

GENERAL SERVICE PROVISIONS (Continued)

34. SAVE RIDER

I. PROVISION FOR ADJUSTMENT

In Case No. PUE-2010-00087, pursuant to the Steps to Advance Virginia's Energy Plan Act ("SAVE Act"), the Commission approved an infrastructure replacement plan for Washington Gas. In accordance with the Company's approved infrastructure replacement plan, customers receiving service under Rate Schedules 1, 1A, 2, 2A, 3, 3A, 4, 7, 8 and 10 shall be subject to a SAVE Rider.

II. APPLICATION

A. The SAVE 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 SAVE Rider shall be applied to meter readings on and after May 1, 2011.

B. The SAVE Rider shall be included in the item "All Applicable Riders" on customers' bills.

III. COMPUTATION

A. Current Factor

The current factor calculated to the nearest .01¢ shall be computed and filed annually by dividing the respective total amount allocated by rate schedule (as herein defined) by the estimated total firm throughput by rate schedule for the applicable period.

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

- 1) The Company will determine the eligible infrastructure replacement costs by rate schedule as defined below for the annual period the SAVE rider will apply.
- 2) Washington Gas will estimate the annual throughput by rate schedule for that annual period.
- 3) The Company will divide the eligible infrastructure replacement costs by the estimated throughput to arrive at a "per therm" factor to be applied against the distribution charge to customers by rate schedule.

Eligible infrastructure replacement costs to be included in the SAVE 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 "Eligible infrastructure replacement costs."

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- 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 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.
- 5) Carrying Costs – Carrying costs on the over-or-under recovery of the “Eligible infrastructure replacement costs” will be calculated at the end of a twelve-month period. The 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.

B. Reconciliation Factor

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

IV. FILING

The Company shall file annually with the Commission a copy of the computation of the SAVE Rider current factors and reconciliation factors by September 1<sup>st</sup> of each year.