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December 7, 2009

Via Electronic Filing and Overnight Delivery

Terry J. Romine
Executive Secretary
Public Service Commission of Maryland
6 St. Paul Street, 16th Floor
Baltimore, MD 21202

**RE: RM35 – Competitive Gas Supply – Revision to Compliance Plan of
Washington Gas Light Company**

Dear Ms. Romine:

On October 8, 2009, Washington Gas Light Company (“Washington Gas” or “Company”) filed its Compliance Plan and proposed revised tariff pages with the Maryland Public Service Commission (“Commission”) to implement the requirements in new Title 20, Subtitle 59 - Competitive Gas Supply of the Code of Maryland Regulations (“COMAR”). The Company’s Compliance Plan reflected, among other revisions to its tariff, its election under COMAR 20.59.05.03 to prorate customer payments between the Company and suppliers. As discussed below, Washington Gas has revised its election under COMAR 20.59.05.03 and advises the Commission that it has decided to purchase supplier receivables.

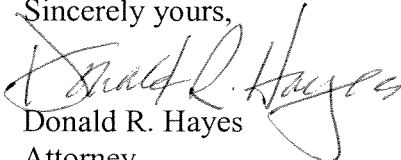
Just prior to filing its Compliance Plan on October 8, 2009, Washington Gas was first contacted by a supplier on behalf of itself and a number of other suppliers who strongly urged Washington Gas to reconsider its decision to prorate payments and, instead, to purchase supplier receivables. Washington Gas had first disclosed its decision to prorate payments at the July 23, 2009 RM35 working group meeting, following extensive discussions with the working group. These suppliers stated that from their perspective, a purchase of receivables program was the most important factor in deciding whether to enter into a new gas choice market. While obviously very late in the process, after internal review, analysis and discussions with some suppliers, Washington Gas agreed to engage in formal discussions with the broader group of suppliers to explore whether a purchase of receivables program was preferred by suppliers and whether the Company and suppliers could agree to a methodology for calculation of the discount rate that would be applied to the purchase of supplier receivables, subject to approval by the Commission. A letter sent by e-mail on November 25, 2009 to suppliers expressing the Company’s willingness to discuss the issue is attached as Attachment 1. Those discussions were held in the morning on December 3, 2009 and were attended either in person or via conference

call by representatives from the Company, current and potential suppliers and the Commission Staff. By letter dated December 2, 2009 filed with the Commission, the National Energy Marketers Association advised the Commission that such discussions were taking place, a copy of which is attached as Attachment 2.

The discussion among the participants on December 3, 2009 was constructive. The request that Washington Gas implement a purchase of receivables program rather than prorate payments was nearly unanimous among the suppliers represented at the meeting. Washington Gas understands from its conversation with suppliers that several suppliers would enter into Washington Gas's choice program in Maryland or expand their current marketing efforts if the Company revised its election to purchase receivables rather than to prorate payments. There was a thorough discussion of the methodology for calculating the discount rate that Washington Gas would apply to the purchase of supplier receivables and Washington Gas has shared it with suppliers. Washington Gas has been authorized to convey that supplier support for the proposed methodology is nearly unanimous. A description of the methodology for calculating the discount rate for review and approval by the Commission is attached as Attachment 3.

Washington Gas acknowledges that the revision to its Compliance Plan discussed herein is very late in the process. However, the time and expense necessary to implement either of the two choices under COMAR 20.59.05.03.A should be spent in a way that will maximize competition on the system and provide maximum benefits to customers. Washington Gas will be able to implement a purchase of receivables program by February 2011. In its October 8, 2009 Compliance Plan, Washington Gas had indicated that changes required to prorate payments were expected to be completed by mid-October 2010. The additional four months required to implement the purchase of receivables is not due to the Company's decision to change its election to the purchase of receivables, but rather to the additional IT efforts required to implement a purchase of receivables program. In other words, the proposed February 2011 implementation date would be the same even if Washington Gas had elected to adopt purchase of receivables in its October 2009 Compliance Plan. The other dates in the Company's Compliance Plan will not change.

Washington Gas respectfully requests that the Commission approve the Compliance Plan filed on October 8, 2009, excluding the provisions related to the election to prorate payments and to recover costs through the Gas Choice Charge. In addition, Washington Gas requests that the Commission approve the methodology for calculating the discount rate applicable to the purchase of receivables. Washington Gas will file revised tariff pages to implement the purchase of receivables based on such methodology.

Sincerely yours,

Donald R. Hayes
Attorney

Attachments

cc: Chairman Douglas R. M. Nazarian
Commissioner Susanne Brogan
Commissioner Harold D. Williams
Commissioner Lawrence Brenner
Commissioner Therese M. Goldsmith
Merwin Sands, Director, Telecommunications, Gas and Water
Gunter Elert, Assistant Director, Gas & Water
Annette Garofalo, Assistant Staff Counsel
Peter Saar, Esquire, Assistant People's Counsel
RM35 Implementation Working Group

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November 25, 2009

Via Email and First-Class Mail

Anthony Cusati, III
Director of Regulatory Affairs – Eastern Division
IGS Energy
5020 Bradenton Avenue
Dublin, OH 43017

Dear Tony:

Thank you for your inquiries regarding Washington Gas Light Company's (Washington Gas) customer choice program and Maryland Public Service Commission Rulemaking Docket No. 35. Specifically, on behalf of IGS Energy and a number of other competitive service providers (CSPs), you have asked Washington Gas to reconsider its election pursuant to the newly adopted regulations to prorate payments between CSPs and the utility rather than adopt a purchase of receivables (POR) program. Although Washington Gas is willing to entertain further discussions regarding the ultimate action which will occur under the regulations, IGS Energy and the other CSPs need to recognize the lateness of the request under the current schedule as well as the complexity of altering the compliance plan submitted to the Commission in early October 2009.

By way of brief background, Washington Gas has actively participated in the RM35 process since it began in 2005. (As you know, RM35 began as part of RM17, but natural gas issues were eventually broken out into their own proceeding.) During this time, the parties, which included utilities and suppliers, as well as representatives of Commission Staff and Office of the People's Counsel, had lengthy discussions about purchase of receivables and prorating payments during the drafting phase of the regulations. My understanding is that at no time, during the working group process or in written comments filed with the Commission, did any of the suppliers object to payment proration as an option. In fact, my understanding is that since the inception of customer choice for natural gas customers back in the mid-1990s, CSPs actively advocated the adoption of payment proration. The Commission ultimately approved the payment proration option in the RM35 docket that requires utilities to either purchase receivables or prorate payments. This is consistent with the electric regulations, which were finalized and went into effect before the gas regulations were adopted.

The RM35 Implementation Working Group has been meeting in earnest for over a year. The payment proration and POR option was one of the many issues tackled by the

group in those discussions. As I informed you over the phone, Washington Gas publically disclosed its intention to prorate payments at the July 23, 2009 working group meeting. The decision to prorate payments came after conducting months of internal due diligence, ultimately determining that prorating payments was the best choice, not just because it was the least expensive option, less intrusive on the billing system or that the necessary changes could be completed in less time, but also because it met the CSPs' repeated requests for a proration of payments made over the last decade.

Although time is limited, Washington Gas is willing to meet with the CSPs prior to the scheduled December 8, 2009 hearing (on RM35 compliance plans) to further discuss whether a late switch from the payment proration option to a POR mechanism is either feasible or possible. One of the more notable issues presented by your request is the limited time afforded prior to the Commission considering the filed RM35 compliance plans. Washington Gas anticipates that any alteration of the filed compliance plan would be preceded by a formal submission by the CSP group to the Commission. The exact nature and content of any such submission can be one of the issues discussed next week.

I recommend a conference call with the group identified in your letter, as well as with any of the interested RM35 parties, especially the Commission Staff and Office of People's Counsel. Are you available for such a discussion on Wednesday, December 2, 2009 at 10:00 AM? Washington Gas will host at our Baltimore office (111 S. Calvert Street, 27th Floor) for any local parties that wish to attend in person. If December 2nd is unavailable, we can schedule the discussion on the morning of December 3rd.

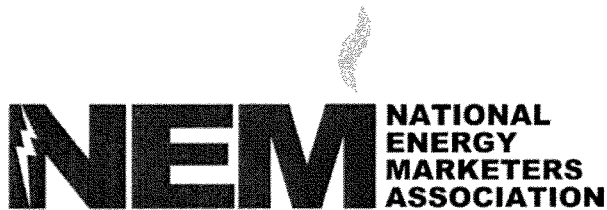
Please let me know if you and the suppliers you have identified in your correspondence are available for a meeting on December 2nd.

Sincerely,

/S/ Paul S. Buckley

Paul S. Buckley
Director, Rates and Regulatory Affairs

cc: Annette Garofalo, Maryland Public Service Commission, Staff Attorney
Peter Saar, Office of the People's Counsel
RM 35 Implementation Working Group



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December 2, 2009

The Honorable Terry Romine
Executive Secretary
Maryland Public Service Commission
William Donald Schaefer Tower
6 St. Paul Street
16th floor
Baltimore, MD 21202

RE: RM35 Compliance Filing of Washington Gas Light
(ML#119143)

Dear Secretary Romine,

On October 8, 2009, Washington Gas Light (WGL) filed a compliance plan to implement COMAR 20.59 in which it elected to implement pro ration of consolidated bill payments rather than a Purchase of Receivables program. Certain competitive suppliers made written correspondence to WGL in October urging that it implement a POR program. WGL replied to the suppliers at the end of November indicating a willingness to further discuss the matter of a POR plan. In furtherance of these discussions, WGL, competitive suppliers and other interested parties plan to meet in person and by conference call on December 3, 2009. We believe these discussions of WGL's compliance plan could aid in the development of an optimal solution for its service territory.

Respectfully submitted,

Craig G. Goodman
President
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**Washington Gas Light Company
Proposed Maryland Purchase of Receivables (POR) Program**

POR Discount Rate Calculation

- **Component No. 1 - Bad Debt Expense:** the percentage of actual net bad debt write-offs (bad debt write-offs less bad debt write-off recoveries) for the most recent historical twelve month period applied to commodity sales will be included as an annual cost in each annual calculation of the discount rate. The percentage applied in the POR discount rate will be updated on an annual basis.
- **Component No. 2 – Information Technology (IT) Implementation Costs:** the total actual incremental IT implementation costs will be collected through the POR discount rate using a five year amortization period. In Year 1, the estimated total IT implementation costs will be divided by 5 years and that amount will be included in the calculation of the total annual costs for the POR discount rate. In the remaining years 2-5, the updated estimate of total incremental IT implementation costs minus the amount collected to-date will be amortized over the remaining years.
- **Component No. 3 – Incremental Collection Costs:** Annual incremental collection costs will be calculated as the estimated increase in annual collection costs to be incurred as a result of the implementation of the Purchase of Receivables program. This level of collection costs related to the Purchase of Receivables program will be updated annually in calculating the POR discount rate.
- **Component No. 4 – Risk Factor:** this factor is estimated in Year 1 to be .25% of annual CSP commodity sales. An assessment will be done annually to evaluate any adjustments, if applicable, to the risk factor used in the calculation of the POR discount rate.
- **Component No. 5 – Reconciliation Factor:** this factor will adjust for any under-collection of costs (other than Component No. 1 - bad debt expense) resulting from the under-participation of suppliers in the Purchase of Receivables programs
- **POR Discount Rate:** The addition of the annual costs of Component Nos. 1 through 5 above will result in the total annual costs to be collected through the POR discount rate. The total annual costs will be divided by the estimated annual CSP commodity sales, calculated as the rolling five year historical average of annual CSP commodity sales, resulting in the POR discount rate to be used for the Purchase of Receivables program for the current year.

Payment Process

- Washington Gas will process and submit payments twice a month to each supplier. The payments submitted will include the supplier portion of bills that had been scheduled to have been paid as of the 1st and 15th of each month, net any prior-period adjustments or cancellations and the existing POR discount rate. In addition to the change above, Washington Gas will send a payment file on a daily basis which details the accounts and their associated amounts.