

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

IN THE MATTER OF)
THE MERGER OF ALTAGAS LTD.) Formal Case No. 1142
AND WGL HOLDINGS, INC.)

**UNANIMOUS AGREEMENT OF STIPULATION AND FULL
SETTLEMENT**

In consideration of the matters herein set forth and pursuant to Rule 130.10 of the Rules of Practice and Procedure of the Public Service Commission of the District of Columbia (“Commission”), 15 DCMR § 130.10 (2012), the undersigned parties to the above-captioned proceeding hereby agree as follows:

WHEREAS AltaGas Ltd. (“AltaGas”) and WGL Holdings, Inc. (“WGL”) executed an Agreement and Plan of Merger on January 25, 2017 (the “Merger”); and

WHEREAS, on April 24, 2017, AltaGas, WGL, Washington Gas Light Company (“Washington Gas”), and other related entities (collectively, the “Applicants”) filed an application for approval by the Commission, pursuant to D.C. Code §§ 34-504 and 34-1001, for a change of control of Washington Gas to be effectuated by the Merger (the “Application”); and

WHEREAS, pursuant to Order No. 18843, the Commission identified the seven factors that the Commission is using to evaluate if the Merger is in the public interest; and

WHEREAS a substantial amount of discovery has been conducted with respect to the proposed Merger, the parties have filed prepared direct, supplemental direct and rebuttal testimony and exhibits, and the Commission has held 7 days of evidentiary hearings and multiple public comment hearings regarding the Merger; and

WHEREAS the parties in Formal Case No. 1142 have engaged in settlement negotiations regarding the proposed Merger, which negotiations have resulted in the agreement of the Applicants, the Government of the District of Columbia (the “D.C. Government”), the District of Columbia Office of the People’s Counsel (“OPC”), the United States Department of Defense and all other Federal Executive Agencies (“DoD/FEA”), the Apartment and Office Building Association of Metropolitan Washington (“AOBA”), the Laborers’ International Union of North America, its affiliated District Council, and Local Unions serving

or located in Washington, D.C. (collectively, “LiUNA”), Local 2 of the Office and Professional Employees International Union, AFL-CIO (“Local 2”), and National Consumer Law Center/National Housing Trust (collectively, “NCLC”) (collectively, the “Settling Parties”), as set forth in this Unanimous Agreement and Stipulation of Full Settlement (“Settlement” or “Settlement Agreement” or the “Agreement”);¹

NOW, THEREFORE, the Settling Parties agree to the following terms and conditions in full settlement and compromise of the Application:

DEFINED TERMS

“AltaGas” means AltaGas Ltd.

“Applicants” means AltGas Ltd., WGL Holdings, Inc., and Washington Gas Light Company.

“ASUS” means AltaGas Services (U.S.) Inc.

“AUHUS” means AltaGas Utility Holdings (U.S.) Inc.

“Commission” means the Public Service Commission of the District of Columbia.

“Greater Washington, D.C. metropolitan area” includes each county, city or township in which Washington Gas is authorized to provide natural gas distribution service.

“Independent Director” means an individual who satisfies the New York Stock Exchange’s (“NYSE”) definition of “independent” and does not have any other relationship with AltaGas or any of its affiliates that a majority of either the Washington Gas board or the AltaGas board determines would impact the independence of the individual from the management of AltaGas and its affiliates.

“Low-income customers” are those customers whose gross annual household income is at or below 200 percent of the federal poverty level.

“Merger” means the merger among AltaGas, Wrangler, Inc. (an indirect, wholly-owned subsidiary of AltaGas), and WGL, which shall have the effect of WGL becoming an indirect subsidiary of AltaGas.

“Merger Close” or “Merger Closing” means the date the Merger is consummated.

¹ The only intervening parties in this case who have not signed the settlement agreement – Potomac Electric Power Company (“PEPCO”) and International Brotherhood of Teamsters Local 96 (“Teamsters Local 96”) – have indicated that they do not oppose the settlement.

“Minimum Equity Ratio” means the weighted average of the ratemaking equity ratios for Washington Gas in its three state regulatory jurisdictions, based on the respective rate base in each jurisdiction, less five percentage points.

“Moderate-income customers” are those customers whose gross annual household income is at or below 80 percent of the area median income as most recently determined by the U.S. Department of Housing and Urban Development.

“Primary office” means the business location where the individual is expected to spend the majority of office hours each year, recognizing that the individual’s duties will often require extensive business travel, including to other business locations.

“Washington Gas” means Washington Gas Light Company.

“WGL” means WGL Holdings, Inc.

DIRECT CUSTOMER BENEFITS

1. AltaGas will fund \$20,482,254 for a one-time rate credit for each Washington Gas residential customer in the District of Columbia, and allocated in accordance with each residential class’s cumulative non-gas revenues as determined by the Commission in Washington Gas’s last base rate case. This results in a \$150 rate credit for each Washington Gas residential-heating customer. The residential rate credits will be provided within 60 days after the Merger Closing based on active customer accounts as of the billing cycle commencing 30 days after the Merger Closing. No portion of the rate credits will be recovered in utility rates.

2. AltaGas will also fund \$5,422,582 for one-time rate credits for each Washington Gas non-residential customer in the District of Columbia, and the amount of each non-residential customer’s credit will be determined on a volumetric basis. The non-residential rate credits will be provided within 60 days after the Merger Closing based on active customer accounts as of the billing cycle commencing 30 days after the Merger Closing. No portion of the rate credits will be recovered in utility rates.

3. AltaGas will provide \$4.2 million for energy efficiency and energy conservation initiatives with a primary focus on assisting low and limited-income residents who are living in affordable multifamily units, whether in buildings that are wholly master-metered, buildings where the tenants pay all of the utility bills, or buildings with mixed owner- and tenant-meters. Within 180 days of a Merger Close AltaGas will utilize a widely-publicized Request for Proposal (RFP) process to select an entity to administer the funds. The RFP will be open to all qualified bidders, and selection of a successful bidder will be based on a combination of relevant factors including price terms, relevant experience in delivering energy efficiency measures (particularly in affordable multifamily housing), and ability to carry out the scope of work in a timely manner. Within

180 days after selection of the administrator, and no less than 30 days prior to the initial disbursement of funds to the administering agency or agencies, AltaGas and Washington Gas will, after consultation with interested stakeholders, file a proposal with the Commission regarding the aforementioned programs. No portion of the contribution will be recovered in utility rates.

4. AltaGas will provide \$1.5 million of supplemental funding over the five years following Merger Close (or until expended) to the Washington Area Fuel Fund to provide emergency gas utility bill assistance to Washington Gas qualifying Low-income customers and Moderate-income customers who have exhausted low-income benefits or who do not qualify for low-income benefits. These contributions will be single contributions made with respect to all of the Washington Gas service territories, however, at least \$260,000 of these contributions will be earmarked for assistance to qualifying customers in the District of Columbia. No portion of the supplemental funding will be recovered in utility rates. Moreover, this funding is wholly unrelated to, and is entirely separate and apart from, the \$261,094.50 of overcollection refunds the Commission, in Formal Case No. 1126, recently directed Washington Gas to disburse to the Washington Area Fuel Fund and the \$261,094.50 the PSC ordered the Company to disburse to the Greater Washington Area Urban League for the benefit of the District's low-income residential ratepayers and customers.

PUBLIC INTEREST BENEFITS

5. AltaGas shall, within five years after Merger Close, develop or cause to be developed 10MW of either electric grid energy storage or Tier one renewable resources in Washington, D.C. If AltaGas or one of its affiliates develops the project, the construction of the project shall be competitively bid. AltaGas may retain the renewable energy certificates ("RECs") and tax attributes for the Tier one resource. AltaGas will use reasonable best efforts to ensure at least twenty percent of the operational jobs for the 10 MW are sourced from the local workforce. The costs of this project shall not be recovered through Washington Gas's utility rates.

6. AltaGas will provide \$450,000 to fund a study to assess the development of renewable (bio) gas facilities in the Greater Washington, D.C. metropolitan area. The study will assess the potential environmental benefits of repurposing locally sourced waste streams into pipeline quality renewable gas, compressed natural gas and/or liquefied natural gas that can be used for carbon neutral vehicle fueling and onsite energy production. The study will evaluate the economic viability, identify operating challenges and solutions, and offer recommendations relating to regulatory and market approaches that can facilitate the utilization of renewable sources to support the achievement of local, state, and regional climate and energy plans. This study will be a single study funded by AltaGas with respect to all of the Washington Gas service territories and will be commenced

within one year after Merger Close. Neither AltaGas nor any AltaGas affiliate will perform the study. The costs of this study shall not be recovered through Washington Gas's utility rates.

7. AltaGas will fund a new public safety program at Washington Gas focused on preventing third party excavation damages. This will be accomplished by increasing staffing and resources in two primary areas: A) Excavator Engagement and Training; and B) Customer and Community Engagement, Education and Outreach.

A. Excavator Engagement and Training: AltaGas will provide Washington Gas with \$480,000 in annual funding for the five (5) year period commencing after Merger Closing for Washington Gas to add one Damage Prevention Trainer/Educator to each of its three jurisdictions. AltaGas will not seek to recover the costs of this funding through Washington Gas's utility rates.

B. Customer and Community Engagement, Education and Outreach: AltaGas will provide \$350,000 in incremental funding to Washington Gas, recovery of which will not be sought from Washington Gas's customers, over and above Washington Gas's current expenditures for educational and damage prevention awareness in accordance with applicable regulations, in order to increase Washington Gas's direct mailing efforts regarding educational and damage prevention awareness materials in each of its three jurisdictions. This contribution will be a single contribution made with respect to all of the Washington Gas service territories. In addition to mailing materials and bill inserts, Washington Gas will implement events and programs specifically intended to create greater awareness of the dangers of unsafe digging, and greater compliance with the one-call requirements. Washington Gas will also seek to engage a growing population of Spanish speaking residents in its communities with bilingual messaging. Washington Gas will consult with interested stakeholders prior to implementation of the above programs. At the conclusion of the five-year period after Merger Close, Washington Gas shall file a report with the Commission demonstrating the program's impact on the incidence of third party excavation damages. The \$350,000 in incremental funding will be provided by AltaGas as a single contribution to Washington Gas within 30 days after Merger Close. No portion of the funding will be recovered in utility rates.

8. In order to promote local employment in the energy sector in the District of Columbia, AltaGas will contribute \$6,000,000 over the two-year period after Merger Close to fund workforce development initiatives in the District of Columbia, such as the Mayor's DC Infrastructure Academy. These contributions will not be recovered in utility rates. AltaGas will focus its contributions to programs that promote training and job creation in the energy sector and Science, Technology, Engineering and Math ("STEM") fields, and enable the participants in these programs to achieve advancement both within and outside of their immediate communities and neighborhoods. AltaGas will work with the District of Columbia Government and District of Columbia Attorney General's Office to

direct these funds to programs designed to support District residents. In particular, AltaGas will take special efforts to fund programs to support returning citizens. AltaGas will also take special efforts to fund programs to support formerly justice-involved juveniles, who have successfully completed the District's A.C.E. program.

a. AltaGas and Washington Gas shall allocate \$2 million of the \$6.0 million in workforce development funding to a program to work with District of Columbia-based contractors on growing their capacity to work on Washington Gas's District of Columbia system and to promote hiring by those contractors of District of Columbia residents. Diverse suppliers shall have priority in the program. No portion of the funding will be recovered in utility rates.

9. Washington Gas will continue its supplier diversity efforts as outlined in the Memoranda of Understanding with the Commission, and will commit to an aspirational goal to increase the company's share of non-gas spending with diverse suppliers to 35% over the next ten-year period. Washington Gas shall report to the Commission and other interested stakeholders annually by April 30 of each year on: (a) its progress in achieving this goal, (b) the steps it took in the previous year to achieve this goal, and (c) its going-forward plans to achieve this goal.

10. AltaGas, Washington Gas, and their affiliates will, in aggregate, during the 10-year period following Merger Close, provide at least \$1.2 million in charitable contributions and traditional local community support per year in the Greater Washington, D.C. metropolitan area, which represents an approximately 20% increase over the highest of any of the past five fiscal years for WGL and its affiliates. In order to ensure that District of Columbia residents benefit from the charitable contributions described above, the Applicants will earmark at least \$210,000 of the charitable contributions and traditional local community support per year to charities serving District of Columbia residents (including charities that may not be based in the District but that serve District residents). Of the \$1.2 million per year in charitable contributions and traditional community support, AltaGas, Washington Gas, and their affiliates shall allocate \$250,000 per year for 7 years post-Close for contributions to the AOBA Educational Foundation ("AEF"), beginning upon AEF's qualification for 501(c)(3) exempt status. The contributions made shall be cash contributions, not "in-kind" contributions. This commitment is separate from and in addition to any other contributions made to charitable organizations under other Merger commitments. These contributions will not be recovered in Washington Gas's District of Columbia rates.

ADDITIONAL COMMITMENTS

Ensuring Safe and Reliable Service

11. AltaGas will continue to devote resources necessary to maintain current service quality and reliability levels and standards under existing Commission

orders and regulations, including those issued in Formal Case Nos. 977 and 1089, as well as any additional or revised requirements adopted by the Commission, such as those resulting from the current examination of service quality standards in Formal Case No. 977. Washington Gas will continue all reporting requirements under existing Commission orders and regulations. Washington Gas will continue to be subject to and will comply with all state and federal pipeline safety requirements. Should the Commission decide to require additional reporting as part of this proceeding, Washington Gas will comply with those requirements.

12. AltaGas guarantees, including by means of any necessary equity infusion, that Washington Gas will be provided access to capital to meet its total projected capital expenditures through 2021 listed in Applicants' response to DCG 4-9 Attachment 1. Starting in 2020 and on an annual basis for a period of ten years thereafter, Washington Gas will provide the Commission with a report of AltaGas's compliance with the foregoing guarantee. The report shall include Washington Gas's: (a) actual capital expenditures for the previous two calendar years; and (b) projected capital expenditures for the next two years. For example, in 2020, Washington Gas shall provide the Commission with a report of AltaGas's support for and Washington Gas's actual capital expenditures for 2018 and 2019, and provide the Commission with its projected capital expenditures for 2020 and 2021. Washington Gas acknowledges that the capital expenditures described in this paragraph must go through the regular ratemaking processes of the Commission before they can be recovered in customers' rates, with the exception of accelerated pipeline replacement capital expenditures as part of an approved PROJECT*pipes* plan, which based on the Commission's decision would be recovered through an approved customer surcharge; and Washington Gas's commitments here do not imply an endorsement by any party or the Commission that such costs or expenses are just and reasonable.

Local Corporate Presence

13. Washington Gas's headquarters will remain in, and will not be moved from, the District of Columbia.

14. Within twelve months after Merger Close, the head office of the AltaGas U.S. power business, including the Primary office of the President of AltaGas's U.S. power businesses, will be relocated to Prince George's County, Maryland. Additional U.S. power business functions available to be transitioned to Prince George's County, Maryland within five years after Merger Closing include corporate accounting, human resources, and tax and risk management.

15. The AltaGas Board of Directors and Executive Committee will include the District of Columbia among the locations of their meetings. No other state will host these meetings on a more frequent basis than the District of Columbia.

Board Structure

16. Washington Gas will have a board of directors consisting of seven members, including: (a) the CEO of Washington Gas; (b) the CEO of AltaGas; (c) four independent members, including, up to three of the independent board members of WGL; and (d) one other member. Notwithstanding any other provision of this Settlement Agreement, the majority of the members of the Washington Gas board of directors must be Independent Directors. Each successor to a legacy-WGL board member will either (1) be an Independent Director, or (2) be a former director or officer of Washington Gas or WGL. The Washington Gas and AltaGas CEOs may nominate successors to their respective positions on the Washington Gas board, each of whom shall be a member of the executive team of the CEO's company.

17. Washington Gas will be adequately represented on AltaGas's board of directors as follows: At least one current member of the WGL board of directors will be recommended by AltaGas for nomination to the AltaGas board of directors. Following that individual's term(s) on the AltaGas board of directors, AltaGas will use all reasonable efforts to nominate at least one member of the Washington Gas board of directors to the AltaGas board of directors. At least two current members of the WGL board of directors will be recommended for nomination to the AUHUS board of directors.

Local Management

18. AltaGas will make reasonable efforts to retain Washington Gas's existing executive management team to manage Washington Gas's business and, as available, provide guidance to AltaGas's other U.S. regulated utility businesses. The executive officers of Washington Gas will maintain their Primary offices in the Greater Washington, D.C. metropolitan area, and the Washington Gas CEO will reside in Washington Gas's service territory. The Washington Gas CEO will have the same authority as under the current Washington Gas authorized approval levels. After Merger Closing, Washington Gas's CEO will be a member of the AltaGas Executive Committee, and Washington Gas's CEO and CFO shall meet with AltaGas's CEO and CFO at least monthly and have direct and frequent access to AltaGas's CEO, CFO, and other members of AltaGas's senior management team. This is intended to ensure that AltaGas's CEO and senior management team is kept informed about important matters affecting Washington Gas.

a. The Washington Gas board of directors will have final authority to approve Washington Gas's budgets and programs.

b. If any of the following occurs, the Washington Gas board of directors shall have the unrestrained discretion and power to perform its own administrative services or secure administrative services from an entity other than AltaGas or its affiliates (for purposes of this paragraph,

“administrative services” include, but are not limited to: corporate governance and strategy, financial services, tax and accounting services, legal and compliance services, information technology, enterprise resource planning and procurement, and employee compensation planning):

- i. Dividends are paid in violation of paragraphs 36 or 37, *infra*;
 - ii. AltaGas’s or Washington Gas’s credit ratings fall below investment grade by any of the three major credit rating agencies; or
 - iii. AltaGas files for bankruptcy.
- c. The authority and responsibility delegated to local management shall be clearly delineated in two formal, written documents consisting of a statement of Corporate Governance Principles and Delegation of Authority (“DOA”). The DOA shall demarcate, among other things, levels of expenditures and defined categories of decisions that can be authorized solely by Washington Gas’s CEO or by Washington Gas CEO with Washington Gas Board of Directors’ approval.
- d. The Applicants will maintain the financial integrity and independence of Washington Gas in all respects and will exercise management prudence in matters relating to dividends, capital investments and other financial actions in order to maintain an investment grade credit rating consistent with its pre-merger operations.
- e. The Applicants shall report to the Commission within 90 days after Merger Closing concerning the current Washington Gas executive management that has been retained or lost through that date.

Consent to Commission Jurisdiction

19. AltaGas, its affiliates, and its subsidiaries all agree to submit to the jurisdiction of the Commission for: (1) all matters related to the Merger and the enforcement of the conditions set forth herein to the extent relevant to operations of Washington Gas in the District of Columbia; and (2) matters relating to affiliate transactions between Washington Gas and AltaGas or its affiliates to the extent relevant to operations of Washington Gas in the District of Columbia. AltaGas will also cause each of its affiliates that supplies goods or services to Washington Gas to submit to the jurisdiction of the Commission for matters relating to the provision or costs of such goods or services to Washington Gas. The Commission’s authority over Washington Gas will be undiminished by the Merger. AltaGas and its affiliates acknowledge the jurisdiction of the District of Columbia local and federal courts over matters related to Washington Gas’s businesses in the District of Columbia.

Employment

20. Washington Gas will honor all existing collective bargaining agreements.
- a. Washington Gas will remain the sole sponsor of the Washington Gas Light Company Employee Pension Plan. Washington Gas will not merge its pension plan with a pension plan of AltaGas or another entity.
21. Upon Merger Closing and for at least the first two years following Merger Closing, AltaGas: (1) shall not permit a net reduction, due to involuntary attrition as a result of the Merger integration process, in the employment levels at Washington Gas, and (2) AltaGas will provide employees of Washington Gas and other WGL affiliates compensation and benefits (including retirement benefits; provided vested rights under the defined benefit pension plan will continue to be maintained in accordance with applicable legal requirements) that are at least as favorable in the aggregate as the compensation and benefits provided to those employees immediately before execution of the Merger Agreement. Washington Gas shall, on an annual basis and for the first three years following the consummation of the Merger, report to the Commission regarding employment levels at Washington Gas. The reports shall detail job losses - including whether attrition was involuntary or voluntary - as well as any job gains, delineated using an industry-accepted categorization method such as by SIC code. Washington Gas shall also continue its efforts to promote workforce diversity.
22. Five years after Merger Closing, the total number of employees (actual headcount) within the Greater Washington, D.C. metropolitan area at Washington Gas and its affiliates will be at least 65 greater than as of March 31, 2017, and the total budgeted full-time equivalents (FTEs) within the Greater Washington, D.C. metropolitan area will be at least 190 greater (65+125) than actual headcount as of March 31, 2017, to allow for the estimated future vacancy run rate. AltaGas will file a report annually with the Commission demonstrating its progress meeting this commitment.

Affiliate Requirements

23. AltaGas will comply and will cause Washington Gas and other AltaGas affiliates to comply with the statutes, regulations, and orders applicable to Washington Gas and its affiliates regarding affiliate transactions. AltaGas will permit the Commission and OPC to examine the accounting records and supporting workpapers of AltaGas and its affiliates that are the basis for charges to Washington Gas's operations in the District of Columbia to determine the reasonableness of allocation factors used by AltaGas to assign those costs and amounts subject to allocation and direct charges. To the extent consistent with the external auditors' standards, the Applicants shall provide Commission and its Staff with timely access to any external auditor workpapers and/or reports relevant to Washington Gas.

a. [Acceptable Alternative] Although the Applicants believe that the second sentence in the above Commitment No. 23 is more appropriate, the Applicants would not object to the following alternative: The Applicants commit that relevant records of any affiliate for which any direct or indirect charge is made to Washington Gas, and included in said utilities' cost of service and rates on either a direct or indirect basis, will be made available, upon request, to the Commission and its Staff.

24. Washington Gas will comply with its Cost Allocation Manual ("CAM") in transactions with AltaGas and its affiliates. AltaGas and its subsidiaries will use pricing protocols consistent with the rules of the Commission for transfer prices of any intercompany transfers of supplies and services related to Washington Gas. The Applicants agree that Washington Gas will continue to use its CAM (as updated) for all entities that allocate costs to Washington Gas's regulated operations. Within the CAM, the entities should also include all foreign exchange rates used, method of determining the exchange rates used (i.e., average annual, date certain, etc.) and source of the exchange rates used. An updated Washington Gas CAM and the service agreement(s) between any service company or affiliate allocating costs to Washington Gas shall be filed with the Commission within 12 months of Merger Close and thereafter, consistent with the Commission's affiliate reporting requirements. Further, the Applicants commit that current service agreements between Washington Gas and any affiliates that Washington Gas either provides services to or receives services from will be provided with the 21-day compliance filing in any future rate case proceedings. This will include, but not be limited to, service agreements with AltaGas and ASUS, as well as agreements Washington Gas has with its unregulated affiliates.

25. Washington Gas will hold itself out as an entity separate from AltaGas and the Special Purpose Entity (defined in Commitment 33) and conduct business in its own name, will maintain its separate existence and separate franchise and privileges, and will not use the trademarks or service marks of AltaGas in rendering services to its customers (except that Washington Gas may identify itself as an affiliate of AltaGas on a basis consistent with other AltaGas utility subsidiaries).

26. Washington Gas shall provide a side-by-side comparison by function of the pre-Merger corporate and shared-services costs incurred by Washington Gas as compared to the post-Merger corporate and shared-services costs incurred by Washington Gas for the five years after Merger Close. The comparisons shall be filed on an annual basis as a separate letter, and the first letter shall be filed no later than the end of the second quarter following the first full year after Merger Close. The comparisons shall include information by account under the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts. In the event Washington Gas files a base rate case prior to the receipt of the first comparison, Washington Gas will include as part of its base rate application a side-by-side comparison, by function, of pre- and post-Merger corporate and

shared-services costs available through the test year, to the extent applicable. Additionally, in the second quarter after the first full calendar year following Merger Closing, and for every subsequent year for the next ten years, Washington Gas shall prepare and file with the Commission a report showing (i) AltaGas's annual charges to Washington Gas and (ii) Washington Gas's corporate and shared services costs. Washington Gas in its future rate proceedings, will disclose the amounts included in the test year relating to corporate and business development costs, corporate donations and promotions, supplemental executive retirement plan expenses and share-based incentive expenses charged or allocated to Washington Gas from AltaGas, ASUS and any other affiliated entities charging such costs to Washington Gas. Further Washington Gas should explain why such costs began to be allocated by AltaGas to Washington Gas. The amounts provided in this report will be on a total Washington Gas basis and on a Washington Gas regulated operations basis, if the amounts differ. Washington Gas, in its future rate proceedings, will disclose the amounts included in the test year relating to corporate and business development costs, corporate donations and promotions, supplemental executive retirement plan expenses and share-based incentive expenses charged or allocated to Washington Gas from AltaGas, ASUS and any other affiliated entities charging such costs to Washington Gas. Further Washington Gas should explain why such costs began to be allocated by AltaGas to Washington Gas.

a. [Acceptable Alternative] Although the Applicants believe that the first five sentences in the above Commitment No. 26 are more appropriate, the Applicants would not object to the following alternative: Washington Gas shall provide a side-by-side comparison by function of the pre-Merger corporate and shared-services costs charged to Washington Gas's regulated utility operations for the most recent three-years pre-merger as compared to the net post-Merger corporate and shared-services costs charged to Washington Gas's regulated utility operations for five years after Merger Close. The comparisons shall be filed on an annual basis as a separate letter, and the first letter shall be filed no later than the end of the second quarter following the first full year after Merger Close. In the event Washington Gas files a base rate case prior to the receipt of the first comparison, Washington Gas will include as part of its base rate application a side-by-side comparison, by function, of pre-and post-Merger corporate and shared-services costs available through the test year, to the extent applicable. The side-by-side comparison will specifically disclose any costs to achieve associated with the Business Process Outsourcing and Business Process Outsourcing 2.0 included in each year in the comparison, by function. Additionally, in the second quarter after the first full calendar year following Merger Closing, and for every subsequent year for the next ten years, Washington Gas shall prepare and file with the Commission a side-by-side comparison of (i) AltaGas's, ASUS and any other affiliate charging costs to Washington Gas, annual charges to Washington Gas and (ii) Washington Gas's corporate and shared services costs.

Ring Fencing and Credit Rating Protections

27. Washington Gas will not include in any of its debt or credit agreements cross-default provisions between Washington Gas securities and the securities of AltaGas or any other AltaGas affiliate. Washington Gas will not include in its debt or credit agreements any financial covenants or rating agency triggers related to AltaGas or any other AltaGas affiliate. Washington Gas will not assume liability for nor issue any guarantees of the debt of any other entities.

28. The SPE shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity. Washington Gas will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, AltaGas or any other AltaGas affiliate.

a. [Acceptable Alternative] Although the Applicants believe that the above Commitment No. 28 is more appropriate, the Applicants would not object to the following alternative: The Applicants commit that Washington Gas will not grant or permit to exist for the benefit of AltaGas or any of its other affiliates any such encumbrance, claim, security interest, pledge, or other right in favor of any entity or person, its assets other than immaterial liens or encumbrances in the ordinary course of business.

29. Washington Gas will maintain separate books and records and accounts and financial statements (which will be maintained in its service territory and shall be available for inspection and examination by the Commission). Washington Gas will provide access on demand to its original books and records as maintained in the ordinary course of business in accordance with applicable law. Washington Gas will notify the Commission of any material change in the administration or management of Washington Gas's books and records within 10 days after the event.

a. [Acceptable Alternative] Although the Applicants believe that the first sentence in the above Commitment No. 29 is more appropriate, the Applicants would not object to the following alternative: The Applicants shall commit to maintain separate books and records, system of accounts, financial statements and bank accounts for Washington Gas. The Applicants commit that relevant records of any affiliate for which any direct or indirect charge is made to Washington Gas, and included in said utilities' cost of service and rates on either direct or indirect basis, will be made available, upon request, to the Commission and its Staff in its District offices.

30. Washington Gas will hold all its property in its own name, will not assume liability for the debts and will not guarantee the debt or credit instruments of AltaGas, the SPE or any affiliate of AltaGas.

a. [Acceptable Alternative] Although the Applicants believe that the above Commitment No. 30 is more appropriate, the Applicants would not object to the following additional commitment: Neither AltaGas nor any of its other affiliates will cause Washington Gas to sell, lease, rent or otherwise convey any of its assets, outside routine business practices, without Commission approval.

31. Washington Gas will not participate in a money pool with AltaGas or any other entities, and will not commingle funds or other financial assets with those of other utilities or entities.

a. [Acceptable Alternative] Although the Applicants believe that the above Commitment No. 31 is more appropriate, the Applicants would not object to the following additional commitment: The Applicants will not co-mingle the financial assets of Washington Gas with any other affiliate.

32. Washington Gas will maintain its own separate debt and preferred stock, if any. Washington Gas will maintain its own debt securities and will maintain its own corporate and debt credit ratings as well as ratings for long term debt and preferred stock. Washington Gas will maintain separate capital structure to finance the activities and operations of Washington Gas. Washington Gas will maintain a 12-month rolling average equity ratio of not less than 48 percent and no more than 55 percent, provided that this range is consistent with future orders that address capital structure for Washington Gas. Washington Gas will report to the Commission within 75 days of the end of each quarter the following credit metrics for the then-current year: FFO/debt, FFO/interest, and debt/capitalization.

33. Within the AltaGas corporate structure, Washington Gas will be a wholly-owned, direct subsidiary of a bankruptcy-remote Special Purpose Entity (“SPE”) established for the purpose of owning the equity of Washington Gas and ring-fencing Washington Gas, with the intention of removing Washington Gas from the bankruptcy estate of AltaGas and its affiliates. In addition, the following conditions shall apply to the SPE:

- a. The SPE will have no employees and no operational functions other than those related to holding the equity interests in Washington Gas.
- b. The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions, and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.

- c. At least one of the directors of the SPE will be an independent director, who will be an employee of an administration company in the business of protecting SPEs.
- d. The SPE will issue a non-economic interest in the SPE (a “Golden Share”) to an administration company in the business of protecting SPEs, separate from the administration company retained to provide the person to serve as the independent director for the SPE.
 - i. [Acceptable Alternative] Although the Applicants believe that the above Commitment No. 33(d) is more appropriate, the Applicants would not object to the following alternative: The Applicants shall commit that the SPE will issue a non-economic interest in the SPE (a “Golden Share”) to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for the SPE. The holder of the SPE’s Golden Share will have a voting right on matters specified in the SPE governing documents.
- e. The independent director and the holder of the SPE’s Golden Share will have a voting right on matters specified in the SPE governing documents, as described below.
- f. A voluntary petition for bankruptcy by the SPE will require the affirmative consent of the holder of the Golden Share and the unanimous vote of the SPE board of directors.
- g. A voluntary petition for bankruptcy by Washington Gas will require the affirmative consent of the holder of the Golden Share, the unanimous vote of the SPE board of directors (including the independent director), and the unanimous vote of the Washington Gas board of directors.
- h. A unanimous vote by the SPE’s board of directors and the affirmative consent of the holder of the Golden Share shall also be required to amend the SPE’s organizational documents affecting the voting rights and the other aspects of ring fencing in the SPE governing documents.
- i. The SPE will maintain arms-length relationships with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates.
- j. At all times, the SPE will hold itself out as an entity separate from its affiliates, will conduct business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate existence and shall use

commercially reasonable efforts to correct any known misunderstanding regarding its separate identity.

- k. The SPE shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities.
- l. The SPE shall comply with Generally Accepted Accounting Principles in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of the SPE and its assets and liabilities are clearly noted therein.
- m. The SPE shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.
- n. The SPE shall not make loans.
- o. The SPE shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.
- p. None of the costs of establishing or operating the SPE shall be charged or allocated to Washington Gas.

34. Within 180 days following Merger Close, AltaGas will obtain a legal opinion in customary form and substance reasonably satisfactory to the Commission, to the effect that, as a result of the ring-fencing measures AltaGas has implemented for Washington Gas and its subsidiaries, a bankruptcy court would not consolidate the assets and liabilities of the SPE or Washington Gas or Washington Gas's subsidiaries with those of AltaGas or its affiliates other than the SPE and Washington Gas or Washington Gas's subsidiaries in the event of a bankruptcy of AltaGas or its affiliates other than the SPE and Washington Gas or Washington Gas's subsidiaries. In the event that such opinion cannot be obtained, AltaGas will promptly implement such measures as are required to obtain such opinion. AltaGas shall conduct an analysis of its operational and financial risk to determine the adequacy of existing ring fencing measures. AltaGas shall file this analysis with the Commission no later than the later of the end of the third quarter in 2018 or 180 days following Merger Close. AltaGas shall not implement any internal corporate reorganization impacting the ring-fencing measures of the SPE and Washington Gas without giving 90 days prior written notice to the Commission, which shall include: (a) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of Washington

Gas's existing ring fencing; or (b) a letter from a reputable bankruptcy counsel describing what changes to the ring fencing would be required to ensure Washington Gas is at least as effectively ring-fenced following the reorganization and a letter from AltaGas committing to obtain a new non-consolidation opinion following the reorganization, and to take any further steps necessary to obtain such an opinion. AltaGas shall not object if the Commission elects to open an investigation into the matter.

- a. The ring-fencing measures described in these Commitments may only be changed with permission of the Commission and the Applicants may not seek such permission during the first five years after Merger Close to act otherwise.

35. AltaGas shall commit to issuing separate debt and maintaining separate credit ratings for Washington Gas. The Joint Applicants shall maintain a separate capital structure to finance the activities of Washington Gas. AltaGas shall use reasonable efforts to ensure that Washington Gas's credit ratings remain at or above investment-grade for its publicly-traded securities and to preserve an investment grade credit rating for Washington Gas's senior unsecured debt. Washington Gas shall report to the Commission promptly if either AltaGas's, WGLH's, or Washington Gas's credit rating from any of the major credit rating agencies falls below its level at the date of the notification to the Commission that the merger had been consummated. Washington Gas shall also report to the Commission within 30 days of the reporting of each quarter the following credit metrics for the then-current year: FFO/debt, FFO/interest, and debt/capitalization. AltaGas shall also report to the Commission if AltaGas, WGL, or Washington Gas are put on negative outlook or is downgraded below current bond ratings by any of the major credit rating agencies. Washington Gas, within 30 days of such action by any of the major credit rating agencies, shall also describe any measures and plans it intends to implement to restore Washington Gas's credit ratings to investment grade within a targeted timeframe. The plan should identify all reasonable steps, taking into account the costs, benefits, and expected outcomes of such actions that will be taken to restore and maintain an investment grade rating for Washington Gas. If the Applicants find that the costs of returning Washington Gas to investment grade are above the benefits of such actions, the Applicants shall be required to show and explain why it is not necessary, or cost-effective, to take such actions and how Washington Gas can continue to provide efficient and sufficient service in the District under such circumstances. The Applicants shall also file a report, filed with the Commission every 60 days, until such time that Washington Gas regain an investment-grade credit rating, detailing the steps being taken to restore an investment grade rating and the financial or other support being provided to Washington Gas to provide efficient and sufficient service in the District. The major credit rating agencies are Standard & Poor, Moody's and Fitch, plus DBRS Limited (DBRS) which rates AltaGas.

- a. [Acceptable Alternative] Although the Applicants believe that the above Commitment No. 35 is more appropriate, the Applicants would not

object to the following alternative: In the event that Washington Gas receives a credit rating downgrade below investment grade level, by either Moody's or Standard & Poor's, it will do the following: (i) notify the Commission within five business days of the downgrade; (ii) provide to the Commission: (1) a plan, that will be provided within 60 days of the downgrade, identifying all reasonable steps, taking into account the costs, benefits, and expected outcomes of such actions that will be taken to restore and maintain an investment grade rating for Washington Gas. If the Applicants find that the costs of returning Washington Gas to investment grade are above the benefits of such actions, the Applicants shall be required to show and explain why it is not necessary, or cost-effective, to take such actions and how Washington Gas can continue to provide efficient and sufficient service in the District under such circumstances; (2) a report, filed with the Commission every 60 days, until such time that Washington Gas regain an investment-grade credit rating, detailing the steps being taken to restore an investment grade rating and the financial or other support being provided to Washington Gas to provide efficient and sufficient service in the District. b. Washington Gas shall also report to the Commission within 30 days of the reporting of each quarter the following credit metrics for the then-current year: FFO/debt, FFO/interest, and debt/capitalization. AltaGas shall also report to the Commission if AltaGas, WGLH, or Washington Gas are put on negative outlook or is downgraded below current bond ratings by any of the major credit rating agencies. Washington Gas, within 30 days of such action by any of the major credit rating agencies, shall also describe any measures and plans it intends to implement to restore Washington Gas's credit ratings to investment grade within a targeted timeframe. The major credit rating agencies are Standard & Poor, Moody's and Fitch, plus DBRS Limited (DBRS) which rates AltaGas.

36. Washington Gas will not pay extraordinary dividends (i.e., an irregular dividend that is not declared as part of Washington Gas's ordinary course of business) to its parent for three years after Merger Close. Washington Gas will not pay dividends to its parent company if its senior unsecured debt rating is rated below investment grade by any of the three major credit rating agencies.

37. Washington Gas will not pay dividends to its parent company if, immediately after the dividend payment, its common equity level (as calculated for rate making purposes) would fall below the Minimum Equity Ratio. Washington Gas will provide the Commission with at least thirty (30) days advance notice of any dividend payment.

a. [Acceptable Alternative] Although the Applicants believe that the above Commitment No. 37 is more appropriate, the Applicants would not object to the following alternative: The Joint Applicants commit that Washington Gas will not make any dividend payments to its parent company to the extent that the payment would result in a drop of

Washington Gas's equity level below 48 percent of its total capitalization provided that this equity level is consistent with future capital structure orders, or it rates below investment grade by any of the three major credit rating agencies.

38. Washington Gas shall demonstrate that customers of Washington Gas are held harmless from adverse rate impacts due to an increase in Washington Gas's cost of debt that is caused by the Merger with AltaGas, or the ongoing affiliation with AltaGas and its affiliates after the Merger. Nothing in this condition will restrict the Commission's authority in setting Washington Gas's rates or Washington Gas's responsibility to support its cost of capital.

Cost Accounting, Tax, and Rate Neutrality

39. Washington Gas will not issue debt or equity in connection with, or to fund, the Merger. AltaGas will not sell a minority interest in Washington Gas in connection with, or to fund, the Merger, and will comply with all District of Columbia laws and regulations regarding the sale of any interest in Washington Gas.

40. Washington Gas will not seek recovery in distribution rates of: (1) any acquisition premium or "goodwill" associated with the Merger; or (2) any transaction costs incurred in connection with the Merger. Washington Gas shall have the burden of proof to clearly identify where all transactions costs are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these cost are included in its cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transactions cost are not included in the cost of service or rates. The categories of transaction costs incurred in connection with consummation of the Merger that will not be recovered from utility customers are: (1) consultant, investment banker, legal, and regulatory support fees, (2) change in control or retention payments, executive severance payments, and the accelerated portion of supplemental executive retirement plan payments, (3) costs associated with the shareholder meetings and a proxy statement related to the Merger approval by WGL shareholders, (4) costs associated with the imposition of conditions or approval of settlement terms in other state jurisdictions, (5) costs of setting up and operating the SPE, (6) costs associated with shareholder litigation concerning the Merger, (7) termination fees associated with the Merger, and (8) the purchase price. AltaGas and Washington Gas will file a Report of Action within one hundred and twenty (120) days after closing of the Merger. The Report of Action will contain: (1) the closing date of the Merger; (2) the actual total sale price; and (3) the actual accounting entries recorded in AltaGas's and Washington Gas's books to reflect the Merger. The Merger-related accounting entries in AltaGas and Washington Gas' books will include: all Transaction Cost accounting entries for AltaGas and Washington Gas; all Merger-related fair value, goodwill, and/or acquisition premium accounting entries for AltaGas and Washington Gas; all Merger-related tax accounting entries for AltaGas and Washington Gas; all

Merger-related debt-equity financing accounting entries for AltaGas and Washington Gas; all SPE set-up cost accounting entries for AltaGas and Washington Gas; and all non-consolidation opinion cost accounting entries for AltaGas and Washington Gas, organized by company, data, account number, account title, and amount. The Joint Applicants commit that they shall have the burden of proof to clearly identify where all transactions costs are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these cost are included in its cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transactions cost are not included in the cost of service or rates.

a. [Acceptable Alternative] Although the Applicants believe that the first two sentences in the above Commitment No. 40 are more appropriate, the Applicants would not object to the following alternative: The Applicants will never seek to recover, and shall be barred from recovering, and customers will never pay, either directly or indirectly, any acquisition premium (amortization or impairment), transaction costs, severance costs, retention costs, or termination fees incurred or associated with this transaction. Transaction costs will be defined by the Commission and will include, but not be limited to, investment banking fees, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid solicitation, analyze bids, conduct due diligence, prepare for and achieve regulatory approvals, closings, compliance with existing contracts including change in control provisions and compliance with any Merger-related regulatory conditions in other jurisdictions.

b. [Acceptable Alternative] Although the Applicants believe that the last two sentences in the above Commitment No. 40 are more appropriate, the Applicants would not object to the following alternative: The Applicants agree to provide a filing to the Commission, within six months of the close of the Merger, that provides detailed journal entries recorded to reflect the transaction and the provisions of this Agreement. The Applicants shall also provide the final detailed journal entries to be filed with the Commission no later than 13 months after the date of the closing. These entries must show, and shall include, but not be limited to the entries made to record or remove from cost of service utility accounts any acquisition premium costs, transaction costs, or severance costs. The Joint Applicants commit that they shall have the burden of proof to clearly identify where all transactions costs are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these cost are included in its cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transactions cost are not included in the cost of service or rates.

41. Washington Gas will track and account for its system-wide and District-specific Merger-related savings, and transition costs to enable those savings, in all base rate cases filed during the first five-years post-merger or in its next two base rate cases if the second base rate case is not filed within the first five years post-merger. Washington Gas will amortize the transition costs over five years, will not seek recovery in rate proceedings over those five years of any amortized transition costs or any corporate costs allocated from AltaGas, ASUS, or any other affiliated entities to Washington Gas in excess of Merger-related savings, and will ensure that customer rates reflect an annual net benefit to Washington Gas's District of Columbia customers of not less than \$400,000 per year over the five years following Merger Close commencing with the first post-Merger base rate case (i.e., \$2 million over five years). In the event that Washington Gas files a base rate case in the District of Columbia prior to Washington Gas capturing the anticipated savings in the test period for such a rate case, then Washington Gas will consent to a ratemaking adjustment to reduce Washington Gas's revenue requirements by an amount that is needed to guarantee that base rates include net cost savings of \$400,000 if the net cost savings in the test year are less than \$400,000 as a known and measurable reduction in Washington Gas's cost of service during the new rate-effective period. In determining if net cost savings of at least \$400,000 are included in base rates, the additional charges to Washington Gas from AltaGas, ASUS, and any other affiliates, and Merger-related savings, will be considered in the determination. "Transition costs" as used in this commitment are incremental non-recurring costs to facilitate the integration of the companies. "Merger-related savings" as used in this commitment refers to the tangible financial benefits achieved as a result of the Merger for the five years after Merger Close that would not have been possible if the individual companies were to continue to operate separately. As part of this commitment, Joint Applicants are guaranteeing that costs charged to Washington Gas's ratepayers in the District of Columbia, taking into account Merger-related savings, will not be higher as a result of the merger. In future rate case proceeding, the Joint Applicants commit to bear the burden of proving to the Commission that costs charged to Washington Gas's ratepayers in the District of Columbia, taking into account Merger-related savings, are not higher than they otherwise would have been absent the merger.

42. AltaGas will ensure that merger accounting is rate-neutral for Washington Gas customers. AltaGas will ensure that any accounting treatments associated with Merger accounting do not affect rates charged to Washington Gas's customers. AltaGas will not record any of the impacts of purchase accounting at Washington Gas, thereby maintaining historical cost accounting at Washington Gas. No goodwill or other fair value adjustments will be recorded at Washington Gas upon consummation of the Merger. If the SEC requires that goodwill be recorded on Washington Gas's books then AltaGas and Washington Gas will ensure that such goodwill does not impact rates charged to Washington Gas's customers. The Applicants commit that any Merger-related financial and

accounting changes must be reported to the Commission and such changes must be shown to not harm the District customers.

a. Washington Gas shall not record Goodwill resulting from the Merger on its books. The Goodwill resulting from the merger shall be recorded on the books of AltaGas Utility Holdings (U.S.) Inc., and no amount of Goodwill related to the transaction shall be recorded on the books of WGLH or Washington Gas. No “push down” account shall be used to result in any amount of Goodwill associated with the proposed transaction to be recorded on the books of WGLH or Washington Gas. AltaGas and Washington Gas shall also ensure that such Goodwill does not impact rates charged to Washington Gas’s customers, or the capital structure of Washington Gas.

b. Within 10 days after a report to the SEC or to Canadian securities regulators by AltaGas or its subsidiaries including AUHUS of Goodwill impairment tests that indicates that the amount of Goodwill on AltaGas’s or AUHUS’s books has been impaired, AltaGas shall notify the Commission.

43. For the purpose of ensuring there are no adverse tax impacts for ratemaking purposes, Washington Gas will continue to derive the allowance for federal or state income taxes in rates on a standalone basis. In each of its subsequent District of Columbia rate cases, Washington Gas shall report and quantify the impacts, if any, resulting from any constraints on its ability to monetize otherwise available tax benefits due to its affiliation with AltaGas and its post-merger participation in a U.S. consolidated federal income tax return with AltaGas subsidiaries.

a. [Acceptable Alternative] Although the Applicants believe that the first sentence of the above Commitment No. 43 is more appropriate, the Applicants would not object to the following alternative: AltaGas shall indemnify Washington Gas for any liability for federal or state income taxes (including interest and penalties related thereto, if any) in excess of Washington Gas’s standalone liability for federal and state income taxes (including interest and penalties related thereto, if any) for any period during which Washington Gas is included in a consolidated group with AltaGas. Under applicable law, following the merger Washington Gas shall have no liability for federal or state income taxes (including interest and penalties related thereto if any) of AltaGas or any other subsidiary of AltaGas for any period during which Washington Gas was not included in a consolidated group with AltaGas (i.e., any period before the merger). AltaGas shall take no action to cause Washington Gas to have any liability for federal or state income taxes (including interest and penalties thereto, if any) of AltaGas or any other subsidiary of AltaGas for any period during which Washington Gas was not included in a consolidated group

with AltaGas for purposes of filing federal or state income tax returns. If Washington Gas is included in a consolidated group with AltaGas subsidiaries for purposes of filing federal or state income tax returns and the rating for AltaGas' senior unsecured long term public debt securities, without third party credit enhancement, is downgraded to a rating that indicates "substantial risks" (below B3 by Moody's or B- by S&P or Fitch) by any of the three major credit rating agencies, the Commission, may, after investigation and hearing, require AltaGas to deliver to Washington Gas collateral of the type and amount determined by the Commission pursuant to hearing to secure AltaGas's tax indemnity to Washington Gas if the Commission finds that such collateral is necessary for the protection of Washington Gas' interests under AltaGas's tax indemnity. Washington Gas shall be required to surrender or release such collateral security to AltaGas: (1) promptly after the rating of AltaGas's senior unsecured long term public debt, without third party enhancement, is restored to a rating above "substantial risks" (at or above B3 by Moody's, B- by S&P or Fitch, or B by DBRS) by at least two of the four credit rating agencies; (2) when Washington Gas is determined by a body of competent jurisdiction no longer to be liable for federal or state income taxes as a member of a consolidated group with AltaGas, other than Washington Gas' standalone liability for federal or state income taxes (including interest and penalties related thereto, if any); or (3) upon finding by the Commission, after investigation and hearing upon application of AltaGas that the conditions under which such collateral security was originally required to no longer exist.

44. AltaGas will ensure that consummation of the Merger will not affect accounting and ratemaking treatments of Washington Gas's accumulated deferred income taxes, including excess deferred income taxes, accumulated deferred tax credits and net operating losses (including net operating loss carrybacks and net operating loss carryforwards). No tax elections or accounting methods shall be employed related to the Merger that would in any way result in any reduction to Washington Gas's net accumulated deferred income tax balances that are used to reduce rate base in Washington Gas's rate cases.

45. At the time of Merger Close and every year thereafter, Washington Gas shall provide the Commission with a certificate from an officer of AltaGas certifying that: (a) AltaGas shall maintain the requisite legal separateness in the corporate reorganization structure; (b) the organization structure serves important business purposes for AltaGas; (c) AltaGas acknowledges that subsequent creditors of WGL and Washington Gas may rely upon the separateness of WGL and Washington Gas and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of Washington Gas with AltaGas were to occur; and (d) Washington Gas shall make all books and records available to the Commission and to the Office of People's Counsel.

46. In the event that AltaGas is required to change from US GAAP to a different method of accounting in the future, the Joint Applicants should implement and ensure the following processes and procedures:
- a. Promptly notify the Commission if AltaGas or any of its affiliates change from US GAAP to another method of accounting;
 - b. All filings submitted to the Commission will be based on US GAAP;
 - c. Washington Gas's books and records will continue to be kept based on US GAAP;
 - d. If AltaGas switches from US GAAP to another basis of accounting at a future date, Washington Gas's ratepayers in the District will be held harmless from any increased costs caused by such a change. This should include, but not be limited to, the impacts of changed accounting methods on the determination of allocation factors used to allocate AltaGas and ASUS corporate costs to affiliates as well as the impacts on the costs being allocated. AltaGas shall be required to disclose all impacts of the non-US GAAP accounting methods on AltaGas and ASUS's allocable costs that are charged to Washington Gas's regulated operations;
 - e. If AltaGas switches from US GAAP to another basis of accounting at a future date, no costs associated with changing accounting methods or with the need to keep accounting records under two separate methods of accounting will be passed on to Washington Gas's ratepayers.
47. The Applicants shall commit that any increase in expenses due to accounting changes made by Washington Gas caused by the merger will not be charged to District ratepayers.
- a. Washington Gas will file with the Commission a detailed report that is available to all interested parties, describing, in detail, all changes in Washington Gas's financial and regulatory accounting policies and procedures implemented as a result of the merger. The report should include a detailed description of the impact of the changes in the financial and regulatory accounting policies and procedures on the various components of the revenue requirement calculations, including, but not limited to, items included in rate base, revenues, expenses and the capital structure.
48. In the event that the Merger impacts Washington Gas's accounting for pension and postretirement benefits other than pensions, Washington Gas shall file a detailed report with the Commission, that is available to all interested parties, describing, in detail, all impacts of the Merger on the accounting for Washington Gas's pension and post-retirement benefits other than pensions obligations.
49. For the first two post-Merger rate cases submitted by Washington Gas in the District of Columbia, Washington Gas will provide as part of its application a

detailed quantification of all merger-related impacts of the changes in both financial and regulatory accounting policies and procedures on the revenue requirements presented in the Company's filing. This should include a detailed description of the changes, disclosing all impacts of the changes on the filing, as well as the workpapers showing how the impacts were quantified.

50. To the extent not already provided to the Commission, the Applicants shall file, quarterly, quality of service reports that examine pre- and post-Merger reliability and customer service performance. The reports shall examine and report monthly, items including but not limited to, the number of service disruptions/outages, cause of service disruptions/outages, length and duration of service disruption/outage, the number of safety/gas odor calls, average time to respond to safety/gas odor calls, and the number of confirmed gas leaks, the number of leaks repaired, and the month-end Grade 2 leak backlog.

51. The Applicants shall file a report, on an annual basis, which compares the performance of the utilities within the AltaGas utility family. The reports should include, but not limited to, an examination of reliability, customer service, safety, and regulatory matters.

52. Washington Gas shall notify the Commission of any changes to threat definitions required by PHMSA.

53. For accelerated pipe replacement projects, such as *PROJECTpipes*, Washington Gas shall continue to publicly file with the Commission an annual report stating the status of each accelerated replacement sub-project and will modify those reports as required by the Commission. The report should be broken down by ward, and shall include a description of each project. This commitment is in addition to any other existing *PROJECTpipes* reporting requirements.

54. Washington Gas, with agreement by the parties, will retain a qualified third-party consultant to perform a cost-benefit analysis for acceleration of Washington Gas's *PROJECTpipes* program and minimization of future leaks, that addresses Grade 1 hazardous leaks not caused by excavation damage. If the parties cannot agree on a consultant, they shall each propose a candidate to the Commission. The Commission shall approve the selection of the consultant prior to hiring. Washington Gas shall file a public copy of such analysis with the Commission in its second five-year *PROJECTpipes* filing in 2019. The costs of this analysis shall not be recovered from ratepayers.

55. Within three years after Merger Close, Washington Gas shall reduce its Grade 2 leak backlog in the District of Columbia to a level consistent with SEMCO Energy Gas Company's 2017 Grade 2 leak backlog. Once Washington Gas's Grade 2 leak backlog is at a level consistent with SEMCO Energy Gas Company's Grade 2 leak backlog, Washington Gas will modify its annual operating performance metrics to reflect Washington Gas's target to carry forward

35 or fewer active Grade 2 leaks in the District of Columbia on an annual basis. The benchmark date for measurement of Grade 2 leaks shall be on September 30th of each Calendar Year. Within 90 days after Merger Close, AltaGas will provide Washington Gas with \$4 million to hire and train additional repair crews, thereby offsetting a portion of the costs to achieve the aforementioned Grade 2 leak backlog reductions. No portion of this funding will be recovered in utility rates.

56. Washington Gas will complete its Leak Survey Mobile Mapping Program.

57. Pursuant to Commitment 11 and to the extent not already provided, Washington Gas will conduct annual reports of its District of Columbia distribution system leaks. These reports will be provided, on a confidential basis, to the Commission and other stakeholders as approved by the Commission. These reports shall be by (i) ward, (ii) type (main/service lines), (iii) grade, and (iv) cause. Once mobile mapping results are available (Commitment 56), leak volumes (e.g. liters/min) shall also be included in these reports where available.

58. Pursuant to Commitment 11, AltaGas shall otherwise ensure that Washington Gas will maintain safety and reliability standards and policies that are substantially comparable to, or better than, those standards and policies maintained by Washington Gas at Merger Closing.

59. Following Merger Close, Washington Gas will continue to operate its existing cybersecurity program on a standalone basis. AltaGas will not reduce the number of staff or capital budget at WGL and Washington Gas dedicated to cybersecurity. AltaGas will continue to invest in its cybersecurity program. AltaGas will not integrate the IT systems of AltaGas and its pre-Merger affiliates (“AltaGas IT Systems”) with the IT systems of WGL and its pre-Merger affiliates, including Washington Gas (“Washington Gas IT Systems”) until the Commission determines that AltaGas has achieved an aggregate cybersecurity capability maturity comparable to or greater than Washington Gas, as evaluated by a reputable third-party expert. Until AltaGas has achieved an aggregate cybersecurity capability maturity comparable to or greater than Washington Gas’s, AltaGas shall (i) provide annual reports to the Commission documenting compliance with this Commitment, and (ii) upon Merger Close, ensure that Washington Gas is insured through an industry-standard cyber-risk insurance policy (at a coverage level that is commercially reasonable and typical for critical energy infrastructure companies) against adverse impacts associated with a cybersecurity event on the AltaGas IT systems. The insurance policy will be filed with the Commission. The costs to achieve and evaluate capability maturity in compliance with this commitment, and any increase in the cost of Washington Gas’s existing cyber-risk insurance policy as a result of this commitment, will not be included in customers’ rates.

60. The Applicants agree that the Commission may, after investigation and a hearing, order AltaGas to divest its interest in Washington Gas on terms adequate

to protect the interests of utility investors (including AltaGas investors) and consumers and the public, if the Commission finds that: (a) one or more of the divestiture conditions described below has occurred, (b) that as a consequence Washington Gas has failed to meet its obligations as a public utility, and (c) that divestiture is necessary to allow Washington Gas to meet its obligations and to protect the interests of its customers in a financially healthy utility and in the continued receipt of reasonably adequate utility service at just and reasonable rates. Any divestiture order made pursuant to this commitment shall be applicable to Washington Gas only to the extent consistent with the application of the criteria in the preceding clauses (a) — (c) and shall be limited to the assets and operations of Washington Gas in the District of Columbia. The divestiture conditions covered by this commitment are: (i) a bankruptcy filing by AltaGas or any of its subsidiaries constituting 10% or more of AltaGas’s consolidated assets at the end of its most recent fiscal quarter, or 10% or more of AltaGas’s consolidated net income for the twelve (12) months ended at the close of its most recent fiscal quarter; (ii) the rating for AltaGas’s senior unsecured long-term public debt securities, without third-party credit enhancement, are downgraded to a rating that indicates “substantial risks” (i.e., below B3 by Moody’s or B- by S&P or Fitch) by at least two of the three major credit rating agencies, and, such condition continues for more than six (6) months; or (iii) AltaGas and/or WGL have committed a pattern of material violations of lawful Commission orders or regulations, or applicable provisions of the D.C. Code and, despite notice and opportunity to cure such violations, have continued to commit the violations.

61. The Applicants will ensure that the level of shareholder-funded customer benefits and programs in the District of Columbia and Maryland are comparable in each jurisdiction, as follows:

a. In the event that the Applicants reach a settlement with parties in Case No. 9449 pending with the Maryland Public Service Commission before the District of Columbia Commission enters its final order in this case, the Applicants will file with the District of Columbia Commission a copy of the Maryland settlement agreement along with an analysis indicating the total dollar amount of any Jurisdiction Allocable Benefits (defined below).

- i. X is the quotient established by dividing the D.C. Jurisdiction Allocable Benefits with the D.C. Jurisdictional Factor.
- ii. Y is the quotient established by dividing the Maryland Jurisdiction Allocable Benefits with the Maryland Jurisdictional Factor.
- iii. If X is materially smaller than Y, then the Applicants will consent to an order by the District of Columbia Public Service Commission for AltaGas to provide

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additional money (“MFN Dollars”) for District of Columbia energy distribution-related customer or educational programs or other programs the Commission deems to be in the public interest, such that after taking into consideration such MFN Dollars, the value of X will be equivalent to Y. Any MFN Dollars required under this provision shall be distributed by the Commission in its final order in this case in a manner that is consistent with the public interest.

b. In the event that the Maryland Public Service Commission issues its final order in Case No. 9449 pending with the Maryland Public Service Commission before the District of Columbia Commission enters its final order in this case, the Applicants will file with the District of Columbia Commission a copy of the Maryland Public Service Commission’s final order along with an analysis indicating the total dollar amount of any Jurisdiction Allocable Benefits (defined below).

- i. X is the quotient established by dividing the D.C. Jurisdiction Allocable Benefits with the D.C. Jurisdictional Factor.
- ii. Y is the quotient established by dividing the Maryland Jurisdiction Allocable Benefits with the Maryland Jurisdictional Factor.
- iii. If X is materially smaller than Y, then the Applicants will consent to an order by the District of Columbia Public Service Commission for AltaGas to provide additional money (“MFN Dollars”) for District of Columbia energy distribution-related customer or educational programs or other programs the Commission deems to be in the public interest, such that after taking into consideration such MFN Dollars, the value of X will be equivalent to Y. Any MFN Dollars required under this provision shall be distributed by the Commission in its final order in this case in a manner that is consistent with the public interest.

c. The term “Jurisdiction Allocable Benefits” means jurisdictional-specific direct financial payments (to the extent they will not be recoverable in distribution customer rates) required to be made by the Applicants under the Maryland settlement agreement and/or final order for (i) rate credits or rate offsets or reductions (other than the

commitment to minimum net synergies) or (ii) funding of any energy distribution-related customer or educational programs (such as: weatherization, energy efficiency, low-income customer support, customer arrearage forgiveness, facilitation of access to gas distribution service including any programs similar to the Natural Gas Expansion Programs, safety, or energy-industry workforce or educational development).

d. The following elements shall not be considered “Jurisdictional Allocable Benefits”: (a) employment and hiring commitments; (b) fuel fund and/or charitable contributions commitments; (c) corporate headquarters commitments; (d) synergy savings commitments; and (e) electric grid energy storage and/or Tier 1 renewable resources development commitments.

e. The term “Jurisdictional Factor” means 39.78 for Maryland and 17.72 for the District of Columbia. The Jurisdictional Factor figures are derived from Washington Gas’s Maryland and District of Columbia rate base (as of December 31, 2016 – the last full month prior to Merger announcement).

62. The Applicants shall be prohibited from degrading the competence level of the Washington Gas workforce following Merger Close.

63. Washington Gas shall submit a report to the Commission by no later than April 1 of each calendar year documenting the number of critical valves on its system as of the end of the previous calendar year and shall provide an explanation for any critical valves removed during the previous calendar year. This reporting requirement shall continue for five years following Merger Close.

64. Washington Gas shall maintain its compliance auditing program for field personnel performing safety-related tasks and its quality observation program for a period of at least 5 years following Merger Close. In addition, Washington Gas shall submit to the Commission an annual report by no later than April 1 of each year containing a summary of the findings of these programs over the past calendar year. This report shall include the number of audits completed by month and in total for the year. It shall also include the number of audits in which the personnel being audited were deficient in some way and a list of any and all deficiencies noted with accompanying remedial actions taken by Washington Gas. It shall also include the number of employees assigned to carrying out these internal auditing programs and an explanation for any change in the number of total personnel assigned. This reporting requirement shall continue for a period of five years following the Merger Close.

65. Washington Gas shall continue to qualify its covered employees and contract employees in accordance with the Virginia Gas Operator’s Association (“VGOA”) Operator Qualification Program (“OQ Program”) after Merger Close.

In addition, Washington Gas shall revise its Engineering and Operating Standards (“EOS”) to conform to the OQ Program and maintain records to support Washington Gas’s compliance with the requirements of the Commission’s pipeline safety standards relative to qualifications of Washington Gas’s covered workforce.

66. Washington Gas shall devise a plan to implement a new, secure set of OQ testing protocols and to ensure that the testing process is secure. This plan shall be implemented within six months of Merger Close.

67. Washington Gas shall continue its plans to develop and implement a pipeline safety management system (“PSMS”) in compliance with the American Petroleum Institute Recommended Practice 1173 (“RP 1173”). The PSMS shall be in place within six months of Merger Close. In addition, Washington Gas shall, as a part of its PSMS, be required to conduct a pipeline safety culture assessment in accordance with RP 1173 at a frequency it determines that does not exceed three years.

68. Washington Gas shall continue to maintain all safety records in accordance with local and federal law and make such records available to the Commission in hard copy and electronic format at Washington Gas’s Springfield, Virginia Operations Center in a reasonable amount of time.

69. Washington Gas shall establish an online database, or another method mutually agreeable to the Commission and Washington Gas, to inform the Commission of any and all field projects related to Washington Gas’s transmission integrity management program (“TIMP”), to include, but is not limited to, surveys, direct assessment digs, in-line inspection tool runs, and any and all other field activities that result from Washington Gas’s TIMP. In addition, Washington Gas shall also notify the Commission at the earliest practicable moment of the date and time for which any and all of these integrity management activities are scheduled.

70. No later than six months following Merger Close, Washington Gas shall develop protocols for meter relocations from inside a customer’s residence to the outside—including policies concerning the aesthetics of such infrastructure in both historic and non-historic districts and a customer notice and communications plan for its meter relocation practices, including policies concerning the aesthetics of such infrastructure in both historic and non-historic districts—for review and approval by a multi-stakeholder working group, including the Office of the People’s Counsel. Washington Gas shall also submit with the Commission (for review and comment of the Office of the People’s Counsel and all interested parties) the list of factors (if any) it is using to determine whether moving a meter from inside a home to the outside is appropriate; and the criteria to be applied and measures to be taken by Washington Gas and its contractors to mitigate damage to the aesthetics of ratepayers’ property. Washington Gas shall require WGL to conduct all meter relocation work in historic districts in the District of Columbia

in accordance with the most up-to-date District of Columbia Historic Preservation Office guidelines and the most stringent federal safety and historic preservation requirements. Unless the Commission rules otherwise in the future, Washington Gas shall not recover meter relocation costs through the surcharge mechanism related to its accelerated pipeline replacement program and shall affirm, in all accelerated pipeline replacement program surcharge and financial reconciliation filings, that no meter relocation costs have been recovered through the accelerated pipeline replacement program surcharges.

71. The Applicants will use their best efforts to update existing drawings of piping locations in the District by review of other records (such as original installation notes) for the inclusion of missing information on the location of all service stubs.

72. Washington Gas will calculate, on an annual basis, the average costs from the prior two years of replacing/remediating the necessary infrastructure to reduce leaks within its PROJECTpipes program. Average costs will be calculated on a “per mile (or foot) of main pipe replaced/remediated and per service replaced/remediated” basis, and applicable to each PROJECTpipes program (currently Program 1 – Bare and/or Unprotected Steel Service Replacement; Program 2 – Bare Steel Main and Unprotected Steel Main and Affected Service Replacement; and Program 4 – Cast Iron Main and Affected Service Replacement; and any future PROJECTpipes programs). Washington Gas will not be allowed to recover any replacement/remediation expenditures for completed program work incurred post-Merger Close (Fiscal Year 2019 and beyond) in the surcharge tracker mechanism that are above 120 percent of the rolling two year annual average program cost (calculated from program years 2017 and 2018) of the per unit and per program material replacement/remediation cost, hereafter referred to as “excess costs;” provided, for cast iron replacement/remediation costs, “excess costs” shall be defined as costs above 120% of the Class 3 estimates for such projects until such time as Washington Gas has sufficient data to establish average costs of cast iron replacements/remediation by pipe diameter. Any excess costs for leak replacement/remediation under the PROJECTpipes program will be treated as normal replacement costs and will be reviewed by the Commission and stakeholders in a prudence review in Washington Gas’s next base rate case to determine if the costs were prudently incurred and are appropriate for recovery through base rates.

73. During the first five years after the Merger Close, the Joint Applicants’ shall reduce Washington Gas’s number of PHMSA-reported Grade 2 Leaks annually to levels below its 2017 annual level (including both mains leaks and service leaks, but excluding leaks due to third party damages), consistent with the following target Grade 2 leak reductions versus the 2017 annual level:

2019: 2%
2020: 4%

2021: 6%
2022: 8%
2023: 10%

If Washington Gas fails to meet an annual leak-reduction target, it will notify the Commission with a filing within 60 days of its failure to comply with this provision with a full explanation of the reasons why this target has not been met. In addition, if Washington Gas fails to accomplish an annual leak reduction target in 2019, 2020, 2021, 2022, or 2023, the Company shall make non-compliance payments as shown in Table 1.

Table 1: Non-Compliance Payments by Year

2019	535,000
2020	669,000
2021	1,003,000
2022	1,755,000
2023	3,510,995

Any non-compliance payments by Washington Gas shall be directed equally to, and used for, the following purposes:

- (1) For workforce development initiatives in the District under Commitment 8 above, such as the Mayor’s DC Infrastructure Academy;
- (2) To assist high-usage, low-income Residential Essential Service (RES) customers by funding the replacement of aged gas appliances with high-efficiency gas appliances; and
- (3) Funding the replacement of aged gas appliances with high-efficiency gas appliances or the installation of high-efficiency gas appliances in new construction.

Washington Gas may request, and the Commission may grant, an exception from the requirements of this leak reduction requirement based on extraordinary circumstances, such as extreme weather, labor disputes, natural disasters, acts of war or terrorism, other utility company work and/or construction or City initiatives, changes in regulatory requirements, or other force majeure circumstances. Washington Gas shall meet the above hazardous leak reduction targets via multiple methods of their choice.

74. AltaGas and Washington Gas shall, within twelve months after Merger Close, develop a proposal to accelerate PROJECTpipes to a 30-year program rather than a 40-year program.

75. Customer Service Root Cause Analysis: Consistent with American Society for Quality (ASQ) principles, Washington Gas shall be required to have a root cause analysis (RCA) conducted of performance categories not meeting established service levels, and develop an action plan to improve Washington

Gas' overall customer satisfaction scores in the deficient categories. The RCA shall investigate service level deficiencies that may include billing, SAP and eService system reliability and customer service. The analysis also must provide a solution or action plan to improve service levels by linking appropriate performance metrics/initiatives to the primary cause identified in the RCA. An independent ASQ-certified professional with expertise in root-cause analyses will perform the RCA. Washington Gas will file this analysis and action plan with the District of Columbia Public Service Commission no later than twelve (12) months after Merger Close and provide interested parties with the opportunity to comment on the RCA. Washington Gas shall apply the documented and recommended solution(s) after a review period, not to exceed six months. The costs incurred by Washington Gas in preparing and filing the RCA will not be recovered from District of Columbia Customers in Washington Gas' rates.

76. AltaGas recognizes the scientific consensus that human activity – primarily GHG emissions and the conversion of land for agriculture and development – is contributing to changes in the global climate including changing weather patterns, rising sea levels and more extreme weather events. We believe that actions must be taken now to stabilize and reduce emissions in line with the international goal of preventing temperatures from rising more than two degrees Celsius by the end of this century. Climate change presents risks to AltaGas and our operations, but also provides it with an opportunity to be part of the solution. These factors underlie AltaGas's commitment to continued change and improvement in its operations, and provide an evolving portfolio of clean and renewable products and services to communities AltaGas serves.

77. The Applicants recognize that the District of Columbia and the Government of the United States retain the full right to enact bona fide laws and regulations in relation to the production and distribution of natural gas and other carbon-based energy sources. Nothing in this Settlement Agreement or the Commission's orders restrict or alter these rights, or creates or implies any limitation on the District of Columbia or its agencies, or on the Government of the United States and its agencies, with respect to future measures in this regard. This includes measures to address climate change and other public interest issues such as air quality, and including the District's Sustainable DC Plan and Clean Energy Plan.

78. The Applicants expressly acknowledge that the Commission, by approving the Merger and adopting the terms of this Settlement Agreement, is not creating any special expectations to induce AltaGas, as an entity covered by North American Free Trade Agreement ("NAFTA"), to close the Merger.

79. By January 1, 2020, AltaGas will file with the Commission a long-term business plan on how it can evolve its business model to support and serve the District's 2050 climate goals (e.g., providing innovative and new services and products instead of relying only on selling natural gas). After the business plan is

filed, AltaGas will hold bi-annual public meetings to report on and discuss its progress on the business plan.

80. Washington Gas shall provide and maintain a performance guarantee of \$20 million for the benefit of the District of Columbia to meet current and future environmental study and clean-up obligations under CERCLA or other Federal or District law(s) regarding sites or substances in the District relating to the Anacostia River or any other site. The performance guarantee shall be in a form substantially similar to that for the 2012 Consent Decree for East Station. The instant paragraph neither admits nor limits responsibility or liability. The performance guarantee shall be issued no later than 28 days from merger close. The costs associated with providing and maintaining this performance guarantee shall not be recovered in rates.

81. Washington Gas will file its next base rate case no earlier than 34 months from the date of the Commission's most recent base rate order (i.e., no earlier than January 3, 2020).

82. AltaGas and WGL shall actively assist in promoting the number of income-eligible District residents who become aware of and apply for the Earned Income Tax Credit. To do so, it will utilize its ability to communicate with customers and the public through various means such as: bill stuffers and bill messages, interactions between customers and the company's customer service representatives on the phone and walk-in visits, newsletters, e-mails, advertising, and displaying information in its physical office locations. AltaGas and WGL also commits to making a financial contribution to the D.C. EITC Campaign of \$250,000 to offset the cost of critical outreach activities, including, but not limited to, paid media and access to free tax preparation services. No portion of the funding will be recovered in utility rates. It shall coordinate its effort with existing groups promoting awareness of the Earned Income Tax Credit, including Capital Area Asset Builders and the D.C. EITC Campaign, a partnership of D.C. government, business, and nonprofit organizations to promote the EITC and other tax benefits for low-income workers. It shall focus outreach and communications efforts on customers on the RES discount and who receive fuel assistance payments on their accounts. It will consider making in-kind contributions to other groups working on EITC outreach.

83. AltaGas, Washington Gas, and WGL agree that each of them are subject to D.C. Off. Code § 34-706, in addition to any other penalties provided by law, to enforce the provisions of any order approving this Settlement Agreement. Payment of any penalties will be made by the entity, or entities, upon which compliance responsibility falls under this Settlement Agreement. No payments under this paragraph shall be recovered in rates.

Miscellaneous Terms of Settlement

84. Subject to the provisions set forth in this Settlement Agreement, the Settling Parties agree that the statutory criteria for approval of the Application under D.C. Code Sections 34-504 and 34-1001 have been satisfied. More specifically, the Settling Parties agree that the record in Formal Case No. 1142, coupled with the conditions set forth in this Settlement Agreement, support findings and conclusions by the Commission that the Merger, taken as a whole, is in the public interest and fully satisfies the Commission's seven factor test.

85. Subject to the provisions set forth in this Settlement Agreement, the Settling Parties agree that the Applicants should be authorized to take those actions that are necessary in order for the Merger to be lawfully consummated.

86. Each of the Settling Parties agrees to use its best efforts to ensure that this Settlement Agreement shall be submitted to the Commission for approval as soon as possible. AltaGas and WGL intend to file a Motion of the Applicants to Reopen the Record in Formal Case No. 1142 to Allow for Consideration of Unanimous Full Settlement Agreement and Stipulation, or for Other Alternative Relief (the "Motion of the Applicants to Reopen"). The other Settling Parties shall promptly file a statement either supporting or consenting to a Commission determination to grant the Motion of the Applicants to Reopen.

87. The parties to this Settlement Agreement shall request that the Commission adopt a procedural schedule yielding a Commission decision on the Merger, inclusive of the Settlement Agreement, no later than June 30, 2018. The parties to this Settlement Agreement will advocate for and support such a schedule and use their reasonable best efforts to achieve an expeditious approval process that in all events is completed by June 30, 2018. Notwithstanding anything to the contrary set forth in this Settlement Agreement, upon the occurrence of any of the following events, AltaGas may terminate this Settlement Agreement and this Settlement Agreement then shall be deemed null and void, without prejudice to the Commission's ability to decide the Merger based on the pre-Settlement record of the proceeding, if: (a) the Commission does not, within 30 days after the date of the initial filing of the Settlement Agreement with the Commission, set a schedule for action for consideration of this Settlement Agreement which allows for a Final Order for approval of the Merger by June 30, 2018; (b) the Commission fails to adopt a Final Order approving the merger and this Settlement Agreement without condition or modification by June 30, 2018; or (c) the Merger Agreement is terminated or the Merger is not consummated for any reason.

88. Each of the Settling Parties agrees to cooperate in good faith and take all reasonable action to effectuate the terms of this Settlement Agreement.

89. This Settlement Agreement includes proposals and conditions above and beyond the terms contained in the Application as modified by the Applicants' testimony and exhibits thereto.

90. The Settling Parties agree to support approval of the Merger upon the terms set forth in this Settlement Agreement in any proceedings before the Commission regarding approval of the Merger and/or implementation of commitments or conditions in this Settlement Agreement. The Settling Parties further agree to defend their respective positions in the event of opposition to approval of the Merger from non-signatory parties before the Commission.

91. The Settling Parties agree that all public statements regarding the Merger and the Application shall be consistent with this Settlement Agreement.

92. Notwithstanding anything to the contrary set forth herein, upon the occurrence of any of the following events, this Settlement Agreement shall terminate and shall be deemed null and void and of no force or effect:

a. if the Commission fails to adopt a Final Order approving the Merger and this Settlement Agreement or issues a decision disapproving this Settlement Agreement;

b. if for any reason the Merger is not consummated;

c. if the Commission issues a written order approving this Settlement Agreement subject to any condition or modification of the terms set forth herein which an adversely affected Settling Party, in its discretion, finds unacceptable. Such Settling Party shall serve notice of unacceptability on the other Settling Parties within three business days following receipt of such Commission order. Absent such notification, the Settling Parties shall be deemed to have waived their respective rights to object to the acceptability of such conditions or modifications contained in the Commission order, which shall thereupon become binding on all Settling Parties; or

d. if AltaGas declines, in its sole discretion, to accept any modification of, or addition to, terms and conditions of this Settlement Agreement ordered by the Commission.

93. The terms and conditions set forth in Paragraphs 1 through 83 (including subparts) of this Settlement Agreement shall only be binding on the Settling Parties upon approval by the Commission and upon consummation of the Merger, which are express conditions precedent.

94. AltaGas and WGL submit to the jurisdiction of the Commission for enforcement of the terms and conditions herein.

95. This Settlement Agreement is submitted to the Commission for approval as a whole. The various provisions of this Settlement Agreement are not severable. This Settlement Agreement contains terms and conditions above and beyond the terms contained in the Application as modified by the Joint Applicants' testimony and exhibits thereto, each of which is interdependent with the others and essential in its own right to the signing of this Settlement Agreement. Each term is vital to the Settlement Agreement as a whole, since the Settling Parties expressly and jointly state that they would not have signed the Settlement Agreement had any term been modified in any way. None of the Settling Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Commission in any other proceeding, as such agreements pertain only to this matter and to no other matter.

96. This Settlement Agreement represents the full scope of the terms and conditions the Settling Parties are presenting to the Commission for approval. This Settlement Agreement may only be modified by a further written agreement executed by each of the Settling Parties.

97. This Settlement Agreement may be executed in as many counterparts as there are Settling Parties, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

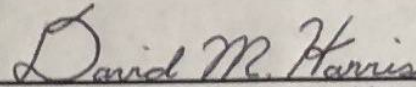
98. The Settling Parties are submitting this Settlement Agreement, inter alia, subject to and in accordance with 15 D.C.M.R. Section 130.10. As required by Section 130.10, this Settlement Agreement (a) has been reduced to writing; (b) contains all of the terms and conditions agreed upon by the Settling Parties; (c) has been clearly and accurately labeled as a unanimous settlement; (d) has been clearly and accurately labeled as a full settlement; (e) indicates by this clause that the parties to Formal Case 1142 that have not signed the Settlement Agreement are expected to not oppose the acceptance of the Settlement Agreement; (f) states that the provisions of the Settlement Agreement are not severable and that the Settlement Agreement must be accepted or rejected in its entirety by the Commission; and (g) indicates that the Settling Parties have stipulated, or will stipulate, the admission into evidence of the testimony and exhibits filed by the Settling Parties in support of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

**EXECUTION VERSION
MAY 8, 2018**

WHEREFORE, the Settling Parties respectfully request that the Commission issue an order approving this Nonunanimous Agreement and Stipulation of Full Settlement at its earliest possible convenience.

ALTAGAS LTD.



BY: David M. Harris, President and
CEO

WGL HOLDINGS, INC., and
WASHINGTON GAS LIGHT
COMPANY

BY: Leslie T. Thornton, Senior Vice
President, General Counsel &
Secretary

THE GOVERNMENT OF THE
DISTRICT OF COLUMBIA

BY: Karl Racine, Attorney General

THE DISTRICT OF COLUMBIA
OFFICE OF THE PEOPLE'S
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BY: Sandra Mattavous-Frye,
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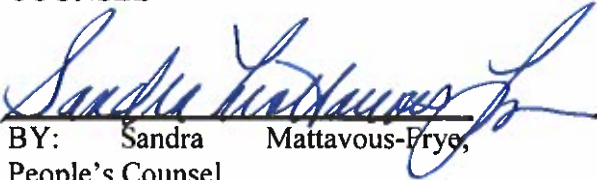
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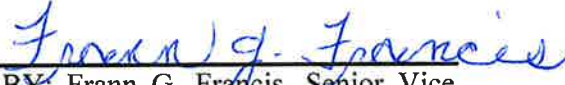
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BUILDING ASSOCIATION OF
METROPOLITAN WASHINGTON


BY: Frann G. Francis, Senior Vice
President and General Counsel

UNITED STATES DEPARTMENT
OF DEFENSE AND ALL OTHER
FEDERAL EXECUTIVE AGENCIES

BY: Emily W. Medlyn, General
Attorney Regulatory Law and
Intellectual Property Division, U.S.
Army Legal Services Agency

LABORERS' INTERNATIONAL
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ITS AFFILIATED DISTRICT
COUNSEL, AND LOCAL UNIONS
SERVING OR LOCATED IN
WASHINGTON, D.C.

BY: Brian J. Petruska, General
Counsel & Administrator

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CENTER/NATIONAL HOUSING
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BY: Charles Harak, Managing
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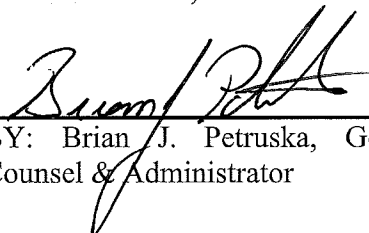
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BALTIMORE-WASHINGTON
CONSTRUCTION &
PUBLIC EMPLOYEES
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**EXECUTION VERSION
MAY 8, 2018**

LOCAL 2 OF THE OFFICE AND
PROFESSIONAL EMPLOYEES
INTERNATIONAL UNION, AFL-
CIO

 5/8/2018
BY: Dan Dyer, President