

AOBA Utility Committee

Energy Commodities Show Stability; Charges for Utility Services Rise

*Utility Spending, Not Competitive Markets,
Drives Energy Costs Upward*

Presented By

Bruce R. Oliver

President, Revilo Hill Associates, Inc.

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April 20, 2011

Outline of Presentation

* Energy Market Developments

➤ Updated Natural Gas Market Perspective

- ✓ Drilling in Shale Basins
- ✓ Limits on Offshore Drilling
- ✓ Changes in Natural Gas Demand
- ✓ Future Supply and Demand Relationships for Natural Gas

➤ Electric Market Status

- ✓ Costs of Distribution Service
- ✓ Transmission Rate Increases
- ✓ Generation Capacity Markets
- ✓ Impacts of Japanese Nuclear Problems on U.S. Electric Industry
- ✓ Costs of Renewable Energy

* Pending, Anticipated and Recently Decided Utility Rate Proceedings

➤ Electric Rates

- ✓ Dominion Virginia Power
- ✓ Pepco – Maryland
- ✓ Pepco – DC

➤ Gas Rates

- ✓ WGL – Virginia
- ✓ WGL – Maryland
- ✓ WGL – DC

Energy Market Developments

April 20, 2011

Natural Gas Markets

Steady as she goes ... or Calm before the Storm?

* Key Features of Current Natural Gas Market

➤ Factors Favoring Stable or Softening Gas Prices

- ✓ Expanding US Natural Gas Production
- ✓ Further Development of Shale Deposits
- ✓ No Stress on Storage Inventories

➤ Factors Favoring Higher Natural Gas Prices

- ✓ Soaring Electric Power Demand for Natural Gas
 - Pending Environmental Restrictions on Coal-Fired Power Plants
 - No building of new Nuclear Generation
- ✓ Resurgence of US Industrial Demand for Natural Gas
- ✓ Increased Foreign Interest in US Natural Gas Reserves and the Possibility of Expanded US Natural Gas (LNG) Exports
 - Conversion of US LNG Terminals for Export Purposes
 - Higher International LNG and Natural Gas Prices
- ✓ Continued Restrictions on Offshore Drilling
- ✓ Concerns Regarding Environmental Impacts of “Fracking”
- ✓ Shrinking Natural Gas “Resource” Base

Factors Favoring Stable or Softening Natural Gas Prices

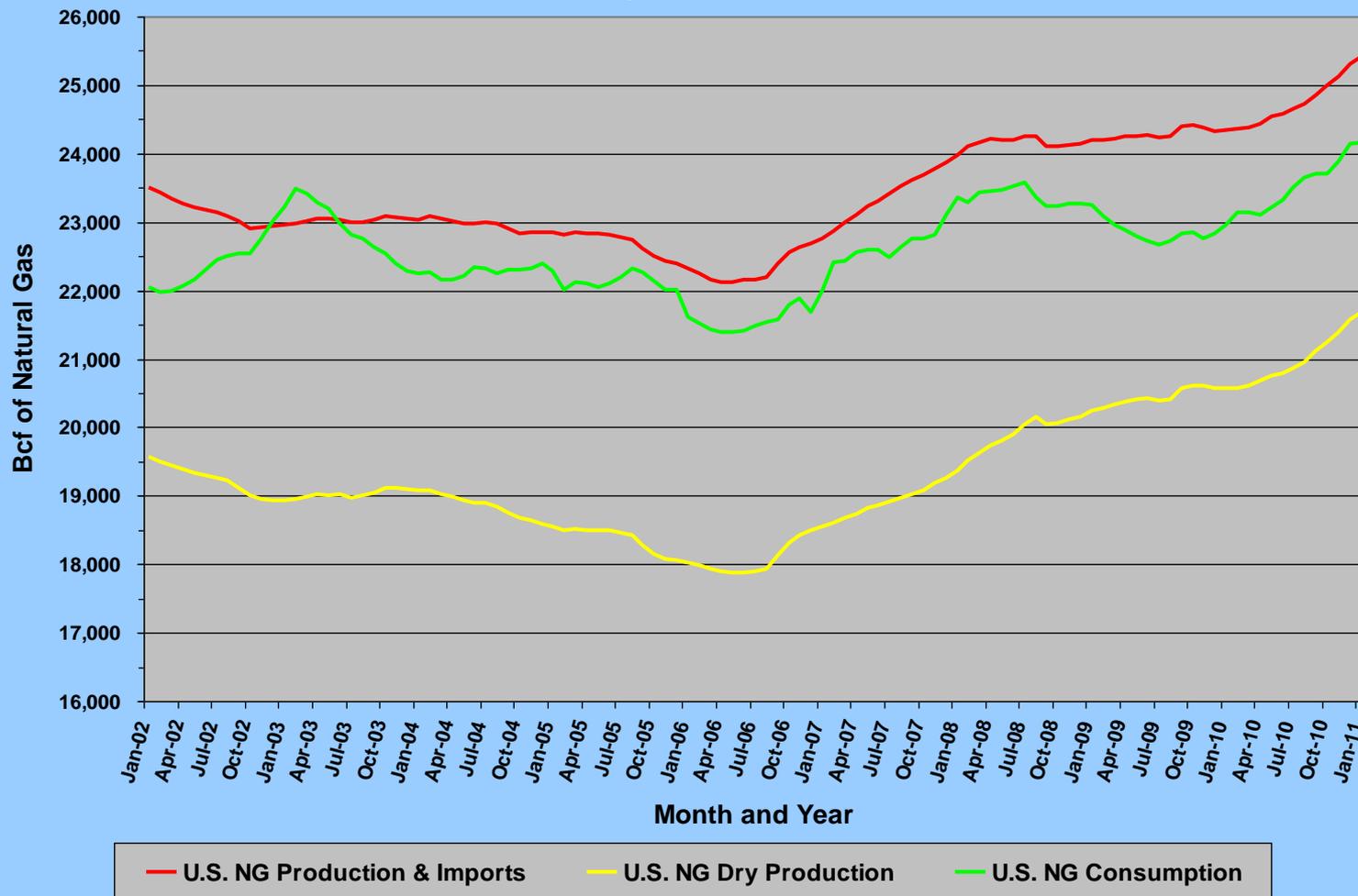
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U.S. Natural Gas Production Continues to Set New Records While Outpacing U.S. Demand Growth

U.S. Natural Gas Supply & Demand

January 2002 - January 2011

(Rolling 12-Month Totals)



North American Shale Plays (as of March 2011)



Current Shale Plays

Stacked Plays

- Shallowest / Youngest
- Deepest / Oldest

* Mixed Shale & Chalk play
** Mixed Shale & Limestone play

Prospective Shale Plays

Basins



Source: Energy Information Administration based on data from various published studies.
Updated: March 21, 2011

Production of Natural Gas from Shale Plays Continues to Expand

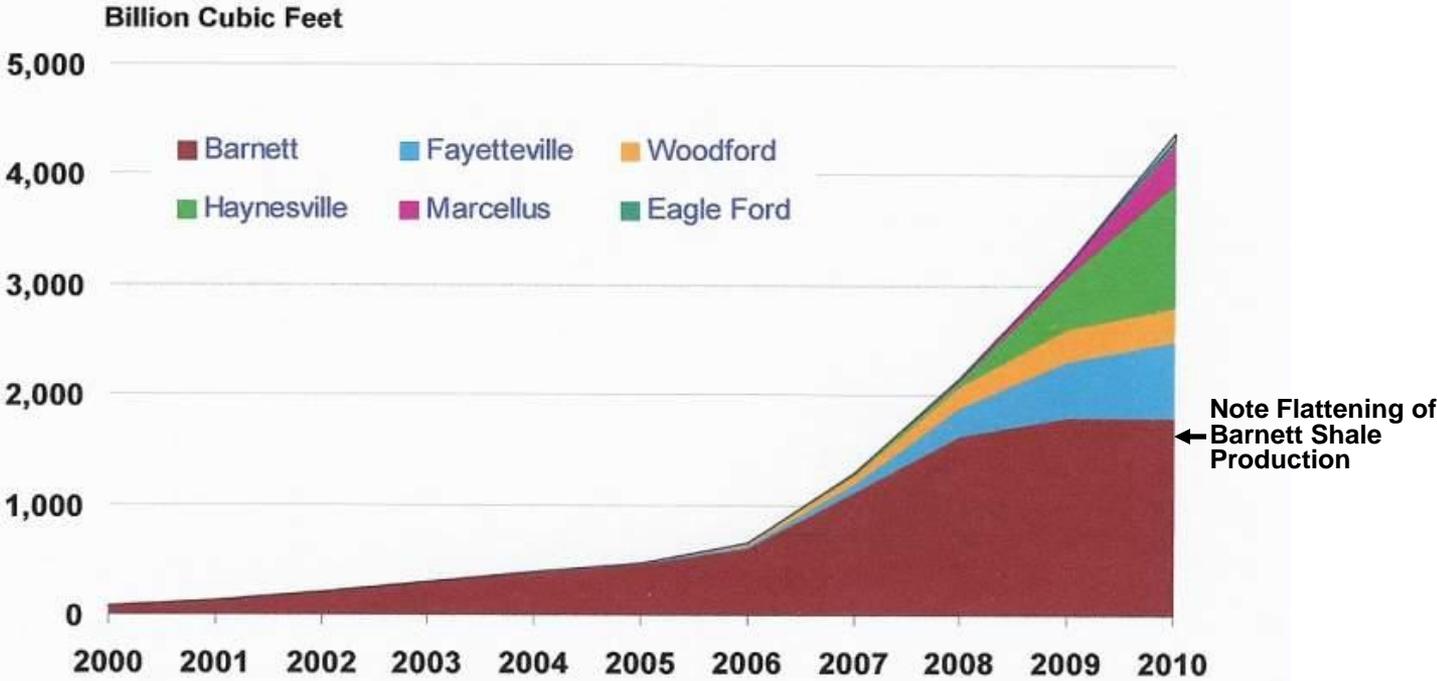
Table 3. Principal Shale Gas Plays: Natural Gas Production and Proved Reserves, 2008-2009
(billion cubic feet)

Shale Play	2008		2009		Change 2009-2008	
	Production	Reserves	Production	Reserves	Production	Reserves
Barnett	1,501	22,492	1,745	26,493	318	4,001
Haynesville/Bossier	25	1,031	321	10,468	296	9,437
Fayetteville	279	3,833	527	9,070	248	5,237
Woodford	168	3,845	249	6,389	81	2,544
Marcellus	2	102	76	4,478	74	4,376
Antrim	122	2,894	132	2,499	14	-395
Sub-total	2,097	34,197	3,050	59,397	953	25,200
Other Shale Plays	19	231	60	1,247	41	1,016
All U.S. Shale Plays	2,116	34,428	3,110	60,644	994	26,216

Note: The above table is based on shale gas proved reserves and production volumes as reported to the EIA on Form EIA-23. It does not include EIA-estimated volumes for non-surveyed operators. For this and other reasons (e.g., incorrect or incomplete respondent submissions, respondent misidentification of shale versus non-shale reservoirs) the actual proved reserves and production of natural gas from shale plays may differ. Official EIA shale gas production volumes are reported in [Natural Gas Navigator](#).

NOTE: Nearly a 50% increase in natural gas production from Shale Plays between 2008 and 2009.

Shale Production by Basin, 2000-2010



Source: EIA, Lippman Consulting (2010 estimated)

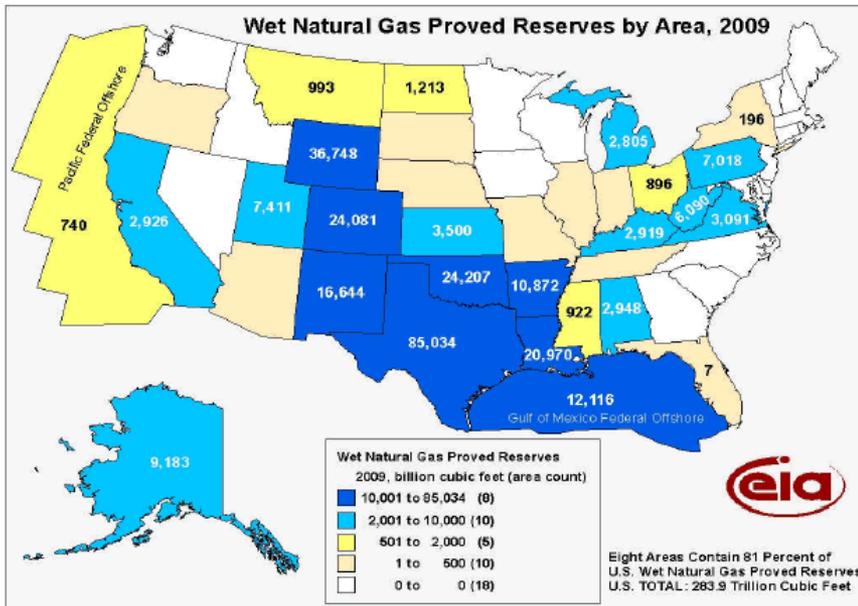


James M. Kendell, Houston, TX, October 19, 2010

Natural Gas Reserves Growing

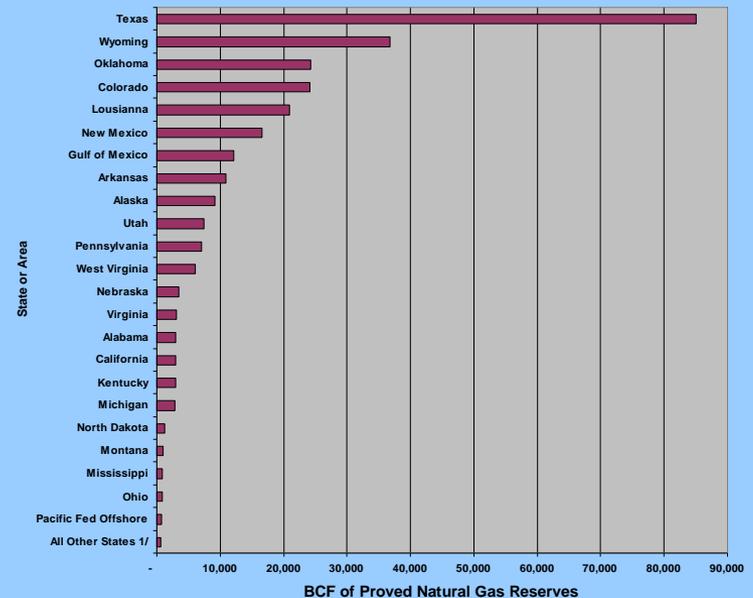
Remaining Years of Supply Shrinking

Figure 5: Wet Natural Gas Proved Reserves by Area, 2009



States with a color but no value displayed above are intentionally unlabelled for confidentiality reasons.
Source: U.S. Energy Information Administration

US 2009 Wet Natural Gas Reserves by State or Area



Note: Total US 2009 Proved Reserves 283,927 BCF
US 2009 Natural Gas Production 26,013 BCF

US 2008 Natural Gas Resource Base 1,836,000 BCF
US 2009 Natural Gas Production 26,013 BCF

Remaining US Natural Gas Reserves
at 2009 Production Rate 10.91 Years

Remaining US Natural Gas Resources
at 2009 Production Rate 70.62 Years

U.S. Natural Gas Requirements Are Small Compared to World Resources

Distribution of World Natural Gas Reserves by Region

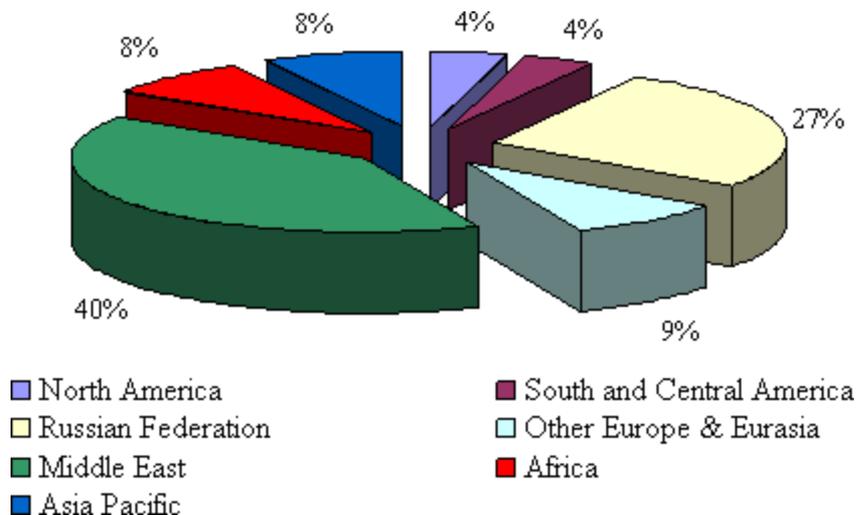
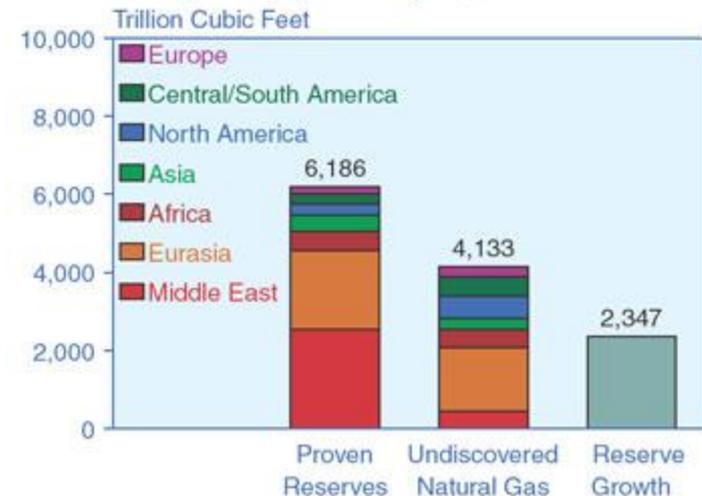


Figure 45. World Natural Gas Resources by Geographic Region, 2008-2025



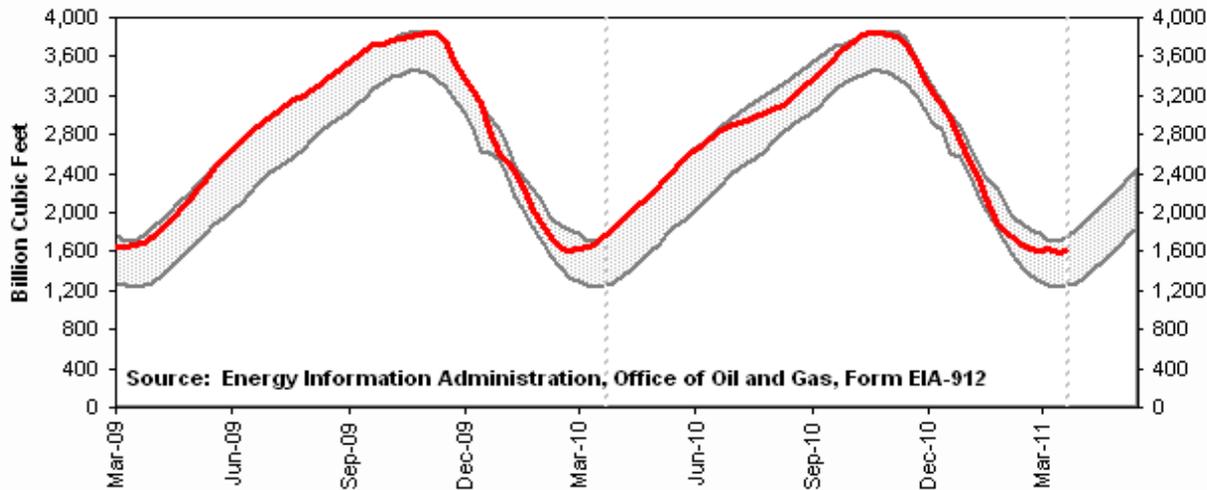
Source: U.S. Geological Survey, *World Petroleum Assessment 2000*, web site <http://greenwood.cr.usgs.gov/energy/WorldEnergy/DDS-60>; "Worldwide Look at Reserves and Production," *Oil & Gas Journal*, Vol. 105, No. 48 (December 24, 2007), pp. 24-25; and Energy Information Administration estimates.

- Large amounts of Natural Gas potentially available in World Markets, but at what Price?

Natural Gas Storage Inventories

End Winter at Comfortable Levels

Working Gas in Underground Storage Compared with 5-Year Range



*Rebuilding natural gas inventories for next winter is **NOT** expected to stress supply and demand balance or drive natural gas prices higher.*

EIA: Working Gas in Underground Storage, Lower 48 States

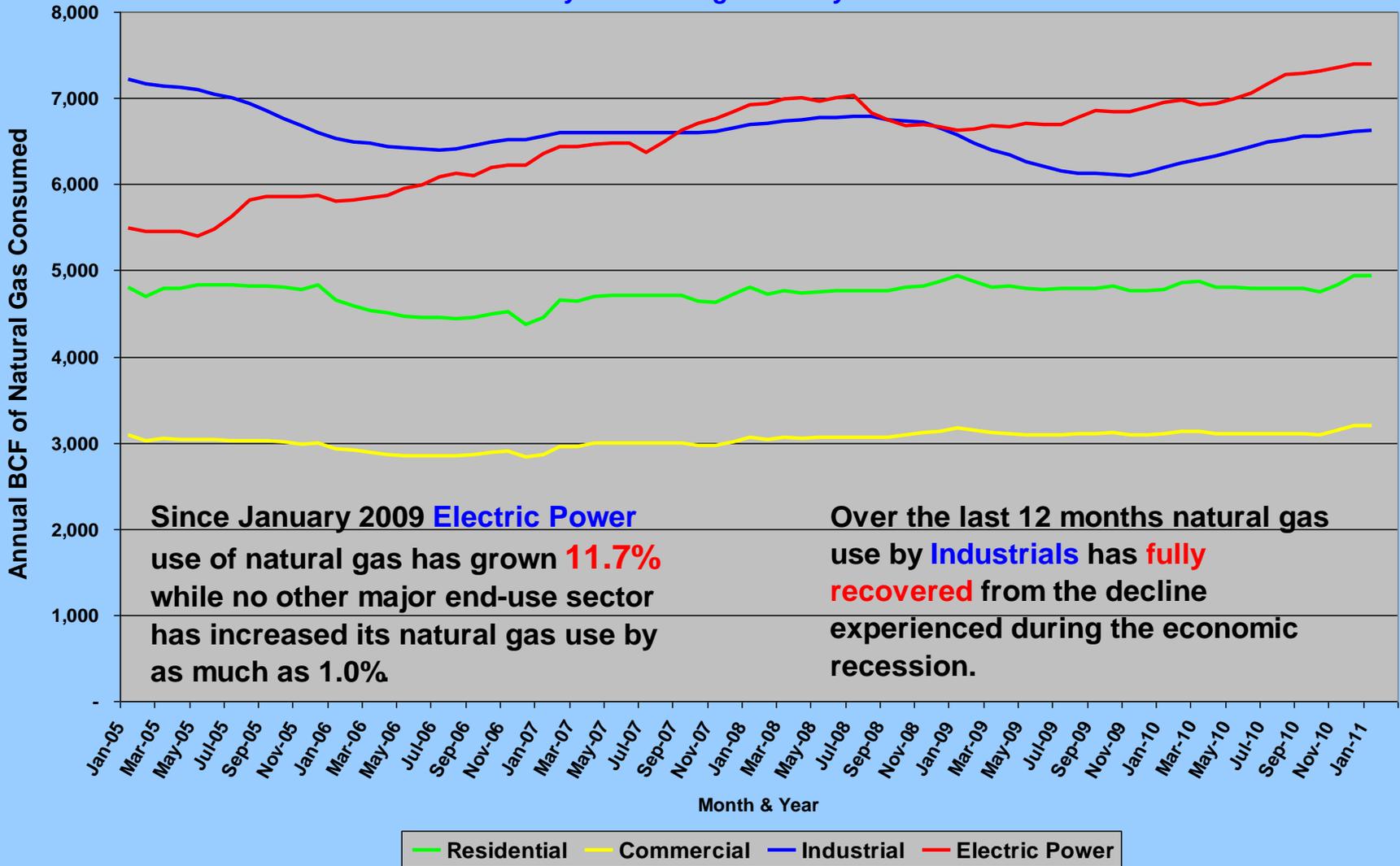
Region	Stocks in billion cubic feet (Bcf)			Historical Comparisons			
	04/08/11	04/01/11	Change	Year Ago (04/08/10)		5-Year (2006-2010) Avg	
				Stocks (Bcf)	% Change	Stocks (Bcf)	% Change
East	623	616	7	789	-21.0	713	-12.6
West	221	221	0	295	-25.1	247	-10.5
Producing	763	742	21	660	15.6	637	19.8
Total	1,607	1,579	28	1,744	-7.9	1,597	0.6

Factors Favoring Higher Natural Gas Prices

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US Natural Gas Consumption by Sector

January 2005 through January 2011

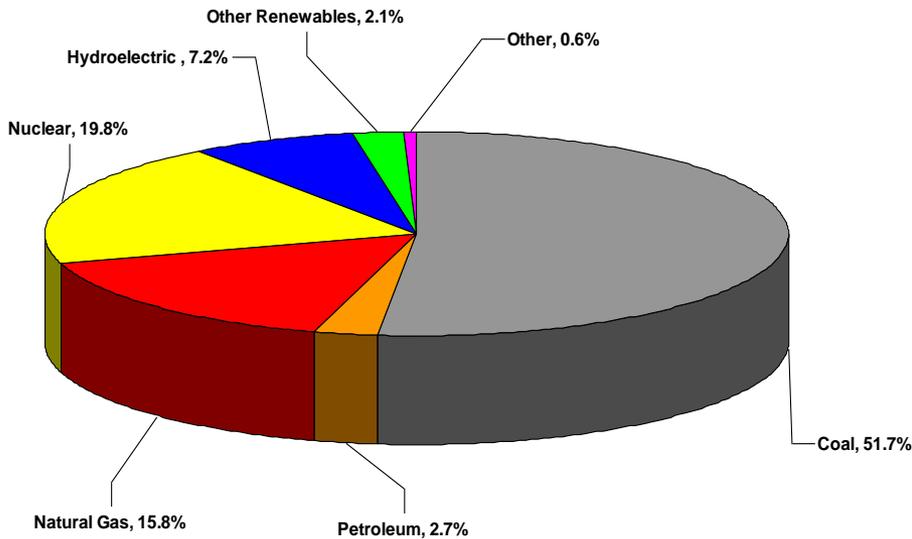


Factors Causing Increases in Electric Power Demand for Natural Gas

- ✧ No Significant Base Load Generation Alternatives Available – Natural Gas must fill the void
 - Building of new Nuclear Generation hasn't gotten off the ground
 - Environmental Restrictions on Coal-Fired Power Plants
 - ✓ Impede the building of new Coal-Fired plants
 - ✓ May force retirements or decommissioning of existing plants
- ✧ Renewable generation still a small portion of total U.S. generation portfolio (*only about 4%*)
 - Comparatively rapid growth in Renewable generation **not sufficient** to impact growing Electric Power use of Natural Gas
- ✧ The dilemma is natural gas looks attractive when prices are low, but it can look very unattractive as a generation fuel when natural gas prices rise sharply (*as they did in early 2008*).

2000 Electric Power Industry Net Generation by Source

Total 2000 Generation: **3,802 GWH**

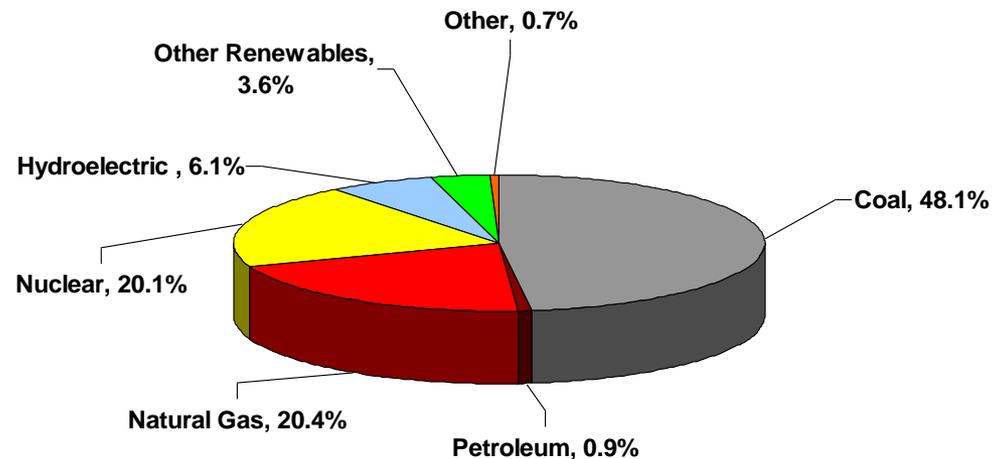


Between 2000 and 2010:

- Total Net Generation grew 318 GWH or 8.4%.
- Natural Gas-Fired Generation increased 381 GWH or 63.4%. *(Note that the increase in Natural Gas-Fired Generation exceeds the increase in Total Net Generation).*
- Coal-Fired Generation declined 115 GWH or 5.9%.
- Generation from Renewables *(other than Hydroelectric)* Increased 87 GWH or 107.8%.

2010 Electric Power Industry Net Generation by Source

Total 2010 Net Generation: **4,120 GWH**



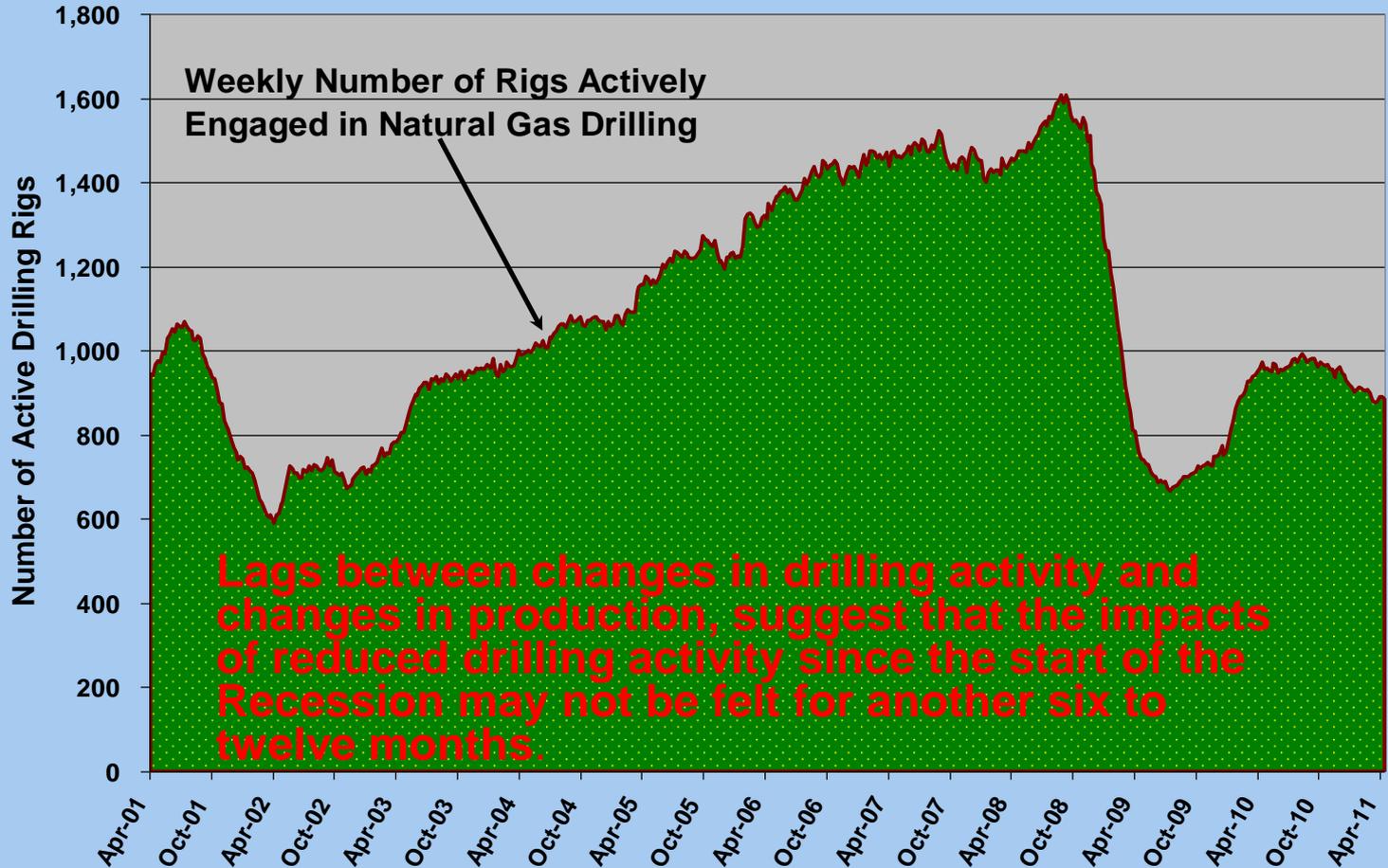
Also Between 2000 and 2010:

- Generation from Renewable Resources *(other than Hydroelectric)* increased from 2.1% of Total U.S. Net Generation to 4.1%.
- Natural Gas-fired generation increased from 15.8% to 23.8% of Total U.S. Net Generation.
- Coal-fired generation decreased from 51.7% to 44.9% of Total U.S. Net Generation.
- Nuclear generation remained at roughly 20% of Total U.S. Net Generation.

U.S. Natural Gas Drilling Activity

April 2001 to April 2011

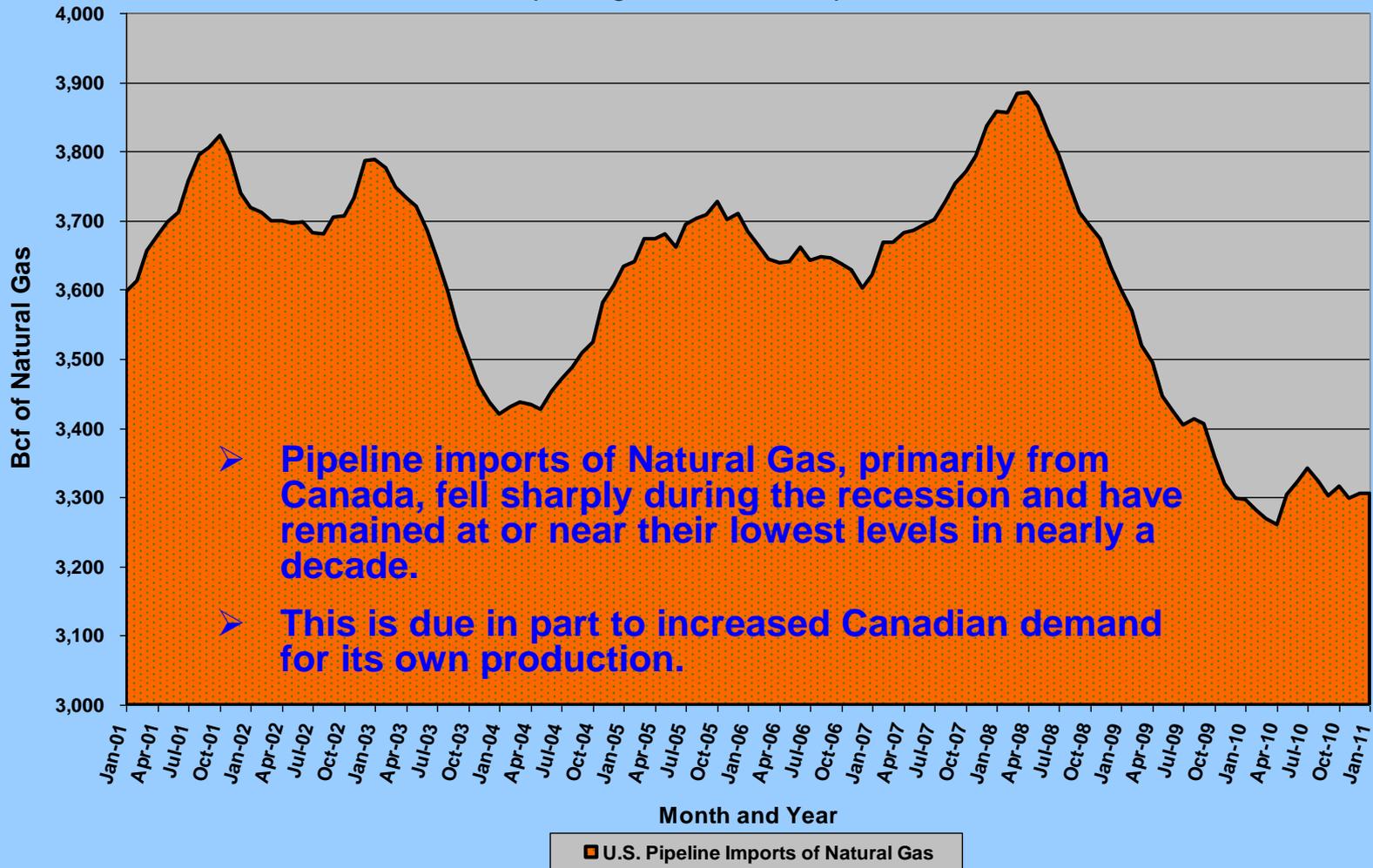
Baker Hughes Rig Count Data



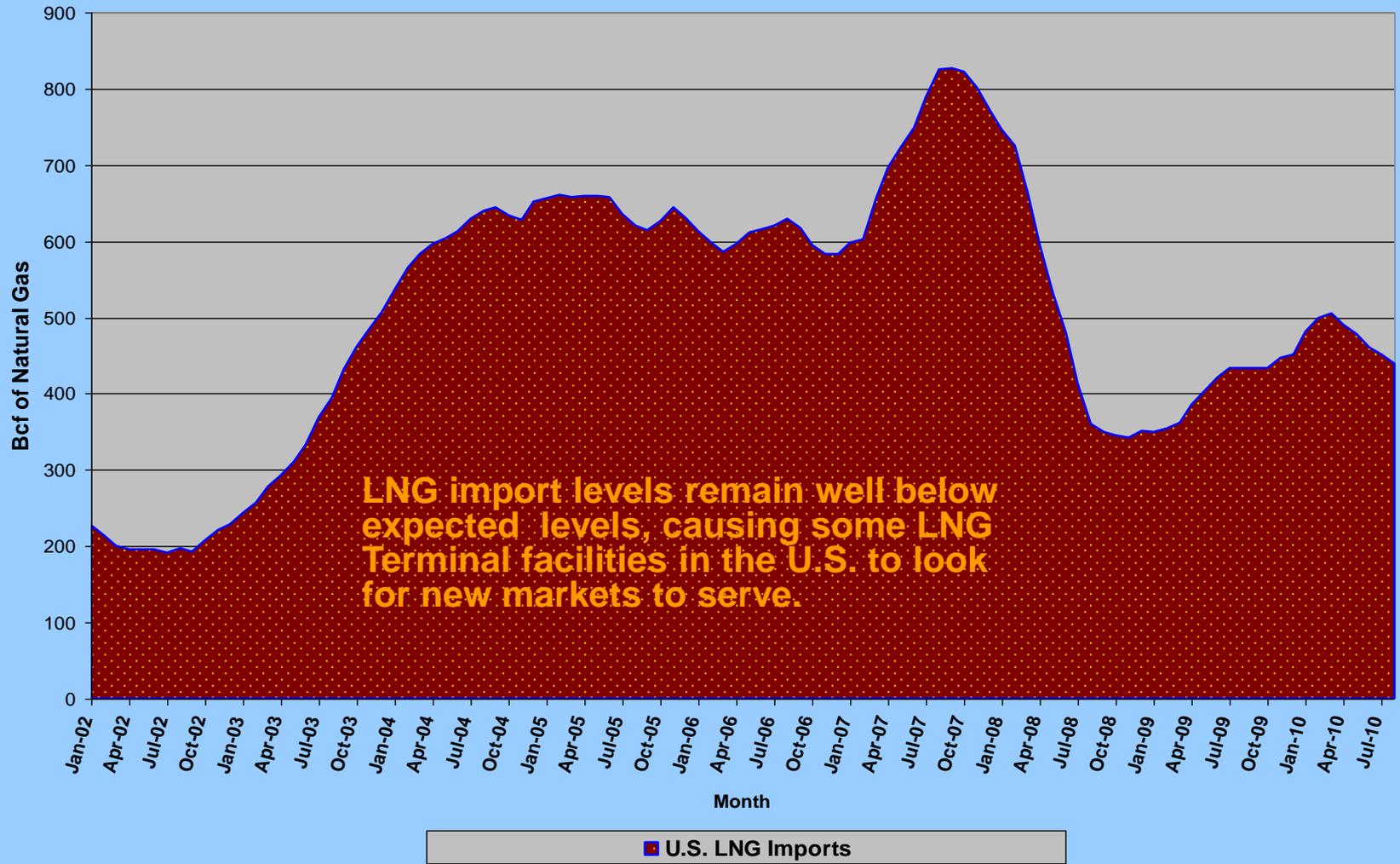
U.S. Pipeline Imports of Natural Gas

January 2001 - January 2011

(Rolling 12-Month Totals)



U.S. LNG Imports January 2002 Through August 2010 (Rolling 12-Month Totals)



Increased Foreign Involvement in US Natural Gas Development

- * Several Foreign Companies have established significant stakes in the U.S. natural gas industry. Included among those firms are:
 - Chinese National Offshore Oil Corp (CNOOC)
 - Korea National Oil Corporation
 - ENN Energy Trading (China)
 - BP Group (Great Britain)
 - Royal Dutch Shell (Netherlands)
 - Mitsui Corp (Japan)
 - Sumitomo Corp (Japan)
 - China Investment Corp.
 - Reliance Industries (India)
 - Statoil (Norway)
- * Of potentially greater concern are the efforts of some of these firms to export gas from the U.S.
 - Already Cheniere Energy (working ENN Energy Trading) has installed liquefaction capacity at its Sabine Pass LNG terminal in Louisiana and has start exporting LNG.
 - Shell and Statoil have invested a total of **more than \$8.0 Billion** in Marcellus Shale natural gas reserves, reportedly with an eye toward using Dominion's Cove Point Facility on the Chesapeake Bay as an LNG Export facility.
 - CNOOC has purchased a one-third share of two large oil and gas leases in Colorado and Wyoming
- * Use of U.S. natural gas for export purposes could result in U.S. natural gas prices being bid up to higher international market price levels.

Electric Markets

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Electric Market Considerations

* Costs of Distribution Service

- Label all expenditures as “reliability related” to facilitate favorable cost recovery
- Continuing questions regarding allocations of costs from holding companies

* Transmission Rate Increases

- Transmission Costs soar as utilities pursue construction of expensive new transmission lines

* Generation Capacity Markets

- RPM driven increases in generation capacity costs
 - ✓ Sharp Increase in Pepco Zone Charges for PJM 2013-2014 Planning year
 - ✓ RPM pricing continues to reflect a highly assumption driven, administratively determined result.
- Capacity Market Impacts on Demand Response Customers

* Impacts of Japanese Nuclear Problems on U.S. Electric Industry

- Will Japan’s problems affect US nuclear operations or expansion plans?
- Will Japan’s problems impact pricing in competitive electric markets?

Reliability Pricing Model (RPM)

Locational Generation Capacity Costs

For Pepco Service Territory

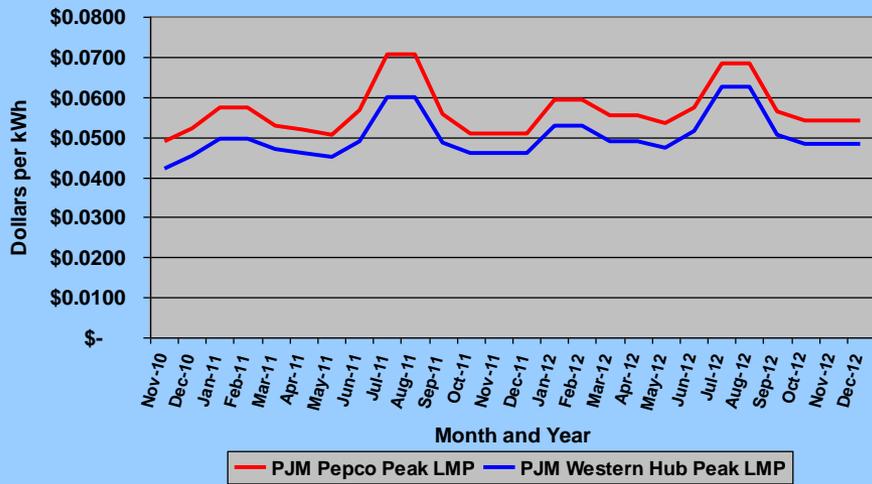
What Will Capacity Costs Be for 2014-15?

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
(Dollars per Megawatt Day)							
Clearing Price	\$188.54	\$210.11	\$237.33	\$174.29	\$110.00	\$133.37	\$247.14
Capacity Transfer Credit	<u>\$ 48.38</u>	<u>\$ 29.53</u>	<u>\$ 19.21</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Net Load Price	\$140.16	\$180.58	\$218.12	\$174.29	\$110.00	\$133.37	<u>\$247.14</u>
(Cents per Kilowatt-Hour)							
Clearing Price	1.571	1.751	1.978	1.453	0.917	1.111	2.060
Capacity Transfer Credit	<u>0.403</u>	<u>0.246</u>	<u>0.160</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Net Load Price	1.168	1.505	1.818	1.453	0.917	1.111	2.060

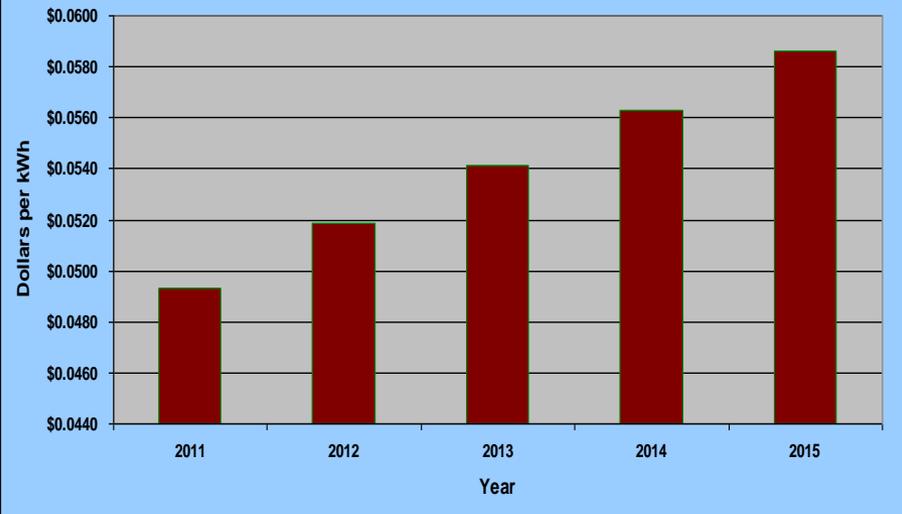
Note: Each RPM Pricing Year runs from June 1 through the following May 31.

Expectation of Slowly Rising Electric Commodity Prices

Comparison of Electric Commodity Futures Prices For Pepco and PJM Western Hub



PJM Western Hub Electric Commodity Futures Annual Average Prices



RPM Pricing of Capacity and Demand Response

- ✧ Rising generation capacity costs enhance the value of participation in Demand Response Programs.

However, ...

- ✧ The RPM auction has become increasingly dependent on demand response load reductions to clear the capacity market.
- ✧ Greater reliance on demand response suggests a greater likelihood demand response load curtailment requests (*i.e., an increased likelihood that load reductions will be utilized more frequently and for longer periods of time*).
- ✧ Customers electing to participate in Demand Response programs must anticipate significant load curtailment activity.

Electric & Gas Utility Rates

Base Rate Increases and Increases in Rate Surcharges Will Ensure that Washington Area Utility Charges for Electric and Natural Gas Service Continue to Rise

Dominion Virginia Power

A Utility that Never Met a Surcharge it Didn't Like

- * Virginia Power's Base Rates -- **NO increase** until 2013, **But** possibility of refunds if Company over-earns its authorized return on equity plus 50 basis points
- * Surcharges Abound and can be expected to continue to grow in both number and size
- * Current DVP Surcharges **Updated** (*Also see Appendices to Presentation*)

<u>Rider</u>	<u>Description</u>	<u>New Rate 1/</u>	<u>Effective Date</u>
S	New Coal Plant (VCHEC)		
	GS-1 & GS-2	0.306 to 0.257 ¢/kWh	April 1, 2011
	GS-3 & GS-4	\$1.132 to \$1.073 per kW	April 1, 2011
R	Gas-Fired Generating Plant (Bear Garden)		
	GS-1 & GS-2	0.120 to 0.101 ¢/kWh	April 1, 2011
	GS-3 & GS-4	\$0.442 to \$0.421 per kW	April 1, 2011
T	Transmission (existing & new projects)		
	GS-1 & GS-2	0.558 to 1.239 ¢/kWh	Sept. 1, 2010
	GS-2 Demand	\$1.674 per kW	Sept. 1, 2010
	GS-3 & GS-4	\$1.527 to \$0.421 per kW	Sept. 1, 2010
A	Fuel Charge Adjustment	To Be Filed 4/30/2011	July 1, 2011
C1	Energy Conservation Program Costs	0.009 to 0.006 ¢/kWh	April 1, 2011
C2	DSM Expenditures	0.017 to 0.011 ¢/kWh	April 1, 2011

- * Likely New Surcharges for:
 - 2nd New Gas-Fired Generating Plant
 - Conversion of Three Coal-Fired Plants to Biomass
 - New Nuclear Plant

Summary of Projected Calendar Year 2011 Rate Impacts

	<u>GS-2 Demand</u>	<u>GS-3</u>	<u>GS-4 Primary</u>
Demand (kW) Based Surcharges			
Winter Months (October - May)			
Present Non-Base Rate kW Charges	1.143 \$/kW	1.359 \$/kW	1.404 \$/kW
Present Non-Base Rate kW Credits	-0.418 \$/kW	-0.527 \$/kW	-0.527 \$/kW
Net Non-Base Rate kW Charges	0.725 \$/kW	0.832 \$/kW	0.877 \$/kW
DVP Proposed Rider T	1.679 \$/kW	2.084 \$/kW	1.533 \$/kW
Increase in Net Effective Winter Month Demand Charges	0.954 \$/kW	1.252 \$/kW	0.656 \$/kW
Effective Percentage Increase	132%	150%	75%
Summer Months (June - September)			
Present Non-Base Rate kW Charges	NA	2.644 \$/kW	2.737 \$/kW
Present Non-Base Rate kW Credits	NA	-1.321 \$/kW	-1.415 \$/kW
Net Non-Base Rate kW Charges	NA	1.323 \$/kW	1.322 \$/kW
DVP Proposed Riders R, S & T	NA	3.711 \$/kW	3.075 \$/kW
Increase in Summer Month Demand Charges	NA	2.388 \$/kW	1.753 \$/kW
Effective Percentage Increase	NA	180%	133%
Energy (kWh) Based Surcharges			
Current Net Non-Base Rate kWh Charges	0.03290 \$/kWh	0.02963 \$/kWh	0.02956 \$/kWh
Proposed 2011 Increase in Combined Net Charges	0.03215 \$/kWh	0.02839 \$/kWh	0.02832 \$/kWh
Effective Percentage Increase	-2.3%	-4.2%	-4.2%
Estimated Overall Rate Increase in Surcharges (\$/kWh)			
Current Est Combined Demand & Energy Surcharges (\$/kWh)	0.03290 \$/kWh	0.03240 \$/kWh	0.03241 \$/kWh
Proposed 2011 Combined Demand & Energy Surcharges (\$/kWh)	0.03215 \$/kWh	0.03656 \$/kWh	0.03443 \$/kWh
Increase in Estimated Combined Demand & Energy Surcharges	-0.00075 \$/kWh	0.00416 \$/kWh	0.00202 \$/kWh
Estimated Effective Overall Percentage Increase in Surcharges	-2.3%	12.9%	6.2%

Pepco: District of Columbia

Rates and Rate Issues

Affecting Commercial Office Buildings
and Master Metered Apartment Projects

Pepco: District of Columbia Rates

- ✧ Base Rate Increase (*Formal Case No. 1076*)
 - *Initial rates effective 3/23/2010*
 - *Further revised Base Rates effective 7/21/10*
- ✧ Retail Transmission Rate Increase – *effective 7/1/2010*
- ✧ Rider BSA – Bill Stabilization Adjustment (*changes monthly*)
- ✧ EATF and RAD Surcharges
- ✧ Rider SETF Surcharge
- ✧ Pepco \$6.0 Million DSM Surcharge Proposal
- ✧ Advanced Metering Infrastructure (AMI) Cost Recovery
- ✧ Future Base Rate Increase
 - *Expect new base rate case to be filed in DC in the second Quarter of 2011*
 - *New base rates most likely will not become effective until the spring of 2012*

Results of Last Pepco Rate Proceedings In the District of Columbia

✧ **Base Rate Increase: \$ 20.3 million approved effective 7/21/10**

	<u>Approved Increases*</u>
Residential (R) (MMA)	17.3%
Res All Electric (AE) (MMA)	20.7%
GS Non-Demand	5.1%
GS Demand	5.1%
GS Primary (GS-3A)	5.1%
GT-LV	9.1%
GT-3A	-0.4%

* *Increases in annual Distribution Revenue by Rate Class*

✧ **Bill Stabilization Adjustment (“BSA”) Surcharge Request**

- Effective 11/01/09 with first monthly rate adjustments applied in January 2010
- See Pepco DC BSA Rate History in the Appendices to this presentation

Pepco DC - Retail Transmission Rates

- ✧ Expected DC Retail Transmission Rates increase request with likely effective date of **July 1, 2011**
- ✧ Will reflect FERC-approved Transmission Rate increases for:
 - New Transmission Projects
 - Transmission Enhancements
- ✧ Increase in Transmission Charges likely to **exceed 35%** or nearly \$4.80 per kW-year.

Pepco DC Rider BSA

- * “Bill Stabilization Adjustment” - Rider “BSA”
- * Rider “BSA” does **NOT** Stabilize customer’s bills; only stabilizes Pepco’s Revenue
- * Became effective 11/1/2009 with first rate adjustments applied in January 2010
- * Adjustments calculated on a monthly basis and applied with a **two month lag** (i.e., revenue collected in January forms the basis of the adjustment billed in March)
- * A “Cap” on monthly rate adjustments is set at 10% of average base revenue per kWh.
- * Commercial customers’ monthly BSA rate adjustments have generally been positive, and many have reflected maximum monthly (10%) rate increases (*particularly for Rate Schedules GSD, GS-3A and GT-LV*).
- * **Residential** customers, including Master Metered Apartments, have generally received rate **credits**.

DC RAD and EATF Surcharges

- * **Order of Magnitude** Increase in Residential Aid Discount “RAD” Charges
- * LIHEAP Charges increase by nearly **seven fold**
- * New RAD and EATF Charges became effective **September 20, 2010**

Illustrative RAD and LIHEAP (EATF) Surcharges for DC Office and Apartment Buildings

Surcharge	Peak Demand	kWh/year	Annual Charges	
			Old	New
➤ RAD	0.25 MW	1,095,000	\$ 55	\$ 551
➤ RAD	0.50 MW	2,190,000	\$ 110	\$1,102
➤ RAD	1.00 MW	4,380,000	\$ 219	\$2,203
➤ LIHEAP	0.25 MW	1,095,000	\$ 438	\$ 66
➤ LIHEAP	0.50 MW	2,190,000	\$ 876	\$ 133
➤ LIHEAP	1.00 MW	4,380,000	\$1,752	\$ 266
➤ TOTAL	0.25 MW	1,095,000	\$ 493	\$ 617
➤ TOTAL	0.50 MW	2,190,000	\$ 986	\$1,235
➤ TOTAL	1.00 MW	4,380,000	\$1,971	\$2,469

Pepco DC – AMI Implementation

- ✧ Pepco moving forward with deployment of Advanced Metering Infrastructure in DC
- ✧ AMI metering **equipment installation** expected to be **completed** for all DC customers **by the end of 2012**
- ✧ Pepco is deferring AMI costs and will seek recovery of those costs (>\$40 Million in plant additions) in its next base rate case
- ✧ Customers will also have to pay for:
 - Costs of retiring existing meters which on average have over 25 years of useful life remaining.
 - Costs of customer education regarding new meters
 - Costs of a cellular system to communicate with AMI meters
 - Costs of new data systems to process and store voluminous data collected on a 15-minute interval basis from AMI meters
 - Costs of software to manage AMI system and data collection
 - Costs customer interface equipment to provide real time data to customers

Pepco: Maryland

April 20, 2011

Pepco: Maryland Rates

- ✳ Major Components of Pepco's Maryland Rates
 - Base Distribution Service Rates
 - Retail Transmission Rate
 - Rider BSA – Bill Stabilization Adjustment
 - Montgomery County and Prince Georges County Surcharges
 - Other Maryland Taxes and Surcharges

Pepco's Last Distribution Base Rate Case in Maryland

- ✦ Last Base Rate Increase became **effective Aug. 19, 2010** and has been in place **less than one year**.
- ✦ Pepco initially requested a \$40 million rate increase.
- ✦ MDPSC granted Pepco an increase of **\$7.5 million** (i.e., less than **20%** of the Company's initial request).

Approved Distribution Rate Increases by Rate Class

Residential (R)	3.07%
Residential (TOU)	3.07%
GS LV	3.07%
MGT-LV	1.15%
MGT-3A	1.15%
GT-LV	1.15%
GT-3A	1.15%

New Pepco Distribution Rate Case Expected in Maryland in June

- ✧ Company has publicly announced plans for a distribution base rate filing in Maryland in the 4th Quarter of 2011.
- ✧ Key elements of expected Pepco rate increase request:
 - Recovery of costs for improving distribution system reliability
 - Recovery of costs associated with the Company's deployment of AMI equipment (i.e., so called "Smart Meters")
 - Increased Executive Compensation and Employee Benefits costs
 - Other Capital Expenditure Programs

Pepco MD: Transmission Rates

- * Reflects FERC Approved Transmission Rate increases for:
 - New Transmission Projects
 - Transmission Enhancements

- * Last Pepco Retail Transmission rates increase became effective 7/10/10 and reflects an average of 41.5%

➤ Residential (R)	33.5%
➤ Residential (TOU)	33.1%
➤ GS Increase	43.4%
➤ MGT-LV Increase	45.2%
➤ MGT-3A Increase	50.0%
➤ GT-LV Increase	51.3%
➤ GT-3A Increase	53.2%

- * Large Annual Transmission Rate increases must be anticipated for each of the next several years based on transmission construction projects already being pursued.

- * 2011 increase in Pepco Zone Transmission charges appears to be in excess of 35%. *(All electric customers pay transmission rate increases, but customers under competitive supply contracts typically pay those charges through their chosen supplier).*

Pepco MD: Other Rate Changes

✧ Monthly BSA Charges

- Since first implementation in 2007, Commercial classes frequently subject to **Maximum Monthly 10%** Adjustment
- Large Deferred Balances have accumulated for **MGT-3A, GT-LV, and MGT-LV** classes
- Those **Large Deferred Balances** ensure that identified classes will continue to pay Maximum Monthly (10%) rate adjustments well into the future

✧ Montgomery County Energy Tax – **Legislated Electric Increase**

- | | |
|-----------------------|--------------------------|
| ➤ Old Tax Rate | \$0.01384 per kWh |
| ➤ New Tax Rate | <u>\$0.02210 per kWh</u> |
| ➤ Increase in Rate | \$0.00826 per kWh |
| ➤ Percentage Increase | 59.7% |

WGL Rates

By Jurisdiction

WGL: Virginia Rates

- ✧ Base Distribution Rate Increase Request Filed January 31, 2011).
- ✧ WGL seeks an overall increase of \$29.6 million.
- ✧ Rates will become effective **October 1, 2011**, subject to refund of any amount not ultimately approved by the Commission.
- ✧ WGL's proposed base rate increases by customer class for Northern Virginia customers are:

Residential	5.9%
Commercial & Industrial	3.1%
Group Metered Apartments	1.5%

- ✧ WGL also seeks:
 - To establish new rate classifications for large C&I and GMA customers
 - Approval of a **hexane** cost recovery mechanism (*where hexane is purported used to reduce leaks associated with the drying of seals that can result from increased use of LNG*).
 - A new earnings sharing arrangement for Gas Asset Management activities.
 - Continuation of its current Performance Based Ratemaking ("PBR) mechanism.

WGL: District of Columbia

- ✧ Company has no current plans for a new Base Rate increase request in DC during 2011.
- ✧ Revenue Normalization Adjustment (“RNA”) proposed in the Company’s last base rate case, but **not approved**.
 - Company seeks assurance of revenue
 - Commission has accepted RNA in concept, but implementation problems identified by AOBA have blocked approval of the Company’s proposal.
- ✧ New rate case is expected to include request for a new rate rider to provide recovery of infrastructure investment costs.

WGL: Maryland Rates

✳ Base Rate Increase Request Filed Last Week (April 15, 2011).

- Company Seeks \$30 Million of Additional Base Revenue
- Company also Seeks new Rate Rider for Recovery of \$115 Million of Pipe Replacement Costs over 30 Years

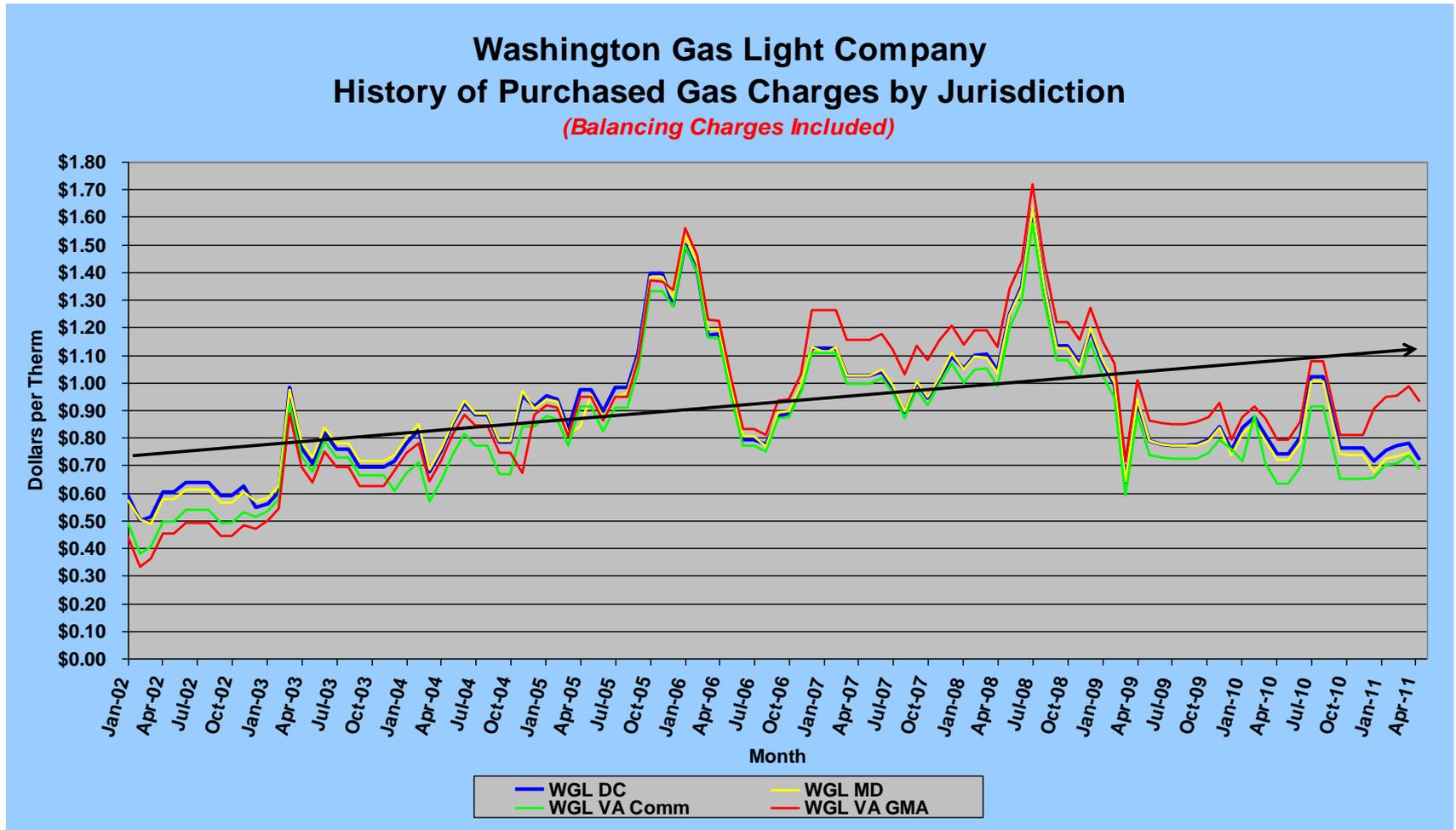
✳ RNA Adjustments – Applied monthly and most often result in additional charges for large commercial customer classes

✳ Montgomery County Energy Tax

- | | |
|-----------------------|---------------------|
| ➤ Current Tax Rate | \$0.11921 per therm |
| ➤ New Tax Rate | \$0.19025 per therm |
| ➤ Increase in Rate | \$0.07104 per therm |
| ➤ Percentage Increase | 59.6% |

WGL's Purchase Gas Charges

Remain Below Trend Line for Two Full Years



Appendices

Table 1. Estimated Shale Gas Technically Recoverable Resources for Select Basins in 32 Countries, Compared to Existing Reported Reserves, Production and Consumption

	2009 Natural Gas Market¹			Proved Natural Gas Reserves²	Technically Recoverable Shale Gas Resources
	Production	Consumption	Imports (Exports)		
	(trillion cubic feet, dry basis)			(trillion cubic feet, dry basis)	
Europe	10.81	14.62	26%	186	639
North America	28.00	27.96	0%	347	1,931
United States ⁽⁴⁾	20.60	22.8	10%	273	862
Canada	5.63	3.01	-87%	62	388
Mexico	1.77	2.15	18%	12	681
Asia	5.72	6.31	10%	175	1,389
China	2.93	3.08	5%	107	1,275
India	1.43	1.87	24%	38	63
Pakistan	1.36	1.36	-	30	51
Australia	1.67	1.09	-52%	110	396
Africa	3.64	1.61	-126%	217	1,042
South America	1.88	3.4	2%	239	1,225
Total of Above Areas⁵	53.1	55	-3%	1,001	6,622
Total World	106.5	106.7	0%	6,609	

Sources:

¹Dry production and consumption: EIA, International Energy Statistics, as of March 8, 2011.

² Proved gas reserves: Oil and Gas Journal, Dec., 6, 2010, P. 46-49.

³Romania, Hungary, Bulgaria.

⁴U.S. data are from various EIA sources.

⁵Noteable producer & consuming countries not included: Japan, Korea, Saudi Arabia, Iran, Egypt

**Detail of Current and Proposed Virginia Power Rate Rider Charges
For Demand Billed Commercial Customer Accounts**

	GS-2 Demand		GS-3		GS-4 Primary	
Rider T						
Rider T - Transmission Charge (eff. thru 12/31/10) 1/	1.143	\$/kW	1.359	\$/kW	1.404	\$/kW
Rider T - Transmission Credit (eff. thru 12/31/10) 1/	-0.418	\$/kW	-0.527	\$/kW	-0.527	\$/kW
Rider T - Net Charge Currently Applicable	0.725	\$/kW	0.832	\$/kW	0.877	\$/kW
DVP Proposed Rider T (eff. 01/01/11)	1.679	\$/kW	2.084	\$/kW	1.533	\$/kW
Effective Increase Over Net 2010 Charge	0.954	\$/kW	1.252	\$/kW	0.656	\$/kW
Effective Percent Increase Over Net 2010 Charge	132%		150%		75%	

Rider R						
Rider R - Bear Garden Charge (eff. thru 12/31/10)	0.00094	\$/kWh	0.378	\$/kW	0.392	\$/kW
Rider R - Bear Garden Credit (eff. thru 12/31/10)	-0.00094	\$/kWh	-0.378	\$/kW	-0.392	\$/kW
Rider R - Net Charge Currently Applicable	0.00000	\$/kWh	0.000	\$/kW	0.000	\$/kW
DVP Proposed Rider R (eff. 01/01/11)	0.00111	\$/kWh	0.488	\$/kW	0.462	\$/kW
Effective Increase Over Net 2010 Charge	0.00111	\$/kWh	0.488	\$/kW	0.462	\$/kW
Effective Percent Increase Over Net 2010 Charge	NM		NM		NM	

Rider S						
Rider S - Hybrid Energy Center Charge (eff. thru 3/31/11)	0.00226	\$/kWh	0.907	\$/kW	0.941	\$/kW
Rider S - Hybrid Energy Center Credit (eff. thru 12/31/10)	-0.00112	\$/kWh	-0.416	\$/kW	-0.496	\$/kW
Rider S - Net Charge	0.00114	\$/kWh	0.491	\$/kW	0.445	\$/kW
DVP Proposed Rider S (eff. 4/01/11)	0.00258	\$/kWh	1.139	\$/kW	1.080	\$/kW
Effective Increase Over Net 2010 Charge	0.00144	\$/kWh	0.648	\$/kW	0.635	\$/kW
Effective Percent Increase Over Net 2010 Charge	126%		132%		143%	

- Rider T Demand Charge applied to Maximum Demand in all months.
- Rider Charges billed on the basis of kWh use.
- Demand Charges for Riders R and S applied to Summer On-Peak Demands.

**Detail of Current and Proposed Virginia Power Rate Rider Charges
For Demand Billed Commercial Customer Accounts**

	GS-2 Demand		GS-3		GS-4 Primary	
Rider A						
Rider A - Fuel Charge (eff. thru 6/30/10)	0.02927	\$/kWh	0.02927	\$/kWh	0.02927	\$/kWh
DVP Proposed Fuel Rate Rider A (eff. 07/01/10)	0.02803	\$/kWh	0.02803	\$/kWh	0.02803	\$/kWh
Other Rate Riders						
Rider C1 - Peak Shaving (eff. 4/1/10 through 3/31/11)	0.00008	\$/kWh	0.00006	\$/kWh	0.00005	\$/kWh
Rider C2 - Energy Efficiency (eff. 4/1/10 through 3/31/11)	0.00035	\$/kWh	0.00030	\$/kWh	0.00024	\$/kWh
Financial Transmission Rights Credit (eff. 5/1/10 - 6/30/10)	-0.01168	\$/kWh	-0.01168	\$/kWh	-0.01168	\$/kWh

Rider Charges billed on the basis of kWh use.

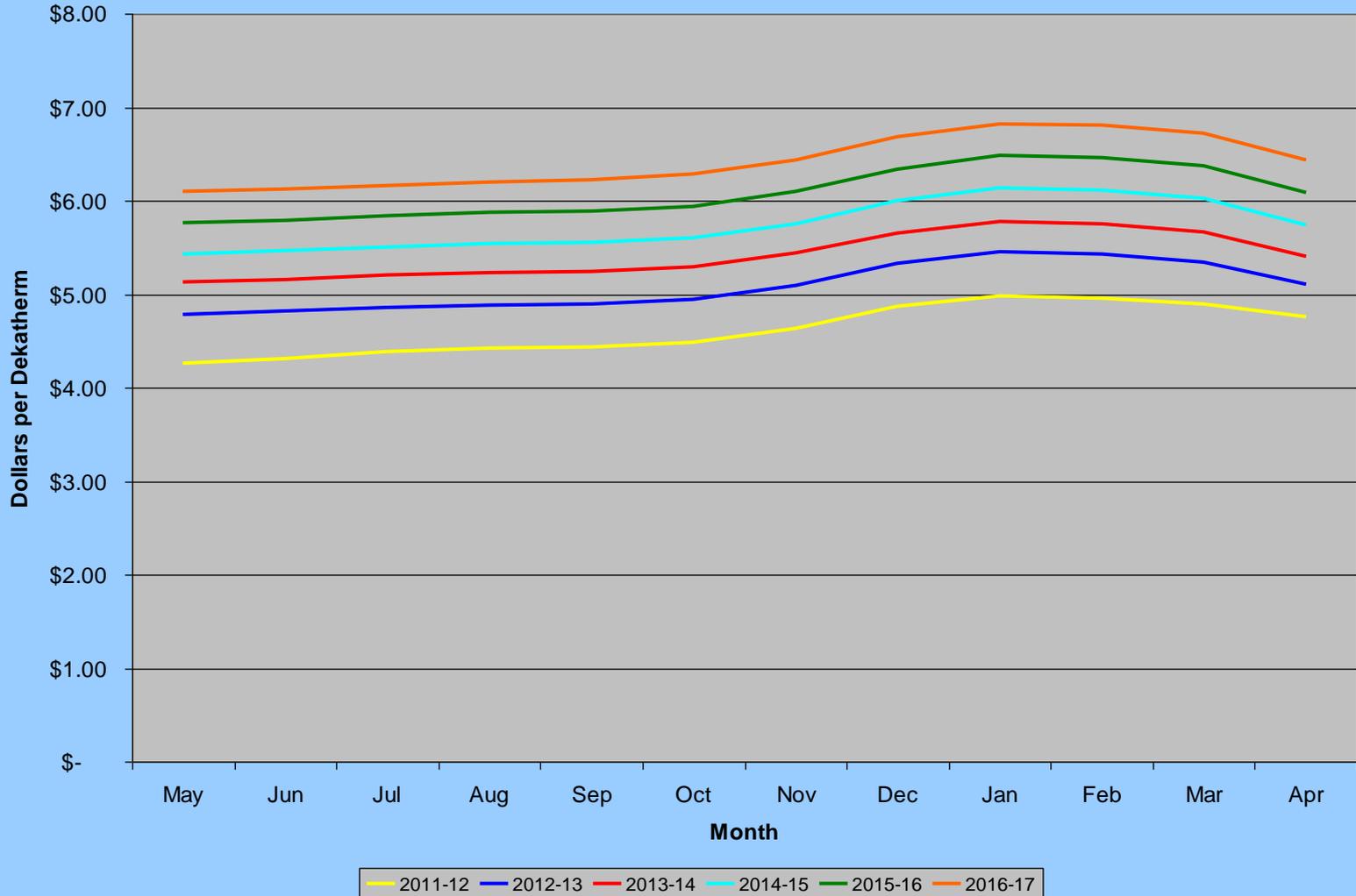
Pepco DC Rider BSA – History

(BSA Charges in cents/kWh)

		R	AE	GSND	GSD	GS-3A	GT-LV	GT-3A
January	2010	(0.0181)	(0.0082)	0.1092	0.1316	(0.1353)	0.0707	0.0184
February	2010	(0.0105)	0.1778	(0.2146)	0.3515	0.3132	0.2449	0.0328
March	2010	(0.1171)	0.0093	0.0328	0.3300	0.3321	0.1924	0.0420
April	2010	(0.1513)	(0.1572)	(0.2487)	0.3200	0.2955	0.0940	0.0584
May	2010	(0.1572)	0.1876	0.2125	0.3681	0.4161	0.2734	(0.0551)
June	2010	0.0736	0.2509	(0.5082)	0.5206	0.4951	0.1703	(0.0543)
July	2010	(0.0715)	0.1089	(0.4904)	0.4900	0.4981	0.0739	(0.0361)
August	2010	(0.2227)	(0.1227)	(0.4956)	0.4105	0.5047	0.0705	(0.0315)
September	2010	(0.2394)	(0.2534)	(0.4839)	(0.0125)	0.4646	0.0315	(0.0333)
October	2010	(0.2696)	(0.2596)	0.3661	(0.1160)	0.4658	(0.0156)	(0.0857)
November	2010	(0.2204)	(0.2025)	(0.4268)	(0.0065)	0.3520	0.0195	(0.0106)
December	2010	(0.2144)	(0.1079)	(0.4001)	0.2945	0.3400	0.0720	0.0053
January	2011	(0.1915)	0.0113	(0.3841)	0.2894	0.4054	0.0104	(0.0296)
February	2011	(0.1506)	0.0744	(0.3887)	0.3966	0.3682	0.1836	0.0209
March	2011	(0.2038)	(0.1694)	(0.4071)	0.4085	0.4080	(0.0568)	0.0658
April	2011	(0.2184)	(0.1838)	(0.4066)	0.4070	0.4833	0.1487	0.0784
May	2011	0.0016	0.2064	(0.3690)	0.3686	0.4166	0.1879	0.0069

Natural Gas Futures Prices For Years Ended March 31

2011-12 Through 2016-17



FUEL CHARGE RIDER-A.

The charge for service under Virginia Electric and Power Company's Filed Rate Schedules 1, 1P, 1S, 1T, 1W, 5, 5C, 5P, 6, GS-1, GS-2, GS-2T, GS-3, GS-4, 6TS, 7, 8, 10, 25, 27, 28 and 29, as well as applicable energy charges specified in any special rates, contracts or incentives approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by 2.803 cents per kilowatthour.

Filed 10-27-10
Electric-Virginia

Superseding Filing Effective For Usage
On and After 07-01-10, On An Interim
Basis. This Filing Effective For Usage On
and After 07-01-10.

RIDER RBEAR GARDEN GENERATING STATION

The following Virginia Electric and Power Company filed Rate Schedules and special contracts approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by the applicable cents per kilowatt-hour or dollars per kilowatt charge.

Rate Schedule	Cents per Electricity Supply kWh Charge	\$/KW Charge
Schedule 1	0.146¢/kWh	
Schedule 1P	0.146¢/kWh	
Schedule 1S	0.146¢/kWh	
Schedule 1T	0.146¢/kWh	
Schedule 1W	0.146¢/kWh	
Schedule GS-1	0.120¢/kWh	
Schedule GS-2	0.101¢/kWh	
Schedule GS-2T	0.101¢/kWh	
Schedule GS-3		\$0.445/kW ¹
Schedule GS-4 (Primary)		\$0.421/kW ¹
Schedule GS-4 (Transmission)		\$0.410/kW ¹
§ 56-235.2 Contract		\$1.971/kW ²
Schedule 5	0.101¢/kWh	
Schedule 5C	0.124¢/kWh	
Schedule 5P	0.124¢/kWh	
Schedule 6	0.095¢/kWh	
Schedule 6TS	0.094¢/kWh	
Schedule 7	0.118¢/kWh	
Schedule 8	0.074¢/kWh	
Schedule 10 (Secondary)	0.094¢/kWh	
Schedule 10 (Pri and Trans)	0.074¢/kWh	
Schedule 25	0.139¢/kWh	
Schedule 27	0.139¢/kWh	
Schedule 28	0.139¢/kWh	
Schedule 29	0.139¢/kWh	

¹Applied to On-Peak Electricity Supply Demand

²Applied to kW of Firm Demand

Filed 03-24-11
Electric-Virginia

Superseding Filing Effective For Usage On and After 01-01-10, Pursuant to the Order Approving Stipulation and Addendum in Case No. PUE-2009-00017. This Filing Effective For Usage On and After 04-01-11.

RIDER SVIRGINIA CITY HYBRID ENERGY CENTER

The following Virginia Electric and Power Company filed Rate Schedules and special contracts approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by the applicable cents per kilowatt-hour or dollars per kilowatt charge.

Rate Schedule	Cents per Electricity Supply kWh Charge	\$/KW Charge
Schedule 1	0.373¢/kWh	
Schedule 1P	0.373¢/kWh	
Schedule 1S	0.373¢/kWh	
Schedule 1T	0.373¢/kWh	
Schedule 1W	0.373¢/kWh	
Schedule GS-1	0.306¢/kWh	
Schedule GS-2	0.257¢/kWh	
Schedule GS-2T	0.257¢/kWh	
Schedule GS-3		\$1.132/kW ¹
Schedule GS-4 (Primary)		\$1.073/kW ¹
Schedule GS-4 (Transmission)		\$1.045/kW ¹
§ 56-235.2 Contract		\$5.017/kW ²
Schedule 5	0.258¢/kWh	
Schedule 5C	0.315¢/kWh	
Schedule 5P	0.315¢/kWh	
Schedule 6	0.241¢/kWh	
Schedule 6TS	0.239¢/kWh	
Schedule 7	0.301¢/kWh	
Schedule 8	0.187¢/kWh	
Schedule 10 (Secondary)	0.238¢/kWh	
Schedule 10 (Pri and Trans)	0.187¢/kWh	
Schedule 25	0.354¢/kWh	
Schedule 27	0.354¢/kWh	
Schedule 28	0.354¢/kWh	
Schedule 29	0.354¢/kWh	

¹Applied to On-Peak Electricity Supply Demand

²Applied to kW of Firm Demand

Filed 03-24-11
Electric-Virginia

Superseding Filing Effective For Usage On and After 01-01-10, Pursuant to the Order Approving Stipulation and Addendum in Case No. PUE-2009-00017. This Filing Effective For Usage On and After 04-01-11.

RIDER TTRANSMISSION

The following Virginia Electric and Power Company filed Bundled Rate Schedules and special contracts approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by the applicable cents per kilowatt-hour and/or dollars per kilowatt charge.

Rate Schedule	Cents per Electricity Supply kWh Charge	S/KW Charge
Schedule 1	0.616¢/kWh	
Schedule 1P	0.616¢/kWh	
Schedule 1S	0.616¢/kWh	
Schedule 1T	0.616¢/kWh	
Schedule 1W	0.616¢/kWh	
Schedule GS-1	0.558¢/kWh	
Schedule GS-2 (Non-Demand Billing)	1.239¢/kWh	
Schedule GS-2 (Demand Billing)		\$1.674/kW ¹
Schedule GS-2T		\$1.982/kW ²
Schedule GS-3		\$2.077/kW ²
Schedule GS-4 (Primary)		\$1.527/kW ²
Schedule GS-4 (Transmission)		\$1.488/kW ²
Schedule 8 (Primary)		\$1.527/kW ³
Schedule 8 (Transmission)		\$1.488/kW ³
§ 56-235.2 Contract-Demand		\$1.713/kW ⁴
§ 56-235.2 Contract-Energy	0.013¢/kWh	
Schedule 10 (Secondary)		\$0.981/kW ⁵
Schedule 10 (Primary and Transmission)		\$0.534/kW ⁵
Schedule RTP	0.266¢/kWh	
Schedule 5	0.471¢/kWh	
Schedule 5C	0.578¢/kWh	
Schedule 5P	0.578¢/kWh	
Schedule 6	0.441¢/kWh	
Schedule 6TS	0.437¢/kWh	
Schedule 7	0.548¢/kWh	
Schedule 25	(0.120)¢/kWh	
Schedule 27	(0.120)¢/kWh	
Schedule 28	(0.120)¢/kWh	
Schedule 29	(0.120)¢/kWh	

¹Applied to kW of Demand²Applied to kW of On-peak Electricity Supply Demand³Applied to kW of Contract Supplementary - Standby Demand⁴Applied to kW of Firm Demand⁵Applied to kW of Electricity Supply Contract Demand

RIDER C1

PEAK-SHAVING

The following Virginia Electric and Power Company filed Rate Schedules and special contracts approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by the applicable cents per kilowatt-hour charge.

Rate Schedule	Cents per Distribution kWh Charge
Schedule 1	0.011¢/kWh
Schedule 1P	0.011¢/kWh
Schedule 1S	0.011¢/kWh
Schedule 1T	0.011¢/kWh
Schedule 1W	0.011¢/kWh
Schedule GS-1	0.009¢/kWh
Schedule GS-2 (Non-Demand Billing)	0.008¢/kWh
Schedule GS-2 (Demand Billing)	0.008¢/kWh
Schedule GS-2T	0.008¢/kWh
Schedule GS-3	0.007¢/kWh
Schedule GS-4 (Primary)	0.006¢/kWh
Schedule GS-4 (Transmission)	0.006¢/kWh
Schedule 8 (Primary)	0.006¢/kWh
Schedule 8 (Transmission)	0.006¢/kWh
§ 56-235.2 Contract	0.011¢/kWh
Schedule 10 (Secondary)	0.007¢/kWh
Schedule 10 (Primary & Transmission)	0.006¢/kWh
Schedule 5	0.008¢/kWh
Schedule 5C	0.009¢/kWh
Schedule 5P	0.009¢/kWh
Schedule 6	0.007¢/kWh
Schedule 6TS	0.007¢/kWh
Schedule 7	0.009¢/kWh
Schedule 25	0.011¢/kWh
Schedule 27	0.011¢/kWh
Schedule 28	0.011¢/kWh
Schedule 29	0.011¢/kWh

RIDER C2

ENERGY EFFICIENCY

The following Virginia Electric and Power Company filed Rate Schedules shall be increased by the applicable cents per kilowatt-hour charge.

Rate Schedule	Cents per Distribution kWh Charge
Schedule 1	0.025¢/kWh
Schedule 1P	0.025¢/kWh
Schedule 1S	0.025¢/kWh
Schedule 1T	0.025¢/kWh
Schedule 1W	0.025¢/kWh
Schedule GS-1	0.020¢/kWh
Schedule GS-2 (Non-Demand Billing)	0.017¢/kWh
Schedule GS-2 (Demand Billing)	0.017¢/kWh
Schedule GS-2T	0.017¢/kWh
Schedule GS-3	0.016¢/kWh
Schedule GS-4 (Primary)	0.011¢/kWh
Schedule GS-4 (Transmission)	0.011¢/kWh
Schedule 8 (Primary)	0.011¢/kWh
Schedule 8 (Transmission)	0.011¢/kWh
Schedule 10 (Secondary)	0.016¢/kWh
Schedule 10 (Primary & Transmission)	0.011¢/kWh
Schedule 5	0.017¢/kWh
Schedule 5C	0.021¢/kWh
Schedule 5P	0.021¢/kWh
Schedule 6	0.016¢/kWh
Schedule 6TS	0.016¢/kWh
Schedule 7	0.020¢/kWh
Schedule 25	0.024¢/kWh
Schedule 27	0.024¢/kWh
Schedule 28	0.024¢/kWh
Schedule 29	0.024¢/kWh