 2013 Order No. 17303, hereby files comments on Washington Gas Light Company's ("Washington Gas" or "Company") November 8, 2013 application for a Weather Normalization Adjustment ("WNA"). AOBA supports a comprehensive review of WG's proposal in the Company's next base rate proceeding consistent with Commission policy on regulating distribution rates, and ratemaking adjustments. In the alternative, should the Commission decide to proceed with its review of WG's request, it should do so utilizing evidentiary proceedings used in a base rate case. If the Commission ultimately approves the concept of a WNA in a single issue ratemaking proceeding, final implementation should be deferred until after the issuance of a Commission order in WG's next base rate proceeding.

AOBA respectfully requests that the Company's proposed WNA be denied at this time for the following reasons:

1. WG asserts that “The proposed WNA benefits customers by stabilizing the non-gas portion of customers’ rates through the implementation of a credit or charge to distribution charges. As a result, customers will avoid higher than expected distribution charges due to colder-than-normal weather. Also, adoption of the WNA proposal will not materially reduce customer’s incentive to use energy wisely. The WNA mechanism only applies to the Company’s distribution rate From a rate design perspective, a WNA better aligns the Company’s rate structure with its cost structure and would maintain Washington Gas’s revenue level consistent with the revenue requirement established in the Company’s most recent rate case A WNA would give the Company the ability to recover more of its costs consistent with how those costs are derived, would protect the Company from the revenue impact of warmer-than-normal weather, and would protect customers from the revenue impact of colder-than-normal weather. *WG Application* at 2-3.

2. The Company’s proposed WNA is similar to WG’s Revenue Normalization Adjustment (“RNA”) which the Commission addressed in Formal Case No. 1079. In that case, the Commission declined WG’s invitation to review the Company’s RNA proposal outside of a base rate proceeding. In Order No. 16101 at 14, ¶31 (December 17, 2010) *affirmed*, Order No. 16220 (February 28, 2011), the Commission held:

we are presented with a single issue rate case focusing on a portion of WGL’s revenue requirement rather than on aggregate resources and costs and offsetting considerations. The burden is on WGL to establish that its ... [proposal] is just and reasonable ... [W]e simply do not have enough information on the record in this case to avoid a distortion in the ratemaking structure that could lead to understatement or overstatement of WGL’s overall revenue requirement.

AOBA submits that the Company's proposed WNA presents the same concerns regarding ratemaking (1) decisions made in isolation, (2) outside of a comprehensive base rate case proceeding, (3) with limited information, and (4) susceptible to distortion of the ratemaking structure that is likely to lead to an inaccurate determination of the Company's revenue requirement, that the Commission concluded warranted denial of WG's predecessor RNA application. Clearly, formal evidentiary hearings are necessary even if the Commission decides to act on the Company's request as a single issue ratemaking proceeding.

3. In Formal Case No. 1093, Order No. 17132 (May 15, 2013), the Commission denied the Company's request for approval of WG's proposed WNA¹ by adopting the People's Counsel's recommended adjustment which resulted in a "\$4,257,859 increase to WGL's sales and delivery revenues." *Order No. 17132* at 51, ¶120.

It is clear from the Commission's Order No. 17132 that any future proposed WNA would be considered within the context of a base rate case and not in an isolated single issue ratemaking proceeding. For example, the Commission stated "that it is appropriate to change the way that weather studies should be conducted for

¹ In Order No. 17132, the Commission made a ruling on the Company's proposed WNA adjustment RMA No. 1 and rejected WG's proposal in favor of the recommendation of the People's Counsel. *Order No. 17132* at 50-51 ¶¶120-121. Therefore, AOBA questions the purpose and intent of the Company's proposed WNA, outside a base rate case, as a single issue ratemaking adjustment impacting distribution rates. Also, WG's June 14, 2013 Application for Reconsideration of Order No. 17132 did not include a request for reconsideration of the Commission's ruling on the Company's WNA rate making adjustment. The issues addressed in the Company's June 14, 2013 Application were as follows: "The matters that are the subject of Washington Gas's Application are as follows: (1) depreciation; (2) return on equity; (3) pension and OPEBs; (4) repression adjustment; (5) Residential Essential Service; (6) Business Process Outsourcing reporting; (7) costs associated with the accelerated replacement of mechanically coupled pipe; and (8) Enhanced Savings Plan." *WG Application for Reconsideration* at 5 (June 14, 2013). See *Order No. 17204, Order on Reconsideration* (July 31, 2013). Yet six months after Order No. 17132 was issued, and without seeking further review of the Commission's ruling on the Company's WNA proposal, WG files an application for a separate review of the WNA issue outside of a base rate case. AOBA submits that there is no substantive or procedural basis for Commission considering of WG's proposal outside of a base rate case.

ratemaking purposes beginning with this proceeding and continuing on a going forward basis.” *Order No. 17132* at 50, ¶120. The Commission’s focus continued on future rate cases when stating that “In future cases, WGL shall use the most recent 30 years to determine normal weather.” *Order No. 17132* at 51, ¶121. Even more compelling is the Commission’s unambiguous statement that future rate cases should contain significant data on the Company’s WNA proposal:

To ensure that the Company’s weatherization adjustment is fully transparent, WGL is directed to file in all future rate cases all of its work papers related to weather normalization, identify the sources of data it relies upon, explain any statistical models, and provide clearer step-by-step descriptions of how it calculates its weather normalization adjustment. *Order No. 17132* at 51, ¶121.

4. The Company’s WNA proposal clearly impacts distribution rates. The Commission’s policy statement in Formal Case No. 1093 on setting distribution rates provides a further basis for the Commission to review the Company’s WNA proposal in WG’s next base rate proceeding and not as a single issue ratemaking proposal:

(III) That, because the Commission is mandated to set rates for distribution only, WGL is directed to submit future rate case filings in such a manner that distribution-only rate base, revenue, and expenses (and any adjustments thereto) are easily discernible from the Company’s other regulated matters, such as purchased gas and transmission rate base, revenues, and expenses. WGL may continue to present its adjustments as the Company has in this case, but it must prepare a separate schedule that starts with the District’s totals, and then it must remove all non-distribution items and provide the adjustments made to derive the distribution rate items, along with all associated work papers.” *Order No. 17132* at 149-150 ordering clause (III).

5. Without a base rate proceeding, the Commission is impaired in its ability to meet the requirements of its policy statement on the establishment of distribution rates. Moreover, there is no financial or regulatory urgency that requires expedited

Commission review of the Company's proposed WNA, in isolation and outside of a base rate case proceeding. Consistent with Order Nos. 17132 and 16101, AOBA submits that the Commission lacks the necessary information required in order to determine if WG's proposed WNA is just and reasonable even within the single issue ratemaking proceeding that the Company has proposed that the Commission undertake. This determination, in view of the concerns raised by the Commission in Order No. 17132, can best be made through a traditional base rate case proceeding, including the filing of testimony by the Company and interested parties, discovery and evidentiary hearings. AOBA submits that formal evidentiary hearings are warranted even if the Commission decides to act on the Company's request as a single issue ratemaking proceeding. Moreover, should the Commission ultimately approve a WNA, implementation should be deferred until the Commission's decision on this single issue can be evaluated in the context of a comprehensive review of the Company's rates in WG's next base rate case proceeding in order to determine if WG's rates are just and reasonable.

6. In Formal Case No. 1093, the Commission restated its mandate in setting just and reasonable rates:

The District of Columbia Court of Appeals, in *Metropolitan Board of Trade v. Public Service Commission of the District of Columbia*, 432 A.2d 343, 350 (D.C. 1981), set out the standards for setting rates as follows:

The Commission, not this court, has the responsibility for establishing rate designs and for setting specific utility rates. *** Rate design principles and specific rates approved by the Commission, however, must be "reasonable, just, and nondiscriminatory." *** This statutory authority is deliberately broad and gives the Commission authority to formulate its own standards and to exercise its ratemaking function free from judicial interference, provided the rates fall within a zone of reasonableness which assures that the Commission is safeguarding the public interest that is, the interests

of both investors and consumers. *** From the investor standpoint, courts have defined the lower boundary of this zone of reasonableness as “one which is not confiscatory in the constitutional sense.” *** From the consumer standpoint, the upper boundary cannot be so high that the rate would be classified as “exorbitant.” *Order No. 17132* at 16, ¶40.

The only information before the Commission is WG’s untested assertions. Without the scrutiny of a base rate case, it will be impossible for the Commission to fulfill its policy and legal mandates to approve rates that are just and reasonable. Among the issues to be considered, during a rate case proceeding, is the Company’s revenue requirement,² reduced risk associated with a WNA surcharge cost recovery mechanism, and the corresponding need to reduce WG’s return on equity. Commission approval of a WNA would also reduce WGL’s costs to secure weather related instruments that offset the impact of weather on the Company’s revenues.³ Consistent with these precedents, a formal evidentiary proceeding is the best mechanism to ensure a thorough review of the Company’s proposed WNA, whether preferably in a base rate case, or alternatively as a single issue review by the Commission.

7. For the forgoing reasons, AOBA respectfully requests that the Commission:
 - i. Deny the Company’s request for Commission review of its proposed WNA until such time as WG files a rate case application; or alternatively
 - ii. Conduct evidentiary proceedings on the Company’s request but withhold implementation of any WNA until WG files a base rate case to ensure proper

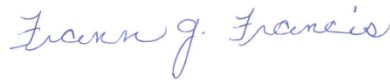
² In Formal Case No. 1093, Designated Issue e asked: “Are WGL’s test-year revenues, sales, and any proposed adjustments reasonable, including, but not limited to, weather normalization and the repression adjustment. *Order No. 17132* at 47, VI and footnote 258.

³ “Weather-related instruments for which we collect a premium are carried at fair value. Washington Gas’ weather related instrument premium expense or benefit is not considered in establishing retail rates. Washington Gas does not purchase such instruments for jurisdictions in which it has received rate mechanisms that compensate it on a normal weather basis.” *WGL 2012 Corporate Financial Report* at 70.

consideration of the WNA in that proceeding consistent with the Commission's policy statement on setting distributions rates, its mandate to establish just and reasonable rates, and its requirement that WG meet specific requirements regarding its future WNA set forth in Order No. 17132.

Dated: December 20, 2013

Respectfully submitted,



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