

GENERAL SERVICE PROVISIONS (Continued)

32. ACCELERATED PIPE REPLACEMENT PLAN (STRIDE) RIDER

I. PROVISION FOR ADJUSTMENT

In accordance with the Company's approved accelerated pipe replacement plan, customers receiving service under Rate Schedules 1, 1A, 2, 2A, 3, 3A, 4, and 6 shall be subject to a STRIDE Rider.

II. APPLICATION

A. The STRIDE Rider shall be computed annually and comprised of: a "current factor" as determined in III. A. below and a "reconciliation factor" as determined in III. B. below. The STRIDE Rider will be shown as a separate line item on customer bills.

B. The STRIDE Rider shall be in effect for 5 years from the initial implementation of an approved plan. Before the end of the 5-year period, the Company shall file a base rate case.

III. COMPUTATION

A. Current Amount

The fixed monthly charge will be based on a calculation, consistent with the STRIDE law, that allocates to customer classes consistent with the proportions of total distribution revenues that those classes bear in accordance with the most recent base rate proceeding. The current factor calculated to the nearest .01¢ shall be computed and filed each year by dividing the respective total amount allocated by customer class (as herein defined) by the estimated total customer level by customer class for the applicable period.

The Company will calculate the STRIDE Rider for each calendar year as follows:

- 1) The Company will determine the eligible infrastructure replacement costs as defined below, for the annual period the STRIDE Rider will apply.
- 2) Washington Gas will estimate the annual customer bills by customer class for that annual period.

Eligible infrastructure replacement is defined as any facility placed in service in Maryland as part of the accelerated pipe replacement plan provided that the cost of the facility is not reflected in base rates. The accelerated pipe replacement plan currently is drawn from the following categories: 1) bare and/or unprotected steel and targeted copper and pre-1975 plastic services; 2) bare unprotected steel mains and targeted unprotected wrapped steel main; 3) vintage mechanically coupled pipe; 4) cast iron main; 5) meter set survey and remediation program; 6) remote control valve installation; 7) DOT transmission/high pressure block valve replacement; and 8) riser replacement for DOT transmission and high pressure mainline valves.

ISSUED: October 2, 2015

EFFECTIVE: For meter readings on and after October 26, 2015

Roberta W. Sims - Vice President, Rates and Regulatory Affairs

GENERAL SERVICE PROVISIONS (Continued)

32. ACCELERATED PIPE REPLACEMENT PLAN (STRIDE) RIDER (continued)

Eligible infrastructure replacement costs to be included in the STRIDE Rider include:

- 1) Return on Investment – The Company will apply the cost of capital as determined in the Company’s last base rate case to the average level of “Eligible infrastructure replacement” plant, as adjusted for the reserve on depreciation and accumulated deferred income taxes, to calculate a return on the plant.
- 2) Revenue Conversion Factor – A revenue conversion factor, including an allowance for income taxes and bad debt expense, shall be applied to the “Return on Investment” calculated in III.A.1 above.
- 3) Depreciation – The Company will calculate a return of the “Eligible infrastructure replacement” plant by using currently approved depreciation rates from the most recent depreciation study and apply those rates to the expected average plant balance, net of replacement plant, during the year to capture depreciation costs for the period.
- 4) Property Taxes – The Company will use the property tax rate currently being applied to the “Eligible infrastructure replacement” plant and apply those rates to the expected average net plant balance, net of replacement plant, during the year to capture property tax costs for the period. The Property Tax rate is based on the property tax rate reflected in the Company’s last base rate case.
- 5) Carrying Costs – Carrying costs on the over-recovery, if applicable, of the “Eligible infrastructure replacement costs” will be calculated at the end of the reconciliation period. The carrying costs calculation will determine the over- or under-recovered amount at the end of each month. Each monthly amount of the over- or under-recovery will be multiplied by the cost of capital (including the revenue conversion factor) as described in numbers 1 and 2 above. If a cumulative carrying cost over-recovery exists for the reconciliation period, the Company will apply interest in the Reconciliation Amount.

B. Reconciliation Amount

A reconciliation factor shall be computed at the conclusion of each annual period of the STRIDE Rider by comparing actual collections of the current factor through the STRIDE Rider with actual eligible infrastructure replacement costs. The calculated under-or-over collection shall be included in the STRIDE Rider factor in the following annual period.

IV. FILING

Pursuant to Commission Order No. 86321, the Company shall file with the Commission a copy of the computation of the STRIDE Rider current factors and/or reconciliation factors no later than November 15 each year. The newly computed surcharge will take effect with the January bill cycle following the November 15<sup>th</sup> filing, or as soon thereafter as administratively possible.