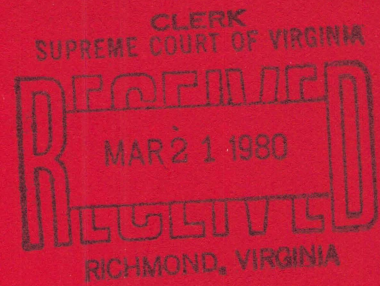


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IN THE
SUPREME COURT OF VIRGINIA

Record No. 800131



COMMONWEALTH OF VIRGINIA, ex rel.,
Attorney General of Virginia,

Appellant,

v.

WASHINGTON GAS LIGHT COMPANY,

Appellees.

JOINT APPENDIX

Marshall Coleman
Attorney General

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Assistant Attorney General
P. O. Box 6-L
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Richmond, Virginia 23212
Counsel for Appellee

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WASHINGTON GAS LIGHT COMPANY,

Appellee.

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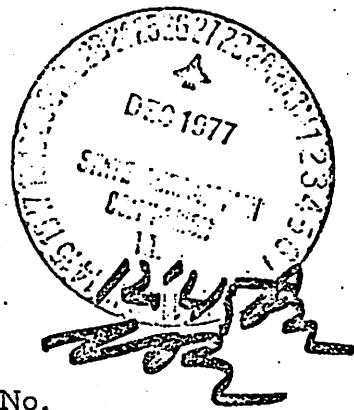
PETITION FOR CORRECTION OF GROSS RECEIPTS TAX AND
VALUATION FUND TAX FOR 1977, Filed December 23, 1977
VIRGINIA

BEFORE THE STATE CORPORATION COMMISSION

PETITION

OF

WASHINGTON GAS LIGHT COMPANY



Case No. _____

PETITION FOR CORRECTION OF
GROSS RECEIPTS TAX AND VALUATION
FUND TAX FOR 1977

This petition is submitted pursuant to Code of Virginia §§58-1122, et seq., by Washington Gas Light Company (Washington), a Virginia and District of Columbia corporation, for correction of taxes assessed and collected in 1977 on revenues from sales of gas by Washington to other utilities in Virginia during 1976.

By order dated October 8, 1975, in Case No. 19548, the Commission adopted a plan of Natural Gas Curtailment Priorities and Conservation Guidelines. In compliance with the Commission's guidelines, Washington negotiated contracts and sold gas to other Virginia utilities during the period of November 1975 through September 1976. Details of these sales, including the purchaser, amount of gas delivered and time of contract negotiation are set forth on Exhibit #1 to this Petition.

RECEIVED
JAN 13 1978
ATTORNEY GENERAL

I

WASHINGTON OMITTED CONSIDERATION OF GROSS
RECEIPTS TAX LIABILITY ON SALES TO OTHER
UTILITIES IN RELIANCE ON ADVICE FROM THE STAFF

In establishing the contract price for the sales of gas to other utilities during November 1975 through September 1976, Washington omitted consideration of gross receipts tax liability on revenues from these sales.^{1/} As explained below, Washington relied on various oral and written statements from the Staff in omitting any factor for a gross receipts tax liability.

A. ORAL ADVICE: November 1975 and Subsequent Contracts

On November 18, 1975, Washington's employee, Mr. William A. Mulkey, held a telephone conversation with a member of the Staff. The staff member indicated that WGL should make sure that gross receipts taxes are not paid twice (both by WGL and other distribution companies purchasing gas from WGL for resale).

Washington therefore omitted consideration of gross receipts tax liability in two contracts for sale of gas to other utilities. These contracts were with Commonwealth Natural Gas Company (contract dated November 19, 1975) and with Columbia Gas of Virginia (contract dated November 18, 1975). These contracts covered sales of gas to utilities operating in the Commonwealth of Virginia.

^{1/} For purposes of this Petition, the term "Gross Receipts Tax" includes the Valuation Fund Tax Liability of \$4,728.44 paid on revenues from sales of gas to other utilities in Virginia.

B. WRITTEN ADVICE: February 9, 1976 and Subsequent Contracts

In early February 1976, Mr. John E. Merceron, Washington's Comptroller, received a letter from Mr. Edward M. Vassar, Chief Accountant. Mr. Vassar stated that the Commission had decided "not to apply the gross receipts tax to sales between gas companies in compliance with the Natural Gas Curtailment Priorities and Conservation Guidelines previously adopted by this Commission...." A copy of Mr. Vassar's letter is attached as Exhibit #2.

Relying on this written advice, as well as the previous oral advice, Washington again omitted consideration for gross receipts tax liabilities in contracts for sales of gas which were negotiated after receipt of the February 1976 letter. As shown on Exhibit #1, Washington executed contracts with Commonwealth Natural Gas Company on April 1, 1976 and September 16, 1976, and a contract with Columbia Gas of Virginia on March 25, 1976. Again, these sales were made to utilities operating within Virginia.

II

A REFUND IS DUE WASHINGTON

Sales which were negotiated in 1975 were reported to the Commission in a report dated April 1976 (Exhibit #3). The Commission did not assess a gross receipts tax against revenues from these sales.

It was not until April 1977, that Washington had any indication from the Commission that the prior oral and written advice of the Staff was in

question and that gross receipts tax might be assessed on these revenues. On April 15, 1977, Washington submitted its statement of gross receipts (Exhibit #4). By letter dated April 27, 1977, Mr. S. C. Burruss, Director of the Public Service Taxation Division, requested specific information regarding Washington's revenues from sales of gas to other utilities during 1976 (Exhibit #5). Washington complied on May 3, 1977 (Exhibit #6).

Washington next received a memorandum dated May 6, 1977, from Mr. Richard D. Rogers, Jr., General Counsel. Mr. Rogers stated that the earlier advice regarding non-application of gross receipts tax was withdrawn (Exhibit #7). Subsequently, Washington received its 1977 assessment, which included an assessment on revenues from sales to other utilities (Exhibit #8). Payment of the assessed amount on May 31, 1977, incorporated a request for a reconsideration of the assessment of taxes on these revenues (Exhibit #9).

As indicated by Mr. Burruss's letter of September 28, 1977 (Exhibit #10), Washington has relied on statements of the Staff and omitted consideration of gross receipts tax liabilities in pricing of spot sales. The total of such tax liabilities paid in 1977 on sales during 1976 is \$241,150.53. Calculation of this additional tax liability is illustrated by Exhibit #11.

THE EXISTING RECORD SUPPORTS
THE GRANT OF RELIEF

The circumstances leading to the filing of this Petition are unusual and of a nonrecurring nature. And Washington will be certain that all future action regarding gross receipts taxes will be in response to instructions emanating from the office of the Director of the Public Service Taxation Division or the Commission's General Counsel (Exhibit #10, p. 2).

The facts leading to the filing of this Petition are outlined herein, are evidenced by the attached exhibits and are verified by the affidavit of Mr. Jeremiah K. Hughitt, a Vice President of Washington. There are no issues of fact in dispute.

In light of these special circumstances, especially the lack of any factual dispute, it is appropriate and in the public interest for the Commission to exercise its power and grant Washington relief without a hearing (see Virginia Code Section 12.1-15).

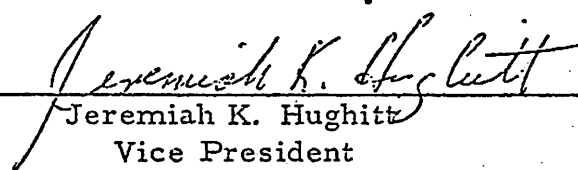
CONCLUSION

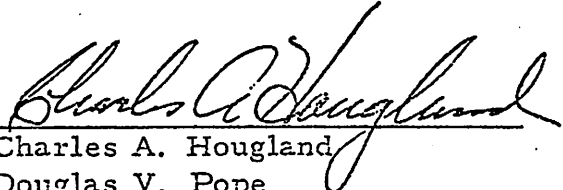
It is respectfully requested that the Commission direct that a refund of \$241,150.53 be paid to Washington Gas Light Company.

Respectfully submitted,

WASHINGTON GAS LIGHT COMPANY

By


Jeremiah K. Hughitt
Vice President


Charles A. Hougland
Douglas V. Pope

Washington Gas Light Company
1100 H Street, Northwest
Washington, D.C. 20080

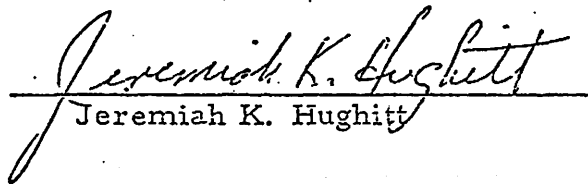
Counsel for Petitioner

Date: December 23, 1977

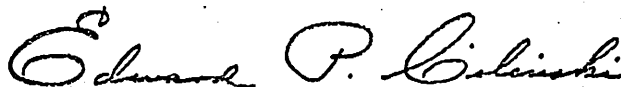
STATE OF VIRGINIA

COUNTY OF FAIRFAX, to wit:

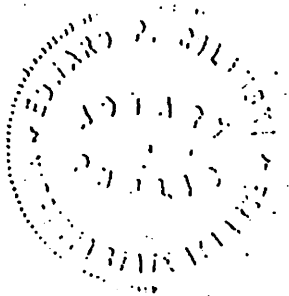
I, Jeremiah K. Hughitt, being first duly sworn, depose and say that the contents of the foregoing Petition of Washington Gas Light Company are true and correct to the best of my knowledge, information and belief.


Jeremiah K. Hughitt

Subscribed and sworn to this 22ND day of December in the county and state aforesaid, before me, the undersigned, a notary public in and for said county and state, as witness my hand and official seal.


Notary Public

MY COMMISSION EXPIRES FEB. 28, 1979



ORDER OF STATE CORPORATION COMMISSION SETTING HEARING,
COMMONWEALTH OF VIRGINIA Dated April 17, 1979
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 17, 1979

PETITION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. 19946
ORDER SETTING HEARING

Petition for Correction of
Gross Receipts Tax and
Valuation Fund Tax for 1977

On December 27, 1977, a Petition under oath was filed with this Commission by Washington Gas Light Company (Washington) pursuant to Code §58-1122 for correction of taxes assessed and collected during 1977, on revenue derived during 1976, by Washington from sales of gas to other utilities in Virginia, which are claimed to have been in compliance with Natural Gas Curtailment Priorities and Conservation Guidelines adopted by this Commission in Case No. 19548 by order dated October 8, 1975.

Taxes for which refund is sought were collected pursuant to Code §§58-603 and 58-66¹ in the total sum of \$241,150.53.

Washington alleges that collection of the aforesaid taxes is inequitable in that written and verbal representations of certain officials within the Commission had led Washington to believe that the sales in question were not to be taxed, and thus the company had ". . . omitted consideration for gross receipts tax liabilities in contracts for the sales of gas . . ." which, in fact, were subsequently taxed by the Commission.

Washington has requested to present evidence before the Commission, and to be heard in argument, in support of its Petition.

NOW, THEREFORE, it is ORDERED that the captioned Petition be, and same hereby is, set for hearing in the Commission's Courtroom, Blanton Building, Richmond, commencing at 10:30 a.m., or as soon thereafter as it may be heard, on May 8, 1979.

It is further ORDERED that Washington prefile its testimony, together with any exhibits, in support of its captioned Petition no later than May 1, 1979, same to be filed in original and ten (10) copies with the Clerk of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Tony Gambardella, Esquire, Assistant Attorney General of Virginia, Shockoe Center, 11 South 12th Street, Richmond, Virginia 23219; Charles A. Hougland, Esquire, and to Douglas V. Pope, Esquire, counsel for Washington Gas Light Company, 1100 H Street, Northwest, Washington, D.C. 20080, and to the Director of the Commission's Division of Public Service Taxation and to the Director of the Commission's Division of Energy Regulation, attention Mr. Ryland Y. Bailey.

A True Copy

Teste:

William C. Young

Clerk of State Corporation Commission.

RECEIVED

SEP 28 1979

OPINION AND FINAL ORDER OF STATE CORPORATION
COMMISSION, Dated
September 28, 1979
COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
RICHMOND

ATTORNEY GENERAL

AT RICHMOND, SEPTEMBER 28, 1979

PETITION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. 19946

OPINION AND FINAL ORDER

Petition for Correction of
Gross Receipts Tax and
Valuation Fund Tax for 1977

On December 27, 1977, a petition under oath was filed with this Commission by Washington Gas Light Company (Washington) pursuant to Code §58-1122 for correction of taxes assessed and collected during 1977, on revenue derived during 1976, by Washington from sales of gas to other utilities in Virginia. These sales are claimed to have been made in compliance with Natural Gas Curtailment Priorities and Conservation Guidelines, adopted by this Commission in Case No. 19548 by Order dated October 8, 1975.

Taxes for which refund is sought were collected pursuant to Code §§58-603 and 58-661 in the total sum of \$241,150.53.

Washington alleges that collection of the taxes is inequitable in that written and verbal representations made by members of the Commission staff led Washington to believe that the sales in question were not to be taxed and, in reliance thereupon, the company had "... omitted consideration for gross receipts tax liabilities in contracts for the sales of gas ..." which sales, in fact, were

subsequently taxed by the Commission under the above Code provisions.

The Office of the Attorney General, Division of Consumer Counsel, moved for production, by Washington, of various documents - including copies of the contracts for the sale of gas in question, copies of related invoices, and an affidavit of an official of each of the two corporate purchasers of the subject gas. Washington supplied this material upon receipt of a copy of the aforesaid motion, without order of the Commission.

The foregoing contracts and affidavits establish only that the negotiations and sales agreements were handled and consummated without reference to or consideration by the purchaser of any gross receipts taxes.

In response to Washington's request to present evidence and to be heard in argument in support of its petition, by Order dated April 17, 1979, a hearing was scheduled for 10:30 a.m., or as soon thereafter as it could be heard, on May 8, 1979. Washington was directed to prefile its evidence no later than May 1, 1979.

The hearing was conducted as scheduled before the Commission with John W. Riely, Esquire appearing as counsel for petitioner; Anthony Gambardella, Esquire and Norman K. Marshall, Esquire, Assistant Attorneys General, appeared

on behalf of the Commonwealth, and Lewis S. Minter, Esquire, appeared as counsel for the Commission.

The Assistant Attorney General argues, among other points, that payment of the taxes was not predicated upon "erroneous assessments" and, therefore cannot be refunded under the authority of Code §58-1122. He further argues that no other Code section permits the refund of those taxes and that the Commission lacks the authority to waive or mitigate, for any reason, their assessment. He contends that the doctrine of "equitable estoppel" has no application in the present fact situation.

On the other hand, Washington contends that the doctrine of "equitable estoppel" controls, and that a refund can be made pursuant to either Code §58-1122 or §12.1-15. While not vigorously pursued, the company also suggests that the action of the Commission in this case constitutes rule making under Code §12.1-13 - which can operate prospectively, only, and that cancellation of the rule to waive the assessment cannot work retroactively.

Washington presented two witnesses - Jeremiah K. Hughitt, Vice-President of Corporate Planning, Services and Rates of the petitioner, and John F. Powell, Jr., Manager, Tax Department, of said company. Subsequent to the hearing, on June 28, 1979, oral argument was received in which both

the Assistant Attorney General, Mr. Gambardella, and Mr. Minter, counsel for the Commission, argued in opposition to the requested relief. Counsel for Washington, Messrs. William L. S. Rowe and John W. Riely, of course, argued in favor of the petition.

The Commission has full knowledge of its activities, decisions and policies relating to the gas shortage of 1975-76. A state of crisis existed and the Commission was compelled to make decisions in response to the emergency created by the acute shortage of gas in Virginia (and in most other parts of the country). These emergency powers were granted by the General Assembly in Code §§56-249.1 and 56-250.

Code §56-250, particularly, was interpreted to grant the broadest of discretion to the Commission to ". . . authorize such public utility to take such action as, in the opinion of the Commission, will minimize adverse impact on the public health and safety and facilitate restoration of normal service to all customers at the earliest time practicable." (Emphasis added.)

The Commission, aided by its legal staff, concluded that it properly could interpret Code §§58-603 and 58-661 (gross receipts taxes) to relieve gas companies of payment of such taxes upon receipts derived from emergency transfers

of gas by a utility with gas to spare to another such utility with insufficient gas to meet the requirements of its customers. Such transfers outside a company's certificated area pursuant to the exercise, by the Commission, of the police power of the State, were determined to be unrelated to the exercise of franchise rights by the transferring utility and, therefore, were distinguishable from gross receipts expected to be taxed under §§58-603 and 58-661.

The principal motivation for the foregoing position was to encourage - in every possible way - the transfer of gas among Virginia companies. Washington, for example, could have sold its excess supply to any number of utilities, or to private businesses, outside this State. While we were mindful of our accepted authority to compel a fair share transfer within Virginia, we were sufficiently realistic to recognize that we could hope to serve Virginians ONLY with the full cooperation and good will of the gas companies.

The decision to exclude from gross receipts taxes the receipts derived from emergency transfers, therefore, was prompted by a need to obtain full cooperation of the utilities involved. We have every reason to believe that it did, in fact, contribute to our emerging from the crisis with a minimum of inconvenience to Virginia business, industry, homes and institutions.

We are fully aware that Washington was transferring gas during the emergency period relying on representations made by members of our staff (a reliance justifiably established by years of prior dealings) that the transfers were not to be assessed with gross receipts taxes. Those representations were confirmed by letter dated February 9, 1975, from our Chief Accountant (Exhibit 3). It was not until May, 1977, that the position not to assess the taxes, as above, was reversed. By letter dated May 6, 1977, addressed to all gas utilities operating in Virginia, signed by the S.C.C. General Counsel, the utilities were told that all revenue was to be subject to the gross receipts and special taxes without regard to source. This assessment was to be retroactive.

Washington's Exhibit No. 7 is a copy of the above-mentioned letter of May 6, 1977, reversing our decision regarding the taxes in question. It should be obvious from the tenor of the letter that some utilities appeared to be taking advantage of the tax abatement - seeking to claim exemption of receipts from sales far removed from those the Commission had sought to encourage and implement during the emergency. It was because of this that the Commission felt compelled to sanction the letter of May 6, 1977 - Exhibit 7.

Witness Hughitt, on the other hand, testified that the company did rely on the advice of S.C.C. officials

that the spot sales in question would not be taxed. He said, absent that advice, his company would have increased the sales price to have covered the tax liability or, in the alternative, would have sold the gas outside Virginia where sales are not subject to a gross receipts tax.

Mr. Hughitt's testimony is not contradicted that the sales in question were made in compliance with the Natural Gas Curtailment Priorities and Conservation Guidelines, adopted by this Commission in Case No. 19548 - Order dated October 8, 1975. In light of the surrounding circumstances known to the Commission, we have every reason to believe that Washington was acting in accord with what it had every reason to believe were firm policies of the Commission.

The extent to which Washington could have minimized the effect of our decision to collect the taxes in question is, in our opinion, immaterial. The fact is, we did advise the company that the taxes would not be assessed on emergency sales and the company did transfer large quantities of gas to other Virginia utilities.

If we are to maintain the respect and confidence of the those subject to our regulation, and if we can hope to have their support and cooperation in any future emergency situation, we find it absolutely incumbent to refund the taxes here in issue. But, we do so only because we are

satisfied that the sales were within the ambit of those contemplated by the Commisison in deciding to exempt extraordinary transfers during the time of emergency, a decision we felt at the time would ". . . minimize adverse impact on the public health and safety and facilitate restoration of normal service at the earliest time practicable." Code §56-250.

ACCORDINGLY, it is hereby ORDERED that the Comptroller of Virginia issue a warrant on the State Treasurer payable to Washington Gas Light Company to refund the franchise tax and special tax for the year 1977, pursuant to §58-1124; said refund to be forwarded to the address appearing below, and in the amount hereinafter designated:

Washington Gas Light Company
L. C. Koch, Director of Taxes and
Insurance
1100 H Street, N.W.
Washington, D.C. 20080

FRANCHISE TAX
(Code: 316-01-00-01006)

| <u>Tax Year</u> | <u>Gross Receipts</u> <u>Erroneously Assessed</u> | <u>Refund</u> |
|-----------------|--|---------------|
| 1977 | \$6,754,916.92 at 3.5% | \$236,422.09 |

SPECIAL TAX
(Code: 316-02-08-01010)

| <u>Tax Year</u> | <u>Gross Receipts Erroneously Assessed</u> | <u>Refund</u> |
|-----------------|--|---------------------|
| 1977 | \$6,754,916.92 at .07% | 4,728.44 |
| | Total Refund | <u>\$241,150.53</u> |

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Anthony Gambardella, Esquire, Assistant Attorney General of Virginia, Shockoe Center, 11 South 12th Street, Richmond, Virginia 23219; a like copy of this Order shall be sent to Lewis Carroll, Esquire, 1100 H Street, N.W., Washington, D.C. 20080; and to John W. Riely, Esquire, Hunton & Williams, P.O. Box 1535, Richmond, Virginia 23212, counsel for Washington Gas Light Company; and to the Director, Public Service Taxation Division of this Commission.

A True Copy

Teste:

William C. Young

Clerk of State Corporation Commission

IN THE
SUPREME COURT OF VIRGINIA

COMMONWEALTH OF VIRGINIA, ex rel.,
Attorney General of Virginia,

Appellant,

Record No. 800131

v.

SCC Case No.
19946

WASHINGTON GAS LIGHT COMPANY, et al.,

Appellees.

ASSIGNMENTS OF ERROR

Comes now the Appellant, Attorney General of Virginia, pursuant to Supreme Court Rule 5:18(i), and states the following Assignments of Error from the final order of the State Corporation Commission entered in this cause. To wit:

1. The State Corporation Commission erred, as a matter of law, in holding that gross receipts derived from the sales of natural gas in issue were not taxable gross receipts within the meaning of §§ 58-603 and/or 58-661.

2. To the extent it so ruled, the State Corporation Commission erred, as a matter of law, in holding that some notion of "equitable estoppel" requires the Commonwealth to refund the taxes in issue.

Respectfully submitted,

MARSHALL COLEMAN
Attorney General of Virginia

By:


Counsel

Marshall Coleman
Attorney General of Virginia

Norman K. Marshall
John G. MacConnell
Kenneth W. Thorson
Assistant Attorneys General
P. O. Box 6-L
Richmond, Virginia 23282
(804) 257-8090

CERTIFICATION

I hereby certify that the original of the foregoing
was hand delivered to the Clerk of this Court and a true
copy was mailed, postage prepaid, to all counsels for
the Appellee this 7th day of February, 1980.

Norman K. Marshall

CASE NO. 19946

WGL EXHIBIT 1

SPOT SALES COMPLETED NOVEMBER 1975 THROUGH SEPTEMBER 1976

(Mcf)

| <u>COMPANY (BUYER)</u> | <u>COMMONWEALTH NATURAL GAS CORP.</u> | | | <u>COLUMBIA GAS OF VIRGINIA, INC.</u> | | <u>CONTRACT PRICE*</u> |
|------------------------|---------------------------------------|-----------------|---------------|---------------------------------------|----------------|---|
| DATE OF CONTRACT | NOV 19, 1975 | APRIL 1, 1975 | SEPT 16, 1976 | NOV 18, 1975 | MARCH 25, 1976 | NOV 18 to JAN 14, 1976 \$1.6000/Mcf |
| DATE OF FIRST DELIVERY | NOV 21, 1975 | APRIL 2, 1976 | SEPT 16, 1976 | NOV 19, 1975 | APRIL 1, 1976 | JAN 15 to MARCH 31, 1976 \$1.7713/Mcf |
| DATE OF COMPLETION | MAR 10, 1976 | AUGUST 28, 1976 | SEPT 29, 1976 | MAR 31, 1976 | JULY 15, 1976 | APRIL 1 to JULY 1, 1976 \$1.5959/Mcf |
| DELIVERED VOLUME (MCF) | | | | | | JULY 2 to AUGUST 31, 1976 \$1.6638/Mcf |
| NOVEMBER 1975 | 100,000 | | | 14,400 | | SEPT 1976 \$1.2500/Mcf |
| DECEMBER 1975 | 300,500 | | | 334,800 | | |
| JANUARY 1976 | 177,140 | | | 275,400 | | |
| FEBRUARY | 250,080 | | | 253,800 | | |
| MARCH | 102,100 | | | 37,200 | | |
| APRIL | | 403,000 | | | 54,750 | |
| MAY | | 589,000 | | | 56,575 | |
| JUNE | | 570,000 | | | 54,750 | |
| JULY | | 589,000 | | | 25,550 | |
| AUGUST | | 524,000 | | | | |
| SEPTEMBER | | | 140,000 | | | |
| TOTAL DELIVERED VOLUME | 929,820 | 2,675,000 | 140,000 | 915,600 | 191,625 | |

PLACE OF DELIVERY ALL VOLUMES WERE RELEASED TO DISPATCHERS OF COLUMBIA GAS TRANSMISSION CO., INC. BY WGL DISPATCHERS FOR DISPLACEMENT TO BUYERS' DISPATCHERS AND DELIVERY POINTS ON A DAILY BASIS.

* NOTE: Contract prices were adjusted from time to time to reflect increases in the Purchased Gas Adjustment to WGL by Columbia Gas Transmission Co.

CASE NO. 19946

WGL EXHIBIT 2

AT RICHMOND, OCTOBER 8, 1975

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

CASE NO. 19542

Ex Parte, in re: Investigation to
determine priorities for available
gas supplies

ON JUNE 4, 1975, an Order was entered instituting this proceeding for the purpose of determining conservation guidelines and a schedule of priorities for available gas supplies. The Commission's Staff prepared proposed conservation guidelines and a schedule of priorities which were the subject of a public hearing held on June 25 and 26, 1975. During the hearing the Commission received testimony on the Staff's proposal including testimony from parties who recommended alternative conservation guidelines and schedules of priorities.

NOW, ON THIS DAY, the Commission, on consideration of the natural gas shortage, the Staff's proposal, the evidence of record, and the arguments of counsel, is of the opinion and finds:

(1) That the deficiency in natural gas supplies, which began to develop in 1971, has progressively increased and threatens to disrupt industry, employment, and the overall economy of the Commonwealth. To alleviate, to the extent practicable, hardship to all gas users due to this growing deficiency in gas supplies, both the gas companies and gas customers should be encouraged to aggressively conserve gas. The gas companies should be encouraged to develop additional gas supplies in every reasonable way.

(2) That connection of new customers to gas systems and increasing volume sales to existing customers should be discontinued

by all of the Commonwealth's gas companies. While nearly all gas companies have been directed by previous orders to limit connection of new customers and to limit increased sales to existing customers, uniform limitations should now be applied throughout the Commonwealth in this proceeding. Such limitations are necessary to prevent any further commitment to customers because supplies of gas are now inadequate to satisfy present gas requirements. Service to additional customers and increased sales to existing customers will further jeopardize service to all customers.

(3) That it is necessary, in light of the present gas shortage, to adopt guidelines for gas conservation and schedules of priorities among customers to that natural gas which is available. A general schedule of priorities for curtailment of service should be adopted and all distribution companies required to submit curtailment plans and procedures conforming to the schedule of priorities. The schedule of priorities and the Company tariffs complying therewith should remain in effect until the Commission otherwise orders.

All the gas companies subject to the jurisdiction of the Commission are retail distributors of gas except one. Commonwealth Natural Gas Corporation, a pipeline supplier operating within the State, sells gas at wholesale rates to six customers, namely, four retail gas companies, the City of Richmond, and an industrial customer, Allied Chemical Corporation. Until further ordered, Commonwealth Natural Gas Corporation, should allocate gas to its retail customers on the basis of their historical supply requirements.

(4) That it will be necessary for the Commission to continue its investigation in this proceeding by accumulating data and information

on the gas requirements of the individual customers served by each company, on the curtailments applied to each gas company by its wholesale supplier, and on changes in gas requirements of customers and gas supplies available from wholesale pipelines. As additional information is gathered and as changes in the availability of gas occur, the Commission will continuously review the guidelines to determine whether public interest necessitates changing the schedule of priorities. The gas companies will be expected to supply all information on gas requirements and gas supplies as soon as practicable after requested, and in the form requested, by the Commission or its Staff.

(5) Under Section 56-249.1 of the Code of Virginia, the Commission may require one gas company to transfer gas to another gas company whenever the public health, welfare or safety shall be found to so require, provided that the transferring utility is compensated at a rate fixed by the Commission. A plan to provide for mutual assistance among gas companies to protect the public health, welfare, or safety, as contemplated by §56-249.1, will be made a part of the Commission's rules for priorities and conservation guidelines.

In accordance with the above findings, IT IS ORDERED:

(1) That the Commission's rules on "Natural Gas Curtailment Priorities and Conservation Guidelines," bearing even date herewith, shall be incorporated in, read as a part hereof, and become effective for gas service rendered on and after November 1, 1975;

(2) That a copy of the rules shall forthwith be sent to all gas companies and each shall file within nineteen days from the date of this Order

schedules of tariffs conforming to, and implementing, said rules. The tariffs shall bear an effective date of November 1, 1975. The provisions of this Order, the rules adopted herein, and the tariffs filed pursuant to this Order, shall supersede in force and effect all previous orders prescribing curtailment procedures for the individual gas companies and the tariffs filed pursuant to such previous orders;

(3) That the Commission's Division of Public Utilities shall be responsible for administering the rules promulgated herein, subject to review of the Division's administrative action by the Commission, as is provided for by the Commission's Rules of Practice and Procedure;

(4) That, while the rules promulgated herein and the tariffs filed to implement such rules, are to become effective November 1, 1975, a public hearing will be scheduled to give interested parties an opportunity to state their objections, if any, to such rules and tariffs. All objections will be received and if appropriate, amendments to the rules adopted herein, and the tariffs filed in response thereto, will be considered. The public hearing shall be scheduled for 10:00 A.M. on December 12, 1975, in the Commission's Courtroom, 13th Floor, Blanton Building, Richmond, Virginia 23209;

(5) That the following notice shall be published by each gas company in newspapers of general circulation in the territory in which it provides service, once a week, for three successive weeks, with the first publication to commence forthwith on receipt of this Order;

NOTICE TO THE PUBLIC
CONCERNING THE NATURAL GAS SHORTAGE

In an Order dated October 8, 1975, the State Corporation Commission adopted conservation guidelines and a schedule of priorities for available gas supplies to become effective for gas service provided on and after November 1, 1975. The conservation

guidelines are adopted to promote gas conservation because of the national shortage in gas supplies. A schedule of priorities has been adopted to prescribe the order in which service to customers will be reduced, or terminated if necessary, when gas supplies are inadequate to meet the requirements of all customers. A copy of the Commission's rules on "Natural Gas Curtailment Priorities and Conservation Guidelines" may now be reviewed in the offices of the State Corporation Commission or at any office of the gas company where the customer's gas bill may be paid.

Each gas company has been directed to file tariffs conforming to, and implementing, the Commission's rules by October 27, 1975, such tariffs to become effective for service rendered on and after November 1, 1975. These tariffs may be reviewed by interested parties after October 27, 1975, in the offices of the State Corporation Commission or at any office of the gas company where the customer's gas bill may be paid.

The Commission will continue to investigate the requirements and needs of gas customers and the gas supplies available to each gas company so that it can continuously review the reasonableness of its rules on conservation and priorities and take whatever action additional information and change in circumstances may require. And, while the rules of the Commission and the tariffs of the companies will become effective for service provided on and after November 1, 1975, the Commission will receive and consider written comments on the rules and tariffs. Written comments should be addressed to Natural Gas Curtailment Priorities, Division of Public Utilities, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209. A public hearing will be held at 10:00 A.M., December 12, 1975, for interested parties - including gas customers, the gas companies, and the Commission's Staff - who wish to testify orally, in addition to submitting written comments, on the Commission's rules and the gas companies' tariffs. The hearing will be held in the Commission's Courtroom in Richmond, Virginia. Any interested party who wishes to testify at the December 12, 1975, hearing should so advise the Commission on or before December 5, 1975, by writing to the Commission at the above listed address. Parties are requested to limit oral comments to approximately five minutes. Parties will be scheduled to speak in the order written requests are received and as many parties will be heard from as time permits on the day of hearing.

Any interested party who has questions regarding the Commission's rules and the gas company tariffs and the application and interpretation of such rules and tariffs,

should first contact the gas company. If the parties wish to take their questions further, they should contact the Commission by calling the Commission's toll-free number, 800-552-9760, or by writing to Natural Gas Curtailment Priorities, Division of Public Utilities, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209.

(THE NAME OF THE APPROPRIATE GAS
COMPANY SHOULD BE INSERTED HERE)

Each gas company shall file with the Commission's Division of Public Utilities on or before November 15, 1975, proof that it has complied with the above prescribed notice;

(6) That each gas company shall provide for review by customers at the time and places contemplated in the aforesaid notice to the public copies of the the Commission's rules for "Natural Gas Curtailment Priorities and Conservation Guidelines" and its tariffs to implement such rules;

(7) That the Commission's Staff shall continue its investigation to determine gas requirements of customers, and supplies of gas available, throughout the Commonwealth and periodically, or with such frequency as the Commission may hereafter prescribe, report to the Commission its findings.

AN ATTESTED COPY hereof shall be sent to each gas company subject to the jurisdiction of the Commission and to all other parties of record, and to the Commission's Divisions of Public Utilities and Accounting.

A True Copy

Teste:

James G. Thigp
Clerk of the State Corporation Commission

ASSISTANT

DEFINITIONS

1. Alternate Fuel Capability (AFC) shall mean that gas usage for which the customer has the installed facilities to use an alternate fuel, and shall mean that gas usage of 1000 Mcf, or more, per peak month for which it would be reasonable to install facilities using an alternate fuel. Provided, however, customers that could reasonably install facilities using alternate fuel shall be given reasonable time for such installations. And, provided further, propane shall only be considered an alternate fuel if the facilities for propane usage are presently installed and have been previously used.
2. Boiler Fuel shall mean that usage of gas of 1000 Mcf, or more, per peak month for the generation of electricity, production of steam, or heating of water.
3. Human Needs usage of gas shall mean that use of gas for commercial cooking, agriculture, food processing, hospitals, sanitoriums, rest homes, residential schools, prisons, plant protection, and water and sewage treatment. Provided, however, that if the customer's gas requirements comes under the definition of use for boiler fuel, as well as use for human needs, then such gas shall be treated as used for boiler fuel.
4. Plant Protection shall mean that use of gas necessary to prevent physical damage to plant facilities, danger to plant personnel, and to protect material in production. It shall not include gas to maintain on-going production of materials.
5. Residential usage shall mean that gas used for normal purposes in maintaining a permanent dwelling. It shall not however include usage for boiler fuel such as centrally generated heat for apartment units.

RULES

1. Each gas distribution company shall develop a plan for curtailment of gas sales which complies with the schedule of priorities adopted herein. To the extent necessary, such plan may provide for sub-classes under each of the priority classes. Each curtailment plan shall be filed as a part of the company's tariffs to become effective November 1, 1976.
2. Each gas distribution company shall be responsible for the administration of its curtailment plan including the determination of alternate fuel capability.
3. Interruptible gas service may be furnished, in management's discretion, as available gas supplies permit. However, the Commission reserves the right to terminate, or alter, the sale of gas to interruptible customers if it is determined that such sales unreasonably affect the reliability of sales to firm customers.
4. No customer receiving gas under a contract for interruptible service shall be changed to firm service without the prior approval of the Commission.
5. Each gas company's present tariff terms and conditions, which govern the addition of new customers and new gas requirements, shall continue in effect. No changes in these tariff terms will be considered by the Commission unless it can be shown that additional service will not unreasonably effect the reliability of sales to the company's existing customers.
6. Each gas company shall continue conservation efforts in accordance with its conservation plan previously submitted to the Commission.
7. (a) The "Natural Gas Emergency Assistance Plan" adopted herein by the Commission's order of October 8, 1975, shall continue in effect. Voluntary transfers of gas from one company to a second shall be reported in writing to the "Emergency Coordinator" and to the Director of the Commission's Division of Public Utilities. The report shall set forth the amount of gas transferred and the compensation therefor.

- (b) Transfers of gas will be directed, if necessary, by the Commission pursuant to §56-249.1 of the Code of Virginia which reads in pertinent part:

"The Commission may require a public utility to transfer to another public utility of like business, gas, water or electricity, whenever the public health, welfare or safety shall be found to so require; provided, however, that the transferring public utility shall be compensated at a rate fixed by the Commission, for all such deliveries by the receiving public utility."

8. Each gas company shall be authorized to grant exemptions to the priorities and rules adopted herein, and the filed tariffs conforming therewith, for a period not to exceed ten days. Such exemptions shall be granted, in management's discretion, to avoid undue hardship.

No exemption shall be granted for a period exceeding ten days, and no exemption granted by the company shall be extended beyond ten days, without the prior approval of the Commission.

A written report of each exemption shall be filed with the Director of the Commission's Division of Public Utilities.

9. The Commission reserves the right to direct customers, having usage under Priorities 4 and 5, to use alternate fuel even though there is gas available, but such gas is required for public health, welfare, or safety for other uses.

SPECIAL REPORTS

Each gas company shall continue to file monthly reports on the form for "Projection of Gas Supply and Requirements", a copy of which is attached hereto.

ADMINISTRATION

The Director of the Commission's Division of Public Utilities shall be responsible for administering the Schedule

of Priorities and Rules adopted herein subject to review by the Commission as provided by the Commission's Rules of Practice and Procedure.

All written correspondence shall be addressed to Natural Gas Priorities and Rules, Division of Public Utilities, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209.

PROJECTION OF GAS SUPPLY AND REQUIREMENTS

DATE _____ SEASON _____

DISTRIBUTION COMPANY _____

PIPELINE SUPPLIER(S) _____

Projected Curtailment _____ % _____ %

NOTE: All volumes below to be shown in MMCF to one decimal point.

AVAILABLE SUPPLY:

| | <u>Season Totals</u> | | <u>Used To Date</u> | | <u>Season Balance</u> |
|---------------------|--------------------------|------|-------------------------|------|---------------------------|
| Pipeline Contract | _____ | MMCF | _____ | MMCF | _____ |
| Special Contracts | _____ | " | _____ | " | _____ |
| Underground Storage | _____ | " | _____ | " | _____ |
| LPG or Propane | _____ | " | _____ | " | _____ |
| LNG | _____ | " | _____ | " | _____ |
| SNG | _____ | " | _____ | " | _____ |
| Other _____ | _____ | | _____ | | _____ |
| Totals: | ===== | MMCF | ===== | MMCF | ===== |

PROJECTED REQUIREMENTS:

Show full requirement by Priority Categories in MMCF.

| | <u>MINIMUM Requirements</u> | <u>NORMAL Requirements</u> | <u>MAXIMUM Requirements</u> |
|---------------|---------------------------------|--------------------------------|---------------------------------|
| Priority 1 | _____ | _____ | _____ |
| Priority 2 | _____ | _____ | _____ |
| Priority 3 | _____ | _____ | _____ |
| Priority 4 | _____ | _____ | _____ |
| Priority 5 | _____ | _____ | _____ |
| Priority 6 | _____ | _____ | _____ |
| Interruptible | _____ | _____ | _____ |
| Totals: | ===== | ===== | ===== |

ADDITIONAL INFORMATION

Prepared by: _____

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

NATURAL GAS CURTAILMENT PRIORITIES
AND CONSERVATION GUIDELINES

October 8, 1975

Severe curtailments in the supply of natural gas by the interstate pipeline companies, Columbia Gas Transmission Corp. (Columbia), Transcontinental Gas Pipe Line Corp. (Transco), East Tennessee Natural Gas Company (East Tennessee), which serve Virginia has created a condition which threatens the well-being of the Commonwealth and necessitates the development of conservation guidelines and a priority plan to protect the health, safety and welfare of Virginia's citizens. Whatever the cause or causes, the natural gas shortage is very real in Virginia.

The seriousness of the shortage and the extent to which it has already affected certain customers, as well as the potential threat to other gas users, was well documented by the Commission Staff Report of June 10, 1975 and by witnesses and utility spokesmen who presented testimony and evidence during the public hearing in Case No. 19548 on June 25 and 26, 1975.

The Commission realizes the complex problems involved and recognizes the urgent necessity for effective conservation guidelines and a priority plan to govern intrastate curtailments and use of natural gas within the service territories of each natural gas distribution company in Virginia. A well-developed end-use plan appears to be the most equitable method of allocation of

the short supply of natural gas. However, in view of the uncertainties surrounding pending decisions at the federal level and after considering the various proposals and suggestions which were submitted during the hearing in June, the Commission is of the opinion that there is insufficient time to develop a comprehensive end-use priority plan before the beginning of the winter supply season. Therefore, at this time the Commission is adopting four priorities of a general nature. Such a plan will allow flexibility within each natural gas distribution system. Each company can develop curtailment plans and procedures within these rules to fit its individual needs rather than being forced at this time to follow a more rigid standard of priorities that might not be applicable to its problems.

This is an interim plan applicable to the 1975-76 winter season only. The Commission Staff will begin the accumulation of data so that a comprehensive end-use plan for future use can be studied. End-use plans which are not based on reliable verified data cannot provide an equitable distribution of natural gas.

This Commission will exercise its authority under Section 56-249.1 of the Code of Virginia to order the transfer of natural gas from one utility to another, if necessary, to protect the public health, safety or welfare. The Commission realizes the need for a plan establishing procedures for the transfer of gas during such an emergency situation.

In Richmond last fall, during a Staff conference concerning the natural gas shortage, an ad hoc committee composed of

representatives from seven gas companies in Virginia was formed to advise the Commission Staff. This gas committee has proposed a "Natural Gas Emergency Assistance Plan for Gas Companies Operating in Virginia" which has merit. This Plan shall be adopted until there is a demonstrated need or justification based on other circumstances to change it. The Plan is appended as Attachment A.

CURTAILMENT PRIORITIES AND RULES

November 1, 1975 - March 31, 1976

1. The following priorities are established and each distribution company shall curtail when necessary beginning with Priority D and proceeding in reverse order to Priority A. Within a priority all curtailments shall be equal, either on a pro rata basis or curtailed for an equal number of days in a given period. A customer may have requirements under more than one priority which shall be treated separately.

Priority A - Requirements under 1,000 Mcf per peak month without alternate fuel capability.

Priority B - Requirements over 1,000 Mcf per peak month without alternate fuel capability.

Priority C - Requirements having alternate fuel capability which have not been classed as interruptible.

Priority D - Interruptible service.

2. Subject to the following exception, interruptible service shall not be furnished by any natural gas distribution company. Exception: Any gas company unable to place its interruptible gas at the disposal of any other distribution system operating in Virginia which needs gas to prevent curtailment or interruption of Priority A or B customers may apply to the Division of Public Utilities of this Commission

for authorization to sell such gas to its interruptible customers. Interruptible service shall not be changed to a higher priority.

3. No new customers may be connected or new equipment added except for replacement of existing equipment of similar purpose and capacity. Upon application by a gas company, the Commission will consider exceptions to this rule for companies with existing commitments or other justifiable cause.
4. Special rules for the Commonwealth Natural Gas system (CNG):
 - A. Each customer shall take his full share of Synthetic Natural Gas (SNG) which may not be transferred without approval from this Commission.
 - B. The pipeline gas of CNG received under existing contracts from its suppliers shall be apportioned in accordance with the Maximum Monthly Volumes shown on Third Revised Sheet No. 191 of the CNG tariff on file with the State Corporation Commission and the similar volumes of Allied Chemical Corporation. Additional supplies purchased by CNG under special arrangements shall, for the interim period covered by these rules, be allocated to CNG's customers in the manner described above. In the event CNG receives an allotment of gas based on specific end-uses and pro rata distribution among CNG's customers would result in an inequitable distribution of the allotment, the Commission will review specific allotments upon the request of any CNG customer.
 - C. Any pipeline gas in excess of the firm needs of a distribution system shall be made available to other CNG utility customers at a price

of twenty-five cents (25¢) per Mcf above the commodity cost to the selling company. For systems desiring such gas, it shall be prorated to each system in relation to the Maximum Monthly Volumes as shown on Third Revised Sheet No. 191 of CNG's tariff. The billing shall be handled by CNG.

5. The requests for exceptions as set forth in these rules and other requests for unusual or emergency type authorizations should be made to the Division of Public Utilities. The Director of this Division is authorized to act on behalf of the Commission subject to administrative review by the Commission, or upon request of any interested party.

CONSERVATION GUIDELINES

Each natural gas distribution company shall implement a conservation program suited to its own conditions and needs and, when feasible, act in conjunction with other companies. Initial plans will be filed with the Commission within forty-five (45) days. Thereafter, revisions will be made as necessary and filed. The Division of Public Utilities shall cooperate with and assist utilities in developing conservation plans. Each company should actively promote programs designed to accomplish maximum conservation results. For industrial use, each company should encourage customers to institute measures and install facilities to utilize waste heat and to conserve gas by all other practicable means.

Due to the difficulties involved in monitoring and enforcing specific conservation objectives, the Commission at this time is not going to establish specific objectives for various classes of customers. However, realizing that significant decreases in natural gas usage have already been achieved in many areas by conservation minded consumers, the Commission urges every gas company and its customers to exert every reasonable effort to achieve maximum conservation of natural gas.

Success is the rewarding result that will demonstrate that each distribution company and its customers are concerned about the energy situation in Virginia and the jobs of those Virginians which depend upon an adequate supply of this essential energy. Each company should institute developmental programs to secure additional gas in every reasonable way. This might include participation with others in programs for drilling, gasification of coal or other hydrocarbons, liquification of natural gas and transportation of natural gas.

SPECIAL REPORTS

1. Each distribution company under the jurisdiction of this Commission shall, and the cities of Charlottesville, Danville and Richmond may, if they so desire, make a study of each customer using over 1,000 Mcf in any month and submit the following data to this Commission, with a copy to the customer:

Maximum usage in the last five years by calendar month, corrected from billing month if necessary, and showing the use of the gas, whether direct heat; or if by transfer, by what agent. The usage shall be broken down to all the different usages such as cooking or space heat, by air, steam, hot water; hot water for sanitary purposes, etc. and shall show present alternate fuel capability together with amount of alternate fuel storage for each usage. Where no present alternate fuel capability exists, there shall be shown the approximate cost, size of storage and lead time required for conversion to alternate fuel. Notation shall be made as to whether firm or interruptible. Forms will be available from the Division of Public Utilities after October 15, 1975. Other pertinent information should also be included.

2. Each participating distribution system shall report to the Division of Public Utilities by November 1, 1975:

- A. The amount of gas which would have been needed for each winter month for all uses in each of the four priority categories for a winter similar to the winter of 1973-74 and for the coldest winter for its system during the past eight years.
- B. The amount of gas available by type, including storage, special purchases and other hydrocarbons.

DEFINITIONS

- 1. Interruptible Service - Service from schedules or contracts under which seller is not obligated by filed tariff to deliver specific volumes within a given time period and which permits interruption after notice.
- 2. Alternate Fuel Capability - Facilities which have alternate fuel available, however small the storage capacity. Temporary emergency type outages of alternate fuel may permit temporary use of natural gas if such use is approved by a responsible official of the gas company involved who has been designated to handle such emergencies.

NATURAL GAS EMERGENCY ASSISTANCE PLAN
FOR
GAS COMPANIES OPERATING IN VIRGINIA

January 1, 1975

OBJECTIVE

It is recognized that the uncertainties of the current Statewide gas supply situation may provoke emergencies in one part of the State which might be prevented or diminished by a temporary redistribution of natural gas supply between companies operating within the State. It is the objective of the following to be implemented by natural gas distribution companies in the State of Virginia to minimize the impact, and, hopefully, preclude the occurrence of an emergency caused by the absence of sufficient supply to meet the essential and vital needs of any specific locality within the State.

PROCEDURE

- I An Office of Emergency Coordinator will be established to serve as a Statewide coordinating point in the event of an unforeseen gas supply emergency of limited duration. Such responsibility will be initially assumed by Commonwealth Natural Gas Corporation, Richmond, Virginia, and the office will stay in effect until it is no longer deemed necessary by interested parties.
- II A master list naming the designated personnel in the various Dispatching or Gas Control offices for each distribution and pipeline company operating within the State will be prepared. Additionally, the list will include for each distribution company its specific location and source(s) of supply. This information will be on file with the Emergency Coordinator and each Dispatcher listed.
- III In the event of an unforeseen emergency of limited duration, the affected company shall proceed in the following order:
 - (a) Encourage maximum conservation by all customers.
 - (b) Use its own emergency facilities to the limit of their capability.

- (c) Seek emergency aid directly from one or more distribution companies if the assistance of the Emergency Coordinator is not deemed necessary.
- (d) Seek emergency relief from its pipeline supplier(s).
- (e) Notify the Emergency Coordinator of the extent, nature and circumstances of the emergency, and seek assistance.
- (f) Seek emergency relief through the FPC.

IV In the event assistance is requested of the Emergency Coordinator, it shall be his responsibility to:

- (a) Ascertain the extent, nature and circumstance of the emergency.
- (b) Determine which companies operating within the State might be able to assist by a temporary redistribution of some portion of their supplies.
- (c) Communicate with the dispatcher of each company to ascertain its ability or inability to respond.
- (d) Companies requesting and companies providing assistance, will be put in direct communication with each other to determine the most effective transfer procedure.
- (e) If the affected companies are served by different pipeline suppliers, it shall be the responsibility of the Emergency Coordinator to coordinate supply by displacement to the company in need.
- (f) In the event that emergency aid cannot be found within the State, the company requesting such aid will be so advised in order that emergency curtailment plans as filed with the Virginia State Corporation Commission might be implemented.

V In the even that emergency assistance is requested of any distribution or pipeline company operating within

the State of Virginia, it shall be its responsibility to consider carefully the request and use its best efforts to provide all or a portion of such aid as is warranted and possible under the circumstances without jeopardizing the integrity of its own service. As this plan is one of voluntary mutual aid without binding and legal commitment, adherence to this precept is essential to successful implementation.

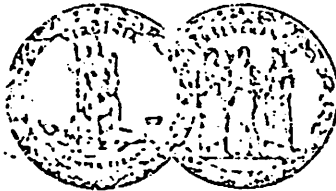
VI The company requesting emergency gas and the company providing such aid shall obtain Commission approval of the price for the emergency gas furnished prior to the actual exchange thereof.

VII Costs associated with the operation of the Office of Emergency Coordinator will be shared on an equal basis by all natural gas distribution companies operating in the State.

CASE NO. 19946

WGL EXHIBIT 3

COMMONWEALTH OF VIRGINIA



J.F.P. FEB 11 1976

EDWARD M. VASSAR
CHIEF ACCOUNTANT

BOX 1197
RICHMOND, VA. 23206
TELEPHONE 804/786-12

STATE CORPORATION COMMISSION

ACCOUNTING DIVISION

February 9, 1976

Mr. John E. Merceron, Comptroller
Washington Gas Light Company
1100 H. Street, N.W.
Washington, D. C. 20005

Dear Mr. Merceron:

This is to inform you that the Virginia State Corporation Commission has decided not to apply the gross receipts tax to sales between gas companies in compliance with Natural Gas Curtailment Priorities and Conservation Guidelines previously adopted by this Commission by Order of October 8, 1975, entered in Case No. 19548.

The tax provided by Code #58-603 by its terms, is "for the privilege of exercising its franchise in this State". The Commission has decided that the transfer and sale of gas from one utility to another, when necessary to protect the public health, safety or welfare in this time of energy crisis, does not, in its opinion, emanate from any exercise of franchise rights by a utility and to impose a gross receipts tax in such cases would not only involve double or triple taxation of the commodity - to the ultimate detriment of consumers - but would appear clearly to be contrary to statutory intent.

I am therefore requesting that when you file your Annual Financial and Operating Report with the Commission you indicate the amount of revenue resulting from the transfer and sale of gas from one utility to another under the terms indicated above. I believe this could best be done on Page 114, Statement C - Statement of income for the year. I would suggest that you footnote operating revenue and in the space provided at the bottom of the Statement show the total operating revenues less exclusions provided by the Commission's decision as outlined in this memorandum and the net amount after this particular exclusion.

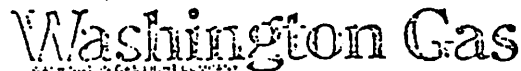
I might add that it has come to my attention that some utilities have transferred gas to interruptible customers in other franchised areas. Such sales do not come under the Commission's ruling as covered by this memorandum. Therefore such sales will be subject to gross receipts tax as heretofore.

Truly yours,
Edward M. Vassar
Edward M. Vassar
Chief Accountant

JMC/cln

CASE NO. 19946

WGL EXHIBIT 4



Washington Gas

November 18, 1975

RICHARD C. VIERBUCHEN
VICE PRESIDENT-
CONSUMER SERVICES
AND PUBLIC AFFAIRS

Mr. John Croom
Vice President and Chief Engineer
Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

R.C.V. NOV 26 1975

Dear Mr. Croom:

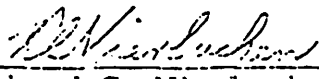
1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 1,200 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Columbia Gas of Virginia, Inc., commencing on or after November 19, 1975 and continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine.
2. Columbia Gas of Virginia, Inc. certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.
3. Washington shall bill Columbia Gas of Virginia, Inc. on or before the 10th day of the calendar month for each Mcf released for the benefit of Columbia Gas of Virginia, Inc. at the rate of \$1.60 per Mcf, which shall be payable on or before the 18th day of that month.
4. Columbia Gas of Virginia, Inc. will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to November 19, 1975.

5. Upon oral notice from Washington to Columbia Gas Transmission Corporation this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

6. Columbia Gas of Virginia, Inc. may terminate this Arrangement Between Buyers by giving two weeks written notice to Washington.


7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

WASHINGTON GAS LIGHT COMPANY

By 
Richard C. Vierbuchen
Vice President - Consumer
Services and Public Affairs

Accepted and Agreed to:

COLUMBIA GAS OF VIRGINIA, INC.

By 

Washington Gas

December 12, 1975

PAUL E. REICHARDT
CHAIRMAN OF THE BOARD AND PRESIDENT

Mr. John Croom
Vice President and Chief Engineer
Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Dear Mr. Croom:

A. This letter will confirm our agreement to amend paragraph 1 of our letter agreement dated November 18, 1975 to read as follows:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 1,200 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Columbia Gas of Virginia, Inc., commencing on or after November 19, 1975 and commencing December 10, 1975, Washington will release an additional 15,000 Mcf per day, making a total of 16,200 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Columbia Gas of Virginia, Inc., and continuing thereafter for such periods and for so long as Washington, in its sole discretion, may determine.

B. This letter will also confirm our agreement to amend paragraph 3 of our letter agreement dated November 18, 1975 as follows:

3. Washington shall bill Columbia Gas of Virginia, Inc. on or before the 10th day of the calendar month for each Mcf released for the benefit of Columbia Gas of Virginia, Inc. at the rate of \$1.60 per Mcf, which shall

be payable on or before the 18th day of that month. It is understood that the rate of \$1.60 per Mcf was based on a Columbia Gas Transmission commodity rate of 70.56¢ and that Columbia Gas of Virginia, Inc. agrees that the rate of \$1.60 to Columbia Gas of Virginia, Inc. will be increased to reflect any increase in the commodity rate of Columbia Gas Transmission Corporation to Washington.

C. All other paragraphs of the letter agreement dated November 18, 1975 will remain in force and effect, and Columbia Gas of Virginia, Inc. is responsible for and will obtain the necessary approval of the foregoing amendment from Columbia Gas Transmission prior to December 10, 1975.

WASHINGTON GAS LIGHT COMPANY

By



Paul E. Reichardt

Chairman of the Board and President

Accepted and Agreed to:

COLUMBIA GAS OF VIRGINIA, INC.

By



Washington Gas

March 25, 1976

DONALD J. HEIM
VICE PRESIDENT
CORPORATE PLANNING AND SERVICES

Mr. John Croom
Vice President and Chief Engineer
Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Dear Mr. Croom:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 1,825 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Columbia Gas of Virginia, Inc., commencing on and after April 1, 1976, on an "as available" basis, continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine.

2. Columbia Gas of Virginia, Inc. certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

3. Washington shall bill Columbia Gas of Virginia, Inc. on or before the 10th day of the calendar month for each Mcf released for the benefit of Columbia Gas of Virginia, Inc. at the rate of \$1.5969 per Mcf, which shall be payable on or before the 18th day of that month. The initial price will be adjusted to include any increase in commodity cost to Washington from the Columbia Gas Transmission Corporation during the term of this agreement.

4. Columbia Gas of Virginia, Inc. will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers

Mr. John Croom
March 25, 1976
Page 2

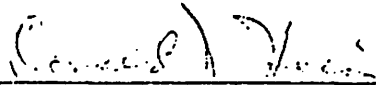
from Columbia Gas Transmission Corporation prior to April 1, 1976.

5. Upon oral notice from Washington to Columbia Gas Transmission Corporation, this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

6. Columbia Gas of Virginia, Inc. may terminate this Arrangement Between Buyers by giving 24 hours' notice to Washington.

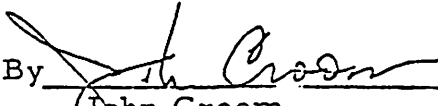
7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

WASHINGTON GAS LIGHT COMPANY

By 
Donald J. Heim
Vice President - Corporate
Planning and Services

Accepted and Agreed to:

COLUMBIA GAS OF VIRGINIA, INC.

By 
John Croom
Vice President and Chief Engineer

3-29-76
DATE



RICHARD C. VIERBUCHEN
VICE PRESIDENT -
CONSUMER SERVICES
AND PUBLIC AFFAIRS

November 19, 1975

Mr. Paul H. Riley, Chairman, President
and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 10,000 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth Natural Gas Corporation (Commonwealth), commencing on or after November 21, 1975, and continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine.

2. Commonwealth certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

3. Washington shall bill Commonwealth on or before the 10th day of the calendar month for each Mcf released* for the benefit of Commonwealth at the rate of \$1.60 per Mcf, which shall be payable on or before the 18th day of that month.

* during the prior month *WFL*

Mr. Paul H. Riley, Chairman, President
and Chief Executive Officer
November 19, 1975
Page 2

4. Commonwealth will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to November 21, 1975.

5. Upon oral notice from Washington to Columbia Gas Transmission Corporation this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

6. Commonwealth may terminate this Arrangement Between Buyers by giving ~~two weeks~~ written notice to Washington.
ten days *ph*

7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

WASHINGTON GAS LIGHT COMPANY

By *Richard C. Vierbuchen*
Richard C. Vierbuchen
Vice President - Consumer Services
and Public Affairs

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By *[Signature]*



December 5, 1975

PAUL E. REICHARDT
CHAIRMAN OF THE BOARD AND PRESIDENT

Mr. Paul H. Riley, Chairman, President
and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

A. This letter will confirm our agreement to amend paragraph 1 of our letter agreement dated November 19, 1975 to read as follows:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 2, whereby Washington Gas Light Company (Washington) will release 10,000 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth Natural Gas Corporation (Commonwealth), commencing on or after November 21, 1975, and commencing December 5, 1975, Washington will release an additional 420 Mcf per day, making a total of 10,420 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth, and continuing thereafter for such periods and for so long as Washington, in its sole discretion, may determine.

B. All other paragraphs of the letter agreement dated November 19, 1975 will remain in force and effect, and Commonwealth is responsible for and will obtain the necessary approval of the foregoing amendment from Columbia Gas Transmission prior to December 5, 1975.

WASHINGTON GAS LIGHT COMPANY

By Paul E. Reichardt
Paul E. Reichardt
Chairman of the Board and President

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By Paul E. Reichardt



December 10, 1975

DONALD J. HEIM
VICE PRESIDENT
CORPORATE PLANNING AND SERVICES

Mr. Paul H. Riley, Chairman, President
and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

In reference to the agreement between Commonwealth Natural Gas Corporation and WGLCO of November 19, 1975, and the amendment of December 5, 1975, for the sale of 10.42 MMcf of gas per day on an interruptible basis, we should like to advise you that effective December 15, 1975, Washington's commodity cost from Columbia will increase 12.72¢ per Mcf. Columbia has also filed tariff sheets to be effective January 15, 1976 which will further increase Washington's commodity cost by 3.3¢ per Mcf.

Washington proposes to pass these increased gas costs through as they are imposed upon it. This arrangement is consistent with sales of a similar nature to other customers in Virginia and it is important that we maintain both equity and consistency.

On this basis, the price of gas sold under our agreement of November 19, 1975, and the amendment of December 5, 1975, will be \$1.727 per Mcf effective December 15, 1975 through January 14, 1976.

WASHINGTON GAS LIGHT COMPANY

By

Paul E. Reichardt

Chairman of the Board and President

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By

COMMONWEALTH NATURAL GAS CORPORATION
200 SOUTH THIRD STREET
RICHMOND, VIRGINIA

804-644-2931

February 26, 1976

BOX 2350
RICHMOND, VA. 23218

Mr. William Mulkie
Washington Gas Light Company
1100 H Street, N. W.
Washington, D. C. 20080

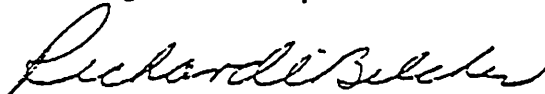
Dear Bill:

Commonwealth desires to reduce its daily purchases from Washington Gas Light by 420 Mcf effective at 8 a.m. on March 6, 1976, as provided in item 6 of the original agreement between Washington and Commonwealth dated November 19, 1975.

The above volume of gas was originally authorized by the State Corporation Commission of Virginia on December 4, 1975 as an emergency purchase for the account of Redford Brick Company.

Thanking you for your cooperation in this matter, I am

Sincerely,



Richard L. Belcher
Vice President-Rates & Supply

RLB/erj

Copy to: John Graham, III, Esquire
City of Richmond (Dept. of
Public Utilities)
State Corporation Commission
of Virginia (The Division
of Public Utilities)

COMMONWEALTH NATURAL GAS CORPORATION

200 SOUTH THIRD STREET

RICHMOND, VIRGINIA

March 2, 1976

BOX 2350
RICHMOND, VA. 23218

804-644-2931

Mr. William Mulkie
Washington Gas Light Company
1100 H Street, N. W.
Washington, D. C. 20080

Dear Bill:

Confirming our telephone conversation of today, Commonwealth is exercising its option, per item 6 of the original agreement between Washington and Commonwealth dated November 19, 1975, and terminates the 10,000 Mcfd purchase as of 8 a.m. on March 11, 1976.

Thanking you for your cooperation in this matter, I am

Sincerely,



Richard L. Belcher
Vice President-Rates & Supply

RLB/erj



DONALD J. HEIM
VICE PRESIDENT
CORPORATE PLANNING AND SERVICES

April 1, 1976

Mr. Paul H. Riley, Chairman
President and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 10,000 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth Natural Gas Corporation (Commonwealth) on an "as available" basis, commencing on or after April 1, 1976, and continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine.

2. Commonwealth certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

3. Washington shall bill Commonwealth on or before the 10th day of the calendar month for each Mcf released during the prior month for the benefit of Commonwealth at the rate of \$1.5969 per Mcf, which shall be payable on or before the 18th day of that month. The initial price will be adjusted to include any increase/in commodity cost to Washington from the Columbia Gas Transmission Corporation during the term of this Arrangement Between Buyers.

Decrease
RS

Mr. Paul H. Riley, Chairman,
President and Chief Executive Officer
April 1, 1976
Page 2

4. Commonwealth will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to commencement of deliveries.


5. Upon oral notice from Washington to Columbia Gas Transmission Corporation this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

6. Commonwealth may terminate this Arrangement Between Buyers by giving ten days written notice to Washington.

7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

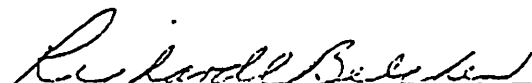
Yours very truly,

WASHINGTON GAS LIGHT COMPANY

By 
D. J. Heim, Vice President
Corporate Planning and Services

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By 
Richard L. Belcher
Vice-President, Rates and Supply



DONALD J. HEIM
VICE PRESIDENT
CORPORATE PLANNING AND SERVICES

April 9, 1976

Mr. Paul H. Riley, Chairman
President and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

A. This letter will confirm our agreement to amend paragraph 1 of our letter agreement dated April 1, 1976 to read as follows:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release on an "as available" basis 10,000 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth Natural Gas Corporation (Commonwealth) commencing on or after April 1, 1976, and commencing on or after April 9, 1976, an additional 5,000 Mcf per day of said entitlement, making a total of 15,000 Mcf per day, and continuing thereafter for such periods and for so long as Washington, in its sole discretion, may determine.

B. All other paragraphs of the letter agreement dated April 1, 1976 will remain in force and effect and Commonwealth is responsible

Paul H. Riley
April 9, 1976

for and will obtain the necessary approval of the foregoing amendment from Columbia Gas Transmission Corporation.

WASHINGTON GAS LIGHT COMPANY

By Donald J. Heim
Donald J. Heim
Vice President Corporate Planning
and Services

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By Richard Belden
Vice President-Rates & Supply



April 29, 1976

PAUL E. REICHARDT
CHAIRMAN OF THE BOARD AND PRESIDENT

Mr. Paul H. Riley, Chairman
President and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

A. This letter will confirm our agreement to further amend paragraph 1 of our letter agreement dated April 1, 1976, and previously amended April 9, 1976 to read as follows:

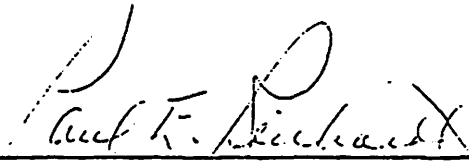
1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release on an "as available" basis 10,000 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth Natural Gas Corporation (Commonwealth) commencing on or after April 1, 1976, and commencing on or after April 9, 1976, an additional 5,000 Mcf per day of said entitlement, making a total of 15,000 Mcf per day, and commencing on or after April 29, 1976, an additional 4,000 Mcf per day of said entitlement, making a total of 19,000 Mcf per day, and continuing thereafter for such periods and for so long as Washington, in its sole discretion, may determine.

B. All other paragraphs of the letter agreement dated April 1, 1976 will remain in force and effect and Commonwealth is responsible

Mr. Paul H. Riley
Commonwealth Natural Gas Corporation
April 29, 1976
Page two

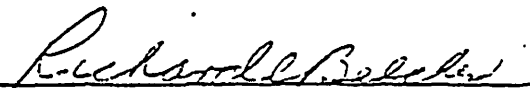
for and will obtain the necessary approval of the foregoing amendment
from Columbia Gas Transmission Corporation.

WASHINGTON GAS LIGHT COMPANY

By 
Paul E. Reichardt
Chairman of the Board and
President

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By 
Vice President-Rates & Supply

C.B.D. SEP 29 1976

COMMONWEALTH NATURAL GAS CORPORATION
200 SOUTH THIRD STREET
RICHMOND, VIRGINIA

BOX 2350
RICHMOND, VA. 23218

804-644-2931

September 27, 1976

Mr. D. J. Heim, Vice President
Corporate Planning and Services
Washington Gas Light Company
1100 H Street, N. W.
Washington, D. C. 20080

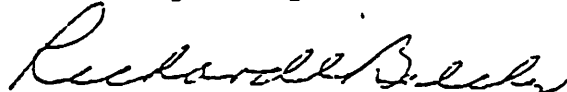
Dear Mr. Heim:

Enclosed is executed original letter
agreement between Washington Gas Light Company and
Commonwealth Natural Gas Corporation.

In accordance with Bill Mulkie's instruc-
tions, I have reduced, in item 6, the 10 day notice
to a 1 day requirement.

Thanking you for your cooperation in this
matter, I am

Yours very truly,



Richard L. Belcher
Vice President-Rates & Supply

RLB/erj

Enclosure



Washington Gas
WASHINGTON GAS LIGHT COMPANY

September 16, 1976

DONALD J. HEIM
VICE PRESIDENT
CORPORATE PLANNING AND SERVICES

Mr. Paul H. Riley, Chairman
President and Chief Executive Officer
Commonwealth Natural Gas Corporation
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Second Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 10,000 Mcf per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of Commonwealth Natural Gas Corporation (Commonwealth) on an "as available" basis, commencing on or after September 16, 1976, and continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine.

2. Commonwealth certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

3. Washington shall bill Commonwealth on or before the 10th day of the calendar month for each Mcf released during the prior month for the benefit of Commonwealth at the rate of \$1.25 per Mcf, which shall be payable on or before the 18th day of that month. The aforementioned rate of \$1.25 per Mcf is based upon the parties' understanding that this Arrangement will not continue beyond October 31, 1976.

Mr. Paul H. Riley, Chairman,
President and Chief Executive Officer
September 16, 1976
Page 2

4. Commonwealth will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to commencement of deliveries.

5. Upon oral notice from Washington to Columbia Gas Transmission Corporation this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

6. Commonwealth may terminate this Arrangement Between Buyers by giving ~~ten days written~~ notice to Washington.

ONE DAY AS NOT

7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

WASHINGTON GAS LIGHT COMPANY

By

D. J. Heim

D. J. Heim, Vice President
Corporate Planning and Services

Accepted and Agreed to:

COMMONWEALTH NATURAL GAS CORPORATION

By

Richard Beck

Vice President-Rates & Supply

CASE NO. 19946

WGL EXHIBIT 4-A

INVOICE

FORM G-962R

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20080

TELEPHONE 750-1000

IN
ACCOUNT
WITHDATE February 11, 1976ACCT. NO. 142.103JOB NO. 2

Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Attention: Mr. John Croom

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGLCo.

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20080

PLEASE RETURN THIS STUB WITH PAYMENT

DATE February 11, 1976ACCT. NO. 142.103JOB NO. 2

Columbia Gas of Virginia, Inc.

AMOUNT \$ 431,434.84ACCTS. REC. Spot Sale of Gas

| DESCRIPTION | | AMOUNT |
|---|------------------------|----------------------|
| Billing for gas deliveries for the period January 1, 1976 to January 31, 1976 | | |
| (16,200 Mcf per day for 9 days) | 145,800 Mcf @ \$1.7272 | \$ 251,825.76 |
| (16,200 Mcf per day for 8 days) | 129,600 Mcf @ \$1.7713 | 229,560.43 |
| Underbilled gas for the period December 15-31, 1975 | | |
| | 243,000 Mcf @ \$.0002 | 48.60 |
| Net Amount Due | | <u>\$ 431,434.84</u> |

mailed
2-12-76
8:45 A.M.
RM

INVOICE

FD-10-0-0-0

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20080

TELEPHONE 750-1000

IN
ACCOUNT
WITHDATE March 11, 1976ACCT. NO. 142,108JOB NO. 2Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Attention: Mr. John Croom

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
Checks may be made payable to WGLCo.WASHINGTON GAS LIGHT COMPANY
1100 H ST., N.W., WASHINGTON, D. C. 20003

PLEASE RETURN THIS STUB WITH PAYMENT

DATE March 11, 1976ACCT. NO. 142,108JOB NO. 2

Columbia Gas of Virginia, Inc.

AMOUNT \$ 449,555.94ACCTS REC. Spot Sale of Gas

| DESCRIPTION | | AMOUNT |
|---|------------------------|----------------------|
| Billing for gas deliveries for the period February 1, 1976 to February 29, 1976 | | |
| (16,200 Mcf per day for 15 days) | 243,000 Mcf @ \$1.7713 | \$ 430,425.90 |
| (1,200 Mcf per day for 9 days) | 10,800 Mcf @ \$1.7713 | 19,130.04 |
| Net Amount Due | | <u>\$ 449,555.94</u> |

Mailed 10:45
3-12-76

PREPARED

RECEIVED

ENTERED

REMOVED

INVOICE

FORM 1-6-76

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20000

TELEPHONE 750-1000

IN
ACCOUNT
WITHDATE April 12, 1976ACCT. NO. 142.108 ✓JOB NO. 2 ✓Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Attn: Mr. John Croom ✓

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
Checks may be made payable to WGLCo.

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20000

PLEASE RETURN THIS STUB WITH PAYMENT

DATE April 12, 1976ACCT. NO. 142.108 ✓JOB NO. 2 ✓

Columbia Gas of Virginia, Inc. ✓

AMOUNT \$ 65,078.76 ✓ACCTS. REC. Spot Sale of Gas

| DESCRIPTION | | AMOUNT |
|---|-------------------------|----------------------|
| Billing for gas deliveries for the period March 1, 1976 to March 31, 1976 ✓ | | |
| (1,200 Mcf per day for 1 day) ✓ | 1,200 Mcf @ \$1.7713 ✓ | \$ 2,125.56 ✓ |
| (1,200 Mcf per day for 30 days) ✓ | 36,000 Mcf @ \$1.7487 ✓ | 62,953.20 ✓ |
| Net Amount Due | | <u>\$65,078.76</u> ✓ |

75

Marked this for phone

Dimitri

INVOICE

FORM 2-6824

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20080

TELEPHONE 750-1000

DATE May 12, 1976ACCT. NO. 142,108JOB NO. 2IN
ACCOUNT
WITHColumbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Attention: Mr. John Croom

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGL Co.

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20080

PLEASE RETURN THIS STUB WITH PAYMENT

DATE May 12, 1976ACCT. NO. 142,108JOB NO. 2

Columbia Gas of Virginia, Inc.

AMOUNT \$ 87,430.28ACCTS REC. Spot Sale of Gas

DESCRIPTION

AMOUNT

Billing for gas deliveries for the period April 1, 1976 to April 30,
1976 (1,825 Mcf per day for 30 days) 54,750 Mcf @ \$1.5969

Net Amount Due

\$87,430.28\$87,430.28

76

Mailed 4:20 pm -

OK/DmI

DATE JUNE 11, 1976 4ACCT. NO. 142,105 4JOB NO. 2 4DATE June 11, 1976 4ACCT. NO. 142,105 4JOB NO. 2 4

Columbia Gas of Virginia, Inc. 4
 99 North Front Street
 Columbus, Ohio 43215 4

Attention: Mr. John Croon 4

Columbia Gas of Virginia, Inc. 4

AMOUNT \$ 90,344.62 4

ACCTS REC. SPOT SALES OF GAS 4

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
 Checks may be made payable to WGI Co.

| DESCRIPTION | AMOUNT |
|--|---------------|
| Billing for gas deliveries for the period May 1, 1976 thru May 31, 1976. 4 | |
| (1,825 Mcf per day for 31 days) 4 | |
| 56,575 Mcf @ \$1.5969 4 | \$90,344.52 4 |
| Net Amount Due 4 | \$90,344.62 4 |

MAILED 842 AM 6-11-76

Owl

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20000

TELEPHONE 750-1000

DATE July 9, 1976 ^h
ACCT. NO. 142.111 ^h
JOB NO. 2 ^h

Columbia Gas of Virginia, Inc.
99 North Front Street
Columbus, Ohio 43215

Attention: Mr. John Croom

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE.

Checks may be made payable to WGL Co.

WASHINGTON GAS LIGHT COMPANY
1100 H ST., N.W., WASHINGTON, D. C. 20000

PLEASE RETURN THIS STUB WITH PAYMENT

DATE July 9, 1976 ^h
ACCT. NO. 142.111 ^h
JOB NO. 2 ^h

Columbia Gas of Virginia, Inc.

AMOUNT \$ 87,430.28 ^h

ACCTS. REC. Spot Sales of Gas ^h

| DESCRIPTION | AMOUNT |
|--|-------------|
| Billing for gas deliveries for the period June 1, 1976 thru June 30, 1976. | |
| (1,825 Mcf per day for 30 days) 54,750 Mcf @ \$1.5969 | \$87,430.28 |
| Net Amount Due | \$87,430.28 |

Mailed 4:00 pm 7/9/76
ES

ES 7/9/76

FORWARDED JUN
CHECKED Even
RECEIVED _____

INVOICE
FORM G-750A

WASHINGTON GAS LIGHT COMPANY
1100 H STREET, N.W., WASHINGTON, D. C. 20080
TELEPHONE 750-1000

WASHINGTON GAS LIGHT COMPANY
1100 H ST., N.W., WASHINGTON, D.C. 20080

PLEASE RETURN THIS STUB WITH PAYMENT

DATE August 10, 1976

ACCT. NO. 142.111

JOB NO. 2

IN
ACCOUNT
WITH

Columbia Gas of Virginia, Inc. ✓
99 North Front Street ✓
Columbus, Ohio 43215 ✓

Attention: Mr. John Croom ✓

DATE August 10, 1976

ACCT. NO. 142.111

JOB NO. 2

Columbia Gas of Virginia, Inc. ✓

AMOUNT \$ 42,388.00

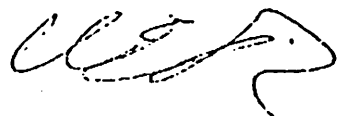
ACCTS. REC. Spot Sales of Gas

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
Checks may be made payable to WGLCo.

| DESCRIPTION | | AMOUNT |
|--|------------------------|----------------------|
| Billing for gas deliveries for the period July 1, 1976 thru July 14, 1976. ✓ | | |
| July 1, 1976 ✓ | 1,825 Mcf @ \$1.5969 ✓ | \$ 2,914.34 ✓ |
| July 2, thru 14, 1976, 1,825 Mcf for 13 days = 23,725 Mcf @ \$1.6638 ✓ | | <u>39,473.65</u> ✓ |
| Net Amount Due | | <u>\$42,388.00</u> ✓ |

EE eliohc

Mailed 4:00 pm
eliohc.



INVOICE

FORM 9-8228

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20030

TELEPHONE 750-1000

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20030

PLEASE RETURN THIS STUB WITH PAYMENT

DATE February 11, 1976ACCT. NO. 142.103JOB NO. 1IN
ACCOUNT
WITH

Commonwealth Natural Gas Corporation
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Paul H. Riley

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGLCo.

DATE February 11, 1976ACCT. NO. 142.103JOB NO. 1

Commonwealth Natural Gas Corp.,

AMOUNT \$ 309,613.63ACCTS REC. Spot Sale of Gas

| DESCRIPTION | | AMOUNT |
|---|-----------------------|---------------|
| Billing for deliveries for the period January 1, 1976 to January 31, 1976 | | |
| (10,420 Mcf per day for 9 days) | 93,730 Mcf @ \$1.727 | \$ 163,953.06 |
| (10,420 Mcf per day for 8 days) | 83,360 Mcf @ \$1.7713 | 147,555.57 |
| Net Amount Due | | \$ 311,508.63 |

WGL
2-12-76
5:45 PM
RM

INVOICE

FORM WGL-1

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20030

TELEPHONE 750-1000

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20030

PLEASE RETURN THIS STUB WITH PAYMENT

DATE March 11, 1976 ✓ACCT. NO. 142,108 ✓JOB NO. 1 ✓IN
ACCOUNT
WITHDATE March 11, 1976 ✓ACCT. NO. 142,108 ✓JOB NO. 1 ✓Commonwealth Natural Gas Corporation
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Paul H. Riley ✓

Commonwealth Natural Gas Corp. ✓

AMOUNT \$ 442,966.70 ✓ACCTS. REC. Spot Sale of Gas ✓PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
Checks may be made payable to WGLCo.

| DESCRIPTION | AMOUNT |
|---|-----------------|
| Billing for gas deliveries for the period February 1, 1976 to February 29, 1976 ✓ | |
| (10,420 Mcf per day for 24 days) ✓ 250,080 Mcf @ \$1.7713 ✓ | \$ 442,966.70 ✓ |
| Net Amount Due ✓ | \$ 442,966.70 ✓ |

WGL

Mailed 10:45

3-12-76

 PREPARED R-7
 CHECKED ✓
 REVIEWED ✓

INVOICE

FORM G-1412B

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20000

TELEPHONE 750-1000

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20000

PLEASE RETURN THIS STUB WITH PAYMENT

DATE April 12, 1976ACCT. NO. 142,108JOB NO. 1DATE April 12, 1976ACCT. NO. 142,108JOB NO. 1IN
ACCOUNT
WITHCommonwealth Natural Gas Corporation
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Paul H. Riley

Commonwealth Natural Gas Corp.

AMOUNT \$ 178,777.77ACCTS. REC. Spot Sale of Gas

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGL Co.

| DESCRIPTION | | AMOUNT |
|---|-----------------------|---------------------|
| Billing for gas deliveries for the period March 1, 1976 to March 31, 1976 | | |
| (10,420 Mcf per day for 1 day) | 10,420 Mcf @ \$1.7713 | \$ 18,456.95 |
| (10,420 Mcf per day for 4 days) | 41,680 Mcf @ \$1.7487 | 72,855.82 |
| (10,000 Mcf per day for 5 days) | 50,000 Mcf @ \$1.7487 | 87,435.00 |
| Net Amount Due | | <u>\$178,777.77</u> |

mailed 4:15 pm 4/12/76

STAMPED 4/12/76POSTED 4/12/76CALCULATED 4/12/76REVIEWED 4/12/76

INVOICE

FORM 3-2-21

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20080

TELEPHONE 750-1000

IN
ACCOUNT
WITHDATE May 12, 1976ACCT. NO. 142,108JOB NO. 1Commonwealth Natural Gas Corporation
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Paul H. Riley

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGL Co.

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 20080

PLEASE RETURN THIS STUB WITH PAYMENT

DATE May 12, 1976ACCT. NO. 142,108JOB NO. 1

Commonwealth Natural Gas Corp.

AMOUNT \$ 643,550.70ACCTS. REC. Spot Sale of Gas

| DESCRIPTION | AMOUNT |
|---|--------------|
| Billing for gas deliveries for the period April 1, 1976 to April 30, 1976 | |
| (12,000 Mcf per day for 3 days) | |
| (15,000 Mcf per day for 19 days) | |
| (19,000 Mcf per day for 2 days) | |
| 403,000 Mcf @ \$1.5969 | \$643,550.70 |
| Net Amount Due | \$643,550.70 |

Mailed 4:20 pm
5/12/76

Es static

OK/
DM

DATE June 11, 1976 *h*

ACCT. NO. 142.108 *h*

JOB NO. 1 *h*

DATE June 11, 1976 *h*

ACCT. NO. 142.108 *h*

JOB NO. 1 *h*

Commonwealth Natural Gas Corporation *h*
 200 South Third Street *h*
 Richmond, Virginia 23219 *h*

Attention: Mr. Paul H. Riley *h*

Commonwealth Natural Gas Corp. *h*

AMOUNT \$ 940,574.10 *h*

ACCTS REC. Spoke Sales of Gas *h*

PLEASE PRINT THIS INVOICE WHEN PAYING AT COMPANY OFFICE
 Checks may be made payable to WGL Co.

DESCRIPTION

Billing for gas deliveries for the period May 1, 1976 thru May 31, 1976 *h*
 9,000 Mcf per day for 31 days) *h* 589,000 Mcf @ \$1.5969 *h*
 Amount Due *h*

AMOUNT

\$940,574.10 *h*

\$940,574.10 *h*

MAILED 8⁴² AM

6-11-76 *Deal*

Deal

DATE July 9, 1976 ^h

ACCT. NO. 142.111 ^h

JOB NO. 1 ^h

DATE July 9, 1976 ^h

ACCT. NO. 142.111 ^h

JOB NO. 1 ^h

Commonwealth Natural Gas Corporation ⁷
200 South Third Street ⁷
Richmond, Virginia. 23219 ^h

Attention: Mr. Paul H. Riley ^h

Commonwealth Natural Gas Corp. ^h

AMOUNT \$ 910,233.00 ^h

ACCTS. REC. Spot Sales of Gas ^h

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
Checks may be made payable to WGLCo.

| DESCRIPTION | AMOUNT |
|--|----------------------------------|
| Billing for gas deliveries for the period June 1, 1976 thru June 30, 1976. ^h | |
| (19,000 Mcf per day for 30 days) ⁷ 570,000 ^h Mcf @ \$1.5969 ^h | <u>\$910,233.00</u> ^h |
| Amount Due ^h | <u>\$910,233.00</u> ^h |

Mailed 4:00 pm 7/9/76
ES

ES 7/9/76

APPROVED WN
FOR THE For
CHECKED For
RECEIVED

P.O. BOX
WASHINGTON

WASHINGTON GAS LIGHT COMPANY
1100 H STREET, N.W., WASHINGTON, D. C. 20080
TELEPHONE 750-1000

DATE August 10, 1976

ACCT. NO. 142.111

JOB NO. 1

IN
ACCOUNT
WITH

Commonwealth Natural Gas Corporation
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Paul H. Riley

PLEASE PRINT THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGLCo.

WASHINGTON GAS LIGHT COMPANY
1100 H ST., N.W., WASHINGTON, D. C. 20080

PLEASE RETURN THIS STUB WITH PAYMENT

DATE August 10, 1976

ACCT. NO. 142.111

JOB NO. 1

Commonwealth Natural Gas Corp.

AMOUNT \$ 978,707.10

ACCTS. REC. Spot Sales of Gas

DESCRIPTION

AMOUNT

Billing for gas deliveries for the period July 1, 1976 thru July 31, 1976.

July 1, 1976, 19,000 Mcf @ \$1.5969

\$ 30,341.10

July 2, thru 31, 1976, 19,000 Mcf for 30 days = 570,000 Mcf @ \$1.6638

948,366.00

Net Amount Due..

\$978,707.10

EE 8/10/76

Mailed 4:00 pm

- 8/10/76

98

WR

DATE September 9, 1976

ACCT. NO. 142,111

JOB NO. 1

Commonwealth Natural Gas Corporation
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Paul H. Riley

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE
Checks may be made payable to WGLCo.

DATE September 9, 1976

ACCT. NO. 142,111

JOB NO. 1

Commonwealth Natural Gas Co.

AMOUNT \$ 871,831.20

ACCTS. REC. Spot Sales of Gas

| DESCRIPTION | AMOUNT |
|---|---------------------|
| Billing for gas deliveries for the period August 1, 1976 thru August 31, 1976 - | |
| August 1, 1976 - August 27, 1976 - 19,000 Mcf for 27 days @ \$1.6638 | \$853,529.40 |
| August 28, 1976 - 11,000 Mcf @ \$1.6638 | 18,301.80 |
| Net Amount Due | <u>\$871,831.20</u> |

Mailed 3:45 pm
9/9/76

EE 9/9/76

original copy was corrected on typewriter

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W. WASHINGTON, D. C. 20005

TELEPHONE 750-1000

WASHINGTON GAS LIGHT COMPANY
1100 H STREET, N.W. WASHINGTON, D. C. 20005

PLEASE RETURN THIS STUB WITH PAYMENT

DATE October 11, 1976ACCT. NO 142,111JOB NO 1DATE October 11, 1976ACCT NO 142,111JOB NO 1

Commonwealth Natural Gas Corporation
220 South Third Street
Richmond, VA 23219

Attention: Mr. Paul H. Riley

Commonwealth Natural Gas Co

AMOUNT \$ 175,000.00ACCTS REC Spot Sales of Gas

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGLCo.

DESCRIPTION

AMOUNT

Billing for gas deliveries for the period September 16, 1976, thru
September 30, 1976.

10,000 Mcf for 14 days = 140,000 Mcf @ \$1.25

\$175,000.

Net amount due

\$175,000.

CASE NO. 19946

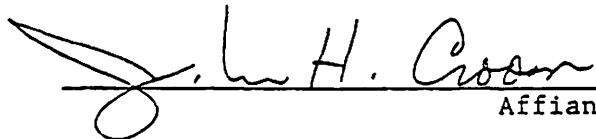
WGL EXHIBIT 5

AFFIDAVIT

STATE OF OHIO
COUNTY OF FRANKLIN, TO WIT:

Before the undersigned, a Notary Public in and for the county and state aforesaid, this day personally appeared John H. Croom, who being first duly sworn, deposes and says that he is Vice President and Chief Engineer of Columbia Gas of Virginia, Inc., 99 North Front Street, Columbus, Ohio 43215, and that he has held such position since December 1, 1974; that he is familiar with and has responsibility for agreements and contracts relating to gas supply for the said company, and that as a part of his duties and responsibilities he negotiated on behalf of said company for arrangement between buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, whereby Washington Gas Light Company released volumes of gas to Columbia Gas of Virginia, Inc. for the period November 19, 1975 through July 14, 1976. This agreement was initially consummated by letter agreement dated November 18, 1975 and was superseded by agreements dated December 12, 1975, and March 25, 1976. All arrangements were terminated effective 8:00 a.m., July 15, 1976. Neither the initial agreement nor any amendments or revisions thereto nor any discussions with reference thereto during the above period between Washington Gas Light Company and Columbia Gas of Virginia, Inc. made any reference to gross receipts taxes or the amounts thereof.

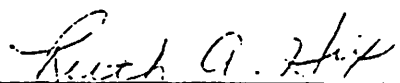
And further the said Affiant saith not.


Affiant

Taken, sworn to and subscribed before me in my said county and state this 7th day of February, 1978.

RUTH A. HIX
NOTARY PUBLIC, FRANKLIN COUNTY, OHIO
MY COMMISSION EXPIRES JUNE 15, 1978

My Commission Expires: _____


Notary Public

CASE NO. 19946

WGL EXHIBIT 6

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

In re

WASHINGTON GAS LIGHT COMPANY
Petition for Correction of Gross Receipts
Tax and Valuation Fund Tax for 1977

Case No. 19946

AFFIDAVIT OF RICHARD L. BELCHER

STATE OF VIRGINIA
CITY OF RICHMOND, to wit:

Richard L. Belcher, being first duly sworn, appeared this day before me, the undersigned authority, and deposed and said:

1. That he is Vice President - Rates and Supply of CNG Transmission Company and is authorized to make this affidavit on its behalf, that CNG Transmission Company is the corporate successor to the natural gas transmission business of Commonwealth Natural Gas Corporation (Commonwealth) and that he was also Vice President - Rates and Supply of Commonwealth during the calendar year 1976;

2. That Commonwealth purchased 3,344,320 Mcf of natural gas from Washington Gas Light Company (WGL) during calendar year 1976 for the benefit of the Commonwealth system;

3. That he negotiated and arranged such purchases with representatives of WGL and that he has reviewed the correspondence and other records to which he has access regarding such purchases in preparation of this affidavit;

4. That there was no discussion during such negotiations or during the effective term of such purchases of the applicability of Virginia Gross Receipts Taxes or Valuation Fund Taxes to such transactions, nor was he advised by representatives of WGL that the prices charged by WGL for such purchases included a factor to cover any Virginia Gross Receipts Taxes or Valuation Fund Taxes due on such transactions.

And further this deponent saith not.

Richard L. Belcher
Richard L. Belcher

Subscribed in my presence, and sworn to before me, by the officer above named this 8th day of February, 1978.

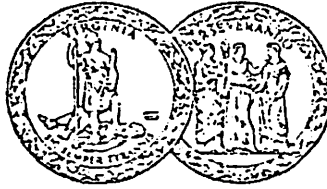
Thurley M. Nelson
Notary Public

My Commission expires: October 15, 1981

CASE NO. 19946

WGL EXHIBIT 7

COMMONWEALTH OF VIRGINIA



LAW DEPARTMENT

LEGAL COUNSEL

RICHARD D. ROGERS, JR.

DEPUTY GENERAL COUNSEL

LEWIS S. MINTER

GENERAL ATTORNEYS

WILLIAM F. SCHUTT

EDWARD L. FLIPPEN

ATTORNEYS

JOEL H. PECK

PETER B. SMITH

WAYNE N. SMITH

STATE CORPORATION COMMISSION

BOX 1197, RICHMOND, VA. 23209

(804) 786-8671

May 6, 1977

TO: Each Gas Utility

Re: GROSS RECEIPTS TAX - Code Section 58-603

Gentlemen:

Earlier, letters and memos were distributed to your companies advising essentially that:

The tax provided by Code §58-603 by its terms, is "for the privilege of exercising its franchise in this State. . . ." The transfer and sale of gas from one utility to another, when necessary to protect the public health, safety or welfare in this time of energy crises, does not, in our opinion, emanate from any exercise of franchise rights by a utility. To impose a gross receipts tax in such cases would not only involve double or triple taxation of the commodity . . . to the ultimate detriment of consumers . . . but appears clearly to be contrary to statutory interest.

The above language was contained in a memo from this office which was intended to confirm a prior verbal opinion upon which the Commission had informally acted with reference to a specific transfer of gas between two companies in compliance with Commission directive. The memo was not intended for distribution among your companies, nor was it intended to apply generally to all transfers of gas among Virginia gas utilities theretofore or thereafter occurring.

A search of our records clearly shows that "spot" sales between gas utilities had occurred before Commission ever directed, or encouraged, such sales to meet recent shortages. We believe that such sales will undoubtedly take place in the future.

May 6, 1977
Page 2

Also, it is our belief that transfers of gas will continue to be made as a result of many factors. Obviously, the federal government is contemplating transfers between utilities, both on an intrastate and an interstate basis, to alleviate local shortages. Virginia will continue to have a law which permits the Commission to direct transfers of gas to alleviate shortages. Obviously, the companies, in order to maintain an equitable balance of gas supplies, for all citizens, will have to use cooperative, self-help procedures as you are already doing.

Further, sales among companies will be both short-term and long-term. Sales will be within the State and across State lines. Sales are being made directly to the customers of other utilities.

The great diversity in the possible nature of future transfers, coupled with the overly broad interpretation which is being given to an internal memo, necessitates that this office withdraw its earlier advice. We have now advised the Commission that the Public Service Taxation Division should continue to assess the gross receipts tax on revenue from all sources.

If any action needs to be taken on the assessment of the gross receipts tax on revenue from transferred gas, it is this opinion in this office that an appropriate change should be made in the law.

Accordingly, the Director of the Commission's Division of Public Service Taxation has advised that his Division will assess revenues from all sources in accordance with heretofore established practice.

Sincerely yours,

R. D. Rogers, Jr.

Richard D. Rogers, Jr.
General Counsel

RDRjr/mt

CASE NO. 19946

WGL EXHIBIT 8

Washington Gas

WASHINGTON GAS LIGHT COMPANY

May 31, 1977

The Honorable Preston C. Shannon, Chairman
Commonwealth of Virginia
State Corporation Commission
P. O. Box 1197
Richmond, Virginia 23209

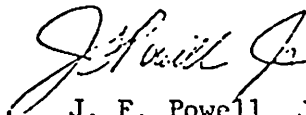
Dear Judge Shannon:

Enclosed are our payments of \$811,812.61 and \$58,583.75 for the balance of our 1977 Gross Receipts Tax and the Valuation Fund Tax, as assessed, respectively. These amounts include the sum of \$241,150.53 in payment of such taxes on spot sales of gas made to other utilities during 1976.

As you are aware, the Commission staff has recently indicated that the gross receipts tax applies to such revenues. This position is a change from a position stated by a letter to us from Mr. Edward M. Vassar dated February 9, 1976.

In view of all the circumstances, it is respectfully suggested that the Commission review the decision of Commission staff to apply the tax to 1976 spot sales and consider the propriety of applying the tax only on a prospective basis and, accordingly, to make any necessary refunds.

Very truly yours,



J. F. Powell, Jr.
Manager, Tax Department

Enclosures

CASE NO. 19946

WGL EXHIBIT 10

December 1, 1978

Mr. Frank C. Sutton, III
President
CNG Transmission Company
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Sutton:

This letter sets forth our understanding of the proposed sale pursuant to 18 C.F.R. §157 subpart C, whereby Washington Gas Light Company (Washington) will sell, and CNG Transmission Company (CNG) will purchase, 981,000 dekatherms of gas during a period not to exceed sixty consecutive calendar days from the day of first delivery, subject to the following conditions:

1. Washington will release up to 60,000 dekatherms per day of its entitlement from Columbia Gas Transmission Corporation (Columbia) for delivery by Columbia to CNG, and Washington may release more than 60,000 dekatherms per day for delivery by Columbia to CNG subject to CNG's ability to accept such greater volume, provided however, Washington may, at its sole discretion, suspend such daily release when Washington requires its full daily pipeline deliveries.

2. CNG certifies an "emergency" within the meaning of 18 C.F.R. §157.46.

3. Washington will bill CNG on or before the 14th day of the calendar month for each dekatherm released by it for delivery during the prior month at the rate of \$1.99 per dekatherm multiplied by an amount equal to the effective factor to provide for Virginia taxes based on gross receipts applicable to Washington, which shall be payable on or before the 22nd day of that month.

4. The rate per dekatherm set forth in paragraph 3 shall be increased by the amount of any increase in Columbia's rates in its FERC tariff, Original Volume 1, Substitute 47th Revised Sheet No. 16, effective November 1, 1978, applicable to Washington during this sale.

5. CNG will be responsible for and will obtain the necessary approval for transportation by Columbia pursuant to 18 C.F.R. §157 subpart C.

6. Transportation and fuel charges by Columbia, if any, shall be the responsibility of CNG.

Mr. Frank C. Sutton, III
December 1, 1978
Page Two

7. This agreement shall not, unless extended in compliance with \$157.48, involve deliveries for more than sixty consecutive calendar days.

8. This agreement is not assignable.

9. If this letter correctly sets forth your understanding, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

WASHINGTON GAS LIGHT COMPANY

By Donald J. Hein
Donald J. Hein, President

Accepted and Agreed to:

CNG TRANSMISSION COMPANY

By _____

CASE NO. 19946

WGL EXHIBIT 11



February 26, 1979

DONALD J. HEIM
PRESIDENT

Mr. Frank T. Sutton, III
President
CNG Transmission Company
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Sutton:

This letter sets forth our understanding of the proposed sale pursuant to 18 C.F.R. § 157 subpart C, whereby Washington Gas Light Company (Washington) will sell on a best efforts basis, and CNG Transmission Company (CNG) will purchase, up to 700,000 dekatherms of gas during a period not to exceed sixty consecutive calendar days from the day of first delivery, subject to the following conditions:

1. Washington will release up to 100,000 dekatherms per day of its entitlement from Columbia Gas Transmission Corporation (Columbia) for delivery by Columbia to CNG, and Washington may release more than 100,000 dekatherms per day for delivery by Columbia to CNG subject to CNG's ability to accept such greater volume, provided however, Washington may, at its sole discretion, suspend such daily release when Washington requires its full daily pipeline deliveries.
2. CNG certifies an "emergency" within the meaning of 18 C.F.R. § 157.46 and that it will obtain waiver of 18 C.F.R. § 157.48(b) prior to accepting delivery.
3. Washington will bill CNG on or before the 14th day of the calendar month for each dekatherm released by it for delivery during the prior month at the rate of \$2.00 per dekatherm for each dekatherm released in February, 1979, and at the rate of \$2.06 per dekatherm for each dekatherm released in March, 1979, multiplied by an amount equal to the effective factor to provide for Virginia taxes based on gross receipts taxes applicable to Washington, which bill shall be payable on or before the 22nd day of that month.
4. CNG will be responsible for and will obtain the necessary approval for transportation by Columbia pursuant to 18 C.F.R. § 157 subpart C.
5. Transportation and fuel charges by Columbia, if any, shall be the responsibility of CNG.
6. This agreement is not assignable.

Mr. Frank T. Sutton, III
February 26, 1979
Page Two

7. If this letter correctly sets forth your understanding, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

WASHINGTON GAS LIGHT COMPANY

By _____
Donald J. Heim, President

Accepted and Agreed to:

CNG TRANSMISSION COMPANY

By _____

CASE NO. 19946

WGL EXHIBIT 12

INVOICE

FORM G-643R

WASHINGTON GAS LIGHT COMPANY

1100 H STREET, N.W., WASHINGTON, D. C. 20080

TELEPHONE 750-1000

DATE January 12, 1979ACCT. NO. 142.111JOB NO. 1

CNG Transmission Company
200 South Third Street
Richmond, Virginia 23219

Attention: Mr. Frank C. Sutton, III

PLEASE BRING THIS INVOICE WHEN PAYING AT COMPANY OFFICE

Checks may be made payable to WGLCo.

WASHINGTON GAS LIGHT COMPANY

1100 H ST., N.W., WASHINGTON, D. C. 200

PLEASE RETURN THIS STUB WITH PAYM

DATE January 12, 1979ACCT. NO. 142.111JOB NO. 1

CNG Transmission Company

AMOUNT \$ 2,014,660.00ACCTS REC. Spot Sales of Gas

DESCRIPTION

AMOUNT

Billing for gas deliveries during December 1978.

981,000 Dth @ \$1.99/Dth
Gross Receipts Tax

\$1,952,190.00
62,470.00

\$2,014,660

[Handwritten signature]
11/12/79

OE
Max Cool at
10:30 am
11/12/79

Dec 2-18?

CASE NO. 19946

WGL EXHIBIT 15



C O P Y

May 3, 1977

Mr. S. C. Burruss, Director
Public Service Taxation Division
State Corporation Commission
P. O. Box 1197
Richmond, Virginia 23209

Dear Mr. Burruss:

As requested, the reduction in gross receipts involved sales (transfers) to two other gas utilities as follows:

| | |
|--|-----------------------|
| Commonwealth Natural Gas Corporation (CNG) | \$5,451,254.20 |
| Columbia Gas of Virginia, Inc. (CGV) | <u>1,303,662.72</u> |
| Total | <u>\$6,754,916.92</u> |

These sales were in conformance with the Natural Gas Curtailment Priorities and Conservation Guidelines adopted by the State Corporation Commission of Virginia by order of October 8, 1975, entered in Case No. 19548.

Pursuant to letter agreements with CNG and CGV, we agreed to release a portion of our entitlement from Columbia Gas Transmission Corporation, up to specified maximum volumes of gas per day, to protect CNG's and CGV's firm load requirements only. The gas was delivered directly to CNG and CGV by Columbia Gas Transmission Corporation and billed to Washington Gas Light Company.

The second paragraph of a letter dated February 9, 1976 to Mr. John E. Mercer, Comptroller, Washington Gas Light Company, from Mr. Edward M. Vassar, Chief Accountant, State Corporation Commission, states:

"The tax provided by Code #58-603 by its terms, is
"for the privilege of exercising its franchise in

this State". The Commission has decided that the transfer and sale of gas from one utility to another, when necessary to protect the public health, safety or welfare in this time of energy crisis, does not, in its opinion, emanate from any exercise of franchise rights by a utility and to impose a gross receipts tax in such cases would not only involve double or triple taxation of the commodity - to the ultimate detriment of consumers - but would appear clearly to be contrary to statutory intent."

In view of the foregoing, I feel our sales to the other gas utilities in the instant circumstances are exempt from the gross receipts tax.

Sincerely,



J. F. Powell, Jr.
Manager, Tax Department

CASE NO. 19946

WGL EXHIBIT 16

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

MAY 13 1977

NOTICE OF GROSS RECEIPTS TAX ASSESSED FOR THE YEAR 1977

Gas Corporations

Check payable to the TREASURER OF VIRGINIA and forwarded to address listed below on or before June First.

CHECK WITH THIS NOTICE TO:

SERVICE TAXATION DIVISION

CORPORATION COMMISSION

BOX 1197

LAND, VIRGINIA 23209

| TOTAL TAX ON GROSS RECEIPTS FOR THE YEAR | AMOUNT PAID PREVIOUSLY | BALANCE DUE OR (OVERPAYMENT) |
|---|---------------------------|---------------------------------|
| \$2,926,812.61 | \$2,115,000.00 | \$811,812.61 |

Wilmington Gas Light Company

W. Laird, Treas.

11th St., N. W.

Wilmington, D. C. 20080

A true copy of the assessment

William C. Young

Clerk of the Commission

FAILURE TO PAY BY JUNE FIRST CAUSES A PENALTY OF 5% TO BE ADDED

APPROVED *[Signature]* \$ 811,812.61
APPROVED *[Signature]* \$ 811,812.61
PURPOSE VIRGINIA GROSS RECEIPTS
Tax - 1977 (Balance Due)
ACCT. CHARGED 236.183 \$ 811,812.61
DUE 5/27/77 AUDITED *[Signature]* L.S.
*AMOUNT TO BE ENTERED IN INK BY PERSON APPROVING

CASE NO. 19946

WGL EXHIBIT 17

17

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

MAY 18 1977

NOTICE OF STATE TAX ON ROLLING STOCK OR POLE LINE AND SPECIAL TAXES ASSESSED
FOR THE YEAR 1977
Gas Corporations

Check payable to the TREASURER OF VIRGINIA and forwarded to address listed below on or before June First.

CHECK WITH THIS NOTICE TO:

SERVICE TAXATION DIVISION

CORPORATION COMMISSION

BOX 1197

OND, VIRGINIA 23209

| PAGE AND LINE NO. | TAX ON ROLLING STOCK OR POLE LINE | SPECIAL TAXES | TOTAL |
|----------------------|---|------------------|-------------|
| 1-16 | | \$58,583.75 | \$58,583.75 |

Washington Gas Light Company ✓
N. W. Laird, Treas.
1100 H St., N. W.
Washington, D. C. 20080

A true copy of the assessment.

William C. Zary

Clerk of the Commission

FAILURE TO PAY BY JUNE FIRST CAUSES A PENALTY OF 5% TO BE ADDED
(YOUR CANCELLED CHECK WILL BE YOUR RECEIPT FOR PAYMENT)

APPROVED

APPROVED

PURPOSE

FUND - 1977

\$58,583.75

\$58,583.75

VIRGINIA VALUATION

CASE NO. 19946

WGL EXHIBIT 18

COMMONWEALTH OF VIRGINIA



S. C. BURRUSS
DIRECTOR
TEL. (804) 786-3679

A. L. O'BRYAN
ASSISTANT DIRECTOR
TEL. (804) 786-3670

P. O. BOX 1147
RICHMOND, VA 23260

STATE CORPORATION COMMISSION
PUBLIC SERVICE TAXATION DIVISION

September 28, 1977

Mr. Lewis Carroll, Vice President and General Counsel
Washington Gas Light Company
1100 H Street, N. W.
Washington, D. C. 20005

Dear Mr. Carroll:

By letter dated May 6, 1977, from Richard D. Rogers, Jr., the Commission's General Counsel, your company was advised that this Division was expected to assess revenues from all sources in collecting the gross receipts tax provided by Virginia Code §58-603. The foregoing letter thus countermanded earlier advice that the gross receipts tax would not be assessed against sales between gas companies in compliance with Natural Gas Curtailment Priorities and Conservation Guidelines earlier adopted by this Commission.

The foregoing reversal resulted from apparent misunderstanding on the part of some gas companies and some members of the Commission's staff which led to applications of questionable merit for exemptions from the gross receipts tax.

However, it now appears that your company, in reasonable reliance upon communications from our staff, may have acted to its detriment in specific instances by failing to include a sum sufficient to cover gross receipts tax liability as part of negotiated sales of gas to other utilities.

Under the law, the only procedure for obtaining a correction of the tax assessed and collected is to petition pursuant to Code §§58-1122 et seq.

In addition to any other information considered necessary, I am advised the verified petition should contain the following:

The sworn statement of a corporate officer to the effect that petitioner received and relied upon a written communication from a responsible member of the Commission's staff which resulted in negotiated sales of gas to other Virginia gas utilities the price, or prices, of which intentionally omitted any sum, or sums, to affect payment of

any gross receipts tax liability on such sales. Full details of all such sales claimed - including purchaser, amount of gas, time of contract negotiation, time, and place of delivery, and sales prices shall be set forth, also in the verified petition, together with an attached copy of the Commission staff communication relied upon by petitioner.

If your company determines to file claim in accordance with the foregoing, the matter will be processed as quickly as possible.

The Commission strongly urges that all future instructions regarding the gross receipts tax come from this office or the office of the Commission's General Counsel.

Yours very truly,



S. C. BURRUSS

SCB
elh

CC: John F. Powell, Jr., Manager
Tax Department

CASE NO. 19946

WGL EXHIBIT 19



Washington Gas

April 5, 1977

PAUL E. REICHERT
CHAIRMAN OF THE BOARD AND PRESIDENT

Mr. Paul H. Riley
Chairman, President and
Chief Executive Officer
CNG Transmission Company
200 South Third Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Third Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release up to 16,500 Dth per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of CNG Transmission Company (CNG) on an "as available" basis, commencing on or after April 1, 1977, and continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine, but in no event later than May 31, 1977.

2. CNG certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

3. Washington shall bill CNG on or before the 14th day of the calendar month for each Dth released during the prior month for the benefit of CNG at the rate of \$2.20 per Dth, which shall be payable on or before the 22nd day of that month.

4. CNG will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to commencement of deliveries.

5. Upon oral notice from Washington to Columbia Gas Transmission Corporation, this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

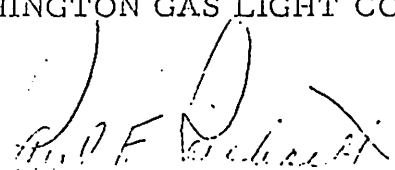
6. CNG may terminate this Arrangement Between Buyers by giving ten days written notice to Washington.

7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

WASHINGTON GAS LIGHT COMPANY.

By

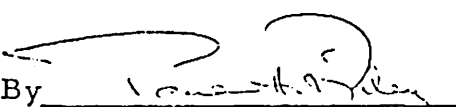

Paul E. Reichardt

Chairman of the Board and President

Accepted and Agreed to:

CNG TRANSMISSION COMPANY

By


Paul H. Riley

Chairman, President and Chief
Executive Officer



May 5, 1977

PAUL E. REICHARDT
CHAIRMAN OF THE BOARD AND PRESIDENT

Mr. Paul H. Riley
Chairman, President and
Chief Executive Officer
CNG Transmission Company
200 South Third Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Third Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release up to 30,000 Dth per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of CNG Transmission Company (CNG) commencing on or after November 1, 1977, and continuing thereafter for such period until a total of 3,000,000 Dth have been released, but in no event later than March 31, 1978. It is understood that on certain days during the release period, Washington may require this daily volume to meet its total daily requirements. On such days, Washington, in its sole discretion, shall determine if the daily release shall be made; also, Washington shall be allowed to increase the daily entitlement to CNG within CNG's ability to accept desired increases.

2. Of the above specified quantity, the first 2,000,000 Dth will be considered firm supply and sold on a "take or pay" basis. The remaining 1,000,000 Dth will be supplied on an "as available" basis.

3. CNG certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

4. Washington shall bill CNG on or before the 14th day of the calendar month for each Dth released during the prior month for the benefit of CNG at the rate of \$2.40 per Dth, which shall be payable on or before the 22nd day of that month.

Mr. Paul H. Riley
CNG Transmission Company

2 -

May 5, 1977

5. CNG will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to commencement of deliveries.

6. Subsequent to delivery of the firm supply and upon oral notice from Washington to Columbia Gas Transmission Corporation, this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

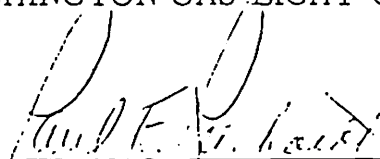
7. Subsequent to delivery of the firm supply, CNG may terminate this Arrangement Between Buyers by giving ten days written notice to Washington.

8. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

WASHINGTON GAS LIGHT COMPANY

By



Paul E. Reichardt

Chairman of the Board and President

Accepted and Agreed to:

CNG TRANSMISSION COMPANY

By _____

Paul H. Riley

Chairman, President and Chief
Executive Officer



DONALD J. HEIM
VICE PRESIDENT
CORPORATE PLANNING AND SERVICES

June 13, 1977

Mr. Paul H. Riley
Chairman, President and
Chief Executive Officer
CNG Transmission Company
200 South Third Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the proposed Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Third Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release up to 30,000 Dth per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of CNG Transmission Company (CNG) commencing on or after November 1, 1977, and continuing thereafter for such period until a total of 3,000,000 Dth have been released, but in no event later than March 31, 1978. It is understood that on certain days during the release period, Washington may require this daily volume to meet its total daily requirements. On such days, Washington, in its sole discretion, shall determine if the daily release shall be made; also, Washington shall be allowed to increase the daily entitlement to CNG within CNG's ability to accept desired increases.

2. Of the above specified quantity, the first 1,471,800 Dth will be considered firm supply and supplied on a "take or pay" basis. The remaining 1,528,200 Dth will be supplied on an "as available" basis.

3. CNG certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

4. Washington shall bill CNG on or before the 14th day of the calendar month for each Dth released during the prior month for the benefit of CNG at the rate of \$2.40 per Dth, which shall be payable on or before the 22nd day of that month.

5. This Arrangement Between Buyers, and the rights and responsibilities of the parties hereunder, is subject to and contingent upon the approval of Columbia Gas Transmission Corporation of the Arrangement and of the deliveries of gas as set forth herein, and it is the responsibility of CNG to obtain this approval from Columbia prior to commencement of deliveries.

6. Upon completion of deliveries of the firm supply, this Arrangement Between Buyers may be suspended or terminated by Washington, upon oral notice from Washington to CNG and Columbia Gas Transmission Corporation, for such periods and at such times as Washington, in its sole discretion, may determine. Upon completion of deliveries of the firm supply, this Arrangement Between Buyers may be terminated by CNG upon ten days written notice to Washington.

7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

WASHINGTON GAS LIGHT COMPANY

By Donald J. Heim
Donald J. Heim, Vice President
Corporate Planning and Services

Accepted and Agreed to:

CNG TRANSMISSION COMPANY

By Paul H. Riley
Paul H. Riley, Chairman, President
and Chief Executive Officer



October 19, 1977

PAUL E. REICHARDT
CHAIRMAN OF THE BOARD AND PRESIDENT

Mr. Paul H. Riley, Chairman
President and Chief Executive Officer
CNG Transmission Company
200 South 3rd Street
Richmond, Virginia 23219

Dear Mr. Riley:

1. This letter sets forth our understanding of the Arrangement Between Buyers pursuant to the provisions of Section 14.8 of the General Terms and Conditions contained in Columbia Gas Transmission Corporation's FPC Gas Tariff, Original Volume No. 1, Third Revised Sheet No. 62C, whereby Washington Gas Light Company (Washington) will release 10,000 Dth per day of its entitlement from Columbia Gas Transmission Corporation for the benefit of CNG Transmission Company (CNG) on an "as available" basis, commencing October 19, 1977, and continuing thereafter for such periods and for as long as Washington, in its sole discretion, may determine, but in no event beyond the end of the gas day, October 31, 1977.

2. CNG certifies that the volumes received under this Arrangement Between Buyers will be used to protect its firm load requirements only.

3. Washington shall bill CNG on or before the 11th day of November for each Dth released during October for the benefit of CNG at the rate of \$2.20 per dth, which shall be payable on or before the 21st day of November, 1977.

4. CNG will be responsible for and will obtain the necessary approval of this Arrangement Between Buyers from Columbia Gas Transmission Corporation prior to commencement of deliveries.

Mr. Paul H. Riley
October 19, 1977
Page Two

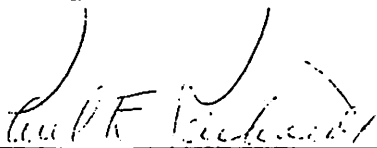
5. Upon oral notice from Washington to Columbia Gas Transmission Corporation this Arrangement Between Buyers may be suspended or terminated for such periods and at such time as Washington, in its sole discretion, may determine.

6. CNG may terminate this Arrangement Between Buyers by giving one day's notice to Washington.

7. If this letter correctly sets forth the Arrangement Between Buyers, please so indicate by signing and returning the original to me. The attached copy, signed by me, is for your files.

Yours very truly,

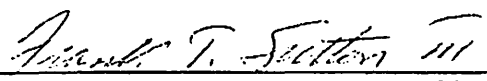
WASHINGTON GAS LIGHT COMPANY

By 

Paul E. Reichardt
Chairman of the Board and President

Accepted and Agreed to:

CNG TRANSMISSION COMPANY

By 
President

CASE NO. 19946

WGL EXHIBIT 20

Telecon from Bob Tuck - 11/18/75

Letter authorizing sale by Col-UA
to Chemtore going out this AM over
Jordan's signature. In compliance
with Section 5 of Gas Containment Plan

He hoped WGC could release gas -

I told him we would on an as available
basis, ~~he~~ and hoped to have all arrangements
completed today -

He said we should make sure that
Gross Receipts taxes are not paid twice,
by Columbia & WGC,

(I & Merceron will follow - then - he
thought that since it was a wholesale
sale for WGC, no tax would be paid)

LETTER FROM LEWIS S. MINTER, ESQUIRE TO JOHN W. REILLY,
Dated May 15, 1979 with enclosed MEMORANDUM FROM MINTER
TO THE COMMISSIONERS, dated February 2, 1976

May 15, 1979

John W. Riely, Esquire
Hunton and Williams
707 East Main Street
P.O. Box 1535
Richmond, Virginia 23212

Re: Case No. 19946 - Petition of Washington
Gas Light Company for Refund of 1976 Gross
Receipts Franchise Tax

Dear Mr. Riely:

Your letter of May 14, 1979, has been received, together
with the agreements enclosed therewith between your client
and CNG Transmission Company.

Pursuant to your request, I enclose a copy of my memo
of February 2, 1976, addressed to the Commissioners. A copy
will be filed with the record in this case and a copy also
furnished to Mr. Gambardella.

Yours truly,

Lewis S. Minter
Deputy General Counsel

LSM/rj

Enclosure

cc: Junie L. Bradshaw, Chairman
Preston C. Shannon, Commissioner
Thomas P. Harwood, Jr., Commissioner

Anthony Gambardella, Esquire
Assistant Attorney General

February 2, 1976

MEMORANDUM

TO: Thomas P. Harwood, Jr.
Preston C. Shannon
Junie L. Bradshaw
Lee B. Younger
Robert T. Tuck

FROM: Lewis S. Minter

This will confirm prior legal opinions underlying Commission decision not to apply the gross receipts tax to sales between gas companies in compliance with Natural Gas Curtailment Priorities and Conservation Guidelines previously adopted by this Commission by Order of October 8, 1975, entered in Case No. 19548.

The tax provided by Code §58-603, by its terms, is "for the privilege of exercising its franchise in this State . . ." The transfer and sale of gas from one utility to another, when necessary to protect the public health, safety or welfare in this time of energy crisis, does not, in our opinion, emanate from any exercise of franchise rights by a utility. To impose a gross receipts tax in such cases would not only involve double or triple taxation of the commodity -- to the ultimate detriment of consumers -- but appears clearly to be contrary to statutory intent.

L. S. M.

LSM/lsh

cc: Edward M. Vassar

1
2
3 JEREMIAH K. HUGHITT, a witness called by
4 and on behalf of the Petitioner, having first been duly
5 sworn, testified as follows:

6 DIRECT EXAMINATION

7 BY MR. RIELY:

8
9 Q Please state your name and business
10 address?

11 A My name is Jeremiah K. Hughitt. My
12 business address is 6801 Industrial Road, Springfield,
13 Virginia.

14 Q What is your position and by whom are
15 you employed?

16 A My position is Vice-President of Corporate
17 Planning, Services and Rates. I am employed by the Washington
18 Gas Light Company.

19 Q Please describe your prior experience with
20 the Washington Gas Light Company.

21 A I have been employed by the Company for
22 twenty-eight years. I was elected to my present position
23 of Vice-President for Corporate Planning, Services and Rates
24 effective November 1, 1977.

Prior to that time, I was Director of Corporate Planning and Research for three years. My other positions were in the Marketing, Engineering, Gas Supply and Research and Utilization Departments.

Q What are your responsibilities relating to this case?

A I negotiated the terms of all the contracts for gas sales which are included in this case.

Q Who else was involved in negotiating these contracts?

A The Assistant Director of Corporate Planning at the time, Mr. William Mulkey, the Rate Department and the Vice-President of Corporate Planning and Services were consulted.

Q What is the purpose of your testimony in this case?

A I will show that WGL did not include in its negotiated rates an allowance for gross receipts tax and valuation fund tax liability in negotiating these spot sales of gas. For ease in reference, I would like to refer to both taxes as simply gross receipts tax.

I will show that on advice from, and in reliance on, the SCC Staff, WGL omitted any consideration of

gross receipts tax and consequently did not include a price factor for these taxes.

CHAIRMAN BRADSHAW: Let me stop you there, Mr. Hughitt. What Staff member did you talk to?

WITNESS HUGHITT: Initially, we dealt with Mr. Tuck and subsequently we continued to deal with Mr. Tuck and Mr. Bailey, as well, and on occasion with Mr. Jordon, at a later time. But reference in the testimony is communication with Mr. Tuck.

CHAIRMAN BRADSHAW: All right.

BY MR. RIELY: (Continuing)

Q Please describe the circumstances of the gas sales which are the subject of this proceeding.

A During the period of November 1975 through September 1976, a time of critical natural gas shortage in Virginia, WGL made spot sales to Commonwealth Natural Gas Corporation and Columbia Gas of Virginia. The exact dates, volumes and sales price of these sales are shown on Exhibit Number 1.

MR. RIELY: If it please the Commission, there has been prefiled a book with sixteen exhibits. I think I may have offered them subject to later objection.

COMMISSIONER SHANNON: All right. Let's go ahead and accept the orange booklet containing seventeen, or sixteen --

MR. RIELY: Seventeen.

COMMISSIONER SHANNON: -- seventeen exhibits.

MR. RIELY: I assume Mr. Gambardella would object to some of them.

COMMISSIONER SHANNON: They will be marked for identification, of course, and they will be received, depending on the objections that are made by the Attorney General.

MR. GAMBARDELLA: Yes, sir.

BY MR. RIELY: (Continuing)

Q What authority did WGL have to make these sales?

A WGL was acting in compliance with a plan of Natural Gas Curtailment Priorities and Conservation Guidelines

which was adopted by this Commission's Order on October 8th, 1975 in Case Number 19548, WGL Exhibit Number 2.

Under this plan, gas distribution companies were authorized and encouraged to sell gas to other gas companies in Virginia to relieve regional shortages.

Q Now, looking at Exhibit Number 1, it shows a column called "Contract Price." Is that the full price charged for gas sold under the contracts?

A Yes. You are looking at Column Number 1. I don't see Column Number 1.

Q Excuse me. No. Any column called "Contract Price." The column to the right. Is that the full contract price?

A That is the full contract price as modified by the asterisks at the bottom of the page. It was modified from time to time to reflect increases in the cost of gas to Washington from Columbia Gas.

Q That's under the PGA?

A Yes, sir.

Q So, the prices shown in that column were amended at the time of the sales by the effective PGA at the

time?

A That's correct.

Q All right, sir. Did Washington Gas Light include a factor for Virginia gross receipts taxes in that price?

A No.

Q Why was there no factor for gross receipts tax shown in that price?

A WGL had received oral and written advice from the Commission Staff that gross receipts taxes would not be assessed on sales of gas made under the Commission's Natural Gas Curtailment Priority Plan.

This is the plan I mentioned earlier which was adopted to alleviate, in part, regional gas shortages.

Q When did Washington Gas Light first receive advice from the Commission on this matter?

A In November, 1975, Mr. William A. Mulkey, a WGL employee, had a telephone conversation with a member of the Commission's Staff. The Staff member indicated that the gross receipts taxes should not be collected twice on sales of gas. He also indicated that the Commission would issue some letter on this subject.

Q Was that ever done?

A Yes.

CHAIRMAN BRADSHAW: Do you have a
copy of that?

MR. RIELY: Yes, sir, it's coming
right up. It's Exhibit Number 3.

CHAIRMAN BRADSHAW: Is that the same
letter referred to in the previous paragraph?

MR. RIELY: Yes, sir.

BY MR. RIELY: (Continuing)

Q What was Mr. Mulkey's position with WGL
at that time?

A Mr. Mulkey was Assistant Director of
Corporate Planning.

Q What did WGL do as a result of this advice?

A WGL -- when WGL negotiated contracts in
November of 1975 to sell gas to Commonwealth and Columbia
Gas of Virginia, we did not include a factor for gross
receipts tax in the price.

Q Who negotiated the terms of the contracts
on behalf of Washington Gas Light?

A I did.

Q Was the failure to include a factor for gross receipts tax due to a reliance on the Commission's oral advice?

A Yes. We had no reason to consider gross receipts tax in negotiating this price because we had been told gross receipts taxes would not be assessed on these sales.

Q Did you receive any other advice from the Commission on this matter?

A Yes. In February, 1976, WGL received a letter dated February 9, 1976, from Mr. Vassar, Chief Accountant of the Commission. This letter is WGL Exhibit Number 3.

Q Now, Exhibit Number 3, what advice does this letter contain?

A The letter states that the Commission had decided, and I am quoting: "...not to apply the gross receipts tax to sales between gas companies in compliance with the Natural Gas Curtailment Priorities and Conservation Guidelines previously adopted by this Commission."

Q What did Washington do in response to that advice?

1 A WGL executed additional contracts for
2
3 sales of gas to Commonwealth and Columbia, as shown on
4 WGL Exhibit Number 1. Gross receipts taxes were not
5 considered in negotiating these contracts because WGL
6 still assumed no gross receipts taxes would be collected.

7 Q Who negotiated the terms of those sales?

8 A I did.

9 Q Do you have copies of these contracts?

10 A Yes. They are contained in WGL Exhibit
11 Number 4 and 4-A.

12 Q Now, in the Motion for Extension of Time
13 filed by the Attorney General in January of 1978, he says
14 that, and I quote: "In order to make this determination
15 this office needs to be provided certain documents and
16 affidavits not included with the Petition filed by Washington
17 Gas Light Company."

18 Do you have any additional evidence
19 that Columbia Gas of Virginia and Commonwealth Natural did
20 not consider gross receipts taxes in negotiating these
21 sales?

22 A Yes. We have an affidavit from Mr. John
23 Croom, Vice-President and Chief Engineer of Columbia Gas of
24 Virginia, WGL Exhibit Number 5. Also, we have an affidavit

from Mr. Richard L. Belcher, Vice-President of CNG
Transmission Company.

CNG is the corporate successor of
Commonwealth Natural Gas, WGL Exhibit Number 5.

Q Will you briefly describe the content of
these affidavits?

MR. GAMBARDILLA: I'm going to have
to object to that question and the answer and
to exhibits, Exhibit 4, Exhibit 5 and 6.

The affidavits are hearsay.

MR. RIELY: Well, they were filed, if
Your Honor please, in response to the request of
the Attorney General in January, 1978. And I
would have to admit that they are hearsay, although
I think the case is proven without regard to them.

I do think the Attorney General has
asked for them, and I believe he has waived the
question of hearsay.

COMMISSIONER SHANNON: Did you ask for
them, Mr. Gambardella?

MR. GAMBARDILLA: Your Honor, we asked
for those affidavits. The affidavits we actually

asked for were the response we asked for by
affidavit was not the response we received in
those affidavits.

MR. RIELY: May I read what you want,
what you said you wanted?

MR. GAMBARDILLA: Your Honor, we asked
for affidavits of purchases of the gas in question
which state that the final negotiated price
contract, price of such gas, reflected the fact
that no valuation for gross receipts taxes would
be paid by Washington Gas Light Company.

MR. RIELY: And the Affidavits provide --

MR. GAMBARDILLA: The Affidavits simply
say --

MR. RIELY: That the matter was
considered. I think they are responsive to the
request.

MR. GAMBARDILLA: It seems to me the
Affidavit --

COMMISSIONER SHANNON: Well, I think
there is an element of hearsay here, but since
the Attorney General asked for them and since
I'm looking at Exhibit 5, it looks like the point

is discussed, where he says: "Neither the initial agreement nor any amendments or revisions thereto nor any discussions with reference thereto during the above period between Washington Gas Light Company and Columbia Gas of Virginia, Inc. made any reference to gross receipts taxes or the amounts thereof."

So, I think the objection goes to the weight. I don't think the case is going to turn or fall on these Affidavits, Mr. Gambardella.

So, we will go ahead and let them in.

MR. GAMBARDELLA: Thank you.

BY MR. RIELY: (Continuing)

Q Please state again the dates of those sales we are concerned about in this case.

A They were made in November of 1975 through September of 1976.

Q When did Washington Gas Light first learn that the Commission would expect gross receipts taxes to be paid on these sales?

A In May, 1977, WGL received a letter from Mr. Rogers, the Commission's General Counsel. This letter

is WGL Exhibit Number 7.

Q Will you describe generally the content of this letter, please?

A The letter states that the earlier advice on gross receipts taxes was withdrawn. The Commission is directing the Public Service Taxation Division to assess gross receipts taxes on these sales.

Q Did Washington Gas Light then pay gross receipts taxes on those sales?

A Yes. On May 31st, 1977, WGL paid the balance of its gross receipts tax and valuation fund tax liability for 1977. This payment included an amount for taxes on the spot sales.

WGL also asked the Commission to consider refunding the taxes collected on the sales to other utilities. WGL's Exhibit Number 8 is the cover letter to the Commission which accompanied this payment.

Q How much gross receipts and valuation fund tax was paid on these sales?

A Two hundred forty-one thousand one hundred and fifty dollars and fifty-three cents. This calculation is shown on WGL Exhibit Number 9.

Q And that is the amount of the refund

requested in this case?

A That is correct.

Q Who prepared Washington Gas Light Exhibit
Number 9?

A Mr. John F. Powell, Manager of WGL's
Tax Department.

Q Is Mr. Powell here today?

A Yes.

Q Now, Mr. Hughitt, in order to preserve
continuity, I'll hand you a letter dated September 28th,
1977 and ask you to identify it.

A Letter dated September 28, 1977 is addressed to
Mr. Lewis Carroll, Vice-President and General Counsel of
Washington Gas Light Company. It is written by Mr. S. C.
Burruss who is the Director of the Tax Department.

Q And this outlines the procedure that he
recommended for you to get a refund of these taxes?

A That is correct.

MR. RIELY: I ask that that be received
out of order as Exhibit 18. I just thought it was
an interesting addition.

COMMISSIONER SHANNON: All right. That

will be received as Exhibit 18.

BY MR. RIELY: (Continuing)

Q Now, did Washington Gas Light make further sales of gas to other utilities after receipt of Mr. Rogers' letter of May 6, 1977?

A Yes.

Q Did you include an amount to cover gross receipts taxes in those sales?

A Yes. WGL Exhibits 10, 11 and 12 show that a specific factor has been added for gross receipts taxes.

Q If Washington had not relied on the advice of the Commission, would the rates charged for the sales in question have been different?

A Yes. The negotiated rates would have been increased by an amount equal to the gross receipts tax or the gas would have been sold in some state other than Virginia where gross receipts taxes were not applicable.

Q Does that conclude your direct testimony?

A Yes.

COMMISSIONER SHANNON: Mr. Gambardella?

MR. GAMBARDELLA: Thank you, Your Honor.

CROSS EXAMINATION

BY MR. GAMBARDELLA:

Q These spot sales, this is out of a gas shortage; is that correct?

A Yes.

Q When did this shortage begin in terms of curtailment on --

A I can't give you the precise time. It would be in the '73-74 time frame.

Q At that point, curtailment for Washington Gas Light began to mean that you couldn't serve all your customers all the time; is that correct?

A Yes.

Q And, this began around '74, did you --

A '73, '74.

Q Did you make spot sales in '74?

A In 1974 we made spot sales.

Q All right, sir. Could you explain for the record how it is that when the Company doesn't have enough gas to serve all its own customers all the time, you still make spot sales to other companies?

A Yes. At no time did Washington ever sell

1
2 gas off of its own system on the spot sales when it was
3 denying service to its own customers, or when it had
4 sufficient supply to supply full service to its own
5 customers.

6 The initial curtailment plan that was
7 promulgated by the Federal Power Commission, they are
8 what they call prorata curtailment. During a period of
9 prorata curtailment, Washington was unable to provide full
10 service to all of its interruptible customers. At that
11 point in time, Washington was making no sales to any
12 customer.

13 Subsequent to that period of time, after
14 a series of very lengthy hearings by the FPC and subsequently
15 the FERC, in-use priority plans were adopted wherein gas
16 allocations were made to suppliers based on the in-use profile
17 of the consuming companies or the distributors.

18 Washington Gas Light Company, having a
19 very highly skewed system profile toward high priority
20 customers, residential, commercial customers, small commercial
21 customers, was given a rather large allocation because of
22 its need for gas to protect the customers in period of
23 extreme weather. The weather that followed for a couple of
24 years during the period of rather sharp curtailment on an

industry basis was rather warm. So, the allocation of gas to Washington was greater than Washington's need.

Thereby, we were able to supply gas to other companies where there was a need. And that need existed with most of the companies in Virginia.

Q All right, sir. In general, would it be fair to say that the gas supply problems of the interstate pipelines were experiencing got progressively worse from '74 through '77?

A Yes. That generally is correct.

Q I believe you told me you made spot sales in 1974 and in '75 and '76?

A That is correct.

Q And, isn't it also correct, that the Company has made spot sales at various times in the last three years, '77, '78 and '79?

A That is correct.

Q And, you may have given us part of the answer to this question, but let's go back a minute. How are the spot sales actually made physically?

Do you receive an amount of gas that you ship somewhere else, or is it done in some other manner?

A In rare instances, the gas actually is

1 received by Washington and delivered directly to the
2 customer. And with reference to an example, we sold
3 gas to the General Services Administration on a spot sale
4 basis, not in Virginia. And that is a customer that is
5 connected to Washington's line.
6

7 For the most part, the sales in question,
8 in this case, are all sales where there was no actual
9 receipt of gas or product by the Company. It was a
10 transfer of allocation from one company to another.

11 Q All right, sir. And in each year, '74,
12 '75, '76 and '77, you made sales to Commonwealth Natural
13 Gas Corporation?

14 A I believe that is correct, yes.

15 Q And these were all done by displacement.
16 I believe that's what you described?

17 A Yes.

18 Q All the sales were accomplished in each
19 year?

20 A Yes.

21 Q How were the sales accounted for on the
22 Company's books? Do you know?

23 A They were accounted for spot sales, if
24 that's what you mean. I'm not sure I understand what you

are saying.

Q Were they included in utility income?

A I can't really answer that question. If you mean, were they included in utility income, did the profit from the sales flow back to the ratepayer, did it flow to the stockholder. The revenue in the earlier years went to the benefit of the shareholder.

Q What I am asking you is where on the books of the Company is the revenue from their spot sales recorded?

Do you know?

A I can't tell you exactly where it is recorded. Perhaps the next witness, John Powell, could.

Q All right, sir. Let's go back to 1974 for a minute. Did you negotiate the spot sales the Company made in 1974?

A I would have to say in complete honesty I don't remember. At that point in time I'm trying to recall what my position with the Company, from the time that I became Director of Corporate Planning until this date, I have been principally responsible for negotiating spot sales.

But, I --

Q Do you know of any contracts, written contracts,

that existed for those spot sales in '74?

A I'm quite sure the contracts do exist, because we didn't sell any gas without a contract, and we did sell gas in '74.

Q Did you review those contracts in preparation for this case?

A No, I didn't.

Q So, you don't remember anything about the terms of those contracts?

A I do not know what the terms of any contracts that predated this --

Q All right. Do you know if there were spot sales in 1975, prior to November which are the sales in question here?

A No, I don't. I don't believe there were. But that is subject to check. I would be willing to check the records. I don't know whether there were any prior to November.

Q Do you know if there were any spot sales in 1976, after September?

A The best information I can give you, Mr. Gambardella, is that this exhibit is intended to reflect all of the spot sales in Virginia subsequent to the initiation of

the gross receipts tax situation. And I would -- I assume that anything that was sold in '76 -- everything sold in '76 would be in here. As far as I know, the record is complete in that regard.

Q All right, sir. You had spot sales in 1977; is that correct?

A Yes.

Q Did you negotiate the contracts for those?

A Yes.

Q How were gross receipts tax -- excuse me. Let me back up a minute.

Were there any spot sales made in 1977 prior to May when Mr. Rogers issued his opinion in this matter?

A Well --

Q His opinion is Exhibit 7.

A I wonder if I may get some additional --

COMMISSIONER SHANNON: Yes, go ahead.

WITNESS HUGHITT: (Witness leaves the witness stand to get his briefcase) Would you repeat the question?

BY MR. GAMBARDILLA: (Continuing)

Q Would --

COMMISSIONER SHANNON: Rather than go back through the tape, would you go ahead and rephrase the question?

BY MR. GAMBARDILLA: (Continuing)

Q Yes. Mr. Hughitt, I believe I asked you if there were spot sales made in 1977 prior to May when Mr. Rogers issued his Memorandum Opinion which is Exhibit Number 7 in this case?

A I am looking at a table which I developed out of the record information which I indicated earlier, as far as I'm aware is complete, including all contracts and agreements entered into. In February 26th, 1977, we entered into a contract with CNG.

Q Did you negotiate that contract?

A Yes.

Q Did you negotiate a price that included gross receipts tax?

A We negotiated a price which stipulated that a gross receipts tax would be in addition to the price paid.

Q That was February 26th, 1977?

A That is correct. Let me make sure -- I may be giving you -- I'm having trouble reading my own handwriting. I think it's '79.

Q Could you possibly be referring to Exhibit 11 which is a contract dated February 26th, 1979?

A Yes. I'm sorry. I apologize. I have not answered your question.

We entered into a contract February 26th, 1976 with CNG. I have no record of any contracts that were entered into in 1977; as far as I know, that is what is reflected in here, is reflective of what is in here.

Q You made no spot sales to Commonwealth Natural Gas?

A I didn't say we didn't make spot sales. I said there were no agreements entered into in '77.

Q There were no agreements entered into in '77? Does that mean there may have been an agreement earlier and the delivery of gas in '77?

A Yes.

Q But you have no written contracts for any spot sales in 1977; is that correct?

A If my table which I took out of the

exhibits is complete -- and I believe that it is -- there are no signed agreements that were entered into in 1977 with CNG, or anyone in Virginia.

Q So you simply continued in effect contracts that were already in effect and delivered gas to them; is that correct?

A Yes.

Q Are there any contracts, written contracts, for spot sales between May '77 and December '78 which you negotiated?

A I have a contract dated December 1, 1978 which is the only one that would be in that time frame.

Q And that is Exhibit 10?

A Yes, sir.

Q All right, sir. So, you were making deliveries of gas throughout the period, May '77 through December 1978, under previous contracts which had no mention of gross receipts in them; is that correct?

A I think perhaps, Mr. Gambardella, that -- now, back up. I started to refer you to Exhibit 1. But I don't think that really addresses your question.

I cannot tell you precisely at this point in time how much gas we delivered on agreements that we

1 entered into in '76 in 1977. It would be incorrect to
2 assume that we provided gas throughout the year.

3 Generally speaking, the gas supplied to
4 the Company is based on a contract period that is broken
5 up into two parts. The winter contract period is November 1st
6 through March 31st. The summer period is April 1st to
7 October 31st.
8

9 And there were -- my recollection -- no
10 agreements that were entered into that went beyond those
11 contract periods. What I'm saying is, that if we entered into
12 a contract in September one year, it normally would have
13 expired on October 31st of that year. If we entered into
14 a contract at December, subsequent to October 1st, the
15 beginning of the contract period, it would expire prior
16 to April 1st of the following year.

17 That is when our gas supply allocation
18 was known to us, and we could make commitments.

19 Q All right, sir. Let me ask you to look
20 at Exhibit 4-A, and it's the -- excuse me, Exhibit 4. It's
21 the last two pages of that exhibit.

22 Do you have that?

23 A Yes, sir.

24 Q That is a letter contract, or an amendment

1 to a letter contract, dated September 16th, 1976, between
2 Washington Gas Light Company and Commonwealth Natural Gas
3 Corporation; is that correct?
4

5 A Yes, sir.

6 Q And, if you look at the bottom of the
7 first page, would you read me the last sentence on the
8 first page?

9 A "The aforementioned rate of one twenty-five
10 per Mcf is based upon the parties' understanding that this
11 Arrangement will not continue beyond October 31, 1976."

12 Q And that is the last item in Exhibit 4;
13 is that right?

14 A Yes, sir.

15 Q And, you say you delivered gas to
16 Commonwealth Natural Gas Corporation in 1977; is that
17 correct?

18 A That is what I've testified, yes.

19 Q But there is no written contract, even
20 though this one has expired; is that right?

21 A This one has expired. If -- again, I'm
22 going on memory. Let me -- my recollection is that we
23 have delivered gas, or sold gas, to Commonwealth in '77.
24 And there is no question that any time that we have sold

gas to Commonwealth or anyone else there has been a written agreement. But I cannot be more precise. I would be happy to supply information --

Q You don't remember the terms of that agreement? You don't even remember the agreement existed; is that correct?

A I can't -- if someone said: Would you stand or fall on selling gas to Commonwealth in 1977, I'm telling you that my best recollection is that we did sell gas to Commonwealth in '77. I don't have contracts.

Do you have them?

MR. POPE: I'm not sure, Jerry. But this may be the contract which is a reference of Mr. Hughitt's --

CHAIRMAN BRADSHAW: Is 1977 really relevant to the case?

COMMISSIONER SHANNON: Mr. Gambardella, is your point here there is no mention made of gross receipts or special tax in these contracts of subsequent sales?

MR. GAMBARDELLA: Your Honor, my point is, yes, that there was no mention made in the

contracts that we have prior to May, 1977, when Mr. Rogers issued the Memorandum of Opinion. There are two contracts after that time that are almost a year after he issued that Memorandum, which indicated a change in the Company's policy. But there is no evidence, either prior to that Memorandum or between the time that Memorandum was issued and December, 1978, to indicate that the Company had changed its mind about anything.

WITNESS HUGHITT: I have something here that I think is responsive to your earlier question. This is a contract entered into between CNG Transmission Company and Washington Gas Light Company, dated April 5, 1977. And it stipulates as follows: Washington will release up to sixteen thousand five hundred dekatherm, dth, per day of its entitlements for Columbia Gas Transmission Corporation for benefit of CNG Transmission Company, CNG on an as-available basis, commencing on or after April 1st, 1977, continuing thereafter for such periods as long as Washington, at its own discretion, may determine but in no event later than May 31st,

1977.

BY MR. GAMBARDELLA: (Continuing)

Q Is that a contract you negotiated, Mr. Hughitt?

A Yes, sir.

Q How does it treat gross receipts tax?

A There is no reference to gross receipts tax.

Q That contract was entered into on April 5th, 1977?

A Yes, sir.

Q Were there any other contracts that we don't have that may have occurred between May, 1977, and December, 1978?

MR. GAMBARDELLA: Your Honor, the witness is examining this and perhaps it would be a time to take a recess and give him an opportunity to answer the question.

WITNESS HUGHITT: I think I can probably give you the answer.

COMMISSIONER SHANNON: We will take a

recess in a little while; it's a little earlier,
unless you desire to search your notes.

WITNESS HUGHITT: Well, it might be
helpful so I can give a complete answer.

COMMISSIONER SHANNON: We will take a
short recess.

NOTE: The Commission is recessed
at 10:55 o'clock A.M. Thereafter, the Commission
is again in session at 11:05 o'clock A.M. and
the hearing continues as follows, viz:

COMMISSIONER SHANNON: Mr. Hughitt,
please continue.

WITNESS HUGHITT: I have researched
the records that I have with me, and I believe
that they are relatively complete. There may
be some things that are not here.

I have a record with me of sales that
were entered into with CNG on April 7th, 1977,
May 5th, 1977, June 13th, 1977, and a record
of an Agreement entered into on October 19th,
1977; however, I don't have that Agreement before

me.

BY MR. GAMBARDILLA: (Continuing)

Q Can you provide copies of those Agreements for the record?

A Yes.

Q Do you have copies before you?

A I have copies of the first three that I mentioned before me, but I don't have a copy of the fourth one. But I'm sure that I can retrieve it.

Q All right. Can you -- how did the June 13th, 1977 contract treat gross receipts tax?

A There is no reference to gross receipts tax in the contract of June 13th, 1977.

Q And that is after Mr. Rogers' Memorandum of May, 1977?

A That is correct.

MR. GAMBARDILLA: Your Honor, I would like to request that the Commission hold open the record to receive these contracts.

COMMISSIONER SHANNON: All right. Why don't we put those in as exhibits? It will be

the next number. It will be --

MR. RIELY: Why don't we put it in as one exhibit?

COMMISSIONER SHANNON: It will be, if I've recorded correctly, the Agreements of April 7th, 1977, May 5th, 1977, and June 13th, 1977. And I think Mr. Hughitt said he didn't know whether he had the other one --

WITNESS HUGHITT: I'm certain I can retrieve it.

COMMISSIONER SHANNON: They will all be received collectively, then, as Exhibit 19.

WITNESS HUGHITT: I would like to make one correction, if I may. What I referred to earlier as April 7th, there was a letter of transmittal; the contract was dated April 5th.

COMMISSIONER SHANNON: April 5th.

BY MR. GAMBARDILLA: (Continuing)

Q Do you remember anything about the terms of the October 19th contract?

A I have a record of it.

Q Do you know whether it mentioned gross

receipts taxes?

A No, I do not.

Q You don't know?

A I do not know.

Q Let me ask you to look at Exhibit 10 for a minute. That is a December 1st, 1978 contract with CNG Transmission Company?

A Yes, sir.

Q Look at paragraph three there for a minute. There is language in that paragraph concerning a factor to be added to the price based on gross receipts tax applicable; is that correct?

A That is correct.

Q Is that the first contract in which that language appears written by Washington Gas Light Company?

A I don't know.

Q You don't know if that language was ever used prior to December 1st, 1978?

A I don't know if it was or not.

Q You are responsible for the negotiation of all of these contracts?

A Yes, sir.

Q May I ask you to look back at Exhibit 4, and

the pages are not numbered, but about in the middle of the page, there is a contract dated November 19th, 1975 in the form of a letter to Mr. Paul Riley from Washington Gas Light Company.

A Yes, sir.

Q That contract sets a price in Paragraph Three at the bottom of that page, does it not?

A Yes, it does.

Q It says the price will be a dollar sixty per Mcf, without any qualifications; isn't that correct?

A It sets the price at a dollar sixty without any qualifications with regard to the price.

Q All right, sir. That price was subsequently amended, was it not?

A Yes.

Q And, what was the reason for the amendment?

A The reason for the amendment was that the contract omitted reference to the purchased gas adjustment.

Q So there may have been other things in there amended besides gross receipts tax, other things that weren't discussed?

A Other things? You mean, other than gross receipts tax?

Q There is no mention of gross receipts tax in this contract is there?

A No.

Q And there is no mention of purchased gas --

A There is no gross receipts tax; there is no reference to the purchased gas, in answer to your question, but there may have been other things that were changed. I have no recollection of other things that were changed. This is the only incident that I'm aware of.

Q The point is, Mr. Hughitt, that the price doesn't say anything about what is included in the price does it?

A That is correct.

Q So, what evidence does the Company offer in this case to tell us that a dollar sixty is not the going rate at that point?

A Well, the only evidence that we can present to you, Mr. Gambardella, is the evidence that we have already presented to you. The price that is negotiated between the parties reflects a variety of things. It reflects the -- our availability of gas to the company that is buying it. It is quite possible at that time there were no other sources of gas.

1 Hughitt - Cross 50
2 In determining the rate that we would
3 charge, we looked at the gas supply that would be available,
4 the competitive price, if other sources of supply were
5 available at that point in time, the cost of gas to the
6 Company, and the rates that we were charging customers on
7 our own system. We maintained what we thought was an
8 equitable situation.

9 Q So, several factors effect the price but
10 they are not all itemized in the contract; is that correct,
11 sir?

12 A That is correct.

13
14 MR. GAMBARDILLA: Your Honor, I have
15 several questions about the Affidavits, Exhibits
16 5 and 6. I don't want to waive my objection to
17 their admissibility.

18 COMMISSIONER SHANNON: You can go
19 ahead and ask the questions without waiving your
20 objection.

21
22 BY MR. GAMBARDILLA: (Continuing)

23 Q I ask you to look at Exhibit 5 for a
24 minute, Mr. Hughitt. That is an Affidavit of Mr. John H.

1
2 Croom who is the Vice-President -- was then the Vice-
3 President and officer of Columbia Gas of Virginia; is
4 that correct?

5 A That is correct.

6 Q What language in that Affidavit indicates
7 that gross receipts tax was a bargain for consideration in
8 that contract?

9 A I don't know. I don't understand your
10 question.

11 Q Let me put the question another way.
12 What language in that Affidavit indicates to you that Mr.
13 Croom thought that Washington Gas Light Company would not
14 be charged gross receipts tax?

15 A Mr. Croom didn't think about it. He had
16 no reason to think about it, because we didn't discuss
17 gross receipts tax, and that is the thrust of his Affidavit.

18 When you are negotiating with someone,
19 you don't say: Well, now we are not going to pay this every
20 month and are going to pass that charge that we wouldn't
21 pay onto you.

22 Clearly, you don't -- when you are
23 negotiating a rate, you don't talk about charges that you
24 will -- that will not be contained in the rate, or charges

1
2 you expect to pass on.

3 Q But you started to do that with respect
4 to one item, gross receipts tax in December of 1978.

5 A We did it with other items such as purchased
6 gas adjustments and so on.

7 Q The same thing is true of Mr. Belcher's
8 Affidavit, isn't it correct? Exhibit 6.

9 A Absolutely. It's correct.. We did not
10 consider it because we did not discuss it, and I wouldn't
11 discuss it again if it were not in issue.

12 At the time, the Commission advised us
13 not to charge it and it was not a negotiated issue. There
14 is no reason to discuss that.

15 Q What was the going rate for an Mcf of
16 gas in November of 1975 on the spot market?

17 A There is no such thing as a going rate.
18 As I say, it depends on a variety of circumstances.

19 Q Do you have any evidence to show that
20 a dollar sixty was less than the fair market value of an
21 Mcf of gas on spot market?

22 A I can show you evidence to the effect
23 that it is significantly less than the highest priced gas
24 paid Washington at that time, paid by Washington for

its supply. I have not attempted to go back on the record and determine whether or not it was, as you put it, a going price at that point in time.

Q Was Washington Gas Light Company buying any gas on the spot market during this time?

A No.

Q Would the spot market price be different than the pipeline --

A Let me correct that in this sense. At one point in time, Washington, as a buyer from Columbia, was charged for some emergency gas which might be referred to as spot gas. In other words, there was a purchase over which Washington had no control by its supplier.

Washington did not buy spot gas.

Q All right, sir. Your bills, prior to November 18th, 1975, do not separately state gross receipts tax do they?

A I don't know what the bills state.

Q Let me ask you to look at Exhibit Number 11 -- excuse me, Exhibit 4-A.

COMMISSIONER SHANNON: Which one?

MR. GAMBARDILLA: Exhibit 4-A.

BY MR. GAMBARDILLA: (Continuing)

Q That first page is an invoice, I guess, delivered under emergency spot purchase contract?

A Yes.

Q And you simply multiplied the price in the contract by the amount of gas the Company too, the buyer took; is that correct?

A As adjusted by the purchased gas adjustment.

Q But it does not separately state --

A It does not separately state purchased gas adjustment.

Q This particular one we are looking at is dated February 11th, 1976?

A Yes.

Q Now, let me ask you to look at Exhibit 12, which is a similar document, first page of which is a similar document dated January 12th, 1979.

A Yes.

Q That separately states gross receipts tax, does it not?

A Yes.

Q When did you begin billing that way?

A I cannot tell you exactly. I expect that it was the time we started setting that item aside in the contracts.

Q Now, they were billed during the time, were they not?

A During what time?

Q During the time between that first document that we looked at, February, '76, and the one we just looked at in January, '79?

A Oh, yes.

Q Why are they not in the record here?

A As I indicated to you, it was not separately accounted for in the contract, and it was not separately billed.

Q It was not separately billed?

A It does not mean it was not contemplated.

Q It was not separately billed until December, 1978?

A I don't know that this is the first time that it was billed.

I will have to review each one of the bills to check the accuracy of your statement.

Q Now, you made spot sales in 1974; is that

right?

A That's right.

Q And you don't have any bills for '74 either?

A No.

Q Why?

A Why what?

Q Why do you not have those bills in the record?

A My recollection is there isn't anything in the record on sales in 1974.

Q But you did make spot sales?

A Yes. I would like to make a statement if it's appropriate perhaps explaining the situation. If you would rather I didn't, I won't.

COMMISSIONER SHANNON: Your counsel can bring it out on redirect.

CHAIRMAN BRADSHAW: Did Washington Gas Light Company ever get an opinion from the Attorney General's Office any legal advice?

MR. GAMBARDILLA: I'm --

CHAIRMAN BRADSHAW: Through their legislature --

your cross-examination of Mr. Hughitt?

MR. GAMBARDELLA: No, Your Honor, I have some more.

COMMISSIONER SHANNON: Go ahead.

BY MR. GAMBARDELLA: (Continuing)

Q Mr. Hughitt, you received some oral advice from the Commission on November 18th, 1975 --

COMMISSIONER SHANNON: You say from the Commission.

BY MR. GAMBARDELLA: (Continuing)

Q I'm sorry, from the Commission -- a member of the Commission Staff on November 18th, 1975; is that correct?

A Mr. Mulkie of the Washington Gas Light Company.

Q And that was from the Public Utilities Department of the Commission?

A Yes.

COMMISSIONER SHANNON: What was the

date of that?

MR. GAMBARDELLA: November 18th,
1975, Your Honor.

COMMISSIONER SHANNON: Go ahead.

WITNESS HUGHITT: I didn't check the
date we did.

BY MR. GAMBARDELLA: (Continuing)

Q In your testimony, do you know what
Department of the Commission that emanated from?

A I am not sure of the organization or the
department. I know that it came from Mr. Robert Tuck, who
was at that time one of the chief liasons with the gas
utilities.

Q Public Utilities Division?

A Yes.

Q And you have written advice from Mr.
Vassar by letter of February 9th, 1976; is that correct?

A Yes, sir.

Q And Mr. Vassar is in the Accounting
Department; is that correct?

A That is correct.

CHAIRMAN BRADSHAW: You also stated earlier you had some contact by telephone, I think, with Mr. Jordon who was at that time our Director of Public Utilities?

WITNESS HUGHITT: I indicated that we had over a period of time communications with a variety of contacts, one of which was Mr. Jordon. That was probably like in March of the following year, '76.

BY MR. GAMBARDILLA: (Continuing)

Q So, you couldn't have relied on Mr. Vassar's letter until it was issued in '76 so that didn't effect 1975 contracts?

A Our original advice on this was verbal, as we've indicated. It was subsequently followed up in writing. At the time we were given verbal advice, we were told the Commission would follow with written confirmation.

Q How much of the two hundred fifty thousand dollars or thereabouts in this case is due to your reliance, your alleged reliance, on the oral advice?

A I can't differentiate. I don't know. All of it is in reliance of advice. To what extent it is relying

1
2 on oral advice of the Commission and to what extent it is
3 relying on written advice is, I would say, probably a
4 subjective evaluation.
5

6 COMMISSIONER SHANNON: When you-all
7 say "advice of the Commission" I wish you
8 would differentiate. I don't think the
9 Commission has talked to anyone, other than
10 with the Staff on this.

11 MR. GAMBARDELLA: Yes, sir. I'm
12 sorry.

13 COMMISSIONER SHANNON: I just want the
14 record to be clear. If this goes up on
15 appeal, I want to make it clear that the
16 Commission never talked to Washington Gas
17 Light or anyone other than the Staff.

18 MR. GAMBARDELLA: That is what I
19 intended.

20 CHAIRMAN BRADSHAW: Mr. Hughitt,
21 have you heard the old saying, possession
22 is nine-tenths of the law?

23 WITNESS HUGHITT: Yes, sir.

24 CHAIRMAN BRADSHAW: Why did you pay it?

1 Hughitt - Cross 63
2 Why didn't you just not pay it and
3 let them sue you to get it back?

4 WITNESS HUGHITT: Your Honor, I wouldn't
5 have done it. But I would say that in retrospect
6 I think probably the Company would have been better
7 off by protesting in some other way other than
8 paying, ask for a reconsideration. But, having
9 the relationship we have with the Commission and
10 the Commonwealth, on the basis of equity, we
11 didn't feel it would represent a problem on
12 recovery.

13 CHAIRMAN BRADSHAW: The reason I ask
14 you, I just filled out my income tax and I take
15 all my deductions, you know, and let them come
16 back at me if I owe them more, rather than pay
17 them and then me ask for it back.

18 WITNESS HUGHITT: The Company always
19 pays its bills.
20

21 BY MR. GAMBARDELLA: (Continuing)

22 Q Mr. Hughitt, did the Company, in your
23 opinion, act very prudent in relying on a telephonic communica-
24 tion with someone at IRS about their Federal income tax liability?

1
2 A Mr. Gambardella, I don't have any
3 contact with the tax matters of our Company, or IRS,
4 and I really cannot address that question. I can address
5 the relationship between the Company and the Commission
6 Staff.

7 The Company continuously relies on
8 the advice and counsel of the Commission Staff on any
9 number of issues.

10 Q All right, sir. If you recall, when
11 did the negotiations begin that resulted in the letter
12 contract with Columbia of Virginia, which is Exhibit 4?

13 That letter is November 18th, 1975,
14 and it is the first page of that exhibit.

15 A This is Exhibit 4?

16 Q Yes. Columbia Gas of Virginia. Did
17 negotiations begin on that contract some time before
18 November 18th, 1975?

19 A Let me review this. I have been
20 searching my records for any reference of communication
21 with Columbia prior to November 18, 1975, and I don't
22 see any reference to it prior to that point in time. So
23 I can't tell you exactly what negotiations went on prior
24 to the time we entered into that agreement.

Q There would be negotiations prior to that, would there not?

A Yes, sir.

Q That would be a standard practice?

A Yes, sir.

Q And, do you know how long those negotiations take, several days, a week, two weeks?

A Between the time the agreement is executed and the time the conversations start, it is generally a lapse of a few days. It may happen almost instantaneously. If an agreement is reached over the telephone as to the terms of the agreement, it is customary to start the arrangement probably the following day, 8 a.m. the following day, and then follow it with a written agreement.

Q All right. So, you began negotiations before November the 18th, 1975, did you not?

A If the agreement is entered into on the 18th, in all likelihood we started conversations with them, or negotiations, shortly before that time.

Q And you got the oral advice from the Commission on November 18th, 1975; is that correct?

A I believe that's what the record indicates.

Q Then, how could you rely on the oral

advice which came after the negotiations when you negotiated the price of the contract?

A The agreement was entered into on the same day.

Q Do you know what time of the day, November 18th, it -- that advice was rendered?

A No, I don't.

Q You don't know whether it was before the contract was negotiated or after, do you?

A I don't know either that the conversation that we refer to in the record is the initial conversation on the subject. There were a large number of conversations with various members of the Commission Staff at that time on the subject, about the inequity of the gross receipts tax, and that the disadvantage where Washington had gas to sell and because of a gross receipts tax it would be higher priced in Virginia than it would be in other states.

Q Do you remember that, or is that just something you think you might have talked about?

A No, I remember that very precisely. I don't remember the exact day I talked about it.

Q But you have offered us no evidence to reflect that have you?

Q Do you have filed records that will show that a dollar sixty per Mcf is lower than you might have sold some spot gas during the same period of time?

Q And, if we come back to the other letter contract in Exhibit 4, dated November the 19th, 1975, it would also be true, then, that negotiations on that contract would probably have started several days before the 19th; is that correct?

Q That's the other contract in Exhibit 4,
the 19th, 1975, between Washington Gas Light and
Health Natural Gas?

Q Let me ask you to look at Exhibit 2 for a minute. The pages are not numbered consecutively. Approximately the ninth page, which is actually numbered 4,

do you have that?

A Page 4?

Q It's numbered 4. The next page and there is a section there, "Administration". Do you see that?

A Yes, sir.

Q Now, with that in mind, you have told us, I think, that you had contact with the Department of Public Utilities and the Department of Accounting, and that you were attempting to comply with the guidelines shown in this Exhibit 2; is that correct?

A Yes, sir.

Q Who is to administer these guidelines?

A At that time it was Ernest Jordon, or his subordinates.

Q He was the Director of Public Utilities; is that correct?

A I believe that was his title.

Q Does that Exhibit 2 in any way reflect consideration of tax liability in any form?

A I don't know that it includes it or excludes it. It is silent on the subject, so far as I know.

Q So you have a document administered by

the Director of Public Utilities that is silent on taxes, and you called the Division of Public Utilities to get advice about taxes; is that what happened?

A No. They called us.

Q Why did they initiate the call to you?

A Because they felt it was inequitable. They felt that the conclusion that the Commission Staff had reached as attested to by the language of Mr. Rogers in a letter transmitted by Mr. Vassar that the fact it would represent double, in some case, triple taxation.

Q And at this point, had no advice from the Division of Public Service Taxation of the Commission?

A To my knowledge, there was no communication from the Division of Taxation prior to the letter from Mr. Burruss.

Q All right, sir. Now, are you familiar at all with the last rate case of Washington Gas Light?

A Yes, sir.

Q The last rate case was decided in 1978; is that right?

A Yes.

Q And rates went into effect in October '78. Is that your recollection?

A Yes, sir.

Q And Exhibits 10 and 11 are spot sales contracts in December, '78 and February, '79; is that right?

A I can't attest to what is in those exhibits.

Q Well, they are right here in the record. Exhibit 10 and 11. Well, Your Honor, they speak for themselves.

A Oh, I thought you were talking about a rate case exhibit.

Q I just want you to have your attention on those.

A Yes.

Q Were there any spot sales -- well, I guess -- let me back up a minute. Were there any spot sales between October, 1978, and December, 1978?

COMMISSIONER SHANNON: How much more do you have, Mr. Gambardella?

MR. GAMBARDELLA: Just a little bit from Mr. Hughitt and not very much from Mr. Powell, Your Honor.

COMMISSIONER SHANNON: You've had

about an hour and twenty minutes so far.

MR. GAMBARDELLA: Yes, sir. I will try to finish up quickly.

WITNESS HUGHITT: Between October and December of 1978?

BY MR. GAMBARDELLA: (Continuing)

Q Yes, sir.

A I have a record of an agreement that was entered into on December the 1st of 1978.

Q That's the first one after October of '78?

A That I have a record of here.

Q Now, that is also the first one on our record that makes mention of gross receipts taxes; is that right?

A Yes, sir.

Q Now, do you recall how the last rate case dealt with spot sales?

A Yes, sir.

Q Would you explain that for the record?

A Now, it -- the Company proposed, and the Commission accepted, an arrangement whereby the ratepayer

1 receives the benefit of spot sales up to the average cost
2 of gas and the shareholder receives the benefit in excess
3 of the average cost of gas.
4

5 Q So, for the first time, you are passing
6 the benefit of spot sales to the ratepayer; is that correct?

7 A In that sense, yes. But I wouldn't say
8 that it's the first time we passed the benefit to ratepayers.

9 We had an average rate of return in
10 Virginia in 1975 of seven point 0 nine percent. Just a
11 moment. I'm responding to your question, sir.

12 And the spot sales helped to support the
13 rate of return by the Company which avoided the need for
14 more rapid rate relief. So that to say that all of the
15 benefit went onto the shareholder and none to the consumer
16 is not a correct conclusion.

17 Q But, for the first time, after those rates
18 went into effect on October 13th, 1978 you now can't account
19 specifically for spot sales in the cost of service; isn't
20 that right?

21 A Yes, sir, that's true.

22 Q And I take it another way to write the
23 contract, the contract of December 1st, 1978, would have been
24 to estimate what the gross receipts tax liability was and add

1
2 that factor to the price and, then, state the price absolutely;
3 is that correct?

4 A That is correct. In the absence of this
5 issue, it's likely that it never would have been stated
6 specifically.

7 Q The absence of what issue?

8 A The absence of the issue of whether or not
9 the gross receipts tax was applicable or not applicable. But
10 to say that it will not be separately accounted for in the
11 rate is not to say that it was not included or excluded, as
12 the case might be.

13 Q So you want to create a record that you
14 are paying gross receipts tax in order to omit that tax
15 liability against the spot sales that you are now going
16 to have to account for in the cost of service, would you not?

17 A We don't need a contract in order to
18 establish a tax liability. The fact of the matter is,
19 the State bills us for taxes and we pay the bill. Whether
20 or not it is separately accounted for in the individual
21 agreement with a specific customer does not -- I don't see
22 that it's relevant.

23 The fact that it is identified or not
24 identified in the contract, in and of itself, does not

indicate whether or not it was included or excluded.

Q It would make it easier for you to establish, would it not?

A Oh, absolutely.

Q Just a couple of more questions of Mr. Hughitt back to the gas shortage a minute.

These spot sales, '74 through '79, I guess, all arise out of the same situation, do they not?

A Well, you would have to be more explicit in what you mean by the same situation.

Q They all are made possible by the fact of the various curtailment positions of the companies involved; is that correct?

A That is part of it. Another part is the extent to which those companies have tried to augment supplies through their own self-help measures, which they are related to curtailment but they are non-curtailed volumes.

As an example, Washington has contracted for something in excess of six billion cubic feet of gas in order to -- synthetic natural gas from Green Springs. Washington is also involved with exploration activities that brings gas into us from Louisiana. And the combination of these supplies and the weather and the allocation formula, all of these things

contribute to either sufficiency or deficiency in the supply of gas in various places.

Q And all those things you just mentioned are really the causes of all of the spot sales from '74 through '79; is that right?

A The causes of the spot sales?

Q Well, not the causes but the things that make the sales possible?

A Two things make the sales possible. One is an available supply and a willing seller. The other is the availability of need and a willing buyer.

In this case, there was a significant need in the Commonwealth. Washington Gas is the largest gas distributor in the Commonwealth and tried to help alleviate the gas supply situation in the State.

Q Did you do that in 1977?

A Did we sell gas spot sales in '77?

Q Yes.

A Yes.

Q Did you do that in early '77 when there was an extreme gas shortage in the Commonwealth Natural Gas System?

A We did it whenever the earlier conditions

1
2 existed. Whenever there was a need by Commonwealth and
3 excess supply by Washington and the product that we had
4 was the most desirable.

5 Q All of these sales arise out of the same
6 factors, do they not, for each year, comparing one year to
7 another?

8 A I don't know how to be more explicit.
9 They arise out of the same factor. There is an availability
10 of supply one place and the market requires some place else.
11 And the price mechanism --

12 Q And, '75 and '76 aren't any different?

13 A They are different in the sense that the
14 supply crisis was much greater. You are curtailing into
15 higher priority customers than earlier years.

16 Q Do you recall early 1977 there was similar
17 curtail -- extreme curtailments, were there not?

18 A Yes, sir.

19
20 MR. GAMBARDILLA: No further questions.

21 COMMISSIONER SHANNON: Mr. Minter.
22
23
24

CROSS EXAMINATION

BY MR. MINTER:

Q Mr. Hughitt, there are several questions and points I would like clarification. As I understand it -- and please correct me if my understanding is wrong -- spot sales have no governmental ceiling or floor as far as price; is that correct?

A They have a governmental ceiling insofar as they are subject to the approval of the Commission. Each of the contracts has been submitted to the Commission and they -- the Commission has authority, if it elects, to take some action with regard to the prices that Washington charged.

Q But, as far as the negotiations are concerned, this is basically what the traffic will bear in that situation?

A Well, what the traffic will bear I don't think is a good way to characterize it. It is a negotiated price predicated on a variety of things, Washington's cost of gas, the price that Washington is selling gas for other parties; the component parts of Washington's gas at the time when we were selling gas for a dollar sixty, we were paying perhaps as much as four fifty for gas.

This probably sounds self-serving,
but it was our objective to provide it at an equitable
price as well as one that would return us sufficient return.

CHAIRMAN BRADSHAW: Along those lines,
let me ask, were any of these spot sales ordered
transfers by the Commission?

WITNESS HUGHITT: Yes, sir.

CHAIRMAN BRADSHAW: They were?

WITNESS HUGHITT: Yes, sir.

CHAIRMAN BRADSHAW: Now, when we
ordered the transfer, don't we fix the rate,
rather than something that is negotiated between
the parties?

WITNESS HUGHITT: Perhaps the best
way to respond to that is to give you a specific
example, wherein the Commission did order the
sale from Washington to Columbia Gas for a
specific purpose, Chemstone in the amount of
eighteen hundred and twenty-five Mcf a day,
and it was the -- the letter was addressed to
Mr. Croom of Columbia from Mr. Jordon and
stipulated the price that Washington, or Columbia,

would pay Washington for the Gas. It was a price --

CHAIRMAN BRADSHAW: Fixed by the Commission.

WITNESS HUGHITT: It was a price that had been negotiated between Washington and Columbia and approved by the Commission.

CHAIRMAN BRADSHAW: Right. I just wanted to clear that up, where these -- some of these sales were ordered transfers, the Commission fixes the price.

COMMISSIONER SHANNON: That is covered by Natural Gas Emergency Systems Plan which we adopted on January 1, 1975. I think it's in Paragraph 6.

BY MR. MINTER: (Continuing)

Q Mr. Hughitt, you indicate that the Commission has approved these transfers. Did you mean by that that the Commission approved either formally or informally these specific contracts which are designated in Exhibit 1?

Is that your testimony?

1
2 A My testimony is that under the regulations
3 set forth herein, the companies who participate in these are
4 required to file these with the Commission. Filed, perhaps,
5 is not a good word. To come to the Commission and the actions
6 or any overt action by the Commission is interpretative as
7 acceptance to the terms of the agreement.

8 Q Is it your understanding of the guidelines
9 set out by the Commission back in 1975 in that Case Number 19548,
10 is it your understanding that the Commission had the authority
11 to specifically direct the transfers of gas at a specific
12 price?

13 A The Commission established that authority
14 in that they also, in that same Order, adopted the voluntary
15 plan that was developed among gas companies. It says: This
16 plan shall be adopted until there is demonstrated need for
17 justification based on other circumstances to change it.

18 And that plan includes in its language
19 that the companies shall seek emergency aid directly from
20 one or more distribution companies where the assistance of
21 the emergency coordinator is not deemed necessary. That --
22 the point that I am making here is that there were actually
23 included in the same Order specific provisions whereby the
24 Commission could directly involve themselves, such as they

1
2 did in the Chemstone situation. But in the absence of that,
3 they also directed the companies to solve the problems among
4 themselves first.

5 Come to the Commission for specific
6 direction as a matter of last resort.

7
8 CHAIRMAN BRADSHAW: That is being
9 enforced by not just policy of the Commission
10 but the Code for public health, safety and
11 welfare. We can order it under the Code
12 provision.

13 Isn't that correct?

14 WITNESS HUGHITT: Yes, sir. And
15 a further amplification on this particular case
16 where Columbia was reluctant to serve Chemstone
17 because they felt that, for whatever reason,
18 they were reluctant to serve Chemstone without
19 a direct Order of the Commission and sought
20 that direction from the Commission.

21 Where the parties involved were able
22 to come to an agreement which would alleviate
23 or help mitigate a severe supply shortage, the
24 Commission -- and, again, when I refer to the

Commission I'm talking about a communication with the Commission Staff in any case -- the Commission Staff will encourage the companies to work with each other in resolving these differences.

And, fortunately they were able to resolve most of the problems without coming directly to the Commission, or a direct involvement in most of the transfers.

BY MR. MINTER: (Continuing)

Q Do you consider the advice that your Company received from Mr. Tuck to be totally consistent with the position taken by Mr. Vassar in his subsequent letter?

A I am not aware of any inconsistency.

Q Well, then, Mr. Hughitt, is it your testimony that all of these contracts which appear at issue, those depicted in Exhibit 1, are contracts that are made specifically pursuant to the emergency guidelines and that the terms and conditions used were tacitly approved by the Commission because no word was heard from the Commission after copies of these agreements were sent to our Public Utilities Division?

A Yes, sir.

CHAIRMAN BRADSHAW: Just for the record, you are not seeking any interest, are you?

MR. RIELY: I'll answer that. No. We would like to.

WITNESS HUGHITT: We think it would be --

MR. RIELY: I haven't even discussed that with my client.

WITNESS HUGHITT: We think it would be just, but the answer to your question would be no.

BY MR. MINTER: (Continuing)

Q Mr. Hughitt, would Washington Gas Light have been free to have negotiated and sold all of the gas here involved outside Virginia as opposed to the two companies operating in Virginia?

A We would have been absent some direct initiative by the Commission to order us to sell it within the State of Virginia.

Q A question has arisen here regarding the date on which Mr. Tuck apparently communicated to your office. Some indication has been that it took place, what, in November, October 18th.

COMMISSIONER SHANNON: I believe the record shows November 18th, 1975.

BY MR. MINTER: (Continuing)

Q That's what I was going to ask Mr. Hughitt. I don't find any reference to anything other than the month.

Is there anything in the record to indicate the specific date on which Mr. Tuck contacted you or contacted Mr. Mulkie?

COMMISSIONER SHANNON: I believe Mr. Gambardella advanced that in one of the questions he propounded to Mr. Hughitt.

BY MR. MINTER: (Continuing)

Q I realize the question has been asked, but I'm at a loss to know the basis.

A If you will bear with me for just one

moment, I will find the copy of the communique.

Q You understand that I'm talking about the telephone conversation.

A I understand what you are talking about.

MR. GAMBARDILLA: Your Honor, the allegation of the Petition on Page 2 states that on November 18th, 1975, Washington's employee, Mr. William Mulkie, held a telephone conversation with a member of the Staff, and I believe that's how the date came --

MR. RIELY: Mr. Hughitt has a Memorandum, and I've seen it -- maybe he can find it --

COMMISSIONER SHANNON: Mr. Hughitt, I think Mr. Minter wants to know the basis of that allegation to see what the source of it was.

WITNESS HUGHITT: If you will bear with me for one moment, I will find it. (Mr. Riely hands the witness a paper writing)

I have a copy of a handwritten communique between Mr. Robert Tuck of the Commission and Mr. William Mulkie of the Washington Gas Light Company, dated 11/18/75. Shall I read it into the record?

MR. RIELY: Why don't we introduce it
as an exhibit?

MR. GAMBARDILLA: May I see it?

MR. RIELY: The Bailiff can duplicate
it.

THE BAILIFF: Exhibit 20?

COMMISSIONER SHANNON: It will be
Exhibit 20.

MR. GAMBARDILLA: Your Honor, I would
like to note my objection on the record. It
is hearsay. Mr. Hughitt is not a party to this.

COMMISSIONER SHANNON: Mr. Minter
asked for the --

MR. RIELY: I think we can develop
the basis for that.

Mr. Hughitt, is the original of that
Memorandum -- have you seen the original of that
Memorandum?

WITNESS HUGHITT: Yes.

MR. RIELY: Was it delivered to you
in the course of your business operations?

WITNESS HUGHITT: I can't swear to you
that it was handed to me on the day that it was

written.

MR. RIELY: I'm not asking you that.

WITNESS HUGHITT: Yes.

MR. RIELY: As part of the official records of Washington Gas Light?

WITNESS HUGHITT: Yes, sir.

COMMISSIONER SHANNON: It's a record kept in the ordinary course of business.

Has the Bailiff gone to make copies of that?

MR. RIELY: Yes.

COMMISSIONER SHANNON: Do you want to proceed, Mr. Minter?

MR. MINTER: I --

COMMISSIONER SHANNON: Or, do you wish to wait and get the Memo or go to something else and come back to that?

MR. MINTER: Yes.

BY MR. MINTER: (Continuing)

Q Mr. Hughitt, as I understand it, the gross receipts and special taxes that are involved here are for the taxable year 1976, that is the gross receipts and, during

1976. Am I correct in that?

The Report filed in '77, the tax year was '77; is that right?

A Yes.

Q Are you aware that in filing the appropriate report with our Public Service Taxation that the Company also apparently did not report gross receipts from so-called spot sales made during the taxable year 1975, the year preceding this?

A Mr. Minter, I think these questions would be more appropriately asked of Mr. Powell.

Q All right, sir. I have just one final question, Mr. Hughitt. We've skirted around the question as to exactly why your Company started accounting for these gross receipts liabilities in the contracts.

What specifically is the reason your Company started making reference to the gross receipts liability in the spot sales contracts?

A As I indicated in my earlier testimony, if the issue as to whether or not they were included or excluded did not become an issue, it is likely that we would not have accounted for them separately in these agreements.

MR. MINTER: No further questions.

COMMISSIONER SHANNON: Do you have any questions on redirect?

MR. RIELY: I will be very brief on redirect.

REDIRECT EXAMINATION

BY MR. RIELY:

Q Will you please look at Exhibit 1?

A Yes, sir.

Q How many contracts are shown on that page?

A Five.

Q And they are the five contracts at issue in this case, are they not?

A That is right.

Q And when was the last time that gas was delivered under any one of those contracts?

A September 29th, 1976.

Q All right, sir. Now, if you would, would you please turn to Exhibit 4 to the contract between Washington Gas Light and Columbia, dated November 18th, 1975.

What is the price shown in that contract to be paid by Columbia?

A A dollar sixty per Mcf.

Q Did you participate in establishing that price?

A Yes, sir.

Q At the time that price was established were you aware of the information contained in Exhibit 20 with regard to gross receipts?

A Yes. I was aware at that time.

Q When you established the price of a dollar sixty cents per Mcf, was full consideration given to include or to exclude a gross receipts tax factor?

A Gross receipts tax considerations were excluded from considerations.

Q And that was done on the basis of Exhibit 20?

A I don't know that it was done explicitly on the advice or information contained in Exhibit 20, but it was on an understanding from the Commission Staff that gross receipts tax would not be included.

Q And, going back to Exhibit 1, the five contracts shown on Exhibit 1, was there -- in determining the prices under those contracts, what consideration was given to the gross receipts tax?

A It was not included.

Q And that was consciously not included; is that correct?

A That is correct. It was not included.

Q And that is true as to each of these contracts?

A Yes.

MR. RIELY: No further questions.

COMMISSIONER SHANNON: Anything further? (No response)

You may stand aside. Your exhibits will be received.

* * * * *

WITNESS STOOD ASIDE

JOHN F. POWELL, JR., a witness called by
and on behalf of the Petitioner, having first been duly sworn,
testified as follows:

DIRECT EXAMINATION

BY MR. RIELY:

Q Please state your name and business
address.

A My name is John F. Powell, Jr. My
address is 1100 H Street, N. W., Washington, D. C.

Q What is your position and by whom are
you employed?

A I am Manager, Tax Department for Washington
Gas Light Company.

Q How long have you been employed by
Washington Gas Light Company in this position?

A I have been employed by the Company for
twenty-seven years, including twenty-three years' experience
in the Tax Department. I was appointed to my present position
in January, 1976.

Q What are your responsibilities relating to
this case?

A I am responsible for preparation and filing of WGL's Statement of Gross Receipts to Virginia. I also prepared WGL Exhibit Number 9 showing the amount of gross receipts taxes and valuation fund taxes paid on the sales at issue in this proceeding.

Q When did you first become aware of the Commission Staff's position on the matter of payment of gross receipts taxes on the sales of gas to other utilities?

A In February, 1976, I received a copy of the letter addressed to Mr. Merceron, WGL's Comptroller. This is the letter identified as WGL Exhibit Number 3.

Q That is Mr. Vassar's letter?

A That is Mr. Vassar's letter.

Q What did you do as a result of that letter?

A When I prepared the WGL Statement of Gross Receipts for 1976, I deducted revenues from the sales of gas to other utilities in Virginia from the report.

This is shown on the report in the remark lettered "b" entitled "Spot Sales of Gas Sold to Other Gas Utilities" in the amount of six million seven hundred fifty-four thousand nine hundred and sixteen dollars and ninety-two cents.

The report is WGL Exhibit Number 13.

Q When was this report filed with the Commission?

A It was filed on April 15th, 1977.

Q Now, there is some handwriting on that Exhibit 13. Can you explain what those notes are?

A Yes. They are notations apparently made by the Commission Staff. Exhibit Number 13 is actually a copy of the statement as it was returned to WGL showing some adjustments to the WGL figures.

Q When did you first receive an inquiry regarding the deduction for gross receipts taxes?

A On April 27, 1977, I received a call from Mr. Burruss, Director of the Commission's Public Service Taxation Division. He asked for a detailed breakdown of the revenues from sales of gas to other utilities.

This was confirmed by a letter of the same date, WGL Exhibit Number 14.

Q What response did you make to Mr. Burruss' letter?

A On May 3rd, 1977, I sent Mr. Burruss a breakdown of the revenues between Commonwealth Natural Gas and Columbia Gas of Virginia, WGL Exhibit Number 15.

I also explained that the sales were made

pursuant to the Natural Gas Curtailment and Conservation Guidelines.

Q What happened next?

A We received a copy of Mr. Rogers' letter dated May 6th, 1977, WGL Exhibit Number 7, stating that we would have to pay gross receipts taxes on those sales.

We also received the actual assessments for 1977 which included tax on the gas sales to the other Virginia utilities. This is WGL Exhibit Number 16 for the gross receipts tax and WGL Exhibit Number 17 for the valuation fund tax. Special tax.

Q Did you pay the amount assessed by that bill?

A Yes. We paid the entire amounts on May the 31st, 1977. We also sent the Commission the letter identified as WGL Exhibit Number 8.

Q That is the letter addressed to Commissioner -- Chairman Shannon at that time, is it not?

A Yes.

Q Washington Gas Light Exhibit Number 9 shows the basis for the calculation of the two hundred forty-one thousand a hundred fifty dollars and fifty-three cents in refunds claimed by Washington Gas Light; is that correct?

Powell - Direct

97

A Yes. And I prepared Exhibit Number 9.

Q Does that conclude your testimony?

A Yes, sir.

MR. RIELY: I tender Mr. Powell
for cross-examination.

COMMISSIONER SHANNON: Mr. Gambardella.

CROSS EXAMINATION

BY MR. GAMBARDILLA:

Q Do you have any duties with the Company that require you to negotiate prices for spot sales?

A I do not.

Q Do you have anything to do with that?

A No.

Q Looking at Exhibit 13 for a minute, when did you receive that back from the Commission with the notations on it?

A This is included with a report that we get usually some time in mid-summer when they send the whole copy of the whole Annual Report we file with the Commission which includes all of our property.

Q That would be mid-summer, '77?

A Mid-summer, '77.

Q Looking at Page 2 of your testimony, Lines 5 through 9, you included Footnote 3 in that Exhibit Number 13?

A Yes, sir.

Q That was in compliance with specific instructions from Mr. Vassar's letter, was it not?

A Yes, it was.

1
2 Q It wasn't for any other reason?

3 A That's the only reason.

4 Q Let me ask you to look at Exhibit 8
5 for a minute, and looking at the last paragraph of that
6 exhibit, that is the letter you wrote, is it not?

7 A Yes, it is.

8 Q You state that you believe the taxes
9 should not apply to the sales at issue and should only
10 apply prospectively?

11 A Yes.

12 Q Did you mean by that that the tax should
13 apply to spot sales of this nature in the future?

14 A I think we relied on something the Company
15 did in negotiation and, therefore, the decision to tax these
16 sales should be prospectively and not retroactively.

17 Q If it was prospectively, you wouldn't have
18 any objection to that?

19 A No, sir, because the rate could be
20 negotiated.

21 Q Let me ask you about Exhibit 15 now,
22 which is a letter I believe you wrote to Mr. Burruss.

23 A Yes, sir.

24 Q Who is the Director of Public Service
25

1
2 Taxation?

3 A Yes, sir.

4 Q And, looking at the last short paragraph
5 on Page 2 of that letter, you mentioned in that sentence
6 sales in the instant circumstances. Should I infer from that
7 also that that means that you would not have an objection
8 to the application of these taxes to similar sales in other
9 circumstances?

10 A That is not issue. The only thing at
11 issue is the sales here.
12

13 MR. RIELY: I suggest, Your Honor,
14 that that's a, have you stopped beating your
15 wife, question.
16

17 BY MR. GAMBARDILLA: (Continuing)

18 Q Let me ask you one more question, Mr.
19 Powell. Are you familiar at all with how the Company records
20 on its books spot sales?

21 A Yes.

22 Q Are the revenues from spot sales included
23 in operating revenues of the utility operation?

24 A They are shown as other operating revenues
25

on our financial report and our report to the Commission.

Q Those revenue and expenses in making those sales would then go into net operating income of the utility; is that correct?

A On the financial reports, yes.

MR. GAMBARDILLA: I have no further questions, Your Honor.

COMMISSIONER SHANNON: Mr. Minter.

MR. MINTER: No questions, Your Honor.

COMMISSIONER SHANNON: Mr. Riely.

MR. RIELY: No further questions.

COMMISSIONER SHANNON: Thank you very much, Mr. Powell. You may stand down.

Your exhibits will be received.

* * * * *

WITNESS STOOD ASIDE