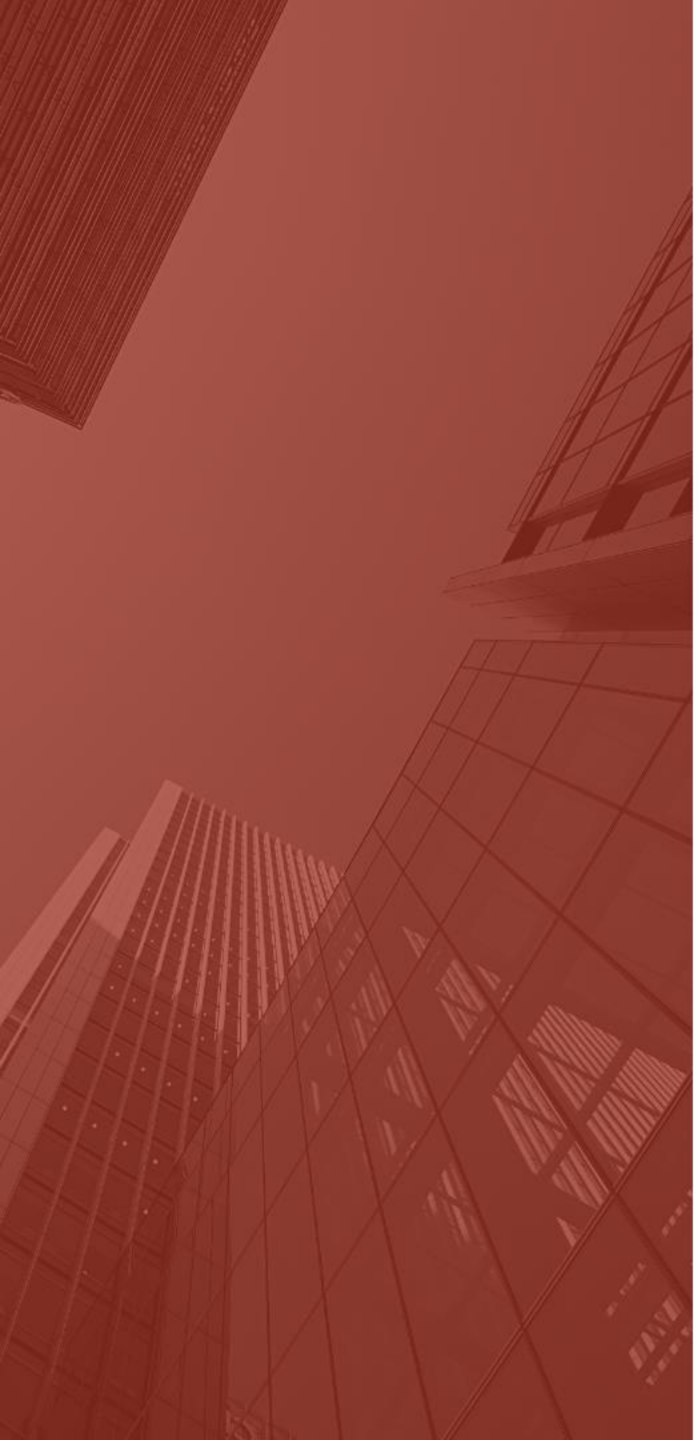

AOBA Utility Committee and Energy Market Update

January 31, 2024

AOBA
APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Pepco DC Rate Case
FC 1176

- Pepco filed an Application for its largest distribution revenue increase ever requested in the District of Columbia on April 13, 2023. Pepco requested a cumulative $190.7 million dollar increase in its base distribution rates over the next three years (2024-2026).
- Pepco requests that its new rates become effective February 15, 2024, increase again on January 1, 2025 and on January 1, 2026.
  - Year 1 Increase (2024): $116.4 million
  - Year 2 Increase (2025): $ 36.9 million
  - Year 3 Increase (2026): $ 37.3 million
- For comparison, in Pepco's last multi-year rate plan ("MYP") request, Formal Case No. 1156, the Commission approved increases were $21.8 million in 2021, $48.4 million in 2022, and $38.4 million in 2023, for a total cumulative increase of $108.6 million.

Pepco DC Rate Case
FC 1176

Sample Pepco DC Bill Impact (Year One 2024)				
	Current Distribution Charges	Proposed Distribution Charges	% Increase	Annual Impact $$$
MGT_LV	$ 197,503	$ 240,843	21.9%	$ 43,340
MGT_LV	$ 204,055	$ 248,814	21.9%	$ 44,759
GT_LV	$ 284,992	$ 434,200	52.4%	$ 149,209
GT_LV	$ 260,656	$ 396,524	52.1%	$ 135,868
GT_LV	$ 313,675	$ 483,412	54.1%	$ 169,736
GT_3A	$ 325,786	$ 439,986	35.1%	$ 114,200
MMA	$ 130,457	$ 157,134	20.4%	$ 26,677
* Includes only Pepco Customer Charge, Distribution and Demand Charges				
**Excludes all other Riders on Pepco Distribution bill				

Pepco DC Rate Case
FC 1176

- On October 16, 2023, the DC PSC ordered Pepco to file a revenue requirement based on a traditional test year at the request of AOBA, OPC and DC Government.
- This revenue requirement would be based on a partially forecasted test year, 6 months actual and 6 months forecasted in a defined 12-month period (Jan –Dec 2023) instead of a multi-year rate plan based on forecasts of planned capital expenditures through 2027.
- AOBA believes that a revenue requirement based on actual data will result in a more accurate and reasonable revenue requirement for Pepco.
- Pepco's testimony stated that a test year revenue requirement should be $108.2 million for the traditional test year.

Pepco DC Rate Case
FC 1176

<u>AOBA's Testimony</u>

- AOBA filed testimony January 12, 2024 of two expert witnesses from Revilo Hill Associates, Inc. AOBA's testimony stated the "Pilot" Multi-Year Rate Plan ("MYP") approved by the Commission in Formal Case No. 1156 has not served the best interest of District of Columbia ratepayers, and that Pepco's request for approval of a new (or second) MYP should be rejected. AOBA urged the Commission to set rates based on a traditional test year ("TTY").
- AOBA's testimony identifies major problems in the MYP process as it provides no effective incentives for Pepco to manage its expenditures in a manner that benefits District ratepayers. Pepco's management must be held accountable for improving the cost-effectiveness of the Company's operations and plant additions. AOBA's testimony also addresses the issues regarding Pepco's Bill Stabilization Adjustment ("BSA") and urges the Commission to terminate the BSA for medium and large commercial customers.

Pepco DC Rate Case
FC 1176

<u>AOBA's Testimony</u>

- Further, AOBA's testimony states that Pepco's requests under both its MYP and Traditional Test Year ("TTY") filings are greatly overstated and require substantial downward adjustment, arguing that Pepco's requested return on equity ("ROE") of 10.5% far exceeds market-based return requirements. AOBA's testimony finds a ROE of 9.1% appropriate.
- AOBA's testimony submits that a test year revenue requirement should be no more than $66.7 million and an appropriate revenue requirement for an MYP would be no more than $138.6 million, $46.2 million per year for the next three years.
- AOBA's testimony is supported by OPC and DC Government who also urged the Commission to adopt the traditional test year revenue requirement at a significantly reduced amount from what Pepco requested and if the PSC utilizes an MYP approach, to also significantly reduce Pepco's request.

Pepco DC Rate Case
FC 1176

AOBA's Testimony

- And, finally, AOBA presented testimony showing that Pepco's representation of its MYP as a "Climate Ready Pathway" is only rhetoric and no substance.
- Pepco's forecasts of future service requirements include no assessment of the expected impacts of the District's efforts to move toward greater electrification of energy use. In the context of declining kWh and kW billing units, as well as only modest increases in the numbers of customers served, maintenance of the affordability of electric service in the District necessitates more rigorous efforts to trim Pepco's planned rate base growth to reflect only essential expenditures.
- AOBA's positions are supported by the Office of People's Counsel ("OPC") and the District of Columbia Government ("DCG").

Pepco DC Rate Case
FC 1176

Next Steps

- Pepco will be filing rebuttal testimony on February 27, 2024.
- Thereafter, AOBA, and other parties may submit surrebuttal testimony and hearings will be held April 17-19, 2024.
- Briefs will be submitted on May 8 and May 24, 2024. A Commission decision will be issued thereafter. The Commission has a policy of trying to issue decisions within three months.
- **Decision and rate increases expected Q3 2024**

Washington Gas DC Rate Case FC 1169

- Washington Gas requested a $53.0 million annual revenue increase on April 4, 2022, which represents an average increase in distribution service charges for firm service customers of 34.3%.
- This is the largest single rate increase ever requested by Washington Gas in the District. If WG's proposals are approved as presented, many C&I, GMA, and Interruptible Service customers will see much larger increases in their total bills for natural gas.

AOBA
APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Washington Gas DC Rate Case
FC 1169

- AOBA intervened in the case. AOBA challenged the amount of the Washington Gas requested increase and the distribution of the request among rate classes.
- During the course of the proceeding over the last 21 months, AOBA has filed hundreds of data requests and requests for documents and submitted testimony challenging the amount of the Washington Gas request, as well as the distribution of any approved increase among customer classes.
- AOBA also challenged two new surcharges as unnecessary and harmful to ratepayers. Washington Gas is proposing two new purportedly climate-related surcharges, a Climate Progress Adjustment ("CPA") which is intended to compensate for fluctuations in its gas revenues due to unpredictable fluctuations in gas use and a Climate Action Recovery Tariff ("CART") to recover costs associated with the Company's efforts to support the District of Columbia's climate goals.

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Washington Gas DC Rate Case
FC 1169

Commission decision

- The DC PSC issued its final Opinion and Order No. 21939 on December 22, 2023 granting WGL a rate increase of $24.6 million in overall revenue, which includes moving $4.7 million from the Projectpipes surcharge into base rates.
- The Commission rejected WGL's two proposed surcharges, the CPA and CART. Commissioner Beverly issued a strong dissent to Order No. 21939, agreeing with AOBA, that the decision was premature in that WGL did not file all of the information necessary to support its rate increase request.
- Washington Gas has appealed the PSC decision on one issue and AOBA has also appealed the PSC decision based on Commissioner Beverly's dissent.
- WGL has submitted revised Compliance Rates on January 9, 2024.
- **New gas rates became effective January 19, 2024, 22 months after the Washington Gas rate request was filed.**

Washington Gas DC Rate Case FC 1169

<u>Commission decision</u>

What does the Commission decision mean to you?

As you will see WG originally requested between 32-52% increases for C&I and GMA customers, with an overall increase of 34%.

[Initial Filing]

The Commission's decision granted WG increases between 19-29% for C&I and GMA customers, with an overall increase of 19%.

[Compliance Filing FC 1169]

Washington Gas DC PROJECT*pipes* Plan 3 FC 1175 & FC 1154

- On March 31, 2014, the DC PSC approved the first 5 years of WG's 40 year Accelerated Pipe Replacement Plan. On December 11, 2020 the DC PSC approved a modified version of WG's Pipes 2 Plan which covered the period of January 1, 2021 through December 31, 2023. The Pipes 2 Plan had a spending cap of $150 million over 3 years.
- **Washington Gas now seeks to recover costs with its Pipes 3 Plan through an approved PROJECT*pipes* surcharge mechanism for the period of January 1, 2024 through December 31, 2028 at an estimated total cost of $671.8 million, approximately $135 million per year (FC1175).**
- AOBA filed its comments on June 16, 2023, along with several other parties, i.e., OPC, DC Government, and Sierra Club and submitted a joint proposed procedural schedule.

Washington Gas DC PROJECT*pipes* Plan 3
FC 1175 & FC 1154

- On November 6, 2023, Washington Gas filed a motion with the Commission to extend the current Projectpipes 2 Plan for an additional year, i.e., through December 21, 2024, at a spending level of $53.7 million, (FC1154).
- Several additional filings by AOBA, the Office of People's Counsel and the DC Government have been made regarding the continuation of the Pipes 2 Plan as recently as January 23, 2024, opposing the continuation of PROJECT*pipes* 2 at a spending level of $53.7 million.
- There is no information available at this time of the expected date of a Commission decision on WG's pipe replacement Plan 3 request or the WGL request for a continuation of the current Pipes 2 Plan.

AOBA
APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Pepco Maryland Rate Case
Case No. 9702

- Pepco filed an Application for its largest distribution revenue increase ever requested in Maryland on May 16, 2023.
- Pepco has requested a cumulative $193.2 million increase in its base distribution revenue over the next three years (i.e., 2024-2026) to be effective April 1, 2024. Specifically, Pepco is proposing that rates increase by $74.4 million April 1, 2024, by $59.4 million April 1, 2025, and by an additional $59.4 million on April 1, 2026, through March 31, 2027.
- Pepco has also included in its Application a proposal that would extend the three-year Multi-Year Plan request (“MYP”) through December 31, 2027 with an additional revenue increase of **$213.6 million** for a nine-month extension period ending December 31, 2027
- In Maryland, the increased rates requested are as follows:
  - Year 1 Increase (2024): $ 74.4 million
  - Year 2 Increase (2025): $ 59.4 million
  - Year 3 Increase (2026): $ 59.4 million

Pepco Maryland Rate Case
Case No. 9702

Sample Pepco MARYLAND Bill Impact (Year One 2024)				
	Current Distribution Charges	Proposed Distribution Charges	% Increase	Annual Impact $$$
MGT_LV	$ 70,062	$ 81,471	16.3%	$ 11,409
MGT_LV	$ 55,639	$ 64,948	16.7%	$ 9,309
GT_LV	$ 133,555	$ 155,696	16.6%	$ 22,141
* Includes only Pepco Customer Charge, Distribution and Demand Charges				
**Excludes all other Riders on Pepco Distribution bill				

Pepco MD Rate Case
Case No. 9702

AOBA's Testimony

- As AOBA argued in the District, AOBA's testimony in Maryland also found that the "Pilot" Multi-Year Rate Plan ("MYP") approved by the Commission in Case No. 9655 has not served the best interest of ratepayers in Maryland, and that Pepco's request for approval of a second MYP should be rejected.
- AOBA urged the Commission to set rates based on a traditional test year ("TTY"). Further, AOBA consultants testified that Pepco's claims of benefits from its MYP do not translate into lower costs for Maryland ratepayers.
- AOBA's testimony indicated that Pepco's traditional test year revenue requirement for the 12 months ending March 31, 2025 of $117.2 million, should be reduced to $43.4 million.
- AOBA's witnesses stated that Pepco's request shows a major incongruence between the Company's forecasts of declining kWh and kW service requirements and limited customer growth and the magnitude of its planned capital expenditures. AOBA's witnesses also addressed the Company's excessive request for an increase in its Return on Equity from 9.55% to 10.50%.
- AOBA's witnesses believe that a more appropriate ROE should be 9.10%.
- AOBA's testimony also urged the Commission to decrease Pepco's capital expenditures and thus its revenue requirement substantially.

Pepco Maryland Rate Case
Case No. 9702

- AOBA's testimony also addresses the issues regarding Pepco's Bill Stabilization Adjustment ("BSA") and urges the Commission to address issues relating to the BSA balances caused by COVID-19 policies.
- AOBA's witnesses testified that the large accumulated BSA balances are societal costs necessitated by COVID-19 governmental mandates and should be paid by all ratepayers, not just commercial and multi-family buildings.
- AOBA also submitted testimony in the District on these same points.

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APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Pepco Maryland Rate Case
Case No. 9702

Next Steps

- Pepco, as well as AOBA and other parties filed rebuttal testimony on January 26, 2024.
- AOBA and other parties will submit surrebuttal testimony on February 23 and hearings will be held beginning March 7 through March 15, 2024.
- Briefs will be submitted on April 8 and April 22, 2024.
- Thereafter, a Commission decision will be issued, and new rates will be effective as of April 1, 2024 although increases will not appear on customers' bills until August 17, 2024.
- Due to the multiple rate case applications currently before the Maryland Public Service Commission and the inability of the Maryland PSC Staff to address all of those filings simultaneously, the Commission Staff requested a 90-day rate case extension.
- Pepco would only agree to such an extension if it was granted its full requested increase of $74.4 million effective April 1, 2024. However, no increase would actually appear on customers' bills until August 2024.
- **The result is that the full amount of Pepco's approved increase would be collected between August 17, 2024 and March 31, 2025, (Rate Year 1).**
- Rate Year 2 rates would increase by the PSC approved Rate Year 2 revenue increase on April 1, 2025 and the Rate Year 3 revenue increase on April 1, 2026. A final Commission decision is anticipated by June 10, 2024.

AOBA
APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Washington Gas Maryland Rate Case
Case No. 9704

- Washington Gas filed a rate increase proposal on May 18, 2023, a proposed $49,382,000 revenue increase (later revised to $45.16 million) to be effective December 14, 2023.
- Included in the $45.16 million revenue increase is a $21.0 million request to transfer the Washington Gas Strategic Infrastructure Development and Enhancement Plan or “STRIDE” surcharges into base rates subject to Commission approval. (Case No. 9708).
- Washington Gas is proposing approximately a 13% increase in distribution rates for commercial customers and approximately a 15% increase in distribution rates for Group Metered Apartments.

Washington Gas Maryland Rate Case
Case No. 9704

- AOBA filed the expert testimony of two witnesses from Revilo Hill Associates, Inc. on August 25, 2023 stating that Washington Gas is not entitled to a Return on Equity over 9.55% or a Rate of Return over 6.97%.
- AOBA's witnesses also testified that the Washington Gas proposed Capital Structure is too heavily weighted with equity and the PSC should adopt AOBA's recommended capital structure of 50% total debt and 50% equity.
- Additionally, AOBA's witnesses testified that WG's high Unaccounted for Gas percentage costs its Maryland ratepayers an estimated $12 million per year.
- AOBA's adjustment to WG's ROE and WG's capital structure would eliminate $16.0 million of WG's $45.16 million total revenue increase request, including the roll-in of Stride surcharges into base rates. AOBA's proposed adjustment for WG's large unaccounted for gas would eliminate an additional $12.0 million per year. Those two adjustments coupled with other ratemaking adjustments, **results in AOBA recommending that Washington Gas receive no more than a $10.61 million increase in rates, including the Stride roll-in.**
- AOBA's recommendation is consistent with the recommendation of the Maryland Public Service Commission Staff which is recommending an increase of $8.81 million in rates and the Office of People's Counsel, which is recommending a slight decrease in rates. Hearings in this case concluded October 25, 2023 and briefs were filed November 17, 2023.
- Maryland law requires that utility base rate increase applications be considered and decided within 210 days from the date the Application is filed for a Historic Test Year rate case and decided within 10 months from the date an Application is filed for a multi-year rate case. **Therefore, Washington Gas rates will increase on and after December 14, 2023,** however no compliance rates have been filed at this time.

Washington Gas Maryland Rate Case Case No. 9704

- **On December 14, 2023, the Maryland Commission issued its Order on Application to Increase Rates and Charges for Natural Gas Services, Order No. 90943 approving a $10,051,241 rate increase for Washington Gas based on a ROE of 9.5%.**
- In addition to its requested base rate increase, Washington Gas has also requested approval of a new Stride Plan and a new surcharge on June 16, 2023. (Case No. 9708). The Commission rejected WGL's proposed increase in the Stride pipeline safety and replacement program surcharge and declined to move $21.0 million as WGL has requested into base rates.
- Washington Gas has not as of this time filed Compliance Rates implementing the $10,051,241 rate increase since Washington Gas has filed a Petition for Rehearing of the Commission decision. AOBA will be filing a response to the WGL Petition.
- Additionally, the Maryland Staff has filed a Motion for Clarification stating that it believes the revenue requirement should be reduced further to $7,519,876. New gas rates may be effective as of December 14, 2023.

Case 9704 WG Maryland

Washington Gas Virginia Rate Case Case No. PUR-2022-00054

- Washington Gas filed an application with the Virginia State Corporation Commission on June 29, 2022 requesting a rate increase of $48.0 million.
- This request is in addition to the transfer of $38.6 million of the investment cost for infrastructure replacements made pursuant to the Company's Steps to Advance Virginia's Energy Plan ("SAVE Plan") from the SAVE Rider to base rates, i.e., making a total increase in rates of $86.6 million.
- In Virginia, the requested rates go into effect 5 months after the rate application is filed with the SCC, i.e., November 26, 2022, on an interim basis subject to refund.
- The average proposed increase in class distribution rates is between approximately 24% to 42%, including the roll-in of the SAVE Rider.
- However, the largest proposed increases are to the Large Commercial and Industrial, Group Metered Apartment Heating/Cooling, Group Metered Apartment Large and Interruptible customer classes.

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APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Washington Gas Virginia Rate Case
Case No. PUR-2022-00054

- AOBA intervened in this case in early February 2023 challenging the amount of the requested increase, WG's positions regarding its capital structure, its proposed return on equity, the Company's normal weather study, the Company's jurisdictional and class cost of service studies, and the distribution of Washington Gas' proposed revenue increase among customer classes.
- AOBA argued that WG's proposed rate of return ("ROR") and return on equity ("ROE") are overstated and recommended that Washington Gas receive no more than an ROE of 9.0% and an ROR of 6.77%.
- However, on March 13, 2023, the SCC Staff submitted testimony stating that it believes that WGL is entitled to a 9.50% ROE. The Staff recommended a revenue requirement increase of approximately $30.15 million plus the transfer of $38.60 million of the costs of investments in infrastructure replacements made pursuant to the Company's SAVE Plan from the SAVE Rider to base rates, i.e., a total increase in rates of $68.75 million.

Washington Gas Virginia Rate Case Case No. PUR-2022-00054

Settlement

- Just prior to the scheduled hearing date, on April 27, 2023, Washington Gas, the Virginia SCC Staff, the Attorney General and the City of Fairfax agreed to a settlement of all issues in the proceeding. The settlement provided Washington Gas with an increase of $73.0 million in base rates, based on a Return on Equity of 9.65%.
- AOBA opposed the settlement at the hearing on May 2, 2023 as not in the public interest since it was based on a Return on Equity that was too high and resulted in an unnecessarily high rate increase for Washington Gas.
- A decision by the Hearing Examiner D. Mathias Roussy, Jr. was issued on July 17, 2023, recommending approval of the Stipulation and Recommendation resolving the Washington Gas Application with one minor exception.
- The State Corporation Commission issued its Final Order on August 29, 2023 adopting the Hearing Examiner's findings and recommendations including granting WGL a $73.0 million increase in rates and ordered Washington Gas to issue refunds from the interim rates placed into service November 29, 2022 with interest, within 90 days of the issuance of the Commission Final Order, (i.e. by November 29, 2023).
- Small refunds for Commercial and Industrial and Group Metered Apartment customers should be issued for most customers by November 29, 2023.
- However, on December 6, 2023, WGL filed a motion for extension of time to issue rate case refunds for a limited number of customers until December 15, 2023.
- **New gas rates were effective November 26, 2022 and refunds were ordered to be issued by November 29, 2023 or shortly thereafter.**

Washington Gas VA Proposed Rates

Washington Gas VA Settlement Rates

Dominion Virginia Biennial Review of Rates Case No. PUR-2023-00101

- On July 3, 2023, Virginia Electric and Power Company ("DVP") filed the Company's Application for a Biennial Review of the Company's rates, terms, and conditions for the provision of generation, distribution, and transmission services. :
- Virginia Power claims that the Company shows a revenue deficiency of $25.6 million for the year beginning January 1, 2024, and a revenue deficiency of $51.2 million for rate year 2025. In relation to these revenue deficiencies, the utility asserts that since its cost of service for generation and transmission for these upcoming years are closely aligned with its actual cost of service, the Company is not proposing an increase or decrease in total base rates for that upcoming two-year period.
- However, Virginia Power is proposing to continue rebalancing its base distribution and generation charges, on a revenue neutral basis, effective in 2025. This rebalancing will affect all customer classes and customers within each class differently. AOBA has intervened in this proceeding and filed direct testimony on October 10, 2023.

Dominion Virginia Biennial Review of Rates Case No. PUR-2023-00101

- On November 14, 2023, Dominion, the SCC Staff, the Attorney General and other parties submitted a Proposed Stipulation and Recommendation to the Chief Hearing Examiner. AOBA and several other parties did not join the settlement, but agreed not to oppose it.
- An evidentiary hearing on the settlement was held on November 28, 2023 and a Chief Hearing Examiner's Report was filed January 17, 2024, with comments on that report due February 1, 2024. However, on January 17, 2024, the Chief Hearing Examiner issued his report which approved the stipulation with several modifications. The Hearing Examiner's modifications are not acceptable to Dominion, the Staff and the Attorney General and they will all be contesting the Hearing Examiner's modifications in Comments submitted to the VA SCC on February 1, 2024.
- There is no final decision at this time regarding the timing of new electric rates. The next biennial review is expected to be filed 2025.

Appendix

2024 Utility Rate Case Expectations and Potential Rate Increases

- Pepco-District of Columbia
  - Based on the current procedural schedule for this proceeding new electric rates may be effective by September 1, 2024.
- Pepco-Maryland
  - The result will be that the first-year increase will be collected between August 17, 2024, and March 31, 2025. The Year 2 increase will begin April 1, 2025, and the Year 3 increase will begin April 1, 2026.
- Dominion-Virginia
  - There is no final decision at this time regarding the timing of new electric rates. The next biennial review is expected to be filed 2025.

AOBA — APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Appendix

2024 Utility Rate Case Expectations and Potential Rate Increases

- Washington Gas Light Company-District of Columbia
  - New gas rates were effective January 19, 2024, 22 months after the Washington Gas rate request was filed.
  - There is no information available at this time of the expected date of a Commission decision on WGL's pipe replacement Plan 3 request and the WGL request for a continuation of the current Pipes 2 Plan.
- Washington Gas Light Company-Maryland
  - New gas rates may be effective as of December 14, 2023, and new Stride surcharges will be effective beginning January 2024. WGL has not filed Compliance Rates to date in the rate case.
- Washington Gas Light Company-Virginia
  - New gas rates were effective November 26, 2022, and refunds were ordered to be issued by November 29, 2023, or shortly thereafter. There is no information available at this time as to whether, WGL will file for another rate increase in Virginia in 2024.

APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Questions?

- Frann G. Francis ffrancis@aoba-metro.org
- Kevin Carey kcarey@aoba-metro.org

MAILING ADDRESS
1025 Connecticut Avenue, NW, Ste 1005
Washington, DC 20036

PHONE NUMBER
(202) 296-3390

WEBSITE
www.aoba-metro.org

@AOBAMetro

@AOBAORG

linkedin.com/company/aoba-metro