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March 28, 2016

VIA ELECTRONIC FILING

Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission
of the District of Columbia
1325 "G" Street, N.W., 8th Floor
Washington, D.C. 20005

**Re: Formal Case No. 1135
[Washington Gas's Reply Comments]**

Dear Ms. Westbrook-Sedgwick:

Transmitted for filing are Washington Gas Light Company's Reply Comments in the above-referenced proceeding.

Please feel free to contact me if you have questions regarding this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cathy Thurston-Seignious", with a large, stylized flourish at the end.

Cathy Thurston-Seignious
Supervisor, Administrative and
Associate General Counsel

pc: Per Certificate of Service

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

IN THE MATTER OF

THE INVESTIGATION OF WASHINGTON
GAS LIGHT COMPANY'S REQUEST TO
ESTABLISH REGULATORY ASSET

Formal Case No. 1135

REPLY COMMENTS OF WASHINGTON GAS LIGHT COMPANY

Pursuant to Public Service Commission of the District of Columbia ("Commission") Order No. 18089, dated January 27, 2016, Washington Gas Light Company ("Washington Gas" or "Company") hereby submits its Reply Comments, responding to the Comments of the Apartment and Office Building Association of Metropolitan Washington to Commission Order No. 18089, dated March 11, 2016 ("AOBA Comments") and the Office of the People's Counsel for the District of Columbia's Comments in Response to Washington Gas Light Company's Request to Establish a Regulatory Asset, dated March 14, 2016 ("OPC Comments").

I. BACKGROUND

On November 23, 2015, Washington Gas requested the Commission to issue an accounting order permitting the Company to defer, and record as a regulatory asset, the costs to achieve ("CTA") associated with the transitioning of certain outsourced support functions currently provided by Accenture, LLC, given the approaching expiration of the Accenture outsourcing agreement ("Request for Regulatory Asset").¹ By Order No.

¹ Request of Washington Gas Light Company to Establish a Regulatory Asset (November 23, 2016).

18057, the Commission opened an investigation into the Company's Request for Regulatory Asset and solicited comments within 30 days of the date of the Order. OPC filed a motion seeking additional time to file comments,² and the Commission granted OPC's request.³ On March 11, 2016, AOBA filed its Comments, and OPC's Comments followed on March 14, 2016. Washington Gas hereby responds to the parties' filed comments.

II. DISCUSSION

Washington Gas supports the merger of the instant proceeding with the Company's current base rate proceeding, Formal Case No. 1137, as recommended by AOBA in its Comments, and recommends that the Commission move all filings, data requests, and data responses into the Formal Case No. 1137 docket.⁴ The Company supported inclusion of an issue addressing the Company's Request for Regulatory Asset in Formal Case No. 1137⁵ and has proposed an adjustment in that proceeding supporting the normalization of the CTA for the business process outsourcing initiative discussed herein.⁶

The primary arguments raised by OPC, *i.e.*, (1) Washington Gas is "unable to show the CTA are non-recurring or extraordinary expenses versus normal costs of operations," and (2) granting deferral of the CTA in a regulatory asset would "unjustifiably enhance WGL's claim for recovery in future proceedings"⁷ are unsupported and should be rejected by the Commission. While the Company intends to

² Motion for Brief Extension of Time to File Comments on Washington Gas Light Company's Request to Establish a Regulatory Asset (January 8, 2016).

³ Order No. 18089 (January 27, 2016).

⁴ AOBA Comments at 1.

⁵ Formal Case No. 1137, Proposed Issues and Procedural Schedule (March 18, 2016).

⁶ Formal Case No. 1137, Direct Testimony of Company Witness Tuoriniemi at 54 - 63 (February 26, 2016).

⁷ OPC Comments at 1.

fully address OPC's arguments in Formal Case No. 1137, the record in this proceeding, as presented by OPC, should be corrected.

As stated by the Commission in Formal Case No. 1103, "[t]he Commission has approved the establishment of a regulatory asset for cost recovery of non-recurring utility costs" and "[t]he Commission may consider creating a regulatory asset for recovery of significant unexpected utility expenses incurred outside the normal course of business"⁸ The CTA associated with the Company's transitioning of certain outsourced support functions are not recurring costs and represent extraordinary costs that are not part of the normal business activities of Washington Gas. The Commission has defined recurring costs as "costs that occur on a routine basis."⁹ The Company's contracts with Accenture, LLC and other service providers extend for a number of years, and are eligible for renewal; therefore, there is no certainty of the frequency in which the Company will incur CTA for business process outsourcing. Moreover, these are not costs that occur on a routine basis. As such, they may be considered for deferral and amortization in a regulatory asset.

Furthermore, OPC's argument that approval of deferral in a regulatory asset would "unjustifiably enhance" the Company's ability to recover these costs in a future rate case is not supported. The approval of a regulatory asset does not guarantee cost recovery in a future base rate case. The Company would still be required to demonstrate the prudence of the costs, as well as the benefits that customers would receive, as a result of the business process outsourcing initiative. Also, OPC is wrong in its assertion that the Company seeks to establish a regulatory asset for ratemaking

⁸ Formal Case No. 1103, Order No. 17539, paragraph 42 (July 10, 2014).

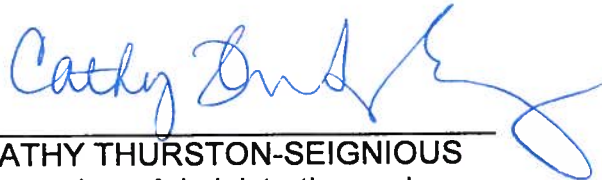
⁹ Formal Case No. 962, Order No. 12610, paragraph 88 (December 6, 2002).

purposes.¹⁰ As the Company stated in its Request to Establish Regulatory Asset, "Washington Gas seeks an accounting order to establish a regulatory asset for such costs incurred, with an amortization period consistent with the term of the application replacement agreement(s)."¹¹ The Company's proposed treatment of the CTA would allow the proper matching of the CTA with the benefits to customers in a future base rate proceeding.

III. CONCLUSION

Washington Gas intends to address all of OPC's arguments in Formal Case No. 1137 to further demonstrate that approval of an accounting order to defer the CTA associated with the Company's outsourcing initiatives is reasonable.

Respectfully submitted,



CATHY THURSTON-SEIGNIOUS
Supervisor, Administrative and
Associate General Counsel

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Dated: March 28, 2016

¹⁰ OPC Comments at 6.

¹¹ Request to Establish Regulatory Asset at 3.

CERTIFICATE OF SERVICE

I, the undersigned counsel, hereby certify that on this 28th day of March 2016, I caused a copy of the foregoing document to be hand-delivered, mailed, postage-prepaid, or electronically-delivered, to the following:

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