**OPC Reasons for opposing AltaGas/Washington Gas application (FC1142)**

a) Extremely minimal benefits to residents and ratepayers ($50 one-time rate credit and no improvement in service quality, safety, or reliability)

b) Diminished local control, as AltaGas is a Canadian company and will keep its HQ in Canada. (Its primary interest is in extracting steady profits from the regulated utility.)

c) Reduced focus on serving DC customers. In fact, AltaGas has said it wants WGL leadership to take over management of AltaGas’s other gas utilities (in Michigan and Alaska).

d) Likely increase in future rates for gas service, in part because:

i) AltaGas has very little gas distribution business right now – Washington Gas would triple the number of customers it serves -- and there are likely to be few if any “synergy savings” created by the combination of the two companies.

ii) Converting Washington Gas to an AltaGas subsidiary could even increase costs as the companies try to integrate computer systems and administrative processes.

iii) AltaGas has a much lower credit rating than Washington Gas (BBB v. A+) and the merger could significantly increase the cost of borrowing for Washington Gas, especially as it raises funds for its major 40-year Accelerated Pipe Replacement Project.

iv) AltaGas will be requiring Washington Gas to cover some of the parent company’s overall administrative costs/“overhead” which are incurred in Canadian dollars. The Canadian dollar is very weak right now compared to the U.S. dollar — down 23% since 2012 — but if the Canadian dollar gets stronger, the effect for WGL would be that it would have to pay a significantly higher amount to AltaGas in U.S. dollars to cover its “share” of overhead costs.

e) Possible barriers to the PSC’s ability to regulate Washington Gas effectively in the future:

i) It will be difficult for the PSC or anyone else to discern what is behind the costs AltaGas is charging to Washington Gas or whether the parent company is making decisions in favor of its profits rather than the interests of DC ratepayers.

ii) OAG and OPC both are very concerned about the possible effect of a provision of NAFTA that allows a Canadian investor to lodge a complaint if U.S. laws or regulations appear to be contravening their “expectations” of profits. What is called the “investor-state” dispute resolution process under NAFTA allows a foreign firm to ask for review by an independent tribunal of 3 corporate lawyers, outside the U.S. or Canadian legal systems. The tribunal has the authority to award an unlimited amount of [our] taxpayer dollars to the company for the “expected future profits” that the company could have earned if not for the requirements of the U.S. law or regulatory decisions.

Two OPC staff members at the meeting last night who have looked at AltaGas finances independently told me said that AltaGas is in very shaky financial condition, cannot offer any additional capital to increase the “benefits” for the District from the merger or any additional capital for investments in Washington Gas projects and infrastructure, and may not be able to survive without the Washington Gas acquisition (or even with it!). That creates additional question marks for the proposal.

ALM 11/17/17