MARYLAND
Public Service Commission

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Maryland PSC Denies Large Portion of Washington Gas Light's Rate Increase Request

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BALTIMORE, MD – The Maryland Public Service Commission has authorized a rate increase of just over $10 million for Washington Gas Light Company, a substantial reduction to the utility's request. In May of this year, the company applied for an increase of $49.4 million (later adjusted by the company to $45.2 million), which it said was necessary to cover increased operations and maintenance expenses, labor costs and regulatory requirements. The Commission's order rejects WGL's proposed terminal treatment and post-test year plant adjustments for the Company's Infrastructure Development and Enhancement (STRIDE) and non-STRIDE plant addition.

In addition to a 2.6% (30 cents) increase in the monthly service charge (the fixed charge that customers pay each month), the approved rates result in an estimated average increase of 35 cents per month for residential heating customers and lowers by $1.26 the average monthly bill for residential non-heating customers. Washington Gas provides natural gas distribution services to 513,000 customers in the Maryland counties of Montgomery, Prince George's, Calvert, Charles, Frederick, and St. Mary's.

The Commission finds that a revenue increase in the amount of $10,051,241, with a 9.50% ROE (return on equity) and an overall 7.04% ROR (rate of return) reflecting WGL's appropriate cost of capital is just and reasonable and supported by the record.

According to the Commission's order, WGL failed to justify the revenue increase requested, as well as its request for the post-test year treatment of STRIDE and non-STRIDE gas plant. WGL proposed to increase base rates for STRIDE investments from the STRIDE surcharge and safety-related expenditures for an additional seven months beyond the test year. In denying this adjustment, the Commission noted that "WGL selected a historic test year, but seeks to add significant post-test year costs into the costs establishing the revenue requirement for the rate effective period."

In this proceeding, the Commission found that issues persist with regard to WGL's compliance with previous Commission orders regarding the removal of mercury service regulators. Delays associated with these regulators now date back 20 years, when WGL submitted a 10-year plan to remove all mercury service regulators by 2013 (Case No. 8959). In Case No. 9622, the Commission imposed a $750,000 civil penalty against WGL for yet again failing to meet deadlines to which the company agreed.

In this order, the Commission directed WGL to work with the Commission's Technical Staff and Consumer Affairs Division to re-address timelines for surveying and removing mercury service regulators from multi-family and non-multi-family residences, as well as requiring the company to file quarterly progress reports. The Commission warned WGL that failure to make progress on this issue could result in additional civil penalties.

The Commission also determined that the natural gas planning and line-extension policy issues raised by the Office of People's Counsel (OPC) and other intervenors are best addressed in the Commission's 'Future of Gas' proceeding requested by OPC earlier this year (Case No. 9707), since consideration of these issues in the single-utility and historic-test year context of WGL's rate case would lack the more robust consideration of these matters that will be afforded by discussion by <u>all</u> interested parties in Case 9707.

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About the Public Service Commission:
The Maryland Public Service Commission regulates electric and gas utilities and suppliers, telephone companies (land lines), certain water and sewer companies, passenger motor vehicle carriers for hire (sedans, limousines, buses, Uber, Lyft), taxicab companies (in Baltimore City and County, Charles County, Cumberland and Hagerstown) and bay pilot rates.