

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA  
1325 G STREET, NW, SUITE 800  
WASHINGTON, DC 20005**

**ORDER**

**October 27, 2023**

**FORMAL CASE NO. 874, IN THE MATTER OF THE GAS ACQUISITION STRATEGIES OF THE DISTRICT OF COLUMBIA NATURAL GAS, A DIVISION OF THE WASHINGTON GAS LIGHT COMPANY, Order No. 21921**

**I. INTRODUCTION**

1. The Public Service Commission of the District of Columbia (“Commission”), pursuant to Section 2315.7 of Title 15 of the District of Columbia Municipal Regulations (“DCMR”),<sup>1</sup> makes public its evaluation of Washington Gas Light Company’s (“WGL” or “Company”) 2022 Biennial Gas Procurement Report (“Biennial GPR” or “Report”).<sup>2</sup> The Commission accepts WGL’s 2022 Biennial Report as filed. The Gas Procurement Working Group (“GPWG”), at its December 2023 meeting, shall discuss what reporting and evaluation criteria are necessary to measure the impact of Washington Gas Light Company’s procurement activities on the District’s climate goals. In addition, the GPWG shall file a Working Group report in this proceeding and *Formal Case No. 1167*<sup>3</sup> on or before April 30, 2024, reflecting the minimum reporting criteria for determining the impact of the Company’s gas procurement activities on the District’s climate goals.

**II. BACKGROUND**

2. In 1991, the Commission began formally reviewing and evaluating WGL’s procurement activities and strategies. The Commission created and tasked the GPWG with reviewing and discussing WGL’s gas procurement planning activities and strategies and reporting its findings to the Commission.<sup>4</sup> In accordance with Commission Rule § 2315.1, WGL files a

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<sup>1</sup> 15 DCMR § 2315.7 (2017) states that “[t]he Commission shall review the GPR, OPC’s comments, along with any public comments, and any reply comments and, if Commission Action is necessary, the Commission Shall thereafter make public its evaluation of the GPR.”

<sup>2</sup> *Formal Case No. 874, In the Matter of the Gas Acquisition Strategies of the District of Columbia Natural Gas, a Division of the Washington Gas Light Company* (“*Formal Case No. 874*”), Washington Gas Light Company’s 2020 Gas Procurement Report, filed December 1, 2022 (“Biennial GPR”).

<sup>3</sup> *Formal Case No. 1142, In the Matter of the Merger of AltaGas, Ltd. And WGL Holdings, Inc.* (“*Formal Case No. 1142*”) and *Formal Case No. 1167, In the Matter of the Implementation of Electric and Natural Gas Climate Change Proposals* (“*Formal Case No. 1167*”), Order No. 20662 (“Order No. 20662”), rel. November 18, 2020.

<sup>4</sup> *Formal Case No. 874*, Order No. 9793, at 32, rel. August 27, 1991 (“Order No. 9793”). Members of the Working Group include WGL, the Office of the People’s Counsel for the District of Columbia, and Commission Staff.

biennial GPR to assist the Commission in monitoring and reviewing the Company's natural gas acquisition and purchasing policies and practices.<sup>5</sup> Section 2315.2 lists the information to be included in the biennial GPR. Over time, the Commission has directed that the biennial GPR contain additional information, including, among other things: (1) historical natural gas cost; (2) projected natural gas costs; (3) natural gas supply planning; (4) natural gas supply costs actually incurred during the most recent 12-month period by each supply source; (5) allocation of natural gas supply costs to the Company's various rate jurisdictions and customer classes; (6) expected level of natural gas supply costs to be incurred during a specified period of comparable duration; (7) sources from and rate levels at which future natural gas supply costs are expected to be purchased; (8) basis for decision-making and the planning procedures used by the Company to achieve reliable natural gas service at the lowest reasonable cost; (9) an up-to-date report on asset optimization activities; and (10) an update and explanation of how the Company's gas supply protocol facilitates the District's climate goals.<sup>6</sup> In 2017, the Commission adopted changes to make the GPR reporting and review more efficient.<sup>7</sup>

3. On December 1, 2022, WGL filed its most recent Biennial GPR.<sup>8</sup> Pursuant to Commission Rule 2315.5, comments were due by March 3, 2023.<sup>9</sup> No comments were filed.

### **III. BIENNIAL REPORT EVALUATION**

4. **Section I – Report Discussion.** Section I sets forth the origin of the reporting requirements and briefly identifies and describes each section.<sup>10</sup> Section I also provides the overall trends and changes from the 2020 Biennial GPR to the current Biennial GPR. According to WGL, since the 2020 Biennial GPR, the Company has experienced overall system sales growth of

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<sup>5</sup> 15 DCMR § 2315.1 (2017).

<sup>6</sup> Reporting requirements originated in *Formal Case No. 840, In the Matter of the Application of District of Columbia Natural Gas, a Division of Washington Gas Light Company for Authority to Increase Existing Rates and Charges for Gas Service*, Order No. 8569, rel. September 5, 1986. Subsequently, a series of other Orders set forth the information that should be contained in the GPR: *Formal Case No. 874*, Order No. 9793, rel. August 27, 1991; *Formal Case No. 874*, Order No. 10489, rel. September 15, 1994; *Formal Case No. 874*, Order No. 10679, rel. August 22, 1995; *Formal Case No. 874*, Order No. 11505, rel. October 4, 1999; *Formal Case No. 874*, Order No. 11824, rel. November 3, 2000; *Formal Case No. 874*, Order No. 12284, rel. July 25, 2002; *Formal Case No. 874*, Order No. 12734, rel. May 14, 2003; *Formal Case No. 874*, Order No. 15658, rel. January 19, 2010; *Formal Case No. 874*, Order No. 16613, rel. November 22, 2011; *Formal Case No. 874*, Order No. 18813, rel. June 21, 2017; *Formal Case No. 874*, Order No. 20302, rel. February 28, 2020; and *Formal Case No. 874*, Order No. 20779, rel. July 30, 2021.

<sup>7</sup> *Formal Case No. 874*, Order No. 18813, ¶¶ 15-17, rel. June 21, 2017. See also 15 DCMR §§ 2315.1 – 2315.7 (2017).

<sup>8</sup> *Formal Case No. 874*, Washington Gas Light Company's Biennial 2020 Gas Procurement Report, filed December 1, 2022.

<sup>9</sup> See 15 DCMR § 2315.5, which requires comments to the GPR to be filed within 90 days of the filing of the biennial report.

<sup>10</sup> Biennial GPR at 1-4.

approximately 2.2% (for the 12 months ended August 31, 2022, versus August 31, 2020) and average District residential Purchase Gas Charge (“PGC”) gas prices have increased by approximately 65%.<sup>11</sup>

5. **Section II – Gas Supply Planning.** WGL reports to the Commission on its gas supply planning activities and decision-making in Section II. All information in this section is confidential. Schedule A sets forth the narrative of the decision-making and planning procedures. WGL indicates that this section has been expanded to provide Commission-directed information on capacity release transactions and bypass exposure. Schedule B consists of a narrative description of the Gas Acquisition Model Estimating System model. Schedule C consists of an update to the discussion of the asset optimization activities provided in March 2010 pursuant to Order No. 15658 and incorporated in subsequent reports.

6. **Sections III and IV – Historical Gas Costs.** Section III contains an analysis of actual gas costs for the 12 months ending August 31, 2021. Section IV comprises the same data for the 12-month period ending August 31, 2022. Schedule A consists of summaries reflecting monthly and annual totals for actual system gas costs and jurisdictional amounts resulting from the allocations detailed in Schedule B.<sup>12</sup> Schedule B contains details of actual system gas purchased costs, including associated volumes and calculated cost rates. This Schedule also includes calculations that allocate each component of gas purchased cost to the District of Columbia, Maryland, and Virginia jurisdictions. Schedule B details are filed as confidential. Schedule C summarizes actual and normalized gas sales and deliveries for the 12 months ended August 31 by jurisdiction and customer class. Schedule D reflects monthly revenues and margins from sales to interruptible customers in a format consistent with prior filings, and the margins from sales and delivery customers are reported separately. Schedule E reflects customer billing information on monthly firm rate billings, average special contract/flex rates, and Weighted Average Cost of Gas.<sup>13</sup>

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<sup>11</sup> Biennial GPR at 4. WGL’s PGC is the net amount the Company charges for each therm of natural gas supply service provided to customers who receive default natural gas supply service. The PGC reflects the combined calculation of the various costs of natural gas purchases and the cost for transporting the purchased gas through the natural gas pipelines to WGL’s city gates for distribution. Consequently, natural gas supply service costs include the cost for the natural gas that WGL purchases from the various suppliers transported in natural gas pipelines, the cost of natural gas withdrawn from storage, various demand costs charged by various suppliers, and other adjustments allowed by the Commission. The natural gas supply that is acquired for default service is acquired by the default provider pursuant to a Commission approved tariff. The costs are primarily derived from market prices as dictated by the New York Mercantile Exchange. The Commission allows the pass-through of PGC costs to District of Columbia default service ratepayers, on a dollar-for-dollar basis, in accordance with tariffs the Company files with the Commission. See *Formal Case No. 1129, In the Matter of the Public Service Commission’s Investigation into Default Gas Service Provided by Washington Gas Light Company Through the Purchase Gas Charge in the District of Columbia* (“*Formal Case No. 1129*”), Order No. 17826, ¶¶ 1-2, rel. March 12, 2015.

<sup>12</sup> *Formal Case No. 874*, Section I, at 2.

<sup>13</sup> *Formal Case No. 874*, Section I, at 2-3.

7. For the 12 months ending August 2021, WGL reports that: (a) the total annual gas delivered to the District of Columbia (“District” or “D.C.”) was approximately 270.4 million therms,<sup>14</sup> accounting for about 17% of WGL’s total system actual gas deliveries for 2021;<sup>15</sup> (b) the total D.C. jurisdictional Actual Cost Adjustment (“ACA”) cost was \$60.4 million of which \$30.4 million and \$39.5 million were for commodity costs and demand costs, respectively; and (c) total ACA also included an offsetting credit adjustment of approximately \$9.6 million, which consisted of various credits for delivery service, carrying charges, and asset management revenue sharing for the period ending August 2022,<sup>16</sup> (a) the total annual gas delivered to the District was 269.4 million therms, which was about 17% of total WGL system actual gas deliveries for 2022; (b) total D.C. ACA costs were \$89.1 million, of which \$63.4 million and \$39.9 million were for commodity and demand costs, respectively; and (c) total ACA costs for the District also included an offsetting credit adjustment of approximately \$14.2 million.<sup>17</sup>

8. For the 12 months ending August 2021, WGL reports that the cost of the commodity sold ranged from approximately \$1.34 to \$3.44 per Deka therm (“Dth”),<sup>18</sup> and the average price of storage gas inventory ranged from \$1.56 to \$4.11 per Dth. In addition, WGL states that the rates for firm transportation demand ranged from \$11.82 to \$14.34 per Dth.<sup>19</sup> For the 12 months ending August of 2022, the cost of the commodity sold ranged from \$3.87 to \$7.65 per Dth, and the average price of storage gas inventory ranged from \$3.36 to \$16.39 per Dth. In addition, the average rates for firm transportation demand ranged from \$11.44 to \$14.27 per Dth.<sup>20</sup>

9. **Section V - Other Information.**<sup>21</sup> Section V consists of the following schedules: (1) Schedule A – Jurisdictional comparison data for the 10 years ended 2022, including numerical and graphical presentation of the average cost per therm sold, firm therm sales percentages, and firm gas cost percentages; (2) Schedule B - Federal Energy Regulatory Commission Interventions; (3) Schedule C – Updates on Maryland and Virginia Rate Proceedings; (4) Schedule D – Impact of Firm Delivery Migration on Prices (Confidential); (5) Schedule E – Miscellaneous Interruptible Data (Confidential); (6) Schedule F – Normal Weather Therm Sales procedures; (7) Schedule G – Glossary of Gas Industry Terms; (8) Schedule H, Glossary of additional terms utilized in Company

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<sup>14</sup> A therm is a unit of heating value equivalent to 100,000 British thermal units (Btu).

<sup>15</sup> Biennial GPR, Section III, Schedule A at 1.

<sup>16</sup> Biennial GPR, Section III, Schedule A at 1.

<sup>17</sup> Biennial GPR, Section IV, Schedule A at 1.

<sup>18</sup> 1 Dekatherm is equal to 10 therms.

<sup>19</sup> Biennial GPR, Section III, Schedule A at 1.

<sup>20</sup> Biennial GPR, Section IV, Schedule A at 1.

<sup>21</sup> Biennial GPR, Section V.

filings; (9) Schedule I - NYMEX Futures Contract Prices; and (10) Schedule J - Climate Goal Update.<sup>22</sup>

10. Schedule J is a new section addressing the Commission's directive in Order No. 20779 that directed the Company to include an update and explanation of how WGL's gas supply planning protocol facilitates the District's climate goals.<sup>23</sup> WGL informs the Commission that the Company is actively pursuing opportunities to meet its climate goals to reduce emissions associated with its supply sourcing. According to WGL, the Company executed its first Certified Natural Gas ("CNG") transaction to lower GHG intensity by issuing a Request for Proposal for CNG and awarding a contract for 65,000Dth/Day.<sup>24</sup>

11. Based upon our review of the Biennial GPR and information discussed during the GPWG meetings, we are convinced that WGL's gas procurement program, gas supply planning, and storage and hedging practices performed as intended during the reporting period, which included volatile natural gas market conditions as noted below. The Commission notes that the year-to-year comparisons of the annual gas deliveries are significantly influenced by weather (as measured by Heating Degree Days) as well as economic factors.<sup>25</sup>

12. Moreover, the year-to-year comparison of gas prices was impacted by geopolitical events such as Russia's invasion and the continuing war on Ukraine. This conflict, which began in February 2022, caused a rapid rise in natural gas prices as the price of crude oil in the global market skyrocketed. The entire natural gas industry experienced gas price spikes and heightened volatility arising from this conflict. Declining U.S. natural gas production due to production freeze-offs in January and February of 2022, high net withdrawals of natural gas from storage, and increased exports of LNG to Europe by the U.S. collectively caused a significant increase in natural gas prices. Subsequently, the Company saw a somewhat offsetting decline in natural gas prices in late 2022 due to mild temperatures in much of the U.S. that reduced demand for natural gas for heating. The Commission's review of WGL's reporting on the Company's 2022 gas procurement practices in the District of Columbia indicates that there were no unusual activities in the Company's gas acquisition strategies and that WGL's gas planning and procurement practices continue to help ensure reliable gas supply for default customers at prices that are fair, just, and reasonable, given market conditions.<sup>26</sup>

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<sup>22</sup> Biennial GPR, Section V, Schedules A-J.

<sup>23</sup> Order No. 20779, ¶¶ 1, 18.

<sup>24</sup> Biennial GPR, Section V, Schedule J at 1.

<sup>25</sup> According to WGL's 2022 Biennial GPR, Heating Degree Day is a measure of the coldness of the weather experienced, based on the extent to which the daily mean temperature falls below a reference temperature, usually 65 degrees Fahrenheit. Biennial GPR, Section V, Schedule G.

<sup>26</sup> WGL is the natural gas distribution company and the default provider of natural gas supply for customers that have not selected a competitive supplier in the District. Customers who have not chosen a natural gas supplier are "default customers."

13. In summary, the Commission has reviewed and evaluated WGL's 2022 Biennial GPR and accepts the Report as filed. We find that the Report provides the information required by Commission Rule 2315.2 and various Commission orders, including our most recent directive in Order No. 20779.

14. As a part of our Biennial review of WGL's gas procurement and planning purchase, we directed that management audits be conducted of the PGC at least every three (3) years or as required by the Commission.<sup>27</sup> By Order No. 21128, the Commission accepted the 2021 Management audit Report's findings as filed.<sup>28</sup> Overall, the audit found that WGL's natural gas planning and procurement policies and practices are sufficient to ensure reliable default gas supplies at just and reasonable costs.<sup>29</sup> Inasmuch as the audit also recommended prioritizing cross-training efforts, including related documentation, and updating terms of the asset optimization vendor to incorporate additional reporting requirements and controls, the Commission directed WGL "to file plans with the Commission, in *Formal Case Nos. 874 and 1167*, on a proactive basis, regarding the evolution in its use of certified and renewable natural gas since these types of gas will play a major part in WGL's future Climate Business Plan and Climate Action Program."<sup>30</sup> The Commission continues to monitor this information in this proceeding and *Formal Case No. 1167*.

15. Schedule J explains how the Company's gas supply planning protocol facilitates the District's climate goals. Despite this filing and WGL's Report on certified gas activities, the Commission believes that additional information may help determine how to evaluate and measure the extent by which WGL's procurement activities are assisting the District in achieving its climate goals.<sup>31</sup> Therefore, at its December 2023 meeting, the GPWG shall discuss what reporting and evaluation criteria are necessary to measure the impact of WGL's procurement activities on the District's climate goals and is directed to file a report on or before April 30, 2024, reflecting the minimum reporting criteria for measuring the impact. The Commission notes that *Formal Case No. 1167* was opened to commence a climate policy proceeding to consider whether and to what extent utility or energy companies under our purview are meeting and advancing the District's energy and climate goals.<sup>32</sup> The Commission is reviewing the utilities' climate plans in that proceeding. Therefore, the Company shall also file the Report in the *Formal Case No. 1167* docket.

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<sup>27</sup> *Formal Case No. 1129*, Order No. 19740, ¶ 40, rel. November 8, 2018 ("Order No. 19470").

<sup>28</sup> *Purchase Gas Charge Audit 2021 ("PGC Audit 2021")*, ¶ 1, Order No. 21128, rel. March 11, 2022.

<sup>29</sup> *PGC Audit 2021*, Order No. 21128, ¶ 65.

<sup>30</sup> *Formal Case No. 1129*, Order No. 21128, ¶ 70.

<sup>31</sup> The District's GHG emission goals are to reduce emissions below the 2006 level by 45% by 2025, 60% by 2030, 70% by 2035, 85% by 2040, and to achieve carbon neutrality by 2045. See D.C. Code § 8-151.09(d).

<sup>32</sup> *Formal Case No. 1142 and Formal Case No. 1167, In the Matter of the Implementation of Electric and Natural Gas Climate Change Proposals*, Order No. 20662, rel. November 18, 2020.

16. Lastly, the Commission remains concerned about the impact of recent increases in gas commodity default service gas prices on customers, including low to moderate-income customers. Accordingly, the Commission will continue to monitor current gas price trends and the extent to which such increases may impact gas procurement for District residents soon.

**THEREFORE, IT IS ORDERED THAT:**

17. Washington Gas Light Company’s 2022 Gas Procurement Report is **ACCEPTED** as filed;

18. The Gas Procurement Working Group **SHALL**, at its December 2023 meeting, discuss what reporting and evaluation criteria are necessary to measure the impact of Washington Gas Light Company’s procurement activities on the District’s climate goals; and

19. The Gas Procurement Working Group is **DIRECTED** to file a report on or before April 30, 2024, reflecting the minimum reporting criteria for measuring the impact of Washington Gas Light Company’s gas procurement activities on the District’s climate goals.

**A TRUE COPY:**

**BY DIRECTION OF THE COMMISSION:**



**CHIEF CLERK:**

**BRINDA WESTBROOK-SEDGWICK  
COMMISSION SECRETARY**