RECEIVED 2020 DEC 11 2:36 PM (E)

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1325 G STREET, N.W., SUITE 800
WASHINGTON, D.C. 20005

ORDER

December 11, 2020

FORMAL CASE NO. 1154, IN THE MATTER OF WASHINGTON GAS LIGHT COMPANY'S APPLICATION FOR APPROVAL OF PROJECTPIPES 2 PLAN, Order No. 20671

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia ("Commission") grants, in part and subject to conditions as set out in this Order, Washington Gas Light Company's ("WGL" or "Company") Request for Approval of PROJECT*pipes* 2 Plan ("PIPES 2 Plan").[1] Specifically, the Commission approves a three-year PIPES 2 Plan with spending caps established at $150 million. The Commission approves the Company's request to include proposed Distribution Programs 1, 2, 3, 4, 5, and 10. The Commission denies the Company's request for PROJECT*pipes* surcharge recovery of the proposed Distribution Programs 6, 7, and 8. The Commission approves the implementation of the Company's Distribution Program 9 but denies recovery of the program through the PROJECT*pipes* surcharge. The Commission establishes updated reporting requirements for the PIPES 2 Plan. The Commission grants the Company's request to update certain tariff language. The Commission directs the Company to work with stakeholders through a variety of technical conferences. Additionally, the Commission grants the Office of the People's Counsel for the District of Columbia's ("OPC") Motion for Leave to Submit Proposed Findings of Fact and Conclusions of Law.[2]

II. BACKGROUND

2. On December 7, 2018, WGL filed an Application for Approval of its PIPES 2 Plan.[3] By Order No. 17431, the Commission approved the first five (5) years of WGL's proposed 40-year Revised Accelerated Pipe Replacement Plan ("PIPES 1 Plan").[4] The Company requests

---

1 *Formal Case No. 1154*, *In the Matter of Washington Gas Light Company's Application for Approval of PROJECTpipes 2 Plan ("Formal Case No. 1154"),* Application, December 7, 2018 ("Application" or "PIPES 2 Plan").

2 *Formal Case No. 1154,* The Office of the People's Counsel for the District of Columbia's Motion for Leave to Submit Proposed Findings of Fact and Conclusions of Law, filed November 5, 2020 ("OPC's Request for Leave").

3 *Formal Case No. 1154*, PIPES 2 Plan.

4 *See Formal Case No. 1093, In the Matter of the Investigation into the Reasonableness of Washington Gas Light Company's Existing Rates and Charges for Gas Service* and *Formal Case No. 1115, In the Matter of Washington Gas Light Company's Request for Approval of a Revised Accelerated Pipe Replacement Plan* ("Formal Case No. 1093"), Order No. 17431, ¶ 32, rel. March 31, 2014 ("Order No. 17431"). The Commission notes that the original

approval of the PIPES 2 Plan and authorization to recover the costs through the surcharge mechanism approved as a part of the Commission's approval of PIPES 1 Plan. On December 14, 2018, the Commission issued a Public Notice opening a new docket and invited interested persons to provide comments and reply comments on WGL's application.[5]

3. On March 22, 2019, OPC, the Apartment and Office Building Association of Metropolitan Washington ("AOBA"), the Department of Energy and Environment ("DOEE"), and DC Climate Action ("DCCA") filed comments on the Company's application.[6] On April 8, 2019, WGL and OPC filed reply comments.[7]

4. By Order No. 19919, the Commission established a procedural schedule and directed any party desiring to intervene to file their petitions to intervene by May 10, 2019.[8] On April 19, 2019, the Liberty Consulting Group filed the Liberty Management Audit Final Report ("Liberty Management Audit") with the Commission.[9] Following, AOBA, the Environmental Defense Fund ("EDF"), the District of Columbia Government ("DCG"), DCCA filed petitions to intervene in this proceeding.[10] WGL opposed the intervention of EDF.[11] Order No. 19944 granted the intervention of AOBA, DCG, EDF, and DCCA.[12]

---

name of WGL's Accelerated Pipe Replacement Plan was "APRP". However, now it is referred to as "PROJECT*pipes*."

5 *Formal Case No. 1115, Application of Washington Gas Light Company for Approval of a Revised Accelerated Pipe Replacement Program ("Formal Case No. 1115"); Formal Case No. 1154,* Public Notice, December 14, 2018.

6 *Formal Case No. 1154,* Initial Comments of Apartment and Office Building Association of Metropolitan Washington Regarding the Washington Gas Light Company Application for Approval of a Revised Accelerated Pipe Replacement Program, filed March 22, 2019; *Formal Case No. 1154,* Comments by the Department of Energy and Environment, filed March 22, 2019; *Formal Case No. 1154,* Office of the People's Counsel for the District of Columbia's Initial Comments Regarding Washington Gas Light Company's PROJECT*pipes* 2 Application, filed March 22, 2019; *Formal Case No. 1154,* DC Climate Action's Initial Comments, filed March 22, 2019.

7 *Formal Case No. 1154,* Washington Gas Light Company's Reply Comments, filed April 8, 2019; *Formal Case No. 1154,* Office of the People's Counsel for the District of Columbia's Reply Comments Regarding Washington Gas Light Company's PROJECT*pipes* 2 Plan Application, filed April 8, 2019.

8 *Formal Case No. 1154*, Order No. 19919, rel. May 3, 2019.

9 *Formal Case No. 1115*, Liberty Consultant's Management Review of PROJECT*pipes* ("Liberty Management Audit" or "Audit"), April 19, 2019.

10 *Formal Case No. 1154,* Apartment and Office Building Association of Metropolitan Washington's Petition to Intervene, filed May 7, 2019; *Formal Case No. 1154,* Environmental Defense Fund's Petition to Intervene, filed May 10, 2019; *Formal Case No. 1154,* District of Columbia Government's Petition to Intervene, filed May 10, 2019; *Formal Case No. 1154,* DC Climate Action's Petition to Intervene, filed May 10, 2019.

11 *Formal Case No. 1154,* Washington Gas Light Company's Opposition to the Environmental Defense Fund Petition to Intervene, filed May 15, 2019.

12 *Formal Case No. 1154*, Order No. 19944, rel. May 30, 2019.

5. On June 3, 2019, OPC filed an Application for Reconsideration of Order No. 19919, and a stay of the proceedings.[13] The Commission suspended the procedural schedule and scheduled a status conference for parties to, *inter alia*, develop a consensus procedural schedule.[14] In response, WGL filed a proposed procedural schedule[15] and OPC along with Joint Intervenors filed a joint proposed procedural schedule.[16] In the interim, WGL filed, in compliance with merger commitments, an independent cost-benefit analysis.[17] On August 16, 2019, Baltimore Washington Construction and Public Employees Laborers' District Council ("BWLDC") filed for untimely intervention.[18] By Order 20213, *inter alia*, the Commission granted an extension of PIPES 1 Plan until March 31, 2020, instructed parties to convene a settlement conference to address observations related to the Liberty Final Audit Report, denied OPC's motion to reconsider Order No. 19919, and granted BWLDC's intervention.[19]

6. On August 21, 2019, WGL filed comments addressing the independent cost-benefit analysis report.[20] By Order No. 20248, the Commission granted parties' request to extend the procedural schedule[21] and instructed parties to file a settlement conference report no later than December 13, 2019.[22] Additionally, the Commission determined if no settlement is reached then parties were to submit a consensus procedural schedule with the settlement conference report.[23]

---

13 *Formal Case No. 1154*, Office of the People's Counsel for the District of Columbia's Application for Reconsideration of Order No. 19919, Request for Stay and Request for Expedited Consideration, filed May 3, 2019.

14 *Formal Case No. 1154,* Order No. 19953, rel. June 6, 2020.

15 *Formal Case No. 1154,* Washington Gas Light Company's Proposed Procedural Schedule and Recommendations, filed June 21, 2019.

16 *Formal Case No. 1154*, The Office of the People's Counsel and Intervenor's Joint Proposed Expedited Procedural Schedule, filed June 24, 2019.

17 *Formal Case No. 1154,* Washington Gas Light Company's Commitment No. 54 Cost-Benefit Analysis, filed July 31, 2019.

18 *Formal Case No. 1154*, Petition to Intervene Out of Time of the Baltimore Washington Construction and Public Employees Laborers' District Council, filed August 16, 2019.

19 *Formal Case No. 1154,* Order No. 20213, rel. September 5, 2019.

20 *Formal Case No. 1154*, Comments of Washington Gas Light Company, filed August 21, 2019.

21 *See Formal Case No. 1154,* Office of the People's Counsel for the District of Columbia and Joint Intervenors' Joint Non-Unanimous Motion for Enlargement of Time to File Settlement Conference Report, filed October 21, 2019; *Formal Case No. 1154,* Washington Gas Light Company's Response to Joint Motion, field October 21, 2019.

22 *Formal Case No. 1154*, Order No. 20248, rel November 13, 2019 ("Order No. 20248").

23 *Formal Case No. 1154*, Order No. 20248.

7. Parties, twice more, requested an extension to file a final settlement report so that they could have additional settlement discussions.[24] The Commission granted the requests[25] and by Order No. 20288 instructed parties to file a final settlement conference report on February 14, 2020.[26] Accordingly, on February 14, 2020, WGL filed a final settlement conference report stating that after a total of six settlement conferences in five months the parties were unable to reach a settlement.[27]

8. Additionally, on February 14, 2020, parties filed various proposed procedural schedules and requests. WGL filed a motion to extend the PIPES 1 Plan through September 30, 2020, and proposed a procedural schedule.[28] OPC filed a proposed procedural schedule supported by EDF.[29] DCG filed a request to consolidate this proceeding with WGL's base rate case in *Formal Case No. 1162.*[30] On February 20, 2020, AOBA filed a response to WGL's request opposing the continuation of the PIPES 1 Plan and WGL's proposed procedural schedule.[31] Additionally, AOBA requested the Commission consolidate the following cases: (1) WGL's request for additional funds to complete PIPES 1 (*Formal Case No. 1115*); (2) WGL's request for approval of its PIPES 2 Plan and proposed procedural schedule (*Formal Case No. 1154*); (3) WGL's request for authority to increase rates and charges (*Formal Case No. 1162*); and (4) WGL's March 16, 2020, Climate Business Plan in response to Term No. 79 of the Commission approved merger Settlement Agreement in Order No. 19396, Appendix A (*Formal Case No. 1142*).[32] Finally, AOBA recommended that the Commission hire third-party management to run the PROJECT*pipes* Program.[33] On February 24, 2020, OPC filed a Response to WGL's request that,

---

[24] *Formal Case No. 1154,* Washington Gas Light Company's Settlement Conference Report, filed December 13, 2019; *Formal Case No. 1154,* Washington Gas Light Company's Settlement Conference Report, filed January 22, 2020.

[25] *Formal Case No. 1154,* Order No. 20275, rel. December 19, 2019; *Formal Case No. 1154,* Order No. 20288, rel. February 3, 2020 ("Order No. 20288").

[26] *Formal Case No. 1154,* Order No. 20288.

[27] *Formal Case No. 1154,* Washington Gas Light Company's Final Settlement Conference Report, filed February 14, 2020.

[28] *Formal Case No. 1154,* Washington Gas Light Company's Motion to Further Extend PROJECT*pipes* 1 Plan and Proposed Procedural Schedule for PROJECT*pipes* 2 Plan, February 14, 2020.

[29] *Formal Case No. 1154,* Office of the People's Counsel for the District of Columbia's Proposed Procedural Schedule, filed February 14, 2020.

[30] *Formal Case No. 1154,* District of Columbia Government's Response to Paragraph 7 of Order No. 20288 of the Public Service Commission of the District of Columbia's Directive, filed February 14, 2020.

[31] *Formal Case No. 1154,* Apartment Office Building Association of Metropolitan Washington's Response to the Washington Gas Light Company's Motion to Further Extend PROJECT*pipes* 1 Plan and Proposed Procedural Schedule for PROJECT*pipes* 2 Plan and Motion for Additional Relief, ("AOBA's Opposition and Request for Relief") filed February 20, 2020.

[32] *Formal Case No. 1154,* AOBA's Opposition and Request for Relief, ¶25.

[33] *Formal Case No. 1154,* AOBA's Opposition and Request for Relief, ¶13.

inter alia, requested the Commission hold *Formal Case No. 1162* (WGL's rate case) in abeyance, extend the PIPES 1 Plan for nine (9) months, and establish evidentiary hearings in this proceeding. On February 26, 2020, AOBA, DCG and Sierra Club filed a joint statement of issues and proposed procedural schedule.[34] On March 2, 2020, WGL filed its Opposition Response to the Responses of AOBA and OPC.[35] On March 24, 2020, OPC filed a Motion for Leave to Respond and a Response to WGL's Opposition Response.[36]

9. By Order No. 20313, the Commission extended WGL's PIPES 1 Plan through September 30, 2020, and directed WGL to not exceed $12.5 million in additional spending.[37] The Commission scheduled a remote status conference[38] where parties were instructed to discuss the proposed procedural schedule, the Liberty Management Audit, and other material issues of facts, if any, in dispute in this proceeding.[39] By Order No. 20314, the Commission denied OPC's request to hold *Formal Case No. 1162* in abeyance and AOBA's request to consolidate *Formal Case Nos. 1115, 1142,* and *1154* with *Formal Case No. 1162*.[40]

10. Following the remote status conference, WGL and OPC filed separate proposed procedural schedules on April 9, 2020.[41] By Order No. 20333, the Commission established, *inter alia*, a procedural schedule in this proceeding.[42] On April 23, 2020, WGL filed its Supplemental Direct Testimony and Exhibits.[43] On April 29, 2020, Sierra Club petitioned for Intervention Out

---

34 *Formal Case No. 1154,* Apartment Office Building Association of Metropolitan Washington, The District of Columbia Government, and Sierra Clubs' Statement of Issues and Proposed Procedural Schedule, filed February 26, 2020.

35 *Formal Case No. 1154*, Washington Gas Light Company's Response to the Responses Filed by the Apartment and Office Building Association of Metropolitan Washington and the Office of the People's Counsel for the District of Columbia Regarding an Extension of PROJECT*pipes*, filed March 2, 2020.

36 *Formal Case No. 1154*, Office of the People's Counsel's Motion for Leave to Reply and Reply, filed March 24, 2020.

37 *Formal Case No. 1154*, Order No. 20313, ¶¶16-17, rel. March 26, 2020 ("Order No. 20313").

38 In order to not delay and accounting for the COVID-19 pandemic the Commission determined a remote status conference was appropriate.

39 *Formal Case No. 1154*, Order No. 20313, ¶37.

40 *Formal Case No. 1154*, Order No. 20314, rel. March 26, 2020.

41 *Formal Case No. 1154*, Washington Gas Light Company's Proposed Procedural Schedule, filed April 9, 2020; *Formal Case No. 1154*, Office of the People's Counsel for the District of Columbia's Proposed Procedural Schedule, filed April 9, 2020.

42 *Formal Case No. 1154*, Order No. 20333, ¶7, rel. April 23, 2020.

43 *Formal Case No. 1154*, Washington Gas Light Company's Supplemental Direct Testimony, filed April 23, 2020.

of Time. WGL filed its opposition to Sierra Club's Intervention on May 11, 2020.[44] The Commission granted Sierra Club's untimely Intervention in Order No. 20354.[45]

11. On June 15, 2020, AOBA, EDF, BWLDC, Sierra Club, DCCA, OPC, and DCG filed direct testimony.[46] DCCA, WGL, Sierra Club, and OPC filed rebuttal testimony on July 14, 2020.[47] On July 27, 2020, Commission Staff met with parties to discuss, *inter alia*, material issues of fact in dispute that may warrant a hearing. By Order No. 20615, the Commission determined that there were no material issues of fact in dispute that warranted an evidentiary hearing in this proceeding.[48] By Order No. 20621, the Commission, *inter alia*, *sua sponte*, extended PIPES 1 for 90-days, approved an additional spending limit of $6.25 million, and established a procedural schedule for the remainder of the proceeding.[49]

12. On September 17, 2020, WGL, AOBA, EDF, and DCG filed requests to admit documents into the record.[50] On September 21, 2020, DCCA filed a Motion for Leave to File Out of Time and requests to admit certain documents into the record.[51] On September 29, 2020, OPC

---

44 *Formal Case No. 1154,* Washington Gas Light Company's Opposition to Sierra Club's Petition to Intervene Out-of-Time, filed May 11, 2020.

45 *Formal Case No. 1154*, Order No. 20354, rel. May 27, 2020.

46 *Formal Case No. 1154,* Apartment & Office Building Association's Direct Testimony of Bruce R. Oliver ("AOBA's Direct Testimony"), filed June 15, 2020; *Formal Case No. 1154,* Environmental Defense Fund's Direct Testimony of Virginia Palacios ("EDF's Direct Testimony"), filed June 15, 2020; *Formal Case No. 1154,* Baltimore Washington Construction and Public Employees Laborers' District Council's Direct Testimony of Steve Lanning ("BWLDC's Direct Testimony"), filed June 15, 2020; *Formal Case No. 1154*, Sierra Club's Direct Testimony of Dr. Ezra D. Hausman ("Sierra Club's Direct Testimony"), filed June 15, 2020; *Formal Case No. 1154,* DC Climate Action's Direct Testimony of Nina Dodge and John Macgregor (DCCA's Direct Testimony), filed June 15, 2020; *Formal Case No. 1154*, The Office of the People's Counsel for the District of Columbia's Direct Testimony of Edward A. McGee ("OPC's Direct Testimony"), filed June 15, 2020; *Formal Case No. 1154,* District of Columbia Government's Direct Testimony of Edward P. Yim, filed June 16, 2020).

4747 *Formal 1154,* DC Climate Action's Rebuttal Testimony of John Macgregor ("DCCA's Rebuttal Testimony"), filed July 14, 2020; *Formal Case 1154,* Sierra Club's Rebuttal Testimony of Dr. Ezra D. Hausman ("Sierra Club's Rebuttal Testimony"), filed July 14, 2020; *Formal Case No. 1154,* The Office of the People's Counsel's Rebuttal Testimony of Edward A. McGee ("OPC's Rebuttal Testimony") filed, July 14, 2020.

48 *Formal Case No. 1154*, Order No. 20615, rel. August 20, 2020.

49 *Formal Case No. 1154*, Order No. 20621, rel. September 10, 2020.

50 *Formal Case No. 1154,* Washington Gas Light Company's Motion to Admit Documents, filed September 17, 2020; *Formal Case No. 1154,* Request of the Apartment and Office Building Association to Enter Certain Data Responses into the Record, filed September 17, 2020; *Formal Case No. 1154,* Environmental Defense Fund's Motion for Admission of Documents, filed September 17, 2020; *Formal Case No. 1154,* the District of Columbia Government's Request for Admission, filed September 17, 2020.

51 *Formal Case No. 1154,* DC Climate Action's Motion for Leave to File Motion for Admission of Documents Out of Time and Motion for Admission of Documents, in Accordance with Commission Order No. 20621, filed September 21, 2020.

filed a joint non-unanimous request for enlargement of the briefing schedule.[52] By Order No. 20639, the Commission granted parties' request and instructed parties to file briefs no later than October 23, 2020, at which time the record would close in this proceeding.[53] On October 23, 2020, WGL, OPC, DCG, AOBA, BWLDC, DCCA, EDF and, Sierra Club filed briefs.[54] On November 5, 2020, OPC filed a Motion for Leave to Submit Proposed Findings of Fact and Conclusions of Law.[55]

III. WGL'S PIPES 2 APPLICATION

13. According to WGL, the PIPES 2 Plan will "further the Company's efforts to address relatively higher-risk pipe associated with an aging infrastructure by replacing pipe materials and components, as well as adding new features to enhance the safety of the system."[56] WGL states that the "selection of pipe to be replaced is based on various factors, including assessed risk identified through the Company's Distribution Integrity Management Program ("DIMP") and Transmission Integrity Management Program ("TIMP")."[57]

14. Specifically, the proposed PIPES 2 Plan covers the period of October 1, 2020, through December 31, 2025, and consists of 15 programs, including 10 distribution programs and

---

52 *Formal Case No. 1154,* Joint Movants' Non-Unanimous Motion for Enlargement of Briefing Schedule and Close of Evidentiary Record, September 29, 2020. DCG filed a letter serving as notice of its intent to join the motion the following day and OPC filed a letter clarifying the motion. *See Formal Case No. 1154,* the District of Columbia Government's Letter Joining the Joint Motion, September 30, 2020; *Formal Case No. 1154,* the Office of the People's Counsel for the District of Columbia's Letter Clarifying Joint Motion, September 30, 2020.

53 *Formal Case No. 1154*, Order No. 20639, rel. October 1, 2020.

54 *Formal Case No. 1154,* Brief of Washington Gas Light Company, file October 23, 2020 ("WGL's Brief"); *Formal Case No. 1154,* Washington Gas Light Company's Proposed Findings of Fact, filed October 23, 2020; *Formal Case No. 1154,* Initial Brief of the Office of the People's Counsel for the District of Columbia, filed October 23, 2020 ("OPC's Brief"); *Formal Case No. 1154,* Final Brief of the District of Columbia Government, filed October 23, 2020 ("DCG's Brief"); *Formal Case No. 1154,* Brief of the Apartment and Office Building Association of Metropolitan Washington, filed October 23, 2020 ("AOBA's Brief"); *Formal Case No. 1154,* Brief of the Baltimore Washington Construction and Public Employees Laborers' District Council, filed October 23, 2020; *Formal Case No. 1154,* Brief of DC Climate Action, filed on October 23, 2020 ("DCCA's Brief"); *Formal Case No. 1154,* Brief of the Environmental Defense Fund, filed October 23, 2020 ("EDF's Brief"); *Formal Case No. 1154,* Brief of Sierra Club, filed October 23, 2020 ("Sierra Club's Brief").

55 The Commission notes that no party filed any opposition to OPC's Request for Leave. Additionally, the Commission finds that OPC's Request for Leave is not prejudicial to parties nor does it unduly delay this proceeding. The Commission also notes other parties such as WGL and AOBA identified proposed Findings of Fact and Conclusions of Law. Therefore, the Commission grants OPC's Request for Leave to Submit Proposed Findings of Fact and Conclusions of Law. However, the Commission does not find it necessary to establish a separate Findings of Fact and Conclusions of Law section in this Order where we explicitly state our reasoning in the ordering paragraphs and establish explicit directives.

56 *Formal Case No. 1154*, PIPES 2 Plan at 3.

57 *Formal Case No. 1154*, PIPES 2 Plan at 3.

five (5) transmission replacement programs, at an estimated total cost of $374 million.[58] The 10 proposed distribution programs are the following: (1) Program 1- Bare Steel Main and Services (including Contingent Main and Affected Services); (2) Program 2- Unprotected Wrapped Steel Main and Services (including Contingent Main and Affected Services); (3) Program 3- Vintage Mechanically Coupled Main and Services (including Contingent Main and Affected Services); (4) Program 4- Cast-iron Main (including Contingent Main and Affected Services); (5) Program 5- Copper Services; (6) Program 6- Distribution Gauge Lines; (7) Program 7- Regulator Station Enhancements; (8) Program 8- Low-Pressure Service Replacements/Transfers; (9) Program 9- Advance Leak Detection; and (10) Program 10- Work Compelled by Others.[59] The five proposed transmission programs are the following: (1) Program 1- Transmission and High-Pressure Pipe Replacement; (2) Program 2- Remote Control Valve Installation; (3) Program 3- Transmission and High-Pressure Block Valve Replacement; (4) Program 4- Transmission and High-Pressure Valve Replacement; and (5) Program 5- Replacement of Components of DOT Transmission and High-Pressure Pipes to Enable the Use of In-Line Inspection Tools.[60] The total estimated costs of the proposed distribution programs are $350.1 million.[61] The Company submits that "its proposed transmission related projects replace transmission plant [sic] that supports the Company's entire operating system, not simply the jurisdiction in which the plant is located."[62] WGL states that "[a]s a result, a portion of these costs must be allocated among each of the Company's jurisdictions, consistent with the methodology in Company rate cases."[63] For the proposed transmission programs, WGL states that for the District of Columbia portion of the five-year plan it has budgeted $23.9 million of the total cost for these projects.[64]

15. WGL seeks to continue recovering the costs associated with the PIPES 2 Plan through the PROJECT*pipes* surcharge mechanism previously approved by the Commission in Order No. 17789.[65] The Company indicates that "this cost recovery mechanism has a reconciliation component to adjust for any over-or under collection of revenues from the surcharge to ensure that customers pay the actual costs incurred by [WGL] in the performance of the program."[66] Like the surcharge for the PIPES 1 Plan, the surcharge for the PIPES 2 Plan will also

---

58 *Formal Case No. 1154,* PIPES 2 Plan at 4; WGL's Supplemental Testimony of Wayne A. Jacas at 2-3.

59 *Formal Case No. 1154,* PIPES 2 Plan at 4; WGL Testimony of Wayne A. Jacas at 18; WGL's Supplemental Testimony of Wayne A. Jacas at 2-3.

60 *Formal Case No. 1154,* PIPES 2 Plan at 4; WGL's Supplemental Testimony of Wayne A. Jacas at 5.

61 *Formal Case No. 1154,* WGL's Supplemental Testimony of Wayne A. Jacas at 4.

62 *Formal Case No. 1154,* WGL's Testimony of Andrew Lawson at 7.

63 *Formal Case No. 1154,* WGL's Testimony of Andrew Lawson at 7.

64 *Formal Case No. 1154,* WGL's Supplemental Testimony of Wayne A. Jacas at 4.

65 *Formal Case No. 1154,* PIPES 2 Plan at 5; *See Formal Case No. 1115,* Order No. 17789, ¶85, rel. January 29, 2015 ("Order No. 17789").

66 *Formal Case No. 1154*, PIPES 2 Plan at 5.

include pre-tax return on investment and depreciation.[67] The surcharge mechanism terminates on the effective date of the second base rate case approved by the Commission.[68]

16. Pursuant to Order No. 17431, "[p]rojects that qualify for funding under the surcharge mechanism must satisfy all of the following four qualifications: (1) The project is started on or after June 1, 2014; (2) The project assets are not included in WGL's rate base in its most recent rate case; (3) The project does not increase revenues by directly connecting the infrastructure replacement to new customers; and (4) The project is needed to reduce risk and enhance safety by replacing aging corroded or leaking cast-iron mains, bare and/or unprotected steel mains and services; and black plastic services in the distribution system."[69] As part of its PIPES 2 Plan, WGL proposes to enhance criterion 4 above by adding that the projects will "reduce risk and enhance the safety and reliability of the Company's transmission system which serves District of Columbia customers."[70]

17. According to the Company, it "will continue to file annual Financial Reconciliation Reports and Completed Projects Reconciliation Reports, which are subject to review and comments by the parties in this case, and the Quarterly PROJECT*pipes* Community Liaison Report."[71] However, WGL proposes that its Financial Reconciliation Reports and Completed Reconciliation Reports be due at the end of March in the following project year, instead of the month of December in the project year as currently required.[72] The Company submits that "[t]his modification will allow time for more accurate data capture of spend and units completed, which will more appropriately reflect the Company's progress in its prior year of work."[73] WGL indicates that because of the Company's planned change from fiscal year to calendar year, it proposes changing the filing dates of the annual project lists beginning with the Year 7 Annual Project List and throughout the PIPES 2 Plan to September 1 for the initial annual project lists and November 1 for the final project lists of each year.[74]

18. Finally, WGL proposes to continue to file all reports consistent with what the Commission has required with respect to its PIPES 1 Plan such as current requirements regarding program audits, the Customer Education Plan, and filing of construction drawings.[75] The

---

67 *Formal Case No. 1154*, WGL's Testimony of Andrew Lawson at 4-5.

68 *Formal Case No. 1115*, Order No. 17789, ¶15.

69 *Formal Case No. 1115*, Order No. 17431, ¶68.

70 *Formal Case No. 1154*, WGL's Testimony of Aaron Stuber at 4.

71 *Formal Case No. 1154*, WGL's Testimony of Wayne A. Jacas at 33-34.

72 *Formal Case No. 1154*, WGL's Testimony of Wayne A. Jacas at 34.

73 *Formal Case No. 1154*, WGL's Testimony of Wayne A. Jacas at 34.

74 *Formal Case No. 1154*, WGL's Testimony of Wayne A. Jacas at 34.

75 *Formal Case No. 1154*, WGL's Testimony of Wayne A. Jacas at 34.

Company also states that it will file all reports consistent with Merger Commitments in *Formal Case No. 1142*.[76] Pursuant to the Settlement approved by the Commission in the AltaGas-WGL Merger, *Formal Case No. 1142*, Commitment No. 54, requires that WGL file the results of a cost/benefit analysis of PROJECT*pipes* with the Commission as a part of its second five-year PROJECT*pipes* filing.[77] The Company filed the cost/benefit analysis on July 31, 2019.[78] WGL notes that there are other AltaGas-WGL Merger commitments regarding PROJECT*pipes* including Commitment Nos. 53, 72, and 74.[79]

IV. LIBERTY MANAGEMENT AUDIT

19. The Liberty Management Audit presents a comprehensive summation of an evaluation of WGL's performance in the first four (4) years of the PIPES 1 Plan. The Liberty Management Audit found Years 1 and 2 were lacking in program management, but Years 3 and 4 showed significant improvement.[80] The Audit determined the issues in Years 1 and 2 resulted from "the belief that replacement work represented no more than an increase in construction 'business as usual'" and "a tendency to conflate program management with regulatory reporting."[81] The Audit notes that "[i]t is usual to find a material level of improvement in performance after a multi-year start-up period on large-scale replacement programs."[82] As such, the Audit's review of Years 3 and 4 determined that WGL brought management of the PIPES 1 Plan "under essential control."[83] Even so, after a full review of all four years, the Audit offers 24 recommendations.

20. The Liberty Management Audit's 24 recommendations encompass nine (9) program areas to include risk ranking and project prioritization; program management; program planning; cost estimating; cost management; scheduling; resource planning; oversight and field execution.[84] The recommendations are as follows:

---

[76] *Formal Case No. 1154,* WGL's Testimony of Wayne A. Jacas at 35.

[77] *Formal Case No. 1142, In the Matter of the Merger of AltaGas Ltd. And WGL Holdings, Inc. ("Formal Case NO. 1142),* Order No. 19396, Appendix A at 21, rel. June 29, 2018.

[78] *Formal Case No. 1115,* WGL's Commitment No. 54 Cost-Benefit Analysis, filed July 31, 2019.

[79] *Formal Case No. 1142*, Order No. 19396, Appendix A at 20-28, rel. June 29, 2018 ("Order No. 19396"). Commitments Nos. 53, 72, and 74 require the Company to continue to publicly file with the Commission an annual report stating the status of each accelerated replacement sub-project, to calculate on an annual basis the average costs from the prior two years of replacing/remediating the necessary infrastructure to reduce leaks within PROJECT*pipes* program, and within 12 months after the merger develop a proposal to accelerate PROJECT*pipes* to a 30-year program rather than a 40-year program, respectively.

[80] *Formal Case No. 1115,* Liberty Management Audit at 4.

[81] *Formal Case No. 1115,* Liberty Management Audit at 4.

[82] *Formal Case No. 1115,* Liberty Management Audit at 4.

[83] *Formal Case No. 1115,* Liberty Management Audit at 4.

[84] *Formal Case No. 1115,* Liberty Management Audit at 14-16.

1) Prepare for stakeholder dialogue a proposal to eliminate service-only replacements (Program 1), making them part of main replacements under Programs 2 and 4.

2) Prepare for stakeholder dialogue a proposal to eliminate the "Optimain top-3" component of replacements, employing a prioritization method that emphasizes small-diameter pipes subject to much higher failure rates.

3) Continue to account for pressure differences that result when replacements produce pressure increases in only part of contiguous areas or neighborhoods.

4) Enhance efforts already underway to provide a full and accurate identification of the types and materials employed in underground infrastructure.

5) Promptly complete the described program management measures now underway.

6) Conduct skills assessments and development plans to further the project management skills and capabilities enhancement now underway.

7) Incorporate routine measurement of Actual versus Planned Unit Costs as part of ongoing performance measurement, and, as it continues to examine performance variances, identify, report on, and analyze other metrics material to ensuring continuing program success.

8) Complete measures underway to increase focus on D.C.-specific performance.

9) Re-define "normal" replacement in light of experience and current infrastructure and risks and evaluate the institution of work completion condition to expedited recovery program expenditures.

10) Complete efforts to produce a series of program plan documents, forecasts, performance projections, and a life program plan (40 years) using soundly derived unit rates and escalated

costs, including an appropriately derived contingency element.

11) Expand use of cost estimates in cost management and in the project cost estimate process and the revised Program Implementation Plan to incorporate explicit statements about expectations and intended use.

12) Undertake a series of additional actions to optimize preparation and use of estimates.

13) Evaluate elimination of Class Cost Estimate requirements on smaller projects, to exclude most of Program 1 projects and those in the other two Programs with comparatively low costs and standard execution requirements.

14) Enhance the provision of insightful analysis of cost performance issues and provide cost management support to the program.

15) Promptly complete development of a process for regularly measuring planned and actual expenditures to production of terms of mains and services.

16) Implement an organizational structure and discipline, supported by strong skills and capabilities to perform accurate, insightful scheduling and analysis of project and program schedule performance.

17) Create and document processes for creating a program master schedule, assigning accountability for schedule performance, and providing for ongoing analysis of schedule variances and means to control them.

18) Regularly prepare ground up analyses of crew requirements that consider a range of work levels consistent with new business and regular replacement uncertainties, that use sound expectations about future unit rates, and that objectively re-evaluate an approach that excludes use of in-house crews for replacement work.

19) Strongly support and participate in work force development efforts undertaken in cooperation with government and public-interest resources.

20) Much more proactively report program progress, problems, and action plans to senior leadership, which needs to remain significantly engaged in challenging management's performance in managing the program.

21) Work with public authorities to secure as flexible a set of working conditions as conforms to government's requirements and expectations.

22) Work with other underground utilities to update construction maps to contain all existing and abandoned facilities along planned main and service replacement routes.

23) Develop and execute a directional drilling pilot program for residential or side streets.

24) Conduct a structured, quantitative evaluation of converting to digital GPS mapping.[85]

21. The Audit asserts that the list of recommendations is indicative of managements need "to continue to work in a number of organizational, staffing, methods, and activated to turn program management into a strength."[86] Finally, the Audit asserts that implementing the recommendations and continuing current management activities will produce additional improvements in cost and schedule performance.[87]

V. COST BENEFIT ANALYSIS

22. The Cost-Benefit Analysis is a compliance term as part of the settlement agreement in the AltaGas Ltd and WGL Holdings Inc. merger.[88] The purpose of the analysis is to determine the cost-benefit implications of accelerating the PROJECT*pipes* program from a 40-year program to a 30-year Program, consistent with the AltaGas-WGLH Merger Term Nos. 54 and 74. The Analysis "covers the acceleration of replacement programs described in PROJECT*pipes* 1 Plan for

85 *Formal Case No. 1115,* Liberty Management Audit at 14-16.

86 *Formal Case No. 1115,* Liberty Management Audit at 4.

87 *Formal Case No. 1115,* Liberty Management Audit at 4.

88 *Formal Case No. 1142*, Order No. 19396, Term No. 54; Cost Benefit Analysis at 1.

the period from 2020 to 2054."[89] The Analysis uses two measures: net present value and Cost-Benefit ratio.[90] The analysis reviews the programs approved in the PIPES 1 Plan as well as the programs in the PIPES 2 Plan.[91] The Analysis considers the quantitative and qualitative operational benefits along with societal benefits.[92]

23. The Cost-Benefit Analysis reaches five conclusions. First, the Optimain's Project Risk scenario results in small, but better cost-benefit ratio over PROJECT*pipes*.[93] Second, PROJECT*pipes* "programs productively target mains and services material that result in all Grade leaks, potentially reducing the number of leaks by 3,650, of which 385 could be Grade 1 hazardous leaks."[94] Third, PROJECT*pipes* reduces greenhouse gas emission by 97,000-100,000 metric tons.[95] Fourth, WGL will need to increase main replacement to more than 97,000 feet per year by year 2024 in order to complete PROJECT*pipes* by 2054.[96] Fifth, a shortened program duration will improve the benefit-cost ratio but is not advisable due to the level of main replacement required to complete PROJECT*pipes* by 2054.[97] However, the Analysis believes it is advisable to add copper services, vintage mechanical coupled mains and services, and low-pressure services programs.[98]

24. WGL filed a proposal for the acceleration of PROJECT*pipes* to a 30-year program, on July 8, 2019, in compliance with the Company's merger commitment.[99] The proposal provided WGL's analysis in support of further acceleration of the PROJECT*pipes* program. However, given the risks associated with further acceleration of PROJECT*pipes*, as provided in the Company's supplemental testimony, WGL does not recommend further acceleration and prefers to maintain the program duration which is currently scheduled to be complete by 2054.[100]

---

89 *Formal Case No. 1142,* Cost Benefit Analysis at 1.

90 *Formal Case No. 1142,* Cost Benefit Analysis at 1.

91 *Formal Case No. 1142,* Cost Benefit Analysis at 6.

92 *Formal Case No. 1142,* Cost Benefit Analysis at 14.

93 *Formal Case No. 1142,* Cost Benefit Analysis at 4.

94 *Formal Case No. 1142,* Cost Benefit Analysis at 4.

95 *Formal Case No. 1142,* Cost Benefit Analysis at 4.

96 *Formal Case No. 1142,* Cost Benefit Analysis at 4.

97 *Formal Case No. 1142,* Cost Benefit Analysis at 4.

98 *Formal Case No. 1142,* Cost Benefit Analysis at 4.

99 *Formal Case No. 1142*, Appendix A, Merger Commitment No. 74.

100 *Formal Case No. 1154*, WGL's Supplemental Direct Testimony of Witness Wayne A. Jacas at 14 – 15.

VI. DISCUSSION

A. Continuation of PROJECT*pipes*

25. WGL's application request approval to continue PROJECT*pipes* in a second five-year segment. OPC, AOBA, Sierra Club, DCG, and DCCA oppose this request. OPC does not oppose the continuation of PROJECT*pipes*. OPC asserts that "[t]he age and leaky state of WGL's distribution system here in the District make an accelerated infrastructure replacement program like PROJECT*pipes* a must."[101] However, OPC does believe that a three-year PIPES 2 Plan is more appropriate. OPC's recommendation of a three-year program aligns with other recommendations proffered by OPC. Specifically, OPC recommends a second management audit be completed in Year 3 of the PIPES 2 Plan.[102] OPC asserts that a three-year program with an audit will present an opportunity to review progress and implement changes "before too many years continue under a failing program."[103]

26. WGL opposes a three-year PIPES 2 Plan. WGL argues that a five-year period provides more certainty when it goes to the market for contractors.[104] Additionally, WGL asserts that OPC's proposal will likely delay the approval of the next segment of PROJECT*pipes* further delaying accelerated replacement in the District.[105] Further, the Company does not oppose a performance audit of the PIPES 2 Plan.[106] However, the Company asserts that any auditor should be selected through a competitive bidding process to allow the Company to obtain the best services available in the market given considerations to factors including experience in this area.[107]

27. AOBA encourages timely and economic pipe replacement activities that improve the safety of WGL's gas distribution system in the District, but concludes that WGL's PIPES 1 plan failed to produce the acceleration of pipe replacement or the needed improvements in safety.[108] AOBA contends that there have been dramatic increases in hazardous leaks in WGL's distribution system in the District and that the infirmities in the PIPES 1 plan are not being remedied in the proposed PIPES 2 plan.[109] AOBA further argues that the limited pipe replacement that WGL proposes in the PIPES 2 plan cannot yield a net reduction in the amount of GHG

---

101 *Formal Case No. 1154,* OPC's Rebuttal Testimony of Edward A. McGee at 7-8; *Formal Case No. 1154,* OPC's Brief at 3.

102 *Formal Case No. 1154,* OPC's Direct Testimony of Witness Edward A. McGee at 81.

103 *Formal Case No. 1154,* OPC's Brief at 39.

104 *Formal Case No. 1154,* WGL's Rebuttal Testimony of Witness Wayne A. Jacas at 18.

105 *Formal Case No. 1154,* WGL's Brief at 36.

106 *Formal Case No. 1154,* WGL's Brief at 51.

107 *Formal Case No. 1154,* WGL's Brief at 51.

108 *Formal Case No. 1154,* AOBA Brief at 2.

109 *Formal Case No. 1154*, AOBA Brief at 4.

emissions in the District's distribution system. Therefore, AOBA concludes that the PIPES 2 plan should not be approved.[110]

28. Sierra Club and DCG recommend the Commission to temporary suspend PROJECT*pipes*. Sierra Club recommends the Commission suspend PROJECT*pipes* to first allow the Commission to review WGL's infrastructure planning and investments as they relate to the District's climate goals.[111] Sierra Club recommends the Commission instruct WGL to refile a new infrastructure maintenance program that is aligned with the District's climate goals.[112] Further, Sierra Club requests the Commission to notify WGL that it will not be permitted to recover the costs of pipe distribution and transmission infrastructure beyond 2050.[113]

29. Similarly, DCG recommends the Commission delay the approval of the PIPES 2 Plan until a more comprehensive plan is submitted that encompasses alternatives to pipe replacement and focuses on eliminating more active leaks.[114] DCG asserts that the PIPES 2 Plan does not realize public safety goals where it focuses on replacing pipes based on estimated potential leaks to "make educated guesses regarding which pipes are more likely to leak in the future."[115] DCG recommends that the Commission not authorize any new expenditures in PROJECT*pipes* until WGL maps gas leaks in the District and prioritizes replacement accordingly.[116] Further, DCG argues that the PIPES 2 Plan doesn't aid the economy of the District where it will result in the District's ratepayers investing in a distribution system that will result in a "utility death spiral."[117] DCG asserts "[a]s the Company loses customers, gas distribution charges will increase on those customers that remain on WGL's system."[118] According to DCG, low-income customers, that cannot afford to leave the Company's distribution system, will be stuck paying "an ever-increasing, unaffordable share of WGL's distribution costs."[119] Therefore, DCG argues that the PIPES 2 Plan is an imprudent investment and should not be approved as proposed.[120]

---

110 *Formal Case No. 1154*, AOBA Brief at 4.

111 *Formal Case No. 1154*, Sierra Club's Direct Testimony of Witness Ezra D. Hausman at 4.

112 *Formal Case No. 1154*, Sierra Club's Direct Testimony of Witness Ezra D. Hausman at 4.

113 *Formal Case No. 1154*, Sierra Club's Direct Testimony of Witness Ezra D. Hausman at 4.

114 *Formal Case No. 1154*, DCG Direct Testimony of Witness Edward P. Yim at 17;20.

115 *Formal Case No. 1154*, DCG Brief at 3.

116 *Formal Case No. 1154*, DCG's Direct Testimony of Edward P. Yim at 21.

117 *Formal Case No. 1154*, DCG Brief at 7.

118 *Formal Case No. 1154*, DCG Brief at 7.

119 *Formal Case No. 1154*, DCG Brief at 7.

120 *Formal Case No. 1154*, DCG Brief at 7.

30. DCCA recommends the Commission reject the PIPES 2 Plan and replace PROJECT*pipes* with a new program to reflect the District's climate goals.[121] DCCA asserts PROJECT*pipes* program "was of a different time, for a different time."[122] However, DCCA conceded "[t]his is not to say all pipe replacement should stop. For both safety and environmental reasons, it must continue for a time" but "not in the form of the APRP."[123] WGL asserts that DCCA ignores the GHG reductions already achieved by PROJECT*pipes* and will continue to decrease which will help WGL meet the District's climate goals.[124]

31. WGL opposes the recommendation to delay the PIPES 2 Plan. WGL argues that PROJECT*pipes* remains relevant given PHMSA's call to accelerate pipe replacement and NARUC's resolution on the importance of accelerated replacement of high risk-mains and services.[125] Further, WGL argues that recommendations related to the District's climate goals must be addressed in another proceeding and are not appropriate here.[126]

32. In support of continuing PROJECT*pipes*, WGL asserts that "the Company's goal of its PIPES 2 proposal is to proactively enhance safety and improve reliability of the natural gas system that serves the District of Columbia." WGL asserts that the primary driver behind the Commission's decisions should be safety.[127] As such WGL argues that the "consideration of climate issues should not override the fundamental objectives of PIPES objectives of the PIPES 2 Plan, which are the enhancement of safety and improved reliability of the natural gas system."[128] Further, WGL opposes the reduction of its PIPES 2 Plan to a three-year plan. WGL argues that a five-year period provides WGL more certainty in the market when seeking out contractors.[129]

33. BWLDC supports WGL's PIPES 2 Plan. BWLDC asserts that the PIPES 2 Plan advances the public safety and economy in the District. BWLDC argues that WGL's infrastructure continues to age and the risk to the public is greater today than when PROJECT*pipes* was first approved.[130] As such, BWLDC argues that it is imperative for the Commission to approve the PIPES 2 Plan to address the compelling public safety risks that are inherent in WGL's legacy gas

[121] *Formal Case No. 1154*, DCCA's Direct Testimony of Nina Dodge at 7.

[122] *Formal Case No. 1154*, DCCA's Direct Testimony of Nina Dodge at 7-8.

[123] *Formal Case No. 1154*, DCCA's Rebuttal Testimony of John Macgregor at 5.

[124] *Formal Case No. 1154*, WGL's Rebuttal Testimony of Wayne A. Jacas at 41.

[125] *Formal Case No. 1154*, WGL's Rebuttal Testimony of Wayne A Jacas at 3.

[126] *Formal Case No. 1154*, WGL's Rebuttal Testimony of Wayne A. Jacas at 8.

[127] *Formal Case No. 1154*, Rebuttal Testimony of Wayne A. Jacas at 4.

[128] *Formal Case No. 1154*, Rebuttal Testimony of Wayne A. Jacas at 6.

[129] *Formal Case No. 1154*, Rebuttal Testimony of Wayne A. Jacas at 18.

[130] *Formal Case No. 1154*, BWLDC Brief at 6.

infrastructure.[131] Additionally, BWLDC argues that the PIPES 2 Plan provides an economic benefit for the District where it provides full-time jobs with workers earning a living wage.[132] BWLDC reiterates the Company's estimation that the PIPES 2 Plan will create an estimated 1,708 full-time jobs, and generate employee compensation totaling over $107.7 million.[133] BWLDC asserts that the jobs created provide, at least for the members BWLDC represents in WGL's workforce, "family supporting wages, affordable family health insurance, collectively bargained protections on the job, access to training, and retirement benefits."[134] BWLDC argues that "[t]his is a significant consideration during a period of unprecedented unemployment."[135]

DECISION

34. The Commission recognizes that there have been significant changes in the District since the initial approval of PROJECT*pipes*. Additionally, the Commission is cognizant of its statutory duties to consider the District's climate goals when making decisions.[136] The Commission does not take this duty lightly. However, any decision on the future of gas service and the AltaGas Climate Business plan will not happen overnight, it will be a series of conversations with stakeholders and decisions on complex and evolving long-term issues. Further, it is important to note that the PIPES 2 Plan is only part two of the larger 40-year PROJECT*pipes* plan. WGL's distribution infrastructure in the District is one of the oldest and most leak-prone gas distribution systems in the region. To ignore the age and leaks of the Company's distribution system in the District would ignore legitimate safety and reliability concerns on said distribution system. Additionally, programs like PROJECT*pipes* are standard for natural gas distribution systems. At least 41 jurisdictions throughout the United States have some form of accelerated replacement of leak-prone infrastructure program.[137] Further, the Commission has previously determined "WGL's daily operations, including pipeline replacements, have important public safety implications."[138] There is a need to achieve a balance between the ongoing transition in the District and the elevated risk in the District's aging gas distribution system. Additionally, it is extremely important to continue a risk-based accelerated pipes replacement program, consistent with PHMSA's "Call to Action" and to a properly functioning and robust DIMP, which is required

---

131 *Formal Case No. 1154,* BWLDC Brief at 6.

132 *Formal Case No. 1154,* BWLDC Brief at 10-11; *Formal Case No. 1154,* BWLDC's Direct Testimony of Steve Lanning at 6.

133 *Formal Case No. 1154,* BWLDC Brief at 10; *Formal Case No. 1154,* WGL's Direct Testimony of Wayne A. Jacas at 23.

134 *Formal Case No. 1154,* BWLDC Brief at 10.

135 *Formal Case No. 1154,* BWLDC Brief at 10.

136 D.C. Code §34-808.02 (2019).

137 *See* Exhibit WG (A)-5 (American Gas Association: State Infrastructure Replacement Activity, December 19, 2016).

138 *Formal Case No. 1093, In the Matter of the Investigation into the Reasonableness of Washington Gas Light Company's Existing Rates and Charges for Gas Service,* Order No. 17132 at ¶250, rel. May 15, 2013.

by PHMSA as the industry's federal regulatory authority. Additionally, we note that the Maryland and Virginia state commissions have already approved the second phases of their programs, STRIDE 2 and SAVE 2, respectively.

35. Therefore, the Commission does not agree with parties that PIPES 2 should be suspended or eliminated. However, to allow more time for the Commission and stakeholders to further evaluate the issues discussed above, the Commission finds that a three-year PIPES 2 Plan is appropriate. Implementing a three-year plan will allow WGL to address the safety and reliability of its distribution system in the District and will help advance the District's climate goals. The Commission realizes in Order No. 17431, we anticipated approving the PROJECT*pipes* plans in five-year segments.[139] However, given the changes in the District since the approval of PROJECT*pipes* and the PIPES 1 Plan a three-year plan will better serve the District. Therefore, WGL's PIPES 2 plan is approved for a three-year period, starting on January 1, 2021, through December 31, 2023, subject to the decisions and conditions provided in this Order.

36. During the three-year time period, the Commission will work with WGL and interested stakeholders to address issues related to WGL proposals that seek to advance the District's climate goals.[140] Therefore, the Commission directs WGL to file its next successor pipe replacement plan in PROJECT*pipes* no later than January 1, 2023, for approval beginning no earlier than January 1, 2024. The Commission expects that future successor plans to incorporate elements of the AltaGas Climate Business Plan, including any Commission directives or legislative mandates; and continue to address how the pipe replacement plan will assist WGL in meeting the District's climate goals. The Commission expects the plan to include the Company's coordination efforts, current and projected, with contractors and suppliers as well as DDOT and other agencies to replace, remediate and/or retire the remaining cast-iron mains from the Company's distribution system in the District, in a more timely and cost-effective manner.

37. Additionally, the Commission agrees with OPC that another audit would be beneficial for the Company, the Commission, and stakeholders at evaluating the Company's performance in implementing PROJECT*pipes* in a manner that increases the District's safety and reliability in a cost-effective manner. Therefore, the Commission directs WGL to submit for approval a Request for Proposal by September 30, 2022, for an independent management audit similar to the Liberty Management Audit.[141] The Audit should cover the first two (2) years of PROJECT*pipes* 2, beginning January 1, 2021, through December 31, 2022.

B. Proposed Distribution Programs

38. In reviewing the PIPES 2 Plan, the Commission notes that approval or denial of any proposed program is not an acceptance or denial of the work completed under the program. For some of the programs, the Commission encourages the Company to complete the work through normal replacement work and to record the costs in a regulatory asset and seek recovery in a

---

[139] *Formal Case No. 1093*, Order No. 17431, ¶66.

[140] The Commission recently initiated *Formal Case No. 1167* to evaluate how the District's utilities will progress towards meeting the District's climate goals.

[141] *See e.g. Formal Case No. 1115,* Order No. 17789, ¶73.

traditional rate case. The decision to deny any specific program is no more than a denial of accelerated recovery at this time. Additionally, the approval of a program does not reflect a decision on the prudence of the investment. Similar to the PIPES 1 Plan, the Commission anticipates reviewing the prudence of investments in a future base rate case where WGL seeks recovery of costs through the Company's base rates.

1. Distribution Program 1

39. WGL's proposed distribution Program 1 seeks to recover $110.1 million to replace an estimated 4,166 bare or unprotected steel services.[142] Services under this program will be replaced independently of a main replacement. The services that will be replaced under this program are connected to a non-leak-prone pipe material not included in PROJECT*pipes*. WGL proposes to replace these independent services in a geographic location based on recent leak history. This will result in both leaking and non-leaking services made of bare or unprotected steel to be replaced. WGL asserts that the service leaks have a greater potential to become hazardous due to the service's close proximity to the building wall.[143]

40. OPC does not oppose the proposed distribution Program 1, but recommends that the Company replace cast-iron and bare steel main at the same time the associated services are replaced and minimize services separate from main replacements.[144] WGL contends that many of the services that require replacement would not be replaced through main replacements.[145] Additionally, WGL asserts that "service leaks have a greater potential to become hazardous because they are in close proximity to the building wall."[146]

DECISION

41. The Commission approves WGL's proposed distribution Program 1 for cost recovery through the PIPES 2 surcharge. The Commission finds that proposed distribution Program 1 is included in the Company's PIPES 1 Plan. The Commission does not find it necessary to direct WGL to replace cast-iron and bare steel main at the same time the associated services are replaced. The Commission would expect the Company to evaluate such replacement activities to replace independent services and mains in a cost-effective and prudent manner. Further, the Commission expects that we and interested stakeholders will evaluate the Company's decisions when conducting a prudency review in the Company's future base rate case. The approved target spend for surcharge recovery over the approved three-year period is discussed in Paragraph 89 below.

---

142 *Formal Case No. 1154,* PIPES 2 Plan at 4; WGL's Supplemental Testimony of Wayne A. Jacas at 18; Exhibit WG (2A)-1 at 6.

143 *Formal Case No. 1154,* WGL's Brief at 13.

144 *Formal Case No. 1154,* OPC's Direct Testimony of Edward A. McGee at 40-41.

145 *Formal Case No. 1154,* WGL's Brief at 13.

146 *Formal Case No. 1154,* WGL's Brief at 13.

2. Distribution Program 2

42. WGL's proposed distribution Program 2 requests to recover $51.1 million to replace an estimated seven (7) miles and 294 services of bare or unprotected wrapped steel mains. Mains replaced under Program 2 are prone to corrosion similar to the services discussed in Program 1. Additionally, Program 2 includes replacement of contingent main. Contingent main is pipe made of a non-pipes program material that the Company determines the need to replace as part of the work done in each project. WGL estimates that 7.2% of the remaining main to be replaced under PROJECT*pipes* consists of material other than non-bare/unprotected steel.[147] Additionally, an estimated 78.3 miles of bare or unprotected steel mains remain on WGL's distribution system as of January 2020. WGL asserts that the bare steel and unprotected wrapped steel main population in its distribution system rank first and fourth in terms of risk ranking reflecting a significant increase in leak rate.[148]

43. OPC argues that WGL's proposal to include contingent main and affected services is an unreasonable expansion of the proposed program.[149] While OPC does not necessarily oppose the inclusion of affected services, OPC is concerned that the inclusion of contingent mains will increase the amount of non-qualifying pipe replacements that would be subject to cost recovery.[150] Further, OPC expresses concern that including contingent main would result in the replacement of "good piping" even if the piping does not meet the PIPES program criteria.[151] Alternatively, OPC recommends if the Commission does not reject the addition outright, the Commission should limit the amount of contingent main permitted to 4% of the total replacements each year.[152] OPC bases this recommendation on WGL's estimated contingent main to be approximately 4% of the total miles of main to be replaced under PROJECT*pipes*.[153] Additionally, OPC recommends the Commission adopt the requirement that the Company report actual miles of main retired, by material type, on its program reporting.[154]

44. WGL opposes OPC's recommendation about excluding, or alternatively limiting, the amount of contingent main at the same time bare and/or unprotected wrapped steel main services are replaced. WGL asserts it would be unreasonable from an efficiency and cost

[147] *Formal Case No. 1154,* WGL's Supplemental Testimony of Wayne A. Jacas Exhibit (2A)-1 at 6.

[148] *Formal Case No. 1154,* WGL's Brief at 13.

[149] *Formal Case No. 1154,* OPC's Brief at 19.

[150] *Formal Case No. 1154,* OPC's Brief at 20.

[151] *Formal Case No. 1154,* OPC's Brief at 20.

[152] *Formal Case No. 1154,* OPC's Brief at 20.

[153] *Formal Case No. 1154,* OPC's Brief at 20.

[154] *Formal Case No. 1154*, OPC's Brief at Fn. 64.

perspective to not permit WGL to replace the contingent main when replacing bare and/or unprotected wrapped steel main services.[155]

DECISION

45. The Commission approves WGL's proposed distribution Program 2 for cost recovery through the PIPES 2 surcharge. The Commission finds that the proposed Program 2 is a continuation of the program from the PIPES 1 Plan. The Commission does not share in OPC's concern, at this time, that WGL will be replacing a large amount of "good piping." As previously discussed, the Commission expects to review the Company's expenditures and projects for prudency in the Company's future base rate case. In such an instance where WGL has replaced large amounts of "good piping" and ignores the more leak-prone and older piping, it will have the burden of proving that the decisions were not imprudent. Additionally, the Commission finds that the need to replace contingent main in conjunction with the replacement of leak-prone main is a common occurrence in the industry. Further, the Commission established a reporting system to monitor the Company's choice of projects and performance under the PIPES 1 Plan.[156] As discussed below, the Commission plans to continue the established reporting requirements. Additionally, the Commission agrees with OPC's recommendation to require WGL to report the contingent main being replaced as part of the Pipes 2 Plan, similar to the report it does as part of the STRIDE program in Maryland. Therefore, the Commission finds that the proposed distribution program 2 is appropriate for cost recovery through the PIPES 2 surcharge. The approved target spend for surcharge recovery over the approved three-year period is discussed in Paragraph 89 below.

3. Proposed Distribution Program 3

46. WGL's proposed distribution Program 3 requests to recover $53.5 million to replace mains and independent services that are connected via vintage mechanical couplings ("VMCs"). WGL asserts that the VMCs are considered steel main or services two (2) inches or smaller installed between 1952-1956 and 1962-1965.[157] Program 3 seeks to replace the remaining VMCs that were not replaced as part of the settlement agreement in *Formal Case No. 1027*. Approximately 11.2 miles of VMC main and 689 VMC services independent of a main remain on the District's system. WGL asserts that this material type has a leak rate of 6.4 leaks per mile of main and 8.1 leaks per 100 service segments and is ranked second among main and first among service programs.[158] As such, WGL argues the Commission should approve this program.[159]

---

155 *Formal Case No. 1154,* WGL's Brief at 13.

156 *Formal Case No. 1115,* Order No. 17431, ¶¶ 69-70.

157 WGL's Direct Testimony of Wayne A. Jacas' at 17.

158 *Formal Case No. 1154,* WGL's Brief at 14; WGL's Supplemental Testimony of Wayne A. Jacas, Exhibit (2A)-1 at 15-16.

159 *Formal Case No. 1154,* WGL's Brief at 14.

DECISION

47. The Commission approves the proposed distribution Program 3 for cost recovery through the PIPES 2 surcharge. The Commission finds that, while not part of the PIPES 1 Plan, this program will replace the remaining VMCs on WGL's distribution system. The Company, under its settlement agreement in *Formal Case No. 1027*, agreed to replace or encapsulate approximately 26 miles of main and 3,465 services at a rate of roughly 3.7 miles of main and 495 services a year. The replacement and encapsulation work in *Formal Case No. 1027* was completed and the Commission formally closed the case in October 2018. This new program strives to replace the remaining miles and services associated with VMC that were not part of the *Formal Case No. 1027* settlement agreement. Given the Commission's decision to shorten the PIPES 2 Plan to three-years, we recognize that there may still be some VMC mains and services on the Company's system following the PIPES 2 Plan. The Commission encourages the Company to continue to replace the remaining VMC mains and services through normal replacement work. Therefore, the Commission finds it appropriate to continue replacing the VMCs associated mains and services as they are the second-highest risk-ranked population among the main and service programs. As such, the Commission approves the proposed distribution Program 3 for cost recovery through the PIPES 2 surcharge. The approved target spend for surcharge recovery over the approved three-year period is discussed in Paragraph 89 below.

4. Proposed Distribution Program 4

48. WGL's proposed distribution Program 4 requests to recover $12.6 million to replace an estimated 1.3 miles and 36 services of cast-iron main. Cast-iron was the original material of choice for the District's gas distribution system. As a result, some of the cast-iron pipes in the District's system are over 80 years old. The aging cast-iron pipe is susceptible to cracking and breakage. There is an estimated 404.9 miles of cast-iron main remaining on the Company's distribution system in the District.[160]

49. OPC recommends that the PIPES 2 Plan should include a program that exclusively replaces small-diameter cast-iron mains.[161] OPC relies on the cost-benefit analysis and the Liberty Management Audit findings discussing a need for such a program. Specifically, OPC relies on findings that the small-diameter cast-iron's increased likelihood to crack due to the thinner walls.[162] Therefore, OPC recommends the Commission instruct the Company to implement a program that focuses on small-diameter cast-iron main.[163]

---

160 *Formal Case No. 1154*, WGL's Supplemental Testimony of Wayne A. Jacas, Exhibit (2A)-1 at 9; *Formal Case No. 1154*, Washington Gas Light Company's Response to Staff Data Request 2-1, Attachment 02.

161 *Formal Case No. 1154,* OPC's Brief at 29.

162 *Formal Case No. 1154,* OPC's Brief at 29 *citing Formal Case No. 1142 and Formal Case No. 1154,* Cost Benefit Analysis at 5; *Formal Case No. 1115*, Liberty Management Audit at 23.

163 *Formal Case No. 1154*, OPC's Brief at 29.

50. WGL asserts that OPC's proposal to include an additional program that focuses on small diameter cast-iron main is unnecessary.[164] While WGL does not oppose additional cast-iron replacement, the Company argues such replacements should not take away from the proposed program budgets.[165] WGL argues that, under the proposed program, the Company is able to consider both large and small diameter cast-iron replacements using a risk-reduced per dollar spent metric to maximize the amount of risk that is mitigated from this pipe material.[166] Thus, WGL asserts it does not need to create an additional program.

DECISION

51. The Commission approves the proposed distribution Program 4 for cost recovery through the PIPES 2 surcharge. The Commission finds that the proposed Program 4 is a continuation of the same program in the PIPES 1 Plan. Once again the Commission does not find it necessary to dictate what replacements the Company makes under this program. The Company will be able to choose cast-iron replacement projects for both large and small diameter mains based on its risk analysis and priority. The Commission and interested stakeholders will have an opportunity to review the projects selected when the Company submits its annual project list at the beginning of each program year. Additionally, the Commission and stakeholders will have another opportunity to review the selected projects in future rate cases and determine prudence at that time. However, the Commission does reiterate its concern that the Company has 404.9 miles of cast-iron main remaining on WGL's distribution system in the District, but it only proposes to replace 1.3 miles of cast-iron main under the PIPES 2 Plan.[167] This is down from the PIPES 1 Plan goal of 4 miles/year, which it failed to meet. However, WGL estimates that Program 10 would involve the replacement of primarily cast-iron pipe (approximately 8 miles over a five-year period), which are some of the oldest vintages of pipe, with a high number of leaks. In Order No. 17431, the Commission approved the PIPES 1 Plan but requested additional information relating to the Company's timeline of accelerated replacement and estimated financial and rate impact of replacing cast-iron mains in the District.[168] As such, the Commission directs the Company to include in its next PROJECT*pipes* plan an updated plan to address the remaining cast-iron mains on the District's Distribution system. Therefore, the Commission finds it appropriate to continue to replace the cast-iron mains in PIPES 2 and approves the program for PIPES 2 surcharge recovery. The approved target spend for surcharge recovery over the approved three-year period is discussed in Paragraph 89 below.

---

164 *Formal Case No. 1154,* WGL's Brief at 15.

165 *Formal Case No. 1154,* WGL's Brief at 15.

166 *Formal Case No. 1154,* WGL's Brief at 15.

167 *Formal Case No. 1154,* WGL's Supplemental Testimony of Wayne A. Jacas, Exhibit WG(2A)-1 at 9; *Formal Case No. 1154,* Washington Gas Light Company's Response to Staff Data Request 2-1, Attachment 02.

168 *Formal Case No. 1154*, Order No. 17431, ¶63.

5. Proposed Distribution Program 5

52. WGL's proposed distribution Program 5 requests to recover $16.9 million to replace 644 copper services. Copper services are prone to joint failure and corrosion, but less so than cast-iron and bare steel.[169] Proposed copper service replacements would be completed independent of a main replacement project based on geographic locations and prioritized by leak data. WGL asserts that this program will not include any services replaced under any of the other proposed PIPES 2 programs.[170] Additionally, WGL contends that the Commission should approve this program where it has previously included copper services as eligible PROJECT*pipes* material.[171]

DECISION

53. The Commission approves the proposed distribution Program 5 for cost recovery through the PIPES 2 surcharge. The Commission finds that the proposed Program 5 was part of the PIPES 1 Plan.[172] The Commission finds most of the copper services were installed over 60 years ago and have experienced increased service failures. As such, it is appropriate to continue the program in PIPES 2. Therefore, the Commission approves the proposed distribution Program 5 for PIPES 2 surcharge recovery. The approved target spend for surcharge recovery over the approved three-year period is discussed in Paragraph 89 below.

6. Proposed Distribution Program 6

54. WGL's proposed distribution Program 6 requests to recover $2.1 million to replace 208 gauge lines on critical valves. The program 6 focuses on critical valves installed prior to 1972 and show increased leaks. The Company estimates that there are 532-gauge lines that will need replacement over the next 10 years. The Company asserts that "[a]pproximately 80% of leaks on gauge lines occur on pre-1972 facilities."[173] Further, WGL argues that there is a need to accelerate replacement of these facilities where it has "experienced 107 out of 150 corrosion leaks on gauge valves from 2013-2018."[174]

---

169 *Formal Case No. 1154,* Washington Gas Light Company's Response to Staff Data Request 1-9; *Formal Case No. 1154,* Washington Gas Light Company's Response to Staff Data Request 2-3.

170 *Formal Case No. 1154,* WGL's Brief at 17-18.

171 *Formal Case No. 1154,* WGL's Brief at 18 *citing Formal Case No. 1115,* Order No. 17500 at 12, rel May 30, 2014 ("Order No. 17500").

172 *Formal Case No. 1115*, Order No. 17500, ¶30, in which the Commission approves the replacement of Copper services as part of PIPES 1.

173 *Formal Case No. 1154,* WGL's Brief at 18.

174 *Formal Case No. 1154,* WGL's Brief at 18.

DECISION

55. The Commission denies the Company's request for surcharge recovery of distribution Program 6 in the PIPES 2 Plan. The proposed distribution Program 6 would not replace any mains or services on the Company's distribution system. The program includes replacement of gauge lines which are not typically included in accelerated replacement assets. The Commission recognizes the Company's need to replace the gauge lines considering both the age of the assets being replaced and the heightened concerns about low pressure systems across the industry. However, we do not believe the work should be included in the PIPES 2 program and receive the same recovery treatment as higher risk main and service replacements. Therefore, the Commission denies the Company's request for surcharge recovery of proposed distribution Program 6 in the PIPES 2 Plan. Although we are denying surcharge recovery through the PIPES 2 program, we encourage the Company to pursue its Program 6 work and to establish a regulatory asset account of up to $1.0 million to record the costs associated with this program over the three-year duration of PIPES 2. We note that the prudence of the costs incurred under this program will be reviewed in WGL's next rate case before being transferred into base rates.

7. Proposed Distribution Program 7

56. WGL's proposed distribution Program 7 requests to recover $10 million to replace or enhance 36 regulator stations. WGL requests accelerated recovery to replace bypass valves located at regulator stations that serve systems with different operating pressures.[175] WGL asserts the need to replace bypass valves was one of the lessons learned from the 2018 over-pressurization incident in Lawrence, Massachusetts.

DECISION

57. The Commission denies the Company's request for surcharge recovery of proposed distribution Program 7 in the PIPES 2 Plan. The proposed program would not replace any of the aging mains or services in the District. The Commission commends the Company on attempting to be proactive in implementing changes that will prevent potentially devastating over-pressurization incidents in the District and surrounding area. However, the Commission finds that accelerated surcharge recovery for this work through the PIPES 2 program would not be appropriate. The Commission notes that the bypass valves are not traditional accelerated replacement assets. Further, given the Company's poor performance under the PIPES 1 Plan, an expansion of work included in PROJECT*pipes* is not appropriate at this time. Therefore, the Commission denies the Company's request for surcharge recovery of the proposed distribution Program 7 in the PIPES 2 Plan. However, the Commission again encourages the Company to pursue its Program 7 work and to establish a regulatory asset account of up to $4.9 million to record the costs associated with this program over the three-year duration of PIPES 2. We note that the prudence of the costs incurred under this program will be reviewed in WGL's next rate case before being transferred into base rates.

---

175 *Formal Case No. 1154,* WGL's Brief at 18.

8. Proposed Distribution Program 8

58. The Company's proposed distribution Program 8 requests to recover $11.8 million to replace or transfer 363 low pressure services to a medium pressure system. These 363 services would be replaced independent of a main project and only services within 40-feet of non-eligible main would be included.[176] These services would consist of any material (plastic, bare steel, unprotected steel, or protected steel) being used on a low-pressure system. Prioritization for service replacements will be based on consequence of failure by location instead of leaks.

59. WGL asserts that this program will improve the Company's ability to locate facilities, prevent outages due to water, and it will reduce consequences if over-pressurization occurs.[177] Furthermore, WGL contends that the Commission authorized the Company to recover the costs associated with the conversion of low-pressure to medium-pressure mains and services in the PROJECT*pipes* surcharge.[178]

DECISION

60. The Commission denies surcharge recovery of the proposed distribution Program 8 in the PIPES 2 Plan. While the Commission did approve the recovery of costs associated with the conversion of low-pressure to medium-pressure mains and services under PIPES 1, it did so as an opportunity-driven conversion.[179] The Commission did not approve the Company to complete independent conversions and recover costs through the PROJECT*pipes* surcharge. The Commission did direct the Company to review and consider low-pressure to medium-pressure conversions independent of PROJECT*pipes* work.[180] However, given the Company's under-performance in the PIPES 1 work the Commission does not believe it is appropriate to expand PIPES 2 to include surcharge recovery of this conversion work. The Commission will continue to allow the Company to recover the low-pressure to medium-pressure conversion when done consistent with our finding in Order No. 19194.[181] Additionally, the Commission finds there is a benefit to ratepayers in the Company transitioning low-pressure mains and services into medium

---

176 *Formal Case No. 1154,* WGL's Direct Testimony of Wayne A. Jacas at 45.

177 *Formal Case No. 1154,* WGL's Brief at 19.

178 *Formal Case No. 1115* WGL's Brief at 19 *citing Formal Case No. 1115,* Order No. 19194, ¶¶22-23, rel. November 30, 2017 ("Order No. 19194").

179 *Formal Case No. 1115,* Order No. 19194, ¶22 (The Commission determined there was an engineering rational for allowing the Company to recover the cost of converting low-pressure pipes to medium-pressure pipes when the opportunity arises while completing PROJECT*pipes* related work. Additionally, the Commission found there was a benefit to ratepayers to receive this enhancement of the system in a manner that will minimize the total costs where the Company would be required to perform work twice on the same pipes).

180 *Formal Case No. 1115,* Order No. 19194, ¶23.

181 The Commission will permit recovery for the replacement of certain pipes that meet the criteria established, and continued here, where there is the opportunity to convert the low-pressure main or adjoining low-pressure lines that would not otherwise be scheduled for conversion at that particular time to medium-pressure lines in order to enhance or improve the natural gas services that could be offered at that location.

pressure. Therefore, although we are denying surcharge recovery, the Company should continue this Program 8 work and establish a regulatory asset account of up to $ 6.70 million to record the costs associated with this program over the three-year duration of PIPES 2. We note that the prudence of the costs incurred under this program will be reviewed in WGL's next rate case before being transferred into base rates. Additionally, the Company is to continue to provide the Commission with the required documentation on pressure conversion projects in accordance with Paragraph 23 of Order No. 19194.[182] Therefore, the Commission denies the surcharge recovery of the proposed Program 8 in the PIPES 2 Plan.

9. Proposed Distribution Program 9

61. WGL's proposed distribution Program 9 seeks to recover $2.1 million for an Advance Leak Detection ("ALD") pilot program. The recovery would include both the capital costs of purchasing and installing ALD technologies as well as the operational costs of using the ALD technology. The proposed ALD technologies consist of vehicle-mounted methane detectors that can detect both the location and flow rate of a leak. The Company is proposing to use the ALD pilot program at locations of projects identified for Programs 1 through 4 to measure and identify any existing leaks. For Program 1, WGL indicates that it will use the ALD technology to prioritize services identified and approved each year for its scheduled replacements.[183] Similarly for Programs 2 through 4, WGL plans to evaluate scheduled replacement work based on safety risk. In instances where the safety risk of scheduled work is "roughly equivalent," WGL plans to use the ALD leak flow rate data to prioritize work.[184] However, the Company asserts that the ALD will be one factor when considering work prioritization along with others such as construction efficiencies, logistics, and coordination with other construction activities in the District.[185]

62. Generally, "OPC believes that ALD should be used in conjunction with, rather than in lieu of, WGL's current leak-detection techniques."[186] OPC, however, asserts two concerns with the proposed pilot ALD. First, any leak detection costs associated with activities during mobile unit trips that are not used in PROJECT*pipes* programs should not be recovered through the PROJECT*pipes* surcharge mechanism.[187] OPC asserts that the ALD pilot includes mobile units

[182] In Order No. 19194, the Commission directed the Company to provide documentation for its low-to-medium pressure conversion program and plans, including the justification, benefits and costs, target locations and program schedule for projects in areas that are not on the current Project List and to include this documentation in future Reconciliation Reports. Additionally, the Commission directed the Company to clearly identify and provide the cost and description of any such opportunity-driven conversions that are recoverable through the PROJECT*pipes* surcharge as part of the Company's annual completed projects reconciliation filing.

[183] *Formal Case No. 1154*, WGL's Brief at 21.

[184] *Formal Case No. 1154,* WGL's Brief at 22.

[185] *Formal Case No. 1154,* WGL's Brief at 22.

[186] *Formal Case No. 1154*, OPC's Brief at 36.

[187] *Formal Case No. 1154*, OPC's Brief at 36-37.

that are equipped with Global Positioning Systems.[188] As such, the data could potentially be used outside of the PIPES 2 programs.[189] OPC requests the Commission clarify that any use of the ALD program outside of the PIPES 2 Plan be allocated accordingly and not recovered through the surcharge mechanism.[190] Second, OPC is concerned over the implementation of the Company's ALD pilot.[191] OPC recommends the Company be required to identify the criteria it uses or will use when selecting an ALD vendor, including the vendors past experience.[192]

63. WGL asserts that OPC's concern "is based on a misapprehension of the Company's ALD pilot proposal."[193] WGL contends the pilot proposal "is a commitment to gain a better understanding of the usefulness of the ALD technology."[194] Furthermore, WGL asserts it is not proposing to use the pilot program outside of PROJECT*pipes* and consequently will not be recovering costs outside of the PROJECT*pipes* surcharge mechanism.[195]

64. DCCA and EDF recommend the Commission approve the ALD pilot program and expand the program. DCCA argues that after acquiring ALD technology the Commission should require WGL to use the ALD technology to survey the Company's entire distribution network.[196] DCCA argues that WGL should be required to use the survey results to select each year's projects and be required to annually survey the system.[197] Further, DCCA recommends the Commission direct the Company to use the ALD technology and adapt PROJECT*pipes* into a DIMP and recover costs through traditional base rates, not an accelerated surcharge.[198]

65. Similarly, EDF recommends that the proposed pilot program should be enhanced and expanded. EDF recommends that WGL employ ALD+ in its implementation of PROJECT*pipes* to prioritize pipeline replacement and leak repairs on leak flow rate.[199] EDF also

---

188 *Formal Case No. 1154,* OPC's Brief at 36.

189 *Formal Case No. 1154,* OPC's Brief at 36-37.

190 *Formal Case No. 1154,* OPC's Brief at 37.

191 *Formal Case No. 1154,* OPC's Brief at 37.

192 *Formal Case No.* 1154, OPC's Brief at 37.

193 *Formal Case No. 1154,* WGL's Brief at 24.

194 *Formal Case No. 1154,* WGL's Brief at 24.

195 *Formal Case No. 1154,* WGL's Brief at 25.

196 *Formal Case No. 1154,* DCCA's Brief at 11-12.

197 *Formal Case No. 1154,* DCCA's Brief at 12.

198 *Formal Case No. 1154,* DCCA's Brief at 12.

199 EDF's Witness Palacio recommends that WGL employ ALD +, which the witness describes as a combination of "advanced leak detection" and "leak quantification methods," *See* EDF's Direct Testimony of Virginia Palacio at 3, Fns 2;3.

recommends that WGL should conduct an ALD+ survey of the entire 25 miles that the Company proposes to replace in the PIPES 2 Plan.[200] WGL should then, according to EDF, sub-prioritize its replacement work based on the survey results to eliminate the highest emitting leaks first.[201] Additionally, EDF recommends the ALD pilot should be expanded to include a systemwide survey.[202] EDF asserts that a systemwide application "would provide the greatest opportunities to reduce GHG emissions from the system through a combination of leak-prone pipe replacement and leak repairs."[203]

66. WGL argues that the Commission should reject such expansion.[204] First, the Company asserts it has a fundamental responsibility to the natural gas systems' safety and reliability.[205] As such the Company contends that any introduction of new process or technology must be piloted before changing existing safe practices.[206] Before implementation on a large scale the Company asserts a better understanding of the process, and technology is required.[207] Therefore, the Company argues that the ALD technology should act as a supplement to, and not a replacement for, traditional leak management.[208]

DECISION

67. The Commission approves WGL's proposed ALD pilot program but denies the surcharge recovery of the proposed Program 9 in the PIPES 2 Plan. The Commission agrees with the parties that ALD technology, once fully implemented, would be able to assist the Company in managing and maintaining its distribution system and target GHG emission reduction. The pilot program, as WGL concedes, will take time to obtain and implement in a manner that will result in meaningful reduction to GHG emissions and replacement prioritization. Further, ALD technology has the potential to assist the Company in better mapping out its distribution system but would take time to achieve actual results. As such it would not be appropriate for WGL to implement such a pilot program and receive accelerated recovery for said pilot program. Further, full recovery of such a program under accelerated recovery would ignore the assets' life value where recovery would be spread out over a longer period lowering initial rates for customers. However, the Commission views WGL's proposed ALD pilot as a positive step towards targeted leak detection and emissions reduction. Therefore, the Commission approves WGL's proposed ALD pilot

---

200 *Formal Case No. 1154*, EDF's Brief at 11.

201 *Formal Case No. 1154*, EDF's Brief at 11.

202 *Formal Case No. 1154*, EDF's Brief at 13.

203 *Formal Case No. 1154*, EDF's Brief at 13.

204 *Formal Case No. 1154*, WGL's Brief at 23;25.

205 *Formal Case No. 1154*, WGL's Brief at 23.

206 *Formal Case No. 1154*, WGL's Brief at 23.

207 *Formal Case No. 1154*, WGL's Brief at 24.

208 *Formal Case No. 1154*, WGL's Brief at 26.

program, but denies recovery of the pilot program through the PIPES 2 surcharge. WGL is directed to establish a regulatory asset account for up to $1.4 million for the costs associated with this pilot program over the three-year approved period. The prudence of the costs incurred under this program will be reviewed in WGL's next rate case before being transferred into base rates. Additionally, the Commission directs WGL to file a report on the results of its proposed ALD pilot no later than 18 months from the issuance date of this Order, discussing, among other things, the itemized costs of the program, the operational results of the program and comparison to emerging technologies and best practices. WGL is directed to undertake a stakeholder discussion of the ALD pilot program report within 45 days of filing the report with Commission Staff and parties to this proceeding.

10. Proposed Distribution Program 10

68. WGL's proposed distribution Program 10 seeks to recover $80 million for work compelled by others.[209] Work compelled by others includes replacement of mains and services made of materials eligible under Programs 1 through 5 that are prioritized due to other third-party utility work. The Company estimates that activities of Pepco's DC PLUG work alone will require WGL to incur $208 million of PROJECT*pipes* eligible work.[210] The Company estimates over the five years of the PIPES 2 Plan, $198 million of the overall amount of work compelled projects will intersect with PROJECT*pipes*.[211] Program 10 seeks to recover $80 million of the overall work.

69. OPC requests that the Commission reject Program 10 in its entirety.[212] First, OPC argues that WGL currently performs replacement or remedial work compelled by others under its normal replacement work.[213] OPC argues that the Company uses separate work crews for normal replacement and the PROJECT*pipes* work.[214] As such, OPC is concerned that crews that would normally work on PROJECT*pipes* work will be diverted to work under Program 10 as it is integrated into PROJECT*pipes.*[215] Further, OPC argues that Program 10 construction will not be based on risk prioritization but instead on the construction schedules of third parties.[216]

70. Second, OPC argues that WGL unreasonably relies on a general determination in Order No. 17602 to justify a program that is dedicated entirely around work compelled by

---

209 *Formal Case No. 1154,* WGL's Brief at 31.

210 *Formal Case No. 1115,* Washington Gas Light Company's Responses to Staff Data Requests Numbers 3, 10, 11, and 12.

211 *Formal Case No. 1154,* WGL's Brief at 31.

212 *Formal Case No. 1154,* OPC's Brief at 21.

213 *Formal Case No. 1154,* OPC's Brief at 21.

214 *Formal Case No. 1154,* OPC's Brief at 21.

215 *Formal Case No. 1154,* OPC's Brief at 21.

216 *Formal Case No. 1154,* OPC's Brief at 21-22.

others.[217] Further, OPC argues that Order No. 17602 was issued before there was a full understanding of the Company's track-record under PIPES 1 which included increasing leaks on WGL's distribution system and missed replacement goals and expectations. The Liberty Management Audit "identified serious mismanagement problems during the implementation of the PIPES 1 Plan, and WGL deferred 42 PIPES 1 Projects.[218] Finally, OPC opposes Program 10 where it is not proactive replacements.[219]

71. WGL argues that the parties "fail to recognize that Program 10 was designed as a separate program, with separate funding, to ensure that the Company is able to continue accelerated risk-based work on its annual project lists."[220] WGL contends that without funds allocated to use on work compelled by others the funds budgeted for pipe replacement on the Company's annual project lists will be delayed.[221] Furthermore, WGL argues that given the lack of control of the Company over outside parties' construction planning, the unused funds should carry over into budgeted funds for Program 10 or be reallocated to another program.[222]

DECISION

72. The Commission approves the inclusion of the proposed distribution Program 10. The Commission previously gave the Company the flexibility to prioritize replacement of mains and services that would otherwise not qualify for the "PROJECT*pipes*" bucket using the normal risk-based project selection approach, as long as the pipes proposed for replacement meet the PROJECT*pipes* Criteria. The Company, in PIPES 1, included PROJECT*pipes* projects alongside those that were a result of third-party work (such as DDOT Advance of Paving Work). As such, these projects did not have a specific program under the PIPES 1 Plan. The Commission finds it appropriate to create a separate program for such work. This will allow ratepayers to benefit from the Company coordinating and sharing costs associated with utility work. The Commission also notes that WGL estimates that Program 10 would replace primarily cast-iron pipe (approximately 8 miles over a five-year period), which are some of the oldest vintages of pipe, with a high number of leaks.[223] Additionally, the Commission determines that the projects under the proposed distribution Program 10, including work compelled by DC PLUG projects, must still meet the established PROJECT*pipes* criteria. The Commission would not expect that every project that results from work compelled by others would necessarily qualify. As such, the Company should include in the yearly reconciliation report for the PIPES 2 Plan projects completed that are the

---

217 *Formal Case No. 1154,* OPC's Brief at 23.

218 *Formal Case No. 1154,* OPC's Brief at 23.

219 *Formal Case No. 1154,* OPC's Brief at 24.

220 *Formal Case No. 1154,* WGL's Brief at 34.

221 *Formal Case No. 1154,* WGL's Brief at 34.

222 *Formal Case No. 1154,* WGL's Brief at 34-35.

223 *Formal Case No. 1154,* WGL's Supplemental Testimony of Wayne A. Jacas, Exhibit WG (2A)-1, Page 19 of 25.

result of work compelled by others but are not included in Program 10 of the PIPES 2 Plan. The Company should include an explanation as to why this program did not qualify or, if the Company believes it would have qualified, why it was not included in PIPES 2 recovery. Therefore, the Commission approves the inclusion of the proposed distribution Program 10 with annual caps of \$12.5 million for 2021-2022, \$12.5 million for 2022-2023, and \$17.5 million for 2023-2024.[224] Any unused funds will not roll over into the next year.

C. Proposed Transmission Programs

73. WGL proposes five separate transmission programs that consist of a total of 21 projects, of which only three are located in the District, requesting to recover a total of \$23.9 million. The Company proposes, *inter alia*, that high-pressure pipeline, remote control valves, high-pressure block valves, high-pressure valve riser replacement, and components and pipes to enable the use of in-line inspection tools along WGL's transmission system. WGL argues that the proposed transmission programs should be accelerated due to the recent transmission incidents around the country that have resulted in increased scrutiny of transmission pipelines by the Pipeline Hazardous Materials Safety Administration.[225] Additionally, WGL asserts the proposed

---

[224] The Commission recognizes that D.C. Code §34-1314.04 (2014) states:

> (a) The gas company may establish a regulatory asset for the operating and capital-related costs of any gas plant relocation that is necessary for the completion of DDOT Underground Electric Company Infrastructure Improvement Activity incurred by the gas company between base rate cases and that are not recovered by any other means; provided, that:
>
> > (1) The gas plant relocation work is pursuant to a written communication from DDOT informing the gas company that the relocation of certain of the gas company's gas plant is necessary for the completion of DDOT Underground Electric Company Infrastructure Improvement Activity; and
> >
> > (2) The gas plant relocation work is in addition to work performed and costs incurred by the gas company in the ordinary course of business.
>
> (b) The regulatory asset shall accrue a pre-tax rate of return at the gas company's authorized rate of return approved by the Commission in the most recent base rate case.
>
> (c) The creation of a regulatory asset for the gas company's gas plant relocation costs shall not affect the authority of the Commission to review the prudence of costs associated with the relocation of any gas plant due to DDOT Underground Electric Company Infrastructure Improvement Activity. In any Commission proceeding reviewing the gas company's costs for any gas plant relocation that is necessary for the completion of any DDOT Underground Electric Company Infrastructure Improvement Activity, the gas company shall have the burden to prove that:
>
> > (1) The gas plant relocation was necessary for the DDOT Underground Electric Company Infrastructure Improvement Activity to be completed; and
> >
> > (2) All of the gas plant relocation costs were prudently incurred.

The Commission-approved surcharge recovery caps for Program 10 does not limit or interfere with WGL's ability to establish a regulatory asset under the Act.

[225] *Formal Case No. 1154*, WGL's Brief at 37.

transmission programs will reduce risk and enhance the safety and reliability of WGL's transmission system that serves the District.

74. OPC opposes the inclusion of the transmission programs because they do not meet the requirements adopted by the Commission when it approved PIPES 1 projects.[226] Specifically, OPC asserts that the requirements limit projects to the distribution system.[227] Additionally, OPC asserts, if the Commission were willing to change the requirements to permit transmission projects WGL has failed to demonstrate benefit to District ratepayers given only two (2) of the proposed programs are partially located in the District.[228] Further, OPC contends that any "[g]eneral reliability benefits to be gained from these transmission projects should be recovered through the Company's base rates."[229]

75. In response, WGL asserts that even though the transmission programs aren't fully located in the District, they are in close proximity and pose potential harm to the District in event of failure.[230] WGL asserts that this is particularly concerting during the winter months when customers rely on natural gas to heat homes and businesses.[231] Additionally, WGL argues the transmission programs will benefit District customers as they are located in Maryland and Virginia where District customers routinely encounter the transmission pipeline when they travel to work or shop in the neighboring jurisdictions.[232] Further, WGL asserts that the interruption of service due to a transmission failure could have national security implications given the Company provides services to U.S. federal government buildings.[233]

76. AOBA opposes the inclusion of the transmission projects. AOBA also stresses that the transmission projects do not meet the criteria established in the Commission's approval of PROJECT*pipes*.[234] AOBA asserts unlike the distribution mains and services that have a documented history of hazardous leaks, WGL has not provided any documentation of hazardous leaks attributed to the Company's transmission system.[235] Additionally, AOBA argues that the Company has not provided any evidence as to the remaining useful lives of the transmission

226 *Formal Case No. 1154*, OPC's Brief at 27.

227 *Formal Case No. 1154*, OPC's Brief at 27.

228 *Formal Case No. 1154*, OPC's Brief at 28.

229 *Formal Case No. 1154*, OPC's Brief at 28.

230 *Formal Case No. 1154*, WGL's Brief at 46.

231 *Formal Case No. 1154*, WGL's Brief at 46.

232 *Formal Case No. 1154*, WGL's Brief at 45.

233 *Formal Case No. 1154*, WGL's Brief at 46.

234 *Formal Case No. 1154*, AOBA's Brief at 23.

235 *Formal Case No. 1154*, AOBA's Brief at 24.

facilities affected by the programs.[236] AOBA asserts this is contrary to the Company's cast-iron mains that are already beyond their useful lives.[237] Thus, AOBA opposes the inclusion of transmission projects.

DECISION

77. The Commission agrees with OPC and AOBA and denies the proposed request to include and recover through the surcharge the five transmission programs in the PIPES 2 Plan. While we concur with WGL on the importance of maintaining a safe and reliable transmission system, we note that WGL's transmission lines in the District are approximately five miles as compared to the over 1,200 miles of a distribution main pipeline. The Commission approved PROJECT*pipes* to address aging infrastructure in the Company's distribution system located in the District. As discussed above, WGL's distribution system is one of the oldest and most leak-prone distribution gas systems in the region. The transmission programs will not assist in the PROJECT*pipes* goal to address the distribution infrastructure. Additionally, given the Company's shortcomings in fulfilling replacement commitments and remaining within budget for PIPES 1, it would not be reasonable to expand the PIPES 2 Plan to include accelerated recovery of transmission projects at this time. WGL is not prevented from pursuing these transmission projects and seeking cost recovery through the normal rate-making process. Since the Commission is denying these proposed projects, we decline to change the criteria to include transmission projects or address other recommendations related to changes to reporting requirements, or otherwise, that would permit the inclusion of the transmission projects.

D. Project Prioritization and Pipe Replacement

78. WGL proposes eliminating the requirement to annually perform the top-three Optimain projects under the PIPES 2 Plan.[238] WGL asserts that this requirement forces the Company to spend a large portion of funding allocated for Program 4 and leaves little funding to work on relatively higher risk-based projects annually.[239] Additionally, WGL highlights the Liberty Management Audit recommendation supporting the elimination of the requirement.[240] As such, the Company asserts "[t]he PIPES 2 Plan is designed to ensure that higher-risk pipe is replaced at a pace commensurate with its associated leak rate, taking into consideration opportunities to reduce costs and gain efficiencies by coordinating replacement projects with projects performed by DDOT and other utility companies."[241] Additionally, WGL argues it will continue to replace cast-iron main under program 4 with the objective of removing all cast-iron

---

236 *Formal Case No. 1154*, AOBA's Brief at 24-25.

237 *Formal Case No. 1154*, AOBA's Brief at 25.

238 *Formal Case No. 1154*, WGL's Brief at 36.

239 *Formal Case No. 1154*, WGL's Brief at 36.

240 *Formal Case No. 1154*, WGL's Brief at 36; *Formal Case No. 1154*, Liberty Management Audit at 5.

241 *Formal Case No. 1154*, WGL's Brief at 37.

mains over the course of PROJECT*pipes*.[242] However, WGL asserts those replacements should be prioritized based on many factors, not exclusively on Optimain ranking.[243]

79. OPC urges the Commission to reject WGL's proposal to eliminate the Optimain requirement. OPC argues that WGL, in the PIPES 1 Plan, volunteered to include the top-three Optimain projects each year and the Commission relied upon that in its decision to approve the PIPES 1 Plan.[244] OPC asserts that WGL did not meet commitments in the PIPES 1 Plan and now seeks to abandon its commitment.[245] Further, OPC points out that the vast majority of the pipe segments on the Company's Optimain top-50 list are cast-iron.[246] Additionally, OPC relies on WGL's commitment to replace its entire cast-iron mains under PROJECT*pipes* regardless of costs. Therefore, OPC argues that the Commission should not be swayed by WGL's arguments that the Optimain top-three segments are more expensive to replace when it will ultimately replace these mains.[247]

80. OPC concedes that the Liberty Management Audit recommends the Company prepare for stakeholder dialogue to eliminate the Optimain top-three requirement.[248] However, OPC argues that WGL did not create stakeholder dialogue, but independently proposed to eliminate this requirement in the PIPES 2 Plan. Even so, OPC argues that the abandonment "makes no sense" and the Commission should reject the proposal.[249]

DECISION

81. The Commission agrees with WGL's proposal to eliminate the top-three Optimain replacement requirement. Eliminating the top-three Optimain replacement requirement will allow the Company to concentrate investment dollars on the highest leak rate mains and services.[250] To be clear, elimination of the Optimain top-three replacement requirement does not mean that the Company would no longer utilize Optimain for risk prioritization or project selection. To the contrary, WGL is still expected to use Optimain for risk prioritization and project selection and to review the top-three projects. However, WGL would no longer be required to undertake the top-three projects regardless of risk reduced per dollar spent. The Commission finds that it is necessary

---

242 *Formal Case No. 1154*, WGL's Brief at 37.

243 *Formal Case No. 1154*, WGL's Brief at 37.

244 *Formal Case No. 1154*, OPC's Brief at 24.

245 *Formal Case No. 1154*, OPC's Brief at 25.

246 *Formal Case No. 1154*, OPC's Brief at 25; OPC's Direct Testimony of Edward A. McGee at 51; 28.

247 *Formal Case No. 1154*, OPC's Brief at 26.

248 *Formal Case No. 1154*, OPC's Brief at 26.

249 *Formal Case No. 1154*, OPC's Brief at 27.

250 Bare and unprotected steel main and services coupled with VMCR represent the highest leak rate mains and services on the Company's distribution system in the District.

to preserve PIPES 2's investment dollars for the higher risk projects, particularly those that have a higher consequence of failure due to their proximity to customer residences (for example, bare and/or unprotected wrapped steel mains and services). This decision is consistent with the Liberty management audit recommendation.[251] Since the Commission is eliminating the Optimain replacement requirement, the Commission expects that the Company meet its replacement main and service goals for the three-year plan. Specifically, the Commission expects the Company to replace 14.3 miles of main with an estimated 1,320 associated services, either replaced or transferred, and 2,922 independent services. The Commission finds that if the Company pursues its prioritization of replacement consistent with its proposal in the PIPES 2 Plan Application then it should have no issue meeting these goals, which the Company proposed in its Application.

E. Three-Year PIPES 2 Plan Expenditure

82. The Company has proposed a five-year spend of $374 million for the proposed PIPES 2 plan consisting of ten distribution and five transmission programs.[252] For the three- years and six programs,[253] the Commission is approving for PIPES 2 in this Order, the proposed expenditure by WGL is $177.4 million. The table below shows how the Company budgeted this expenditure amount by program.

WGL's Three-Year Budget for Approved (Distribution-Only) PIPES 2 Programs (million $)

Program	Description	2021	2022	2023	3-Year Total
1	Bare / unprotected steel services	$12.2	$20.5	$25.1	$57.8
2	Bare / unprotected steel main +services	$7.9	$10.5	$10.6	$29.0
3	VMC main + services	$11.4	$9.6	$9.7	$30.7
4	Cast-iron main	$2.2	$2.5	$2.7	$7.4
5	Copper services	$3.5	$3.2	$3.3	$10.0
10	Work Compelled	$12.5	$12.5	$17.5	$42.5
	Distribution-Only Total	**$49.7**	**$58.8**	**$68.9**	**$177.4**

[251] *Formal Case No. 1154,* Liberty Management Audit at 5.

[252] *Formal Case No. 1154,* WGL's Brief at 3.

[253] The Commission has approved a three-year PIPES 2 plan that includes Distribution Programs 1, 2, 3, 4, 5 and 10.

83. WGL developed the proposed PIPES 2 expenditure amounts using average unit costs by material type for each program. According to the Company, the unit costs are developed as a "blended rate of projected costs using historical actuals."[254] The base unit costs are in present day, 2020 dollars, which are increased by three percent each year to reflect inflation. Unit costs are then multiplied by annual program replacement targets to arrive at the total spend for each program.

84. AOBA raises concern over the Company's cost of cast-iron replacements as well as other cost estimations in the Company's Application.[255] To support these concerns, AOBA provides analysis of the Company's cost per mile to replace cast-iron main under PIPES 1 to the costs proposed per mile for PIPES 2.[256] AOBA also compares WGL's cost per mile to replace cast-iron mains to other large urban utilities and concludes that, in comparison, the proposed costs are excessive.[257]

85. WGL asserts that AOBA's aggregate comparison of replacement costs per miles is not appropriate and should not be relied on where AOBA leaves out key analysis such as cost components, diameter of pipe replaced, and date at which the costs were incurred.[258] Further, WGL argues that it has experienced increased costs, outside of the Company's control, from local regulations that other utilities do not face.[259] WGL points out that even the Liberty Audit observed and detailed the changes that increased costs.[260] Even so, the Company asserts that it has taken measures to improve management of these costs and will continue to refine its cost management.[261]

DECISION

86. The Commission acknowledges that WGL has made improvements in its cost estimation and management procedures since the initial years of PROJECT*pipes*. These improvements are captured in the findings of the Liberty Management Audit and have been evident in the improvements in cost estimation results in the final years of PIPES 1. That said, the Commission is concerned with the continued upward trajectory of project costs proposed by WGL for PIPES 2 and the discrepancy in replacement costs between WGL and other utilities in the region.

87. While the Commission recognizes that there are jurisdictional and geographic factors that contribute to differences in pipe replacement costs, the Commission found AOBA's

---

254 *Formal Case No. 1154,* WGL's Supplemental Testimony of Wayne A. Jacas; Exhibit (2A)-1 at 4.

255 *Formal Case No. 1154,* AOBA's Brief at 27-28.

256 *Formal Case No. 1154,* AOBA's Brief at 28.

257 *Formal Case No. 1154,* AOBA's Brief at 28

258 *Formal Case No. 1154,* WGL's Brief at 15.

259 *Formal Case No. 1154,* WGL's Brief at 16.

260 *Formal Case No. 1154,* WGL's Brief at 16; *Formal Case No. 1115,* Liberty Management Audit at 122.

261 *Formal Case No. 1154,* WGL's Brief at 17.

replacement cost comparison informative. At a minimum, the analysis shows that WGL's pipe replacement costs in the District are on the higher end compared to other utilities operating in similar urban environments. In light of the amount of outstanding replacement work to be completed by WGL beyond PIPES 2, it is imperative that the Company find ways to lower its replacement costs.

88. Issues raised by AOBA also parallel questions identified by the Commission through its review of the Company's proposed PIPES 2 expenditures by program. The Commission compared the unit costs used by WGL to derive its expenditure targets for its five-year plan to the actual costs experienced by the Company during PIPES 1 and found that for most of the programs there were large, unexplained jumps in projected costs for PIPES 2.

89. Given these questions raised about the Company's proposed expenditures the Commission is approving a reduced target spending cap for surcharge recovery for the three-year PIPES 2 plan in the amount of $150 million.[262] This amount represents an approximate 15% reduction in the Company's three-year $177.4 million proposed expenditure for the six (6) approved PIPES 2 programs. Rather than specify exact spend amounts by program, the Commission is approving this amount generally for use across all approved programs. The Commission finds that this approach will provide the Company with flexibility to continue to prioritize work that will remove the most risk from the District's distribution system regardless of material type. One caveat to the approved $150 million expenditure amount is that the spend on Work Compelled projects through Program 10 is limited to $42.5 million over the approved three years. This restriction is meant to ensure that risk-based work is not squeezed out by Work Compelled projects. Should the spend on Program 10 be less than the cap amount then the remaining spend can be used on other approved risk-based PIPES 2 programs. The table below presents the annual expenditure amounts, and corresponding Program 10 limits, the Commission is approving for the three-year PIPES 2 plan.

Approved Three-year PIPES 2 Target Spending Cap for Surcharge Recovery

	2021	**2022**	**2023**	**3-Year Total**
Annual PIPES 2 approved target spending Cap for Surcharge Recovery	$42.70	$50.00	$57.30	$150.0
*Program 10 (Work compelled) Limit**	*$12.50*	*$12.50*	*$17.50*	*$42.5*
Note: The $42.5 million of Program 10 Spending Cap is included in the total PP2 approved surcharge recovery cap of $150 million.				

[262] The Commission reached the surcharge recovery cap of $150 million based on a review of the historical unit costs from the PIPES 1 Plan, adjusted for inflation, and the proposed unit costs under the PIPES 2 Plan for the programs that the Commission is approving.

90. In reducing the target expenditure, the Commission emphasizes that it is only minimizing the investment that can be recovered through the surcharge. It is explicitly not making any corresponding reductions to the targeted pipe replacements. As noted earlier in this Order, the Commission expects that WGL will be able to replace 14.3 miles of main with an estimated 1,320 associated services, either replaced or transferred, and 2,922 independent services replaced over the approved three years of PIPES 2. The intent of reducing the target expenditure recoverable through the surcharge is to incentivize the Company to find ways to complete these replacement targets in an efficient and cost-effective manner. Any prudent expenditures incurred to achieve these replacement targets above the annual spend targets will still be eligible for recovery through base rates after Commission review in subsequent base rate proceedings. The Commission notes that its decision on WGL's target expenditure for recovery through the PIPES 2 surcharge does not have a direct impact on the AltaGas and WGLH Merger Commitment No. 72, which places specific restrictions on WGL's cost recovery through the surcharge.

91. The Commission also directs WGL to hold a technical conference with stakeholders and Commission Staff within 60 days of the date of this order to review actions the Company could take to lower unit costs. The Company shall file a report on its efforts to coordinate on the actionable items within 90 days of the date of this order.

92. The table below summarizes the targeted replacement and costs, along with the potential benefits, for the three-year PIPES 2 Plan that the Commission approves in this proceeding. The Commission's goal is to ensure that the program scope represents reasonable, cost-effective investments that will deliver lower system risk and reduced GHG emissions to the District and WGL's customers. Special consideration was given to a strategic imperative for regulators to support a properly functioning and focused pipe replacement program, to maintain a safe and highly reliable gas distribution system in a dense and high consequence urban jurisdiction such as the District. With these goals and consideration in mind, we are approving a surcharge eligible targeted spend of $150 million for the three-year period for Programs 1, 2, 3, 4, 5, and 10. For the Commission-approved programs, based on WGL's estimates, the total GHG emissions reduction would be approximately 6,000 mTons of CO2e over the three-year period.[263] Based on leaks by material type provided by the Company, we estimate that there would be more than 100 avoided leaks over the three-year period.

	2021	**2022**	**2023**	**Total**
Replacement Targets				
Main Replaced (miles)	4.5	4.7	5.1	14.3
Services Replaced, w/Main	175	186	209	570
Services Transferred, w/Main	233	242	275	750
Independent Services Replaced	769	1,000	1,153	2,922
Proposed PP2 Target Spending Cap for Surcharge Recovery for Three-Year PP2 (Million $)				

---

263 Formal Case No. 1154, WGL's Response to Staff DR NO. 3-6 (Attachment 1). *See also* WGL's Supplemental Testimony of Wayne A. Jacas, Exhibit (2A)-1.

Programs 2, 3, & 4	*$15.3*	*$17.5*	*$16.0*	*$48.8*
Program 10 (Work compelled)	*$12.5*	*$12.5*	*$17.5*	*$42.5*
Main w/Services ($)	$27.8	$30.0	$33.5	$91.3
Independent Services ($) (Programs 1, 3 and 5)	$14.9	$20.0	$23.8	$58.7
Total	**$42.7**	**$50.0**	**$57.3**	**$150.0**
Potential Benefits of Replacements				
Estimated Avoided GHGs (mTon CO2-equivalent, cumulative PP2)	1,000	2,000	3,000	6,000
Source: compiled from WGL Exhibit (2A)-1, and WGL Response to Staff DR No. 2-1 (Attachment 02).				

F. Cost Recovery Mechanism and Performance Incentives

93. WGL proposes to continue the recovery of PIPES 2 Plan costs through the current surcharge mechanism used with the PIPES 1 Plan. The current surcharge is reflected in the Company's tariff as the APRP Adjustment.[264] The APRP adjustment is a billing adjustment computed on an annual basis creating a volumetric charge that is billed to customers monthly and appears as a separate line item on a customer's billing statement.[265] The costs included are: 1) Return on Investment; 2) Revenue Conversion Factor; 3) Depreciation; and 4) Carrying Costs.[266] The surcharge mechanism consists of both a Current Factor and a Reconciliation Factor.[267] The Current Factor collects expected costs over a 12-month calendar period ending in December.[268] The Reconciliation Factor is calculated at the end of each annual Plan year and adjusts for any under- or over- collection.[269] WGL asserts that this surcharge and calculation is the same approved and currently used in the PIPES 1 Plan.[270]

94. OPC recommends the Commission adopt the Liberty Management Audit recommendation to implement a performance-based funding mechanism.[271] In addition to the Liberty Management Audit findings, OPC expresses concern with its asserted PIPES 1 deficiencies such as WGL missing replacement targets, inadequate capital expenditure forecasting, and

---

264 *Formal Case No. 1154*, WGL's Brief at 61.

265 *Formal Case No. 1154*, WGL's Brief at 61.

266 *Formal Case No. 1154*, WGL's Brief at 62.

267 *Formal Case No. 1154*, WGL's Brief at 62.

268 *Formal Case No. 1154*, WGL's Brief at 62.

269 *Formal Case No. 1154*, WGL's Brief at 62.

270 *Formal Case No. 1154*, WGL's Brief at 62.

271 *Formal Case No. 1154*, OPC's Brief at 29-31.

overspending.[272] As such, OPC recommends the Commission establish an annual targeted reduction in its outstanding leaks.[273] If the Company misses its annual target, OPC proposes, there will be a rebuttable presumption that the Company will forfeit a portion of its cost recovery under the PROJECT*pipes* surcharge mechanism, in an amount determined by the Commission.[274] Additionally, OPC recommends the Company annually file a comparison of targeted versus actual reductions in outstanding leaks.[275] If the Company fails to meet a 2 percent target reduction, then OPC proposes that parties have an opportunity to suggest the "appropriate portion of cost recovery to be forfeited."[276] Finally, OPC asserts that WGL's reliance on Merger Commitments is misplaced.[277] OPC asserts that the Merger Commitments act as a cost-capping mechanism and not a performance mechanism.[278] OPC argues this is evident where the Company "is entitled to recover 100% of its costs through surcharge recovery, a base rate case, or both."[279] Thus, OPC urges the Commission to implement performance-based mechanisms associated with PROJECT*pipes*.

95. AOBA recommends that the Commission develop a proxy group of utilities to use as a benchmark comparison on the Company's replacement progress, cost, and leak reductions.[280] Additionally, AOBA proposes that the Commission establish an annual main replacement target of 15 miles per year.[281] For each year the Company will earn, as proposed by AOBA, an extra five percent in revenue on top of the costs incurred for any miles above the minimum target.[282] Additionally, AOBA recommends that the Commission adopt an unaccounted for gas and hazardous leak reduction targets.[283] AOBA proposes that the Company be subject to a penalty each year that it fails to meet the leak reduction target.[284] Finally, AOBA recommends that the Commission should restrict WGL from making dividend payments to its parent company, AltaGas,

---

272 *Formal Case No. 1154,* OPC's Brief at 30.

273 *Formal Case No. 1154,* OPC's Brief at 32.

274 *Formal Case No. 1154,* OPC's Brief at 32.

275 *Formal Case No. 1154,* OPC's Brief at 32.

276 *Formal Case No. 1154,* OPC's Brief at 32.

277 *Formal Case No. 1154,* OPC's Brief at 32-33.

278 *Formal Case No. 1154,* OPC's Brief at 33.

279 *Formal Case No. 1154,* OPC's Brief at 33.

280 *Formal Case No. 1154*, AOBA's Direct Testimony of Bruce R. Oliver at 59-60.

281 *Formal Case No. 1154,* AOBA's Direct Testimony of Bruce R. Oliver at 58.

282 *Formal Case No. 1154,* AOBA's Direct Testimony of Bruce R. Oliver at 58.

283 *Formal Case No. 1154*, AOBA's Brief at 31-32.

284 *Formal Case No. 1154*, AOBA's Brief at 31-32.

until the Company has met the equity funding requirements necessary to support at least its minimum annual pipe replacement requirements.

96. The Company opposes the performance measures proposed by the parties. WGL asserts that minimum replacement requirements should not be adopted due to factors outside of the Company's control.[285] Additionally, WGL asserts it is bound by several performance measures for PROJECT*pipes* pursuant to Merger Commitments.[286] These commitments establish cost caps and require the Company to reduce its annual leaks or face non-compliance payments.[287] WGL argues that the Commission should reject AOBA's recommendation relating to dividend payments to its parent company. The Company asserts that its Merger Commitment No. 32 places restrictions on dividend payments the Company makes to AltaGas based on an agreed-upon equity ratio.[288] Additionally, WGL asserts that AOBA offers no factual evidence to support the recommendation.[289] Therefore, WGL urges the Commission to deny AOBA's dividend recommendation.

DECISION

97. The Commission approves the Company's request to use the same surcharge mechanism for the PIPES 2 Plan as it did in the PIPES 1 Plan. The surcharge was established as a result of a settlement agreement between the Company and parties, some of which are the same in this proceeding. Additionally, the parties do not object to the mechanics of the established recovery mechanism, but offer performance-based incentives to be incorporated into the mechanisms. The Commission is not persuaded to establish performance-based mechanisms at this time. The Commission is still considering how to incorporate performance-based mechanisms for utilities in the District. As such, a decision on such mechanisms in this case would be premature. The Commission does note that it has established expectations of main and service replacement targets over the next three-years in our discussion above, see paragraph 81. Failure to meet the minimum expectations could result in disallowance of expenses in the Company's future base rate case and an abandonment of the PROJECT*pipes* surcharge in future years.

G. Reporting Requirements

98. The Company proposes to continue the reporting requirements established in Order No. 17789 to file a new project list to include the proposed list of pipe replacement projects for the upcoming construction year consistent with the requirements established in Order No. 17431,

---

285 *Formal Case No. 1154*, WGL's Brief at 54.

286 *Formal Case No. 1154*, WGL's Brief at 54-55; *see also Formal Case No. 1142*, Order No. 19396, Appendix A Merger Commitment Nos. 55, 72, and 73.

287 *Formal Case No. 1154*, WGL's Brief at 54-55.

288 *Formal Case No. 1154*, WGL's Brief at 57.

289 *Formal Case No. 1154*, WGL's Brief at 57.

as amended by Order No. 17789.[290] The projects that qualify for funding under the surcharge must meet the criteria established by Order No. 17431, as modified by Order No. 17500.[291] However, WGL recommends a few changes to the reporting requirements and filings.[292]

99. First, WGL proposes to change the filing date for annual project lists. The Company proposes filing the initial annual project lists by September 1 and the final annual project lists by November 1 of each year.[293] Additionally, WGL proposes to file the same timeline to file the non-APRP proposed budget referenced in the Settlement Agreement.[294] WGL proposes that if no objection is filed for a project on the annual project list, the projects will be deemed approved by the Commission and the costs will be included in the rate calculations to be effective on January 1 of each year of the PIPES 2 Plan.[295] Second, WGL requests that the Commission maintain the Company's ability to modify its project lists as set forth in Order No. 17500.[296] Third, WGL proposes to file both the Completed Projects Reconciliation Report and the Financial Reconciliation Report by March 31 of each year.[297] WGL proposes that any comments and reply comments on these reports be due on April 30 and May 15, respectively, of each year. Additionally, WGL proposes that the Current Factor be filed on November 1 of each year to go into effect during the January billing period, unless otherwise ordered by the Commission.[298] Fourth, WGL proposes to continue to work with Commission Staff and OPC on the Customer Education Plan for

---

290 *Formal Case No. 1154,* WGL's Brief at 49; Fn. 183.

291 Order No. 17431, ¶68, as modified by Order No. 17500, ¶21, established four criteria that must be met for any project to be funded under the APRP as: 1) The Project is started on or after June 1, 2014; 2) Project assets are not included in WGL's rate base in its most recent rate case; 3) The Project does not increase revenues by directly connecting the infrastructure replacement to new customers; and 4) the Project is needed to reduce risk and enhance safety by replacing aging, corroded or leaking cast iron mains, bare and/or unprotected steel mains and services; and black plastic services in the distribution system.

292 The Commission notes that WGL proposes changes to some requirements to incorporate transmission projects into PROJECT*pipes*, that OPC opposes. However, the Commission denied WGL's transmission projects. As such, we decline to address the WGL's related transmission requests.

293 *Formal Case No. 1154,* WGL's Brief at 50.

294 *Formal Case No. 1154,* WGL's Brief at 50.

295 *Formal Case No. 1154,* WGL's Brief at 50.

296 *Formal Case No. 1154,* WGL's Brief at 50; Order No. 17500, ¶33, allows the Company to adjust up to two (2) projects each year on its annual project list by a maximum spend of $1 million per project provided that WGL submits written advance notice and details of these revisions to Commission staff and to the parties to this proceeding in a timely matter. In event the modifications are needed to more than two (2) projects and/or exceed $1 million per project, the Company must file a request for approval of the changes and cost estimates. Parties will be given an opportunity to comment on those changes that exceed the two (2) project limit or that exceed the $1 million per project requirement. The Commission will conduct an expedited review of the Company's filing.

297 *Formal Case No. 1154,* WGL's Brief at 52.

298 *Formal Case No. 1154,* WGL's Brief at 52.

PROJECT*pipes* under the previously established parameters.[299] Finally, the Company proposes to continue to comply with its requirement to provide final construction drawings for each project on the annual project list, within 10 days of the completion of the drawings.[300]

100. OPC recommends that the Commission require WGL to provide a detailed plan that remedies restoration backlog without unduly impacting surcharge calculations, ensures restoration work is performed in a timely, sustainable way, and includes detailed information about the restoration backlog and work being performed to address the backlog in WGL's Annual Project List and Annual Completed Project Reconciliation Report submissions.[301] Additionally, OPC recommends that interested parties should be permitted to file comments on the proposal and the Commission direct the Company to make any necessary changes.[302] OPC asserts that the Company did not offer any substantive basis for rejecting OPC's recommendation.[303] Contrarily, OPC asserts that the Company has stated that it is open to discussing how to offer more information about the status of restoration and paving work through a technical conference or other means.[304] Thus, OPC asserts its recommendation is a reasonable and appropriate way to address backlog work.[305]

101. AOBA recommends that the Commission implement an annual Infrastructure, Safety and Reliability ("ISR") Plan. The ISR Plan would include detailed information on the leak data and economics of decisions to replace versus abandon a target main or service.[306] The Company urges the Commission to reject AOBA's ISR Plan recommendation.[307] The Company argues the information that would be included in the ISR Plan is already provided to the Commission.[308] Additionally, WGL asserts that parties are able to conduct discovery on the information.[309] Therefore, WGL argues that it would be repetitive, so WGL should not be required to file an ISR report.[310]

---

299 *Formal Case No. 1154,* WGL's Brief at 52-53; The Customer Education Plan for PROJECT*pipes* was established in Order No. 17789 and modified by Order No. 17885 and Order No. 17983.

300 *Formal Case No. 1154,* WGL's Brief at 53.

301 *Formal Case No. 1154,* OPC's Brief at 34.

302 *Formal Case No. 1154,* OPC's Brief at 34.

303 *Formal Case No. 1154,* OPC's Brief at 34.

304 *Formal Case No. 1154,* OPC's Brief at 34.

305 *Formal Case No. 1154,* OPC's Brief at 34.

306 *Formal Case No. 1154,* AOBA's Direct Testimony of Bruce R. Oliver at 57.

307 *Formal Case No. 1154,* WGL's Brief at 55.

308 *Formal Case No. 1154,* WGL's Brief at 56.

309 *Formal Case No. 1154,* WGL's Brief at 56.

310 *Formal Case No. 1154,* WGL's Brief at 56.

DECISION

102. The Commission grants the Company's request to continue the reporting requirements from the PIPES 1 Plan into the Pipes 2 Plan with the requested date changes. Specifically, the Commission directs the Company to file Initial and Final Annual projects lists by September 1 and October 31 each year, respectively. The Current Factor Financial Report shall be filed by October 31, each year, to be effective December 31. The Reconciliation Factor Financial Report shall be filed by March 31, each year, for the previous calendar year. Project Reconciliation Report for Programs 1, 2, 3, 4, 5 shall be filed by March 31, each year, for projects completed as of December 31 of the previous year. A Project Reconciliation Report for Program 10 shall be filed semi-annually starting June 30, 2021, and continually be filed on June 30 and December 31 of each year and include projects completed as of March 31, 2021. The reports shall include the information directed in the decision approving Program 10. Additionally, WGL shall provide an overall table that summarizes the original estimated contractor costs, design estimated contractor costs, actual contractor costs, original estimated paving costs, design estimated paving costs, actual paving costs, original estimated direct costs, design estimated direct costs, actual direct costs, original estimated allocated costs, design estimated allocated costs, and actual allocated costs by each BCA number. The Commission directs WGL to submit the reconciliation reports in both PDF and EXCEL formats (with all formulas intact).

103. Given that the effective date of WGL's PIPES 2 program is January 1, 2021, WGL is hereby directed to file its PIPES 2 Plan Final Project List for calendar year ("CY") 2021 with the same level of detail as was provided in its PIPES 1 annual project lists (including, but not limited to, Class 3 cost estimates, and the estimated costs and units to be completed in a given year). We also remind WGL and other parties that, except as modified in this Order, the same Project List Timeframe and process used for submitting, reviewing, and making objections to the Project List in PIPES 1 will be utilized for PIPES 2. For the CY 2021 Project List, given the timing of this Order, WGL is directed to follow the project list timeframes and process described and approved in Order No. 17789, with some modifications set forth below.

(a) By December 31, 2020, WGL shall file its PIPES 2 Final Annual Project list (including Class 3 estimates) for CY 2021 of PIPES 2 Plan, as defined in the Unanimous Agreement of Stipulation and Full Settlement approved by the Commission in Order No. 17789. WGL may implement the projects on the Final Annual Project list as proposed and include them in the surcharge rate calculations to be effective January 1, 2021. By January 15, 2021, parties may file objections to the inclusion of any listed projects for failure to comply with the requirements established by the Commission, including the Commission's criteria for PIPES 2 funding as set forth in Order No. 17431, or failure to comply with the project-specific requirements of the Unanimous Agreement of Stipulation and Full Settlement approved by the Commission in Order No. 17789. Projects for which no objection is submitted, and no objection is made by the Commission may continue to remain in effect and in the surcharge rate calculation.

Projects subject to objection will be addressed in comments and subject to Commission resolution and may be removed from the surcharge rate calculation and trued-up after the completion of CY 2021 period in the Company's reconciliation factor filing. Objections, with comments in support, shall be due 10 business days after the completion of the discovery process set forth in the Unanimous Agreement of Stipulation and Full Settlement approved by the Commission in Order No. 17789. If OPC or AOBA have no objection to a project change, they are to notify the Commission and WGL no later than 10 business days after the completion of discovery. WGL may revise the Project List after Commission approval, consistent with the requirements in Paragraph 33 of Order No. 17500;

(b) Objections must identify the project(s) claimed not to be in compliance with the qualifications and set forth all reasons why the project does not meet those qualifications;

(c) Within five (5) days from the date an objection is filed, WGL shall file a reply to the objection;

(d) Within 10 days from the date an objection is filed, the parties shall meet and discuss the project and the objection thereto and attempt to resolve the matter among themselves;

(e) If the parties resolve the matter, the parties shall inform the Commission of the details of the resolution;

(f) If the parties do not resolve the matter within 20 days from the date an objection is filed, the parties shall notify the Commission and the Commission will make the final determination concerning the objection within 30 days from the date of notification; and

(g) The annual project list shall be deemed approved for the projects for which no objections are filed by the deadlines prescribed herein, unless the Commission, *sua sponte*, seeks to review the qualifications of any projects on the list.

104. Modifications or changes must satisfy the requirements set forth in Order No. 17500. The Company shall continue filing the Construction Drawings and quarterly

PROJECT*pipes* Community Liaison reports throughout the three-year period of PIPES 2, consistent with the PIPES 1 Plan. The Company shall continue to provide its Annual Customer Education Plan Report consistent with the PIPES 1 Plan. We also direct WGL to file its CY 2021 Current Factor by December 31, 2020, and its Reconciliation Factor for CY 2020 by March 31, 2021.

105. The Commission does not adopt AOBA's recommendation to require the Company to file an ISR plan. The current reporting procedure established in PROJECT*pipes* has been developed through agreements between stakeholders, WGL, and the Commission. The Commission has shortened the PIPES 2 Plan from five years to three years. Additionally, the Commission takes notice that WGL is subject to a comprehensive set of merger commitments, a robust set of natural gas quality of service standards, significant disclosures on the Company's capital plan in rate cases, and a review of projects filed to achieve the AtlaGas Climate Business Plan. Given these ongoing requirements, the Commission does not believe the ISR plan will be a productive use of resources at this time.

106. Additionally, the Commission does not find that OPC's recommendation is appropriate at this time. The Commission is not opposed to such a reporting so long as it does not delay work on PROJECT*pipes* projects. The proffered report with comment and remediation steps potentially could disrupt work schedules and further delay replacement of the ever-aging mains on the Company's distribution system. Therefore, the Commission directs the Company to work with OPC and other stakeholders to establish a reporting and communication system and/or other means that is meant to address the restoration backlog of work in PROJECT*pipes.* The Company should include such a plan in its next PROJECT*pipes* plan.

H. Liberty Management Audit and Program Implementation Plan

107. The Commission has reviewed the Company's 2017 and 2020 Program Implementation Plan ("PIP"). The Commission did not find any flaws that would justify delaying the approval of the PIPES 2 Plan. However, the Commission does believe that the PIP was lacking some information. For example, the Commission believes that where the Company presents overall program descriptions, objectives and goals could include specifics on how these goals and objectives are measured, what milestones the Company seeks to reach, and the Company's review of the program. Additionally, the Commission finds that the Company has made changes in attempts to implement a number of the recommendations from the Liberty Management Audit. However, there remain some outstanding recommendations. Additionally, there is some disagreement among the parties about the actual implementation of the recommendations. For example, the Company claims that it has complied with the Liberty Management Audit recommendation number 4. Still, OPC claims that it is unclear if the Company has implemented the recommendation as several of the practices the Company relies on as implementation pre-date the audit report. Therefore, according to OPC, it is not clear if the Liberty Management Audit reviewed and considered these practices before forming its recommendations.

DECISION

108. The Commission finds that any outstanding decisions relating to the Liberty Management Audit will benefit from more stakeholder engagement. The primary goal of the

Liberty Management Audit is to provide assurance that the Company is implementing effective practices and procedures that are cost-effective in assisting the Company to replace its aging, leak-prone distribution service assets in the District. Therefore, the Commission directs the Company to hold a PIP technical conference with Commission Staff and interested stakeholders, within 90 days of the date of issuance of this Order. The technical conference should review the Company's PIP and create recommendations on how to enhance the PIP to better track the progress of PROJECT*pipes*. Additionally, the technical conference should include a discussion on how the Company has and will continue to implement the Liberty Management Audit recommendations. However, the directive to discuss the implementation of recommendations is not a Commission decision approving all of the recommendations. The Commission expects that if parties reach an agreement that certain recommendations should not be adopted, that discussion should occur too. The Commission realizes that not all parties may agree with all recommendations. As such, the Company shall file a report on the PIP technical conference that should notify the Commission if there are recommendations that parties object to no later than 30 days from the PIP technical conference.

I. Revision of General Service Provision No. 28

109. The Company proposes a tariff revision to General Service No. 28.[311] As previously discussed, WGL proposes to change the project plan year from twelve months ending September 30 of each year to a calendar year basis.[312] As part of the change, WGL proposes to adjust language to its General Service Provision No. 28 to reflect the change to the calendar year plan. Additionally, the Company proposes to change the filing date for the PROJECT*pipes* surcharge mechanism to November 1 of each year, concurrent with the Company's submission of it Final Annual Project List.[313] Finally, the Company proposes to add language to General Service Provision No. 28 that clarifies that the surcharge for PROJECT*pipes* is applicable to customers served under Rate Schedule No. 7. WGL asserts that this revision is simply for consistency, as Rate Schedule No. 7 already has this language.[314] The Commission finds this request to be reasonable. As such, the Commission approves WGL's proposed tariff revisions to General Service Provision No. 28. The Commission directs the Company to file a compliance tariff that reflects the approved changes within 30 days of this Order.[315]

J. Cost Benefit Analysis and WGL's Plan to Further Accelerate PROJECT*pipes*

110. The Cost-Benefit Analysis and WGL's Plan to further accelerate PROJECT*pipes* were filed in compliance with Merger Commitment Nos. 54 and 74, respectively. However, the

---

311 *Formal Case No. 1154,* WGL's Brief at 63.

312 *Formal Case No. 1154,* WGL's Brief at 63.

313 *Formal Case No. 1154,* WGL's Brief at 63.

314 *Formal Case No. 1154,* WGL's Brief at 64.

315 The Commission notes that because this is a compliance tariff filing parties will have five (5) days to challenge the tariff under 15 D.C.M.R. §296.3 (1987).

Cost-Benefit Analysis concluded that a shortened program duration will improve the cost-benefit ratio but is not advisable due to the level of main replacement required to complete PROJECT*pipes* by 2054.[316] Also, the Company does not recommend further acceleration and prefers to maintain the program duration which is currently scheduled to be complete by 2054.[317] Given these recommendations, as well as the difficulty in completing replacements during PIPES 1 and the need to carefully review the long-term plan for meeting the District's climate goals, the Commission does not approve further acceleration of PROJECT*pipes* at this time.

K. D.C. Climate Considerations - D.C. Code § 34-808.02

111. WGL asserts that the PIPES 2 Plan supports the District's Climate Considerations by reducing potential leaks and GHG emissions on the natural gas distribution system.[318] The Company asserts that it will reduce GHGs by 17,017 metric tons of carbon dioxide during the PIPES 2 Plan.[319] The Company asserts that the proactive replacement of higher risk infrastructure will result in a reduction to GHGs in furtherance of the District's climate goals.[320]

112. DCG argues that the PROJECT*pipes*, generally, does not align with the District's climate goals.[321] DCG asserts that the Company's claimed climate change benefits of PIPES 2 "are insignificant when put in the context of the $374 million budget proposed for the 5-year program."[322] DCG argues that "viewing Pipes 2 [sic] solely as a carbon removal program would make Pipes 2 [sic] one of the costliest GHG reduction programs."[323] Additionally, DCG argues that the Company's claims of CO2 reductions are misleading because they ignore the impacts that result from methane emissions.[324] Thus, DCG argues that the fundamental orientation of PROJECT*pipes* is not consistent with the Commission's mandate under D.C. Code §34-808.02.[325]

---

316 *Formal Case No. 1115,* Cost Benefit Analysis at 4.

317 *Formal Case No. 1154*, WGL's Supplemental Direct Testimony of Witness Wayne A. Jacas at 14 – 15.

318 *Formal Case No. 1154,* WGL's Brief at 64.

319 *Formal Case No. 1154,* WGL's Brief at 64. In WGL's response to Staff DR No. 3-6 (Attachment 01), the Company clarified that the total cumulative GHG emissions reduction would be 17,553 mTons CO2e.

320 *Formal Case No. 1154,* WGL's Brief at 64.

321 *Formal Case No. 1154*, DCG's Brief at 11.

322 *Formal Case No. 1154,* DCG's Brief at 11.

323 *Formal Case No. 1154,* DCG's Brief at 11.

324 *Formal Case No. 1154,* DCG's Brief at 12.

325 *Formal Case No. 1154*, DCG's Brief at 12.

113. Additionally, DCCA argues that the PIPES 2 Plan does not align with the District's climate goals.[326] DCCA asserts that the District cannot meet the goal of carbon neutrality while it still depends on natural gas for energy.[327] DCCA argues to achieve the District's climate goals natural gas must cease to be a significant source of emissions by 2050.[328] Further, DCCA asserts that the continuation of spending on the Company's distribution services disincentivizes investment in alternatives that will meet the District's climate goals.[329] According to DCCA, ratepayers should not be expected to pay for extending the life of the distribution services and alternative energy deployments.[330]

114. Sierra Club argues that the PIPES 2 Plan is incompatible with the District's climate goals.[331] Sierra Club asserts that the Commission must evaluate whether a 35-year replacement program is consistent with the District's climate commitments.[332] Sierra Club asserts that continuing to invest in the leak-prone pipe replacements over the next 34 years, even if the Company's projected GHG emissions prove true, will come nowhere near demonstrating consistency with the District's climate goals.[333] Additionally, Sierra Club argues that the cost associated with PROJECT*pipes* compared to the projected emission reductions is extraordinarily expensive.[334] Therefore, Sierra Club argues that PROJECT*pipes* is inconsistent with the District's climate goals and will harm the Districts ability to reach those goals.[335]

DECISION

115. The Commission finds that the PIPES 2 Plan, as modified by the Commission is consistent with the District's climate goals. D.C. Code §34-808.02 states:

> "In supervising and regulating utility or energy companies, the Commission shall consider the public safety, the economy of the District, the conservation of natural resources, and the preservation of environmental quality, including effects on global

---

326 *Formal Case No. 1154,* DCCA's Brief at 2.

327 *Formal Case No. 1154,* DCCA's Brief at 3.

328 *Formal Case No. 1154,* DCCA's Brief at 3.

329 *Formal Case No. 1154,* DCCA's Brief at 3-4.

330 *Formal Case No. 1154,* DCCA's Brief at 3-4.

331 *Formal Case No. 1154*, Sierra Club's Brief at 7.

332 *Formal Case No. 1154,* Sierra Club's Brief at 7.

333 *Formal Case No. 1154,* Sierra Club's Brief at 8.

334 *Formal Case No. 1154,* Sierra Club's Brief at 9.

335 *Formal Case No. 1154,* Sierra Club's Brief at 9-10.

> climate change and the Districts public climate commitments."[336]

The Commission notes that PROJECT*pipes* was originally approved prior to the establishment of the District's 2050 carbon neutrality goal. The Commission's duty under D.C. Code §34-808.02 requires the Commission to consider public safety, the economy of the District, conservation of natural resources, and environment quality including the District's carbon neutral goal. As previously determined in paragraph 34, a decision on WGL's continued operations in the District is not appropriate for this proceeding. The Commission expects to continue to work with the Company and stakeholders to evaluate the Company's future operations in context of the District's climate goals. Contrarily, there is an imminent threat to public safety that requires WGL to continue to replace leak-prone, aging infrastructure. Additionally, the District, like most of the country and world, is facing unknown economic impacts that will result from the Global COVID-19 pandemic. The PIPES 2 Plan will give certainty in full-time middle-class jobs in the District that offer health care and benefits. To abandon PROJECT*pipes* at this point would likely result in job loss during the global pandemic. Finally, the three-year plan as approved will result in a reduction of GHG emissions that will assist the Company in its effort to comply with the District's carbon neutrality goals. This will provide the Commission, the Company, and interested stakeholders an opportunity to fully review WGL's plans moving forward and create a comprehensive plan to reach the District's climate goals. Therefore, the Commission finds that the PIPES 2 Plan, as amended, is consistent with its obligations under D.C. Code §34-808.02.

[336] D.C. Code §34-808.02 (2019).

THEREFORE, IT IS ORDERED THAT:

116. The Commission hereby **GRANTS IN PART, AND DENIES IN PART,** Washington Gas Light Company's Application for the PROJECT*pipes* 2 Plan subject to the conditions set forth in this Order;

117. The Commission hereby **APPROVES** a three-year PIPES 2 Plan with spending caps set at $150 Million;

118. The Commission hereby **APPROVES** Washington Gas Light Company's proposed Distribution Programs 1, 2, 3, 4, 5, and 10;

119. The Commission hereby **DENIES** Washington Gas Light Company's request for PROJECT*pipes* surcharge recovery for the proposed Distribution Programs 6, 7, and 8;

120. The Commission hereby **GRANTS IN PART, AND DENIES IN PART,** Washington Gas Light Company's proposed Distribution Program 9;

121. The Commission hereby **DENIES** Washington Gas Light Company's proposed Transmission Programs 1, 2, 3, 4, and 5;

122. The Commission **DIRECTS** Washington Gas Light Company to file the successor PROJECT*pipes* plan no later than January 31, 2023, consistent with paragraph 36 of this Order;

123. The Commission **DIRECTS** Washington Gas Light Company to submit for approval a Request for Proposals of an independent auditor of the PROJECT*pipes* 2 Plan no later than September 30, 2022, consistent with paragraph 37 of this Order;

124. The Commission **DIRECTS** Washington Gas Light Company to establish a regulatory asset for the Distribution Program 9 consistent with paragraph 67 of this Order;

125. The Commission **DIRECTS** Washington Gas Light Company to hold a technical conference on deployment of ALD technology with interested stakeholders within 45 days of the date of this Order consistent with paragraph 67;

126. The Commission **DIRECTS** Washington Gas Light Company to file a report with the Commission on the deployment of ALD technology in the District no later than 18 months from the date of this Order consistent with paragraph 67;

127. The Commission **DIRECTS** Washington Gas Light Company to hold a conference within 60 days to review actions the Company could take to lower unit costs and file a report within 90 days of the date of this Order consistent with paragraph 91;

128. The Commission **DIRECTS** Washington Gas Light Company to file annual initial project reports by September 1 and final annual reports by October 31 of each year consistent with paragraph 102 of this Order;

129. The Commission **DIRECTS** Washington Gas Light Company to file a current factor financial report by October 31 to be effective December 31 of each year consistent with paragraph 102 of this Order;

130. The Commission **DIRECTS** Washington Gas Light Company to file a reconciliation factor report by March 31 of each year consistent with paragraph 102 of this Order;

131. The Commission **DIRECTS** Washington Gas Light Company to file annual project reconciliation reports for Distribution Programs 1, 2, 3, 4, and 5 by March 31 of each year consistent with paragraph 102 of this Order.

132. The Commission **DIRECTS** Washington Gas Light Company to file semi-annual project reconciliation reports for Distribution Program 10 by June 30 and December 31 of each year consistent with paragraph 102 of this Order;

133. The Commission **DIRECTS** Washington Gas Light Company to file its annual final project list for calendar year 2021 by January 1, 2021, consistent with paragraph 103 of this Order;

134. The Commission **DIRECTS** Washington Gas Light Company to hold a technical conference to discuss the Program Implementation Plan within 90 days of the date of this Order and if parties object to any part, Washington Gas Light Company must notify the Commission within 30 days after the technical conference is held, consistent with paragraph 108;

135. The Commission **DIRECTS** Washington Gas Light Company to file compliance tariffs within 30 days of the date of this Order consistent with paragraph 109;

136. The Commission **ENCOURAGES** Washington Gas Light Company to complete the proposed work from Distribution Programs 6, 7 and 8, outside of PROJECT*pipes* and establish regulatory assets for recovery in future rate proceedings consistent with the spending caps established in this order;

137. The Commission **EXPECTS** Washington Gas Light Company to replace a minimum of 14 miles of main with an estimated 1,320 associated services, either replaced or transferred, and 2,922 independent services consistent with paragraph 81 of this Order; and

138. The Commission hereby **GRANTS** the Office of the People's Counsel for the District of Columbia's Motion for Leave to Submit Proposed Findings of Fact and Conclusions of Law.

A TRUE COPY: **BY DIRECTION OF THE COMMISSION:**

CHIEF CLERK: **BRINDA WESTBROOK-SEDGWICK**
COMMISSION SECRETARY