

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

**ORDER**

June 12, 2024

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

**FORMAL CASE NO. 1175, IN THE MATTER OF WASHINGTON GAS LIGHT COMPANY'S APPLICATION FOR APPROVAL OF PROJECTPIPES 3 PLAN;**

and

**FORMAL CASE NO. 1179, IN THE MATTER OF THE INVESTIGATION INTO WASHINGTON GAS LIGHT COMPANY'S STRATEGICALLY TARGETED PIPE REPLACEMENT PLAN, Order No. 22003**

**I. INTRODUCTION**

1. By this Order, the Public Service Commission of the District of Columbia ("Commission") accepts Continuum Capital's Audit Report on Washington Gas Light Company's ("WGL" or the "Company") PROJECT*pipes* 2 ("PIPES 2") Plan. The Commission dismisses WGL's PROJECT*pipes* 3 Application ("PIPES 3"). Finally, the Commission opens *Formal Case No. 1179*, and within 45 days of the date of this Order, WGL shall submit a restructured pipes plan that ensures the safe and reliable operation of the natural gas infrastructure to meet the energy needs of all District consumers in the District as well as aligns with the District's climate goals.

**II. BACKGROUND**

2. More than a decade ago, the Commission approved the first five (5) year phase of WGL's 40-year Revised Accelerated Pipe Replacement Plan ("PIPES 1").<sup>1</sup> The PIPES 1 plan included proposals for the replacement of aging leak-prone pipeline infrastructure with the highest risk and leak rates (*i.e.*, cast iron main lines and bare and unprotected steel mains) at an estimated cost of \$110 million.<sup>2</sup> The Commission's approval required an audit of the PIPES 1 Program.<sup>3</sup>

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<sup>1</sup> *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, Application of Washington Gas Light Company for Approval of a Revised Accelerated Pipe Replacement Program*, Order No. 17431, ¶ 1, rel. March 31, 2014 ("Order No. 17431"). The Accelerated Pipes Replacement Plan was renamed and is currently known as PROJECT*pipes*.

<sup>2</sup> *Formal Case No. 1093, Washington Gas Light Company's Request for Approval of a Revised Accelerated Pipe Replacement Plan (Public Version and Confidential Version)*, at 2-3, and 6, filed August 15, 2013.

<sup>3</sup> *Formal Case No. 1115, Liberty Consultant's Management Review of PROJECTpipes*, filed April 19, 2019 ("LMA Audit Report").

The PIPES 1 Audit Report found mixed performance for the PIPES 1 Program, specifically finding that WGL’s management of the program was deficient in years one and two, but concluded years three and four showed significant improvement.<sup>4</sup> The PIPES 1 Audit Report offered 24 recommendations encompassing WGL’s nine (9) program areas, including risk ranking and project prioritization, program management, program planning, cost estimating, cost management, scheduling, resource planning, oversight, and field execution.<sup>5</sup>

3. WGL filed its PIPES 2 plan on December 7, 2018, requesting approval for five years (*i.e.*, October 1, 2019, through December 31, 2024).<sup>6</sup> The PIPES 2 plan included proposals for eight distribution replacement programs and five transmission replacement programs at an estimated cost of \$305.3 million.<sup>7</sup> Instead of a five-year approval, the Commission approved a three-year Plan requiring WGL to address distribution system safety and reliability, including more restrictive performance targets for replaced pipe and the District’s climate goals.<sup>8</sup> The Commission established a spending cap at \$150 million and directed another audit of WGL’s PIPES 2 performance for Calendar Years 2021 and 2022.<sup>9</sup> Through Order No. 21620, the Company selected Continuum Capital to perform an Audit of the first two years of PIPES 2 program using a scope of work that we previously approved.<sup>10</sup>

4. WGL filed its PIPES 3 Application on December 22, 2022.<sup>11</sup> The Commission invited stakeholder comments on the Application.<sup>12</sup> Initial comments were received from the District Department of Energy and Environment (“DOEE”),<sup>13</sup> the District Department of

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<sup>4</sup> LMA Audit Report at 4-14.

<sup>5</sup> LMA Audit Report at 14-16.

<sup>6</sup> *Formal Case No. 1154, Washington Gas Light Company’s Application for Approval of PROJECTpipes 2 Plan (“Formal Case No. 1154”)*, filed December 7, 2018 (“WGL’s PIPES 2 Plan”).

<sup>7</sup> WGL’s PIPES 2 Plan at 5.

<sup>8</sup> *Formal Case No. 1154, Order No. 20671*, ¶¶ 35-36, rel. December 11, 2020 (“Order No. 20671”).

<sup>9</sup> *Formal Case No. 1154, Order No. 20671*, rel. December 11, 2020.

<sup>10</sup> *Formal Case No. 1154, Order No. 21620*, rel. May 17, 2023 (“Order No. 20620”).

<sup>11</sup> *Formal Case No. 1175, In the Matter of Washington Gas Light Company’s Application for Approval of PROJECTpipes 3 Plan (“Formal Case No. 1175”)*. Washington Gas Light Company’s Application for Approval of PROJECTpipes 3 Plan, filed December 22, 2022 (“PIPES 3 Application”).

<sup>12</sup> 70 D.C. Reg. 000777-000779, January 20, 2023. *See also, Formal Case No. 1175, Public Notice*, filed January 20, 2023.

<sup>13</sup> *Formal Case No. 1175, Department of Energy and Environment’s Initial Comments on Washington Gas Light Company’s PROJECTpipes 3 Application*, filed May 2, 2023 (“DOEE Comments”).

Transportation (“DDOT”),<sup>14</sup> D.C. Climate Action (“DCCA”),<sup>15</sup> Rewiring America,<sup>16</sup> Office of the People’s Counsel for the District of Columbia (“OPC”),<sup>17</sup> Sierra Club,<sup>18</sup> the Apartment and Office Building Association of Metropolitan Washington (“AOBA”),<sup>19</sup> Advisory Neighborhood Commission (“ANC”) 3B,<sup>20</sup> Interfaith Center on Corporate Responsibility (“ICCR”),<sup>21</sup> ANC 3C,<sup>22</sup> ANC 3A,<sup>23</sup> ANC 6A,<sup>24</sup> and 10 Councilmembers of the Council of the District of Columbia.<sup>25</sup> Reply comments were filed by WGL on July 17, 2023.<sup>26</sup>

5. On December 13, 2023, the PIPES 2 Continuum Audit Report was filed.<sup>27</sup> On January 22, 2024, WGL, OPC, the District of Columbia Government (“DCG”), and Philadelphia-Baltimore-Washington Construction Laborers’ District Council (“PBWCLDC”) each filed

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<sup>14</sup> *Formal Case No. 1175*, Comments of the District Department of Transportation on Washington Gas Light Company’s PROJECTpipes 3 Plan Application, filed May 2, 2023 (“DDOT Comments”).

<sup>15</sup> *Formal Case No. 1175*, DC Climate Action’s Initial Comments, filed June 16, 2023 (“DCCA Comments”).

<sup>16</sup> *Formal Case No. 1175*, Comments of Rewiring America, filed June 16, 2023 (“Rewiring America Comments”).

<sup>17</sup> *Formal Case No. 1175*, Office of the People’s Counsel for the District of Columbia’s Comments on Washington Gas Light’s PROJECTpipes 3 Plan, filed June 16, 2023 (“OPC Comments”).

<sup>18</sup> *Formal Case No. 1175*, Sierra Club’s Initial Comments, filed June 16, 2023 (“Sierra Club Comments”).

<sup>19</sup> *Formal Case No. 1175*, Comments of the Apartment and Office Building Association of Metropolitan Washington on Washington Gas Light Company’s PROJECTpipes 3 Plan, filed June 16, 2023 (“AOBA Comments”).

<sup>20</sup> *Formal Case No. 1175*, Resolution in Opposition to Washington Gas PROJECTpipes, filed November 13, 2023 (“ANC 3B Resolution”).

<sup>21</sup> *Formal Case No. 1175*, Comments of the Interfaith Center on Corporate Responsibility, filed December 4, 2023 (“ICCR Comments”).

<sup>22</sup> *Formal Case No. 1175*, ANC3C Resolution 2023-CONSENT Resolution in Opposition to Washington Gas’ Application to the DC Public Service Commission for Approval of the PROJECTpipes 3 Plan, filed December 18, 2023 (“ANC 3C Resolution”).

<sup>23</sup> *Formal Case No. 1175*, ANC 3A Resolution Regarding Washington Gas Light (WGL) PROJECTpipes, filed December 18, 2023 (“ANC 3A Resolution”).

<sup>24</sup> *Formal Case No. 1175*, ANC 6A Resolution 3-2023 Opposition to Washington Gas’ Application to the DC Public Service Commission for Approval of the PROJECTpipes 3 Plan, filed January 22, 2024 (“ANC 6A Resolution”).

<sup>25</sup> *Formal Case No. 1175*, Council of the District of Columbia Letter on the Future of the District’s Gas Distribution Network, filed February 8, 2024 (“Council Letter”).

<sup>26</sup> *Formal Case No. 1175*, Reply Comments of Washington Gas Light Company, filed July 17, 2023 (“WGL Reply”). More than 400 community comments were also received in opposition to the PIPES 3 Application, in addition to letters of opposition from District political parties and civic organizations.

<sup>27</sup> *Formal Case No. 1154*, Continuum Capital’s Independent Management Audit of PROJECTpipes 2, filed December 13, 2023 (“Continuum Audit Report”).

comments on the Audit Report.<sup>28</sup> On February 5, 2024, WGL filed reply comments.<sup>29</sup>

6. On February 23, 2024, by Order No. 21960, the Commission granted WGL a 12-month extension of the PIPES 2 Program until February 28, 2025.<sup>30</sup> The Order capped the surcharge eligible target spend not to exceed \$50 million for previously approved PIPES 2 Programs 1, 2, 3, 4, 5, and 10.<sup>31</sup> The Commission stated that “[t]his extension period will allow the Commission to evaluate how we appropriately move forward with WGL’s request to continue replacing high-risk leak-prone aging infrastructure subject to increased risk of leaks and/or failure.”<sup>32</sup> On April 24, 2024, by Order No. 21892, the Commission denied the District of Columbia Government’s (“DCG”) motion to reconsider Order No. 21960.<sup>33</sup>

7. On May 6, 2024, OPC filed a Motion for Status requesting that the Commission issue an Order setting forth a procedural schedule, policy framework, and evaluation process to be utilized for any project adopted to replace PROJECTpipes.<sup>34</sup> On May 10, 2024, WGL filed a response opposing OPC’s motion, asserting that the policy considerations associated with the alignment of the PIPES program with the District’s climate goals are being addressed in *Formal Case No. 1175* and that any evaluation of a cohesive strategy and integrated plan to address climate goals should be addressed in *Formal Case No. 1167*.<sup>35</sup> On June 11, 2024, DCG filed a letter in support of OPC’s request to set a procedural schedule and critical policy framework for interested parties to address as the Commission considers potential adjustments or alternatives to PROJECTpipes.<sup>36</sup>

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<sup>28</sup> *Formal Case No. 1154*, Washington Gas Light Company’s Comments on PROJECTpipes 2 Management Audit Report, filed January 22, 2024 (WGL Audit Comments”); *Formal Case No. 1154*, the Office of the People’s Counsels Comments on Continuum Capital’s Audit Report of Washington Gas Light Company’s PROJECTpipes 2 Program, filed January 22, 2024 (“OPC Audit Comments”); *Formal Case No. 1154*, the District of Columbia Government’s Comments, filed January 22, 2024 (“DCG Audit Comments”); *Formal Case No. 1154*, Philadelphia-Baltimore-Washington Construction Laborers’ District Council’s Comments on Continuum Capital’s Independent Management Audit Report of WGL’s PIPES 2 Plan, filed January 22, 2024 (“PBWCLDC Audit Comments”).

<sup>29</sup> *Formal Case No. 1154*, Washington Gas Light Company’s Reply Comments on PROJECTpipes 2 Management Audit Report, filed February 5, 2024 (“WGL’s Audit Reply”).

<sup>30</sup> *Formal Case No. 1154*, Order No. 21960, ¶ 13, rel. February 23, 2024 (Order No. 21960”).

<sup>31</sup> *Formal Case No. 1154*, Order No. 21960, ¶ 14.

<sup>32</sup> *Formal Case No. 1154*, Order No. 21960, ¶ 13.

<sup>33</sup> *Formal Case No. 1154*, Order No. 21982, rel. April 24, 2024 (“Order No. 21982”).

<sup>34</sup> *Formal Case No. 1154*, Office of the People’s Counsels for the District of Columbia’s Motion for Status, filed May 6, 2024, at 2-4 (“OPC’s Motion”).

<sup>35</sup> *Formal Case No. 1154*, Washington Gas Light Company’s Response to Office of People’s Counsel for the District of Columbia’s Motion for Status, at 2-3, filed May 10, 2024 (“WGL Response”). OPC’s Motion is denied as moot since this Order sets forth a procedural schedule and policy framework for addressing pipeline infrastructure and repair in the future.

<sup>36</sup> *Formal Case No. 1154*, District of Columbia Government’s Letter in Support of the Office of the People’s Counsel, filed June 11, 2024 (“DCG Letter”).

### III. DISCUSSION

8. We begin our review by briefly identifying the statutes, rulemaking efforts, and activities in other cases that have, or will, impact the restructured PIPES plan we are directing WGL to develop. Thereafter we address the PIPES 2 Continuum Audit Report and make recommendations that WGL should consider in developing its new PIPES plan. Finally, we review WGL's PIPES 3 Application.

#### A. **Statutes and Proposed Federal Rules**

9. The Commission must ensure the continued safety and reliability of the gas distribution system in the District while also supporting the District's climate goals. In addition, our review requires the Commission and WGL to consider the federal regulations on eliminating hazardous leaks and reducing fugitive gas emissions in the United States. These considerations are in addition to addressing the District's new aggressive climate initiatives that the Commission must take in account all matters that come before us.<sup>37</sup>

10. The Federal PIPES Act of 2020 ("PIPES Act") was signed into law on December 27, 2020.<sup>38</sup> Under the PIPES Act, WGL must update its inspection and maintenance plans to address eliminating hazardous leaks and minimizing fugitive methane emissions. The Pipeline and Hazardous Materials Safety Administration ("PHMSA") under the United States Department of Transportation ("USDOT") is in the process of updating its rules in compliance with the PIPES Act, which we expect to be finalized by January 2025.<sup>39</sup> *PROJECTpipes* is one of WGL's plans to address the PIPES Act.

11. The Clean Energy DC Building Code Amendment Act of 2022, passed on September 21, 2022, established standards for new buildings and major renovations to be built to net zero standards starting after 2026, requiring no on-site combustion, with an exception for buildings essential to public health and safety.<sup>40</sup>

12. On September 21, 2022, the District enacted the Climate Commitment Act of 2022 ("Climate Commitment Act"). The Climate Commitment Act, among other things, accelerates the District's carbon neutrality commitment from 2050 to 2045, as well as adds District-wide interim targets for GHG reductions between 2025 and 2050 to the following levels:

- (1) Not less than 45% below 2006 greenhouse gas emission levels by 2025;

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<sup>37</sup> D.C. Code § 34 -808.02 (March 22, 2019).

<sup>38</sup> Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020, Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat 1182 (December 27, 2020) ("PIPES Act of 2020").

<sup>39</sup> See PHMSA PIPES Act Web Chart, May 2024 update, <https://www.phmsa.d.gov/sites/phmsa.dot.gov/files/2024-05/2024%20May%20PIPES%20Act%20Chart.pdf>.

<sup>40</sup> D.C. Code § 6-1453.01 (September 21, 2022).

- (2) Not less than 60% below 2006 greenhouse gas emission levels by 2030;
- (3) Not less than 70% below 2006 greenhouse gas emission levels by 2035;
- (4) Not less than 85% below 2006 greenhouse gas emission levels by 2040; and
- (5) A level consistent with carbon neutrality by 2045, and in each year thereafter.<sup>41</sup>

Because of the District's climate commitments, the Commission is responsible for ensuring that the utilities that we regulate adopt programs to assist the District in reaching its climate goal of 85% greenhouse gas emission reductions by 2040 relative to 2006 and carbon neutrality by 2045.

13. Finally, the Inflation Reduction Act ("IRA") provides a variety of climate and clean energy-related tax incentives that WGL and consumers may take advantage in addressing District climate initiatives.<sup>42</sup>

### **B. Relevant Filings from Other Dockets**

14. DCG filed its Fugitive Methane Emissions Survey of the District of Columbia ("DOEE Methane Survey") on November 30, 2021.<sup>43</sup>

15. On February 28, 2023, DOEE filed its report titled "Strategic Electrification in Washington, D.C.: Neighborhood Case Studies of Transition From Gas to Electric-based Building Heating ("DOEE Neighborhood Electrification Study"), the companion analysis to the DOEE Methane Survey, which assessed potential cost savings from repairing pipes to prepare for decommissioning in lieu of pipe replacement.<sup>44</sup>

16. On March 10, 2023, the Commission issued Order No. 21580, denying cost recovery for WGL's use of satellite technology under the Advanced Leak Detection ("ALD") program in PIPES 2.<sup>45</sup>

17. When addressing the issue of whether the Commission has the authority to curtail WGL's right to sell natural gas, the Commission concluded that it "[could not] order Washington

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<sup>41</sup> D.C. Code § 8-151.09d (September 21, 2022).

<sup>42</sup> Public Law No. 117-58 (November 15, 2021).

<sup>43</sup> *Formal Case No. 1154*, and *Formal Case No. 1130, In the Matter of the Investigation into Modernizing the Energy Delivery System for Increased Sustainability ("Formal Case No. 1130")*, 2021 Fugitive Methane Emission Survey of the District of Columbia for the District of Columbia Department of Energy and Environment, filed November 30, 2021 ("DOEE Methane Survey").

<sup>44</sup> *Formal Case No. 1167, In the Matter of the Implementation of Electric and Natural Gas Climate Change Proposals*, *Formal Case No. 1154*, and *Formal Case No. 1130, In the Matter of the Investigation into Modernizing the Energy Delivery System for Increased Sustainability*, Strategic Electrification in Washington, D.C.: Neighborhood Case Studies of Transition from Gas to Electric-based Building Heating, filed February 28, 2023 ("DOEE Electrification Study").

<sup>45</sup> *Formal Case No. 1154*, Order No. 21580, rel. March 10, 2023.

Gas Light Company [ ] to end the sale of natural gas that Washington Gas Light Company is authorized to provide under its Congressional Charter.”<sup>46</sup> The Commission reaffirmed its decision in Order No. 21631 in response to a Joint Request for Reconsideration and Clarification filed by OPC, DCG, and Sierra Club.<sup>47</sup>

18. By Order No. 21938 on December 8, 2023, in *GD-2019-04-M*, the Commission set forth the next steps in the development of the Commission’s standardized benefit-cost analysis (“BCA”) framework, including the adoption of a social cost of carbon of \$160 per metric ton of carbon dioxide equivalent (“CO<sub>2</sub>e”).<sup>48</sup> Order No. 21938 also adopted the alignment of GHG reduction targets for both the electric and gas utilities with the targets adopted in the Climate Commitment Act of 2022.<sup>49</sup>

### C. PIPES 2 Continuum Audit, Comments, and Reply Comments

19. **Audit Report.** The Continuum Audit covered three tasks: (1) under Task 1, Continuum determined whether the PROJECT*pipes* projects were completed and recovered through the surcharge mechanism consistent with the Commission’s restrictions on material selection, spending cap, improvements to safety and reliability of WGL’s distribution system. Continuum evaluated whether the work was managed and completed prudently, with sound engineering judgment and construction integrity; (2) under Task 2, Continuum evaluated WGL’s implementation of the 24 recommendations from the PIPES 1 Liberty Management Audit; (“LMA”); and (3) under Task 3, Continuum evaluated WGL’s compliance with *Formal Case No. 1142*’s Merger Commitment Number 72 (*i.e.*, evaluate the calculation of average costs, annual costs, and determination of any excess cost beyond those allowed under Merger Commitment 72).<sup>50</sup>

20. For Task 1, Continuum found that the PIPES 2 Program met the targets directed in Order No. 20671 and that all the projects identified in WGL’s Annual Project List for the first two years of PIPES 2 (2021-2022) were completed consistent with the Commission’s directives on materials and spending caps, within an overall cost variance of 2%, and were properly recovered through the surcharge mechanism.<sup>51</sup> Continuum concluded that all completed PIPES 2 projects reduced risk and enhanced safety by replacing at-risk pipe (aging, corroded, or leaking cast iron mains and/or unprotected steel main and services, vintage mechanical coupled wrapped steel mains

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<sup>46</sup> *Formal Case No. 1167*, Order No. 21593, ¶ 1, rel. April 6, 2023 (“Order No. 21593”).

<sup>47</sup> *Formal Case No. 1167*, Order No. 21631, ¶ 13, rel. June 1, 2023 (“Order No. 21631”).

<sup>48</sup> *GD-2019-04-M, In the Matter of the Implementation of the 2019 Clean Energy DC Omnibus Act Compliance Requirements (“GD-2019-04-M”)*, Order No. 21938, ¶¶ 39 and 80, rel. December 8, 2023.

<sup>49</sup> *GD-2019-04-M*, Order No. 21938, ¶ 48, rel. December 8, 2023.

<sup>50</sup> Audit Report at 1, *citing Formal Case No. 1154*, Order No. 20671, ¶ 37, rel. December 11, 2020.

<sup>51</sup> Audit Report at 16, 22-23. The Commission imposed a total target of 9.2 miles of main replacement and 2,605 services, with a surcharge eligible spend of \$92.7 million. *See Formal Case No. 1154*, Order No. 20671, ¶ 92.

and services, copper services and black plastic services) in the distribution system.<sup>52</sup> For the first two years of PIPES 2 (2021-2022), the Commission imposed a total target of 9.2 miles of main replacement and 2,605 services. During the first two years of PIPES 2, WGL completed approximately 11 miles of main replacement and remediated/replaced 2,200 services.<sup>53</sup>

21. In assessing the implementation of the 24 LMA recommendations (Task 2), Continuum concludes the Company made significant progress in implementing the LMA recommendations. WGL implemented 16 of the recommendations. Of the eight (8) remaining recommendations, Continuum notes that the Commission rejected four (4) LMA recommendations, and for the remaining four (4) recommendations, Continuum proposed alternatives that would achieve similar performance goals.<sup>54</sup> Overall, Continuum concluded WGL's PIPES 2 program was robust and made significant progress in implementing the LMA recommendations. The Continuum Audit also found that the majority of LMA's recommendations were implemented in a high-quality manner. Continuum's Audit offers additional recommendations for improving the PIPES program.<sup>55</sup>

22. For Task 3, Continuum concluded that WGL had correctly calculated excess costs for all programs except year 6 of Program 2.<sup>56</sup> The Audit Report has two recommendations regarding improving the accuracy of documents and the accuracy in project file nomenclature.<sup>57</sup>

23. **Comments.** Both OPC and DCG question the overall conclusions in the Continuum Audit. In addition, OPC questions the thoroughness of the analysis. OPC raised concerns about invoice irregularities, projects lacking variance explanations, the high cost and variance of scattered services, and improper sample sizes for consulted documents.<sup>58</sup> DCG questions the overall cost efficiency of PIPES 2 and the Company's performance in reducing risk and leaks in the District.<sup>59</sup>

24. **WGL's Response.** WGL provided responses noting that eight (8) of the 21

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<sup>52</sup> Audit Report at 18.

<sup>53</sup> See *Formal Case No. 1154*, Order No. 20671, ¶ 92. See also WGL's Reply at Attachment A; See also, *Formal Case No. 1154*, Washington Gas Light Company's Annual Reconciliation Report for 2021, filed March 31, 2022; and *Formal Case No. 1154*, Washington Gas Light Company's Amended Year 8 Annual Project Reconciliation Report for 2022, filed April 13, 2023.

<sup>54</sup> Audit Report at 36-37.

<sup>55</sup> Audit Report at 109.

<sup>56</sup> Audit Report at 109.

<sup>57</sup> Audit Report at 109.

<sup>58</sup> OPC Audit Comments at 4-5.

<sup>59</sup> DCG Audit Comments at 1, 3, 4, and 6.



recommendations are either in progress or already implemented.<sup>60</sup> WGL took issue with OPC and DCG's claims that PIPES 2 is far behind their targets. WGL, among other things, reiterates that the Company achieved the replacement targets set by the Commission while remaining under budget during PIPES 2, highlighting the reduction in leaks since 2020.<sup>61</sup>

#### **D. WGL's PIPES 3 Application**

25. WGL requests that the Commission approve \$671.8 million in surcharge recovery for its five-year PIPES 3 program, including \$431.3 million for Programs 1-5, 9, and 10, and \$240.5 million for three years of Program 11. WGL seeks the authority to extend Program 11 for an additional two years as warranted.<sup>62</sup> WGL plans to replace approximately 27.6 miles of main and 7,637 services over the proposed five-year period.<sup>63</sup> WGL avers that "[o]ver time, the Company's replacement activity will result in reduced leak rate trending related to aging infrastructure."<sup>64</sup>

26. WGL estimates that implementing PIPES 3 would result in a "cumulative reduction total of 16,523 metric tons" of CO<sub>2</sub>e.<sup>65</sup> WGL indicates that the Optimain software it was previously using for risk modeling is being discontinued and replaced by a new risk modeling software, JANA.<sup>66</sup> WGL proposes to modify the calculation in the surcharge mechanism to shift operations and maintenance costs specific to Program 9, ALD, which are not currently included in the surcharge mechanism.<sup>67</sup>

#### **E. Comments and Reply Comments**

27. **DOEE.** DOEE's consultant, Synapse, provided an assessment of WGL's PIPES 3 Application, stating that "the utility does not prioritize replacement of pipe that is actively leaking, nor does it consider repair rather than replacement, a much less costly alternative that can provide substantial safety benefits."<sup>68</sup> DOEE asserts that the PIPES 3 proposal is inconsistent with the

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<sup>60</sup> WGL's Audit Reply at 1-10.

<sup>61</sup> WGL's Audit Reply at 6.

<sup>62</sup> PIPES 3 Application at 7.

<sup>63</sup> PIPES 3 Application, Exhibit A, Testimony of Witness Jacas at 18.

<sup>64</sup> PIPES 3 Application, Exhibit A, Testimony of Witness Jacas at 25.

<sup>65</sup> PIPES 3 Application, Exhibit A, Testimony of Witness Jacas at 30.

<sup>66</sup> PIPES 3 Application, Exhibit B, Testimony of Witness Stuber at 1-3.

<sup>67</sup> PIPES 3 Application, Exhibit E, Testimony of Witness Lawson at 4.

<sup>68</sup> DOEE Comments at 1.

District's climate decarbonization approach,<sup>69</sup> because it is built on the assumption that the gas system will remain in its current state, serving all customers into the future. DOEE avers that it does not make sense to invest \$671.8 million over the next five years if that assumption does not hold.<sup>70</sup> DOEE states that District ratepayers have limited funds to put towards the energy transition and that the sheer cost of pipe replacement, rather than the DCG strategy of repair and decommissioning, is an unwise use of ratepayer funds. According to DOEE, the approach proposed in DOEE's electrification studies limits the amount of stranded asset costs levied on the District's most vulnerable ratepayers.<sup>71</sup>

28. DOEE argues that WGL's proposed approach neither minimizes costs nor maximizes safety. According to DOEE's calculations, the pace of spending proposed in PIPES 3 is nearly double that of PIPES 2.<sup>72</sup> Given that the programs are so costly per mile, DOEE argues that they should only be targeted to the highest-risk pipes.<sup>73</sup> DOEE also points out that WGL's proposed plan would continue until 2054, nine years after the District is required to achieve carbon neutrality, meaning that ratepayers would be charged for the program through 2109 without any changes to WGL's depreciation schedule.<sup>74</sup> Regarding safety, DOEE avers that "WGL's Application for its PROJECT *pipes* 3 Plan is founded on the idea that accelerating the replacement of natural gas pipelines will enhance safety and reliability of its distribution system. In reality, WGL's Application fails to provide a convincing case that it will advance public safety while substantially increasing costs."<sup>75</sup>

29. **DDOT.** DDOT has no objection to WGL's efforts to identify and replace aging pipes with potentially hazardous leaks on its system. However, DDOT has concerns about how D.C. PLUG is mischaracterized as the justification for identifying and replacing WGL's pipes.<sup>76</sup> DDOT believes that WGL should focus on replacing pipes that pose the greatest risk to public safety rather than tying pipe replacement to D.C. PLUG or other third-party work.<sup>77</sup>

30. **DCCA.** DCCA argues that an extension of the Pipes program by approving PIPES

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<sup>69</sup> DOEE Comments at 2, *citing* the Clean Energy DC Plan, Carbon Free D.C., the Building Energy Performance Standard, the Clean Energy DC Building Code Amendment Act of 2022, DOEE's "Strategic Electrification Roadmap for Buildings and Transportation in the District of Columbia," and DOEE's "Strategic Electrification in Washington, D.C.: Neighborhood Case Studies of Transition from Gas to Electric-Based Building Heating."

<sup>70</sup> DOEE Comments at 2.

<sup>71</sup> DOEE Comments at 6.

<sup>72</sup> DOEE Comments at 7.

<sup>73</sup> DOEE Comments 7-8.

<sup>74</sup> DOEE Comments at 8.

<sup>75</sup> DOEE Comments at 9.

<sup>76</sup> DDOT Comments at 3.

<sup>77</sup> DDOT Comments at 3.

3 is significantly more expensive than reasonable alternatives without being more effective, and that the program conflicts with the District’s policy of reducing GHG emissions to net zero by 2045, as well as the Commission’s legislated responsibility to consider the environment in its decision-making. DCCA requests a litigated proceeding to resolve issues of fact.<sup>78</sup> DCCA supports, instead of PIPES 3, an ALD-based program of repair and replacement for priority leaks.<sup>79</sup> According to DCCA, this would be far less expensive than WGL’s predictive analytics process.<sup>80</sup>

31. **Rewiring America.** Rewiring America asserts that the Commission should reject PIPES 3 in favor of a targeted leak repair program.<sup>81</sup> Rewiring America also asserts that the Commission should “direct WGL to explore pipe repair solutions, like the Cast Iron Joint Sealing Robot (CISBOT) [ ] successfully implemented in various cities. By directing WGL to repair the approximately 700 miles of leak-prone pipes instead of replacing them, the Commission would protect D.C. ratepayers, ensure the safety and reliability of the gas system, and demonstrate the Commission’s commitment to upholding the District’s Climate and Energy Goals that centers the transition towards electrification and away from fossil fuels.”<sup>82</sup> Because installing new gas infrastructure rather than repairing it could lock the District into gas use beyond the legislated climate commitments, Rewiring America encourages the Commission to “endorse a proactive and targeted electrification approach, as proposed in Rewiring America’s DC Electrification Report submitted in the *Formal Case No. 1167* docket. This approach would concentrate efforts on specific neighborhoods, such as River Terrace and Deanwood, as proposed in the FY 2024 DC Council proposed budget, with the aim of electrifying all appliances and facilitating the decommissioning of gas distribution systems in those areas. Priority could be given to communities with high energy burdens or a high incidence of methane gas leaks.”<sup>83</sup>

32. **OPC.** OPC asserts that “WGL has been unable to keep up with the repair of *existing* leaks along its distribution system, leaving one to question whether it is in any position to continue receiving accelerated cost recovery for proactively replacing those pipes that merely have the *potential* to leak.”<sup>84</sup> OPC requests that the Commission reject the PIPES 3 Application, which OPC avers dwarfs PIPES 1 and 2 due to WGL’s inability to appropriately reduce leaks over the life of the accelerated pipe replacement program.<sup>85</sup> Additionally, since WGL’s Application was designed with Optimain software while WGL has since switched to JANA, OPC argues that it

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<sup>78</sup> DCCA Comments at 2. The pages to DCCA’s Comments are not numbered and are referenced sequentially beginning with page one (1) of the Comments.

<sup>79</sup> DCCA Comments at 2.

<sup>80</sup> DCCA Comments at 2.

<sup>81</sup> Rewiring America Comments at 2.

<sup>82</sup> Rewiring America Comments at 2.

<sup>83</sup> Rewiring America Comments at 13.

<sup>84</sup> OPC Comments at 2.

<sup>85</sup> OPC Comments at 2-3.

does not make sense to implement the program with a different type of software than was used to design the program.<sup>86</sup> OPC concludes that if the Commission declines to reject PIPES 3, an evidentiary proceeding is necessary.<sup>87</sup> OPC states that it worked with DCG, AOBA, Sierra Club, and DCCA to develop a procedural schedule, which is included with OPC's comments.<sup>88</sup>

33. **Sierra Club.** Sierra Club is concerned that the PIPES program is a major expense incompatible with the District's climate laws and that the PIPES program has been performing poorly.<sup>89</sup> Sierra Club echoes the concerns raised by other commenters regarding stranded assets, arguing that the PIPES program is "gold-plating" the gas distribution system by WGL.<sup>90</sup>

34. Sierra Club agrees with DOEE that WGL should focus on repair rather than replacement since it is a quicker, less expensive method of addressing leaks. Sierra Club argues that even by what it believes are WGL's inflated emissions savings, WGL asserts that only 2% GHG reductions will be achieved through the PIPES program by 2032 and 4% by 2050.<sup>91</sup>

35. **AOBA.** AOBA avers that "Washington Gas' third iteration of PROJECT*pipes* is highly problematic and inappropriate as proposed. AOBA submits that the District of Columbia is now facing an infrastructure crucible. The Commission can no longer delay or defer determinations regarding balancing the needs of District ratepayers, the health of the District's economy, the District's mandated environmental goals, the affordability of overlapping and, at times, competing infrastructure plans."<sup>92</sup> AOBA agrees with the comments filed by both DOEE and DDOT. AOBA contends that "Washington Gas' prioritization of projects that qualify for accelerated recovery has not improved the integrity of the Washington Gas system, has increased greenhouse gas emissions, and has not meaningfully reduced the amount of cast iron mains within the District."<sup>93</sup> AOBA agrees with the other commenters that if the Commission moves ahead with PIPES 3, an evidentiary proceeding is required.<sup>94</sup>

36. **ICCR.** ICCR opposes the PIPES 3 Application and argues that the Commission should instead focus on leak repair due to the expense of pipe replacement, incompatibility with

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<sup>86</sup> OPC Comments at 3.

<sup>87</sup> OPC Comments at 5.

<sup>88</sup> OPC Comments at 23.

<sup>89</sup> Sierra Club Comments at 1.

<sup>90</sup> Sierra Club Comments at 3. Generally, stranded assets are those assets that lose value or turn into liabilities before the end of their expected economic or useful life.

<sup>91</sup> Sierra Club Comments at 17.

<sup>92</sup> AOBA Comments at 1-2.

<sup>93</sup> AOBA Comments at 3.

<sup>94</sup> AOBA Comments at 4.

the District’s climate mandates, and risk of stranded assets.<sup>95</sup> ICCR suggests an alternative investment by WGL in “sustainable thermal networks” and non-pipe alternatives.<sup>96</sup> ICCR points out that “[s]everal energy utilities, including Eversource, National Grid, and Con Edison in NY and MA are piloting networked geothermal systems as an alternative to existing gas systems.”<sup>97</sup> ICCR avers that “[i]nvestors are concerned that the failure of companies to achieve alignment with Paris goals poses material financial, operational, reputational, and regulatory risks, and have been filing proxy resolutions on the energy transition that have met with significant support from other investors.”<sup>98</sup>

37. **District of Columbia Council.** Ten Councilmembers penned a letter to the Commission regarding the future of the District’s gas distribution network, stating that the Pipes program is incompatible with the District’s statutory climate mandates.<sup>99</sup> The Councilmembers point to the expense of the program, the concern that it will fall disproportionately on vulnerable ratepayers, and that other options exist, such as pipeline repair. The Councilmembers state, “[r]ather than proceeding with PROJECTpipes, we recommend that the Commission begin integrated, comprehensive thermal energy planning consistent with the carbon neutrality goals laid out in the Climate Commitment Amendment Act of 2022.”<sup>100</sup>

38. **District Political Parties and Advisory Neighborhood Commissions (“ANC”).** The Ward 3 Democratic Committee passed a unanimous resolution in opposition to PIPES 3 because it argues PIPES 3 contradicts the District’s climate goals and costs. The Committee instead urges the Commission to focus on repairing leaks in the system.<sup>101</sup> Several ANCs opposed WGL’s PIPES 3 Application for various reasons ranging from incompatibility with the District’s climate goals, mismanagement of the program, and disruption of life in neighborhoods because of failure to coordinate with other ongoing projects.<sup>102</sup> ANC 6A also makes a request of “elected officials to ensure that Washington Gas engages in a robust planning process to redefine its business model as the District of Columbia weans itself off fossil fuel and that The DC Public Service Commission develops a plan to phase out the use of greenhouse-gas-producing fuels to bring about a just and equitable transition to clean, renewable energy, consistent with DC law.”<sup>103</sup>

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<sup>95</sup> ICCR Comments at 1.

<sup>96</sup> ICCR Comments at 1.

<sup>97</sup> ICCR Comments at 1-2.

<sup>98</sup> ICCR Comments at 3.

<sup>99</sup> Council Letter at 1.

<sup>100</sup> Council Letter at 2-3.

<sup>101</sup> *Formal Case No. 1175*, Public Comments of Beau Finley (on behalf of Ward 3 Democratic Committee), filed May 1, 2023.

<sup>102</sup> See Comments of ANCs 3A, 3B, 3C, and 6A.

<sup>103</sup> ANC 6A Resolution at 3.

39. **Civic Organizations.** A collection of several local organizations provided a letter to the Commission opposing the PIPES 3 Application.<sup>104</sup> The groups argue that “[a]pproving the next phase of PROJECT*pipes* will be in contravention of DC’s climate commitments and will force DC residents to waste hundreds of millions of dollars for the replacement of infrastructure that is destined to become obsolete.”<sup>105</sup> The organizations also raise the issue of disproportionate costs on the District residents least likely to be able to afford electrification, and the rate of hazardous leaks on WGL’s system.<sup>106</sup>

40. **Community Comments.** The Commission has received more than 400 comments from individuals in opposition to PIPES 3. The commenters urge the Commission to reject WGL’s PIPES 3 Application because: 1) it stands in direct conflict with the District’s climate goals, 2) it is a waste of ratepayer funds, and 3) it will disproportionately burden low-income District residents as wealthier households electrify.<sup>107</sup>

41. **WGL Reply.** In reply comments, WGL argues those comments criticizing the Company for not prioritizing leaking infrastructure “are misplaced because the fundamental purpose of PROJECT*pipes* is to target the replacement of relatively *higher-risk* infrastructure and facilities in order to enhance public safety and improve reliability on the distribution system and to achieve the reduced greenhouse gas (“GHG”) emissions that follow therefrom.”<sup>108</sup> “Washington Gas reviews the risk profile of all assets within PIPES 3 and identifies and prioritizes projects with higher relative risk scores, taking into consideration important situational, operational, and economic factors to target those projects that *optimize* reductions in risk in a cost-effective manner.”<sup>109</sup>

42. WGL opposes DOEE’s proposal to focus on repair rather than replacement, asserting that “the Company actively repairs against industry standards. PROJECT*pipes* is focused

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<sup>104</sup> *Formal Case No. 1175*, Letter (“Civic Organizations’ Letter”), December 6, 2023. The signatories include: CCAN Action Fund, Sierra Club DC, DC Voters for Animals, Metro DC DSA, We Power DC, Nature Forward, Third Act (MD, DC, and VA affinity groups), DC Asthma Coalition, Moms Clean Air Force DC Chapter, Extinction Rebellion DC, League of Women Voters of the District of Columbia, Howard University Water Environmental Association, DC Environmental Network, Center for Biological Diversity, Ward 3 Democrats, Anacostia Parks & Community Collaborative, Empower DC, Georgetown Renewable Energy and Environmental Network, Electrify DC, Green New Deal for DC, Washington Interfaith Network, Ward 8 Woods Conservancy, and Institute for Policy Studies – Climate Policy.

<sup>105</sup> *See generally*, Civic Organization Letters at 1.

<sup>106</sup> Civic Organizations’ Letter at 1.

<sup>107</sup> *See Formal Case No. 1175*, Individual Comments.

<sup>108</sup> WGL Reply at 3.

<sup>109</sup> WGL Reply at 5. In their Audit Reply Comments, WGL also reiterated the Company’s successful completion of replacements in excess of Commission targets for PIPES 2, indicating the Company completed 111% of targeted main retirements and 105% of targeted service replacements during the PIPES 2 period. WGL argued that those replacements contributed to a 29% reduction in main leaks and a 22% reduction in service leaks between 2018 and 2022. WGL’s Audit Reply at 2-4.

on removing materials that are no longer deemed acceptable for installation today. The natural gas industry ceased using materials composed of cast-iron, wrought-iron, and non-cathodically protected steel over 60 years ago. PROJECT*pipes* will remove these from the distribution system.”<sup>110</sup> WGL notes that “[g]as companies are obligated to protect the public safety and achieve an appropriate level of service reliability through leak-management, leak repair, and emergency response programs, as well as through replacement activities,” and “the Company expects the rate of corrosion and coupling leaks on the system would continue to decrease with the continuation of PIPES 3,” because leak-prone pipe materials will be replaced with polyethylene.<sup>111</sup>

#### IV. DECISION

43. The Company originally proposed PROJECT*pipes* as a 40-plus-year program that was reduce leaks through the replacement of all aging, leak-prone pipes in an effort to enhance the safety and reliability of gas service in the District.<sup>112</sup> The Commission notes that the problem presented with the PIPES 3 Application is the same one with which the Federal government is currently grappling in its proposed PHMSA regulations. Specifically, PHMSA states:

The Federal pipeline safety regulations currently covering leak detection and repair reflect a regulatory approach focused on public safety risks posed by incidents on gas pipeline facilities. The regulations do not sufficiently capture environmental costs, align with the importance attached to environmental protection in PHMSA’s enabling statutes, or reflect the scientific consensus that prompt reductions in methane emissions from natural gas infrastructure are critical to limiting the impacts of climate change.... The current pipeline safety regulations do not include any meaningful performance standards for leak detection equipment, nor requirements that leverage the significant advancements in the sensitivity, efficiency, and variety of leak detection technologies in the last five decades . . . Further, the current pipeline safety regulations do not explicitly require repair of all – or even most- leaks on pipeline facilities.<sup>113</sup>

However, PHMSA continues to encourage the Commission to consider initiatives to remove and/or replace unprotected steel, cast iron, and other high-risk pipes within the District to enhance

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<sup>110</sup> WGL Reply at 10.

<sup>111</sup> WGL Reply at 11-12.

<sup>112</sup> As filed with PHMSA in 2014, approximately 34% of WGL’s pipelines were made of cast iron compared to the national average of 2% making the District one of the highest concentrations of cast iron in the nation. See generally <https://www.phmsa.dot.gov/data-and-statistics/pipeline/gas-distribution-gas-gathering-gas-transmission-hazardous-liquids>.

<sup>113</sup> Pipeline and Hazardous Materials Safety Administration, Department of Transportation, Notice of Proposed Rulemaking. May 18, 2023, <https://www.federalregister.gov/documents/2023/05/18/2023-09918/pipeline-safety-gas-pipeline-leak-detection-and-repair>.

pipeline safety.<sup>114</sup>

44. With regard to the PIPES 3 Application, commenters allege that the Application does not include sufficient data or information to verify its claims about safety and GHG emissions reduction and that it will require discovery to be able to fully review the impact of the proposed programs for which surcharge recovery is requested.<sup>115</sup> Stakeholders also take issue with the cost of the program, which would be more than double the cost of the first 10 years of the program for a five-year continuation. Although the Company asserts that the surcharge allows replacements that would increase safety and reliability while reducing GHG emissions, the Application is thin on any actual evidence or data to substantiate that claim. Moreover, WGL's performance overall has not matched the originally proposed timeline (submitted in 2014) and schedule for PROJECTpipes. Therefore, we decline to approve the Application and surcharge as filed. Although we decline to approve the Application, we remind WGL that it is obligated to maintain the safety and reliability of the gas distribution system with or without surcharge recovery.

45. Several stakeholders, including 10 Councilmembers of the Council of the District of Columbia, have alleged that the continuation of the PIPES program is no longer compatible with the District's legislated climate mandates, including achieving carbon neutrality by 2045.<sup>116</sup> Instead, the Councilmembers and other stakeholders recommend neighborhood electrification alternatives, gas pipeline decommissioning, and "integrated thermal energy planning" to ensure the Company's business model is compatible with the District's climate policy.<sup>117</sup>

46. While the Commission has an obligation, within its statutory authority, to help advance the District's climate policies, we remind all concerned that the Commission cannot and is without authority to prevent WGL from selling natural gas.<sup>118</sup> This statutory barrier creates obstacles to the neighborhood electrification initiatives proffered by many of the commentators. These obstacles are not entirely unique to the District as recognized by other state Commissions. In Massachusetts, the Department of Utilities recently noted in its "Future of Gas" docket that geographically targeted electrification should be cautioned because electrification raises concerns over customer choice, cost, obligation to serve, and customer service protections.<sup>119</sup> Moreover, a recent Rocky Mountain Institute white paper, titled "*Non-Pipeline Alternatives* ("*NPA*"):

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<sup>114</sup> See PSE2024-01, PHMSA Letter to Chairman Thompson, filed May 13, 2024, regarding CY 2023 pipeline safety program and progress report reviews. According to PHMSA's records, there was a total of 392.56 miles of cast iron mains remaining in CY 2023 in the District of Columbia.

<sup>115</sup> See DOEE Comments at 7-9.

<sup>116</sup> See DCCA Comments at 2; see also Council Letter at 1.

<sup>117</sup> We believe that *Formal Case No. 1167* is the more appropriate docket to address the integrated infrastructure planning issues raised by the Council and commenters.

<sup>118</sup> *Formal Case No. 1167*, Order No. 21593 and Order No. 21631 (Unanimous vote by Commissioners).

<sup>119</sup> Docket No. D.P.U.20-80, Massachusetts Department of Public Utilities, Order No. 20-80-B, at 41 (rel. December 6, 2023).



*Emerging Opportunities in Planning for U.S. Gas System Decarbonization*,”<sup>120</sup> further highlights the difficulty of neighborhood electrification by detailing the limited success of state electrification efforts, noting that no avoided replacement NPA project involving more than five customers has been successful in the United States.<sup>121</sup>

47. At the same time, the Commission is also acutely aware of the District’s aging gas system and is concerned that without intervention, that system will continue to degrade, and leak rates would be expected to grow.<sup>122</sup> While the Commission agrees that pipe repairs continue to be necessary for controlling the active leaks occurring in the District, the Commission cannot allow the system to deteriorate unabated, even as the District undergoes its energy transition thus, a strategically focused pipe replacement program needs to be considered to avoid cascading leaks in the future by replacing aging, leak-prone high-risk mains and services, thereby enhancing the safety, reliability, and GHG emissions for the District residents until the plans for full electrification are solidified.

48. It is within this context that it is clear that our pipeline replacement program needs to be revised to better align with both Federal and District climate initiatives. Therefore, we believe that it is necessary for WGL to file a new restructured PIPES plan to ensure safe and reliable operation of the natural gas system that appropriately aligns with the District’s Climate goals. The Company’s new approach must balance the need to replace leak-prone, highest-risk pipe segments to prevent dangerous cascading and potentially hidden “super emitter” leaks before they happen while minimizing the stranded assets as the District continues to undergo the energy transition. The new PIPES plan shall be based, in part, on the Commission’s accepted findings and modifications to the Continuum PIPES 2 Audit recommendations that are summarized below and further discussed in the Addendum attached to this Order. We believe that the new restructured plan will allow WGL to take a strategically targeted approach to pipe replacement, preventing future leaks and reducing GHG emissions in the District.

49. Accordingly, we direct WGL to file a new restructured Pipes Application that targets the highest-risk segments of the aging, leak-prone mains, and services in the District for a period of three years (2025-2027) within 45 days of the date of the Order. The Commission expects WGL’s new Application to reflect a focused approach, demonstrating the critical balance between reductions in future leaks and GHG emissions against the risk of stranded assets as the District continues its energy transition. The Commission acknowledges the reality of the need to change the focus of the pipe replacement program to address the District’s climate policies, which promote electrification as opposed to use of natural gas.<sup>123</sup> Therefore the Company’s new

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<sup>120</sup> Rocky Mountain Institute, *Non-Pipeline Alternatives: Emerging Opportunities in Planning for U.S. Gas System Decarbonization* (2024), <https://rmi.org/insight/non-pipeline-alternatives/>.

<sup>121</sup> *Id.* at 3.

<sup>122</sup> *See, e.g.*, PIPES 3 Application, Exhibit A, Testimony of Witness Jacas at 25.

<sup>123</sup> NARUC Task Force on Natural Gas Resource Planning research shows states in the northeast with similar clean energy and decarbonization goals that also have accelerated pipe programs and continue to review and revise

Application should be narrowly focused on the aging highest-risk pipe segments that are highly susceptible to leaks, increased GHG emissions from leaks, and subsequent failures in the near future if not replaced. The Application should focus on originally conceived 40 plus year replacements based on only pipe age and material type. The change in focus will contract the scope of the work that is necessary in addressing the District’s aging infrastructure with the highest risk to help maintain the safety and reliability of the gas distribution system. In addition to redefining a “new normal” (*i.e.*, electrification and targeted replacement as opposed to the complete replacement of over 400 miles of aging, high risk pipelines ) and new targeted prioritization of highest-risk segments of the aging leak prone pipe replacements, the Commission also expects the Company’s new restructured pipe replacement plan to reflect the actual rates of replacements seen over the first 10 years of *PROJECTpipes* and incorporate the lessons learned and the Commission’s directives based on the Continuum Audit to establish an achievable “new normal” for accelerated replacements.

50. Additionally, WGL’s new PIPES plan must demonstrate greater cost effectiveness. In 2022, WGL reported that the cost of replacing main pipelines was \$7.8 million per mile. While WGL has attributed these high costs due to factors such as operating in a dense urban environment, adherence to safety protocols, and compliance with District regulations,<sup>124</sup> a review of similar pipe replacement programs across the Northeast reveals that no other utility incurs costs as high as the costs that WGL submits in the PIPES 3 Application.<sup>125</sup> Indeed, the proposed budget for PIPES 3, totaling \$671.8 million, underscores the need for a more cost-effective approach, as that figure is excessively steep, and ratepayers would bear the financial burden.

51. The new Application shall include the following items reflecting lessons learned during the first 10 years of PIPES:<sup>126</sup>

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their plans appropriately. *See generally*, <https://www.naruc.org/committees/task-forces-working-groups/task-force-on-natural-gas-resource-planning/state-policies/>.

<sup>124</sup> WGL Audit Comments at 15-16.

<sup>125</sup> For example, even when compared against Con Edison’s application for recovery of its Leak-Prone Main Replacement Program, the estimated cost of their 2022 plan was \$965 per foot. This estimate equals roughly \$5 million per mile. The Commission cannot fathom that WGL’s pipe replacement program is more expensive than that of a utility that covers Manhattan, Brooklyn, Queens, Bronx, Staten Island and Westchester. WGL must present a more cost-effective program in a new PIPES Application.

<sup>126</sup> We note that the Partial Concurrence recommends that *PROJECTpipes* be rethought by collecting a variety of data/information, creating a digital map and dataset, and by creating an integrated infrastructure plan. Partial Concurrence of Commissioner Beverly at 5-7. However, we believe that the Concurrence’s approach presents challenges in that it, in part, seeks critical infrastructure information such as the location of all distribution system pipes and other infrastructure—and their age, material, pressure, and condition, to which the Commission only requires access if there is an emergent need. Additionally, some of the requested information may not be useful since it deals with moving targets such as the location, concentration, volume, and grade of leaks. In addition, some of the requested information (such as data on fugitive methane emissions from distribution system leaks) can be found in other formal case matters, specifically *Formal Case No. 1162*. Finally, the Partial Concurrence seeks information on the impact of existing climate legislation on baseline gas demand, which is already addressed in *Formal Case No. 1167*’s implementation of the Climate Business Plan.

- a. Miles of aging high-risk leak-prone main replaced to date per year by program and material type (*e.g.*, cast-iron, bare and unprotected steel, etc.);
- b. The number of aging high-risk leak-prone services replaced to date per year by program and material type (*e.g.*, copper, bare and unprotected steel, etc.);
- c. Miles of aging high-risk leak-prone main remaining to be replaced by program and material type;
- d. The number of aging high-risk leak-prone services remaining to be replaced by program and material type;
- e. Current estimated leak rates for existing pipes by material type (including methodology for calculation);
- f. Expected completion date for each program based upon current replacement rates, replacements to date, and remaining work to be completed. These estimates should include a detailed analysis of the need to replace the identified high-risk pipes and the ability to achieve this completion target;
- g. Expected replacements by program and material for the three-year period;
- h. Provide the basis for the proposed annual budgets for the three-year period;
- i. Explain how, if at all, ALD is incorporated into proposed project selection. Specifically, whether leaks identified via ALD are processed differently in the risk modeling software than leaks found through traditional sources;
- j. For proposed planned replacements for the next three years, provide a method for tracking estimated leak reductions and GHG emissions reductions that considers the actual condition, previous leaks, and material type of the pipes actually replaced (in contrast to the current approach for calculating fugitive emissions, which relies on general assumptions based on the pipe material).<sup>127</sup> Figures shall be reported as annual reductions from each year of work, not cumulative totals, and shall include detailed explanations of the methodology used to calculate the avoided leaks and GHG emissions;
- k. Explain how JANA Lighthouse will aid in a project prioritization that aligns with the District's climate goals, including projections on GHG emission reductions and preventing leaks each year. This should include details on how JANA produces risk scores and risk rankings;

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<sup>127</sup> The Commission seeks estimated GHG emission reductions as the Commission is not aware of any current industry standard for direct measurement of fugitive emissions.

- l. Explain how the restructured targeted replacement program would account for any electrification programs within the District. This explanation should include specific plans for coordination with interested stakeholders and the D.C. Government to ensure that replaced pipes are not expected to be decommissioned within 10 years of installation;
- m. Identify the number of miles of mains and number of services that can be decommissioned each year of the program either due to abandonment of redundant facilities or customers pursuing electrification opportunities on radial portions of the system;
- n. Explain how “normal” replacements will be differentiated from targeted “accelerated” replacements under the new program. Identify criteria beyond material type(s) and potential program qualification that will be used by WGL when categorizing whether a replacement is “normal” or “accelerated;”
- o. Explain and demonstrate the need for a surcharge recovery mechanism for the new restructured pipe replacement program;<sup>128</sup>
- p. Other than pipe replacements, identify techniques, technologies, strategies, or other options the Company considered to reduce the leak rates and risk of the aging leak-prone pipes in the distribution system;
- q. Provide the results of the formal assessment on internal versus external crew usage; and
- r. Provide any results from WGL’s industry peer review on construction execution best practices begun in 2023,<sup>129</sup> including explaining the impacts on cost and schedule of any unique construction conditions in the District.<sup>130</sup>

52. In addition to more narrowly targeted replacements of the highest-risk segments of the aging, leak-prone pipe, the new restructured pipes replacement plan shall incorporate the Commission’s directives based on Continuum’s Audit as outlined in the summary below:

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<sup>128</sup> It is noted that prior to receiving surcharge recovery for pipe replacement, the Company replaced more miles of main, at a lower cost, using their capital expenditure budget. *See Formal Case No. 1154*, Notice of Commissioner Beverly, filed January 8, 2024.

<sup>129</sup> WGL Audit Comments at 15-16.

<sup>130</sup> According to WGL their costs are driven (in part) by an extremely restrictive permitting and work environment in the District. *Id.* We believe that requiring WGL to quantify the costs of any permitting restrictions will give the stakeholders a better understanding of these costs in comparison with other jurisdictions.

Table 1: Summary of Continuum Recommendations			
Continuum Audit Recommendation	Task	Description	Commission Action
1.1 Variance Analysis	1	Comply with requirements to complete variance analysis and formally use this to make process improvements to actual variance	Accept
1.2 Project Addition Flexibility	1	Increase flexibility for WGL to backfill work	Reject
2.1 Retain but modify Program 1	2	Remove Grade 1 leaks from PROJECT <i>pipes</i> replacements, maintain scattered services projects otherwise	Accept
2.2 Services Life of Plan	2	Increase Life-of- Plan reporting and planning for Program 1 (services)	Accept
2.3 Small Diameter Main Focus	2	Develop a dedicated program to focus on small-diameter main	Partially Accept; use diameter as a "tiebreaker" for similar risk projects
2.4 EVA Program	2	Apply Earned Value Analysis ("EVA") techniques for planning and reporting	Accept

Table 1: Summary of Continuum Recommendations			
Continuum Audit Recommendation	Task	Description	Commission Action
2.5 Integrated & Resource Loaded Schedule	2	Develop a fully resource-loaded schedule across all PROJECT <i>pipes</i> programs with reporting on the current status of the overall accelerated pipe replacement program	Accept
2.6 Accountability for Cost Estimates	2	Have Project Manager sign off on cost estimates before they are finalized	Accept
2.7 PMO Strategic Planning	2	Have the Project Management Office (“PMO”) complete planning every 2-3 years instead of 5	Accept
2.8 Project EVA, Resource Loaded & Integrated Schedule	2	Apply EVA techniques at a project level and update schedules to reflect fully resource-loaded planning	Accept
2.9 Standard Reconciliation Reporting	2	Standardize reporting using PIPES 1 format for PIPES2 and new PIPES reports	Partially Accept; require WGL to submit consolidated reporting on all programs by year in future annual reports
2.10 Dashboard Augmentation	2	Improve PROJECT <i>pipes</i> Dashboard to include Life-of- Plan totals with year-over-year comparisons	Accept

Table 1: Summary of Continuum Recommendations			
Continuum Audit Recommendation	Task	Description	Commission Action
2.11 Life-of-Plan Reporting	2	Provide reporting to the Commission on Life-of-Plan expectations	Accept
2.12 17-page executive summary for the PIP	2	Create a 17-page "at a glance" summary for the PIP, including EVA and Life-of-Plan information	Accept
2.13 Cost Driver Conference Recommendations	2	Take steps to implement discussed improvements from the Technical Conference	Accept
2.14 Internal Crew Usage	2	Evaluate using internal crews instead of external contractors for <i>PROJECTpipes</i>	Accept
2.15 Best Practices Comparison	2	Conduct Benchmark of Best Practices with other urban utilities	Accept
2.16 GIS System Adoption	2	Adopt GIS system mapping tied to GPS coordinates to allow more accurate tracking of assets and listing of projects	Reject; this is premature and will be evaluated once WGL implements its new mapping software

Table 1: Summary of Continuum Recommendations			
Continuum Audit Recommendation	Task	Description	Commission Action
2.17 New Technology Investigation	2	Set up new efforts in the District targeting two new techniques, processes, etc., each year	Accept
3.1 Document Accuracy	3	Develop a Formal Document review process	Accept
3.2 File Nomenclature	3	Develop a file nomenclature process for Class 3 estimates that shows the document is the final document	Accept

53. We note that the benefits of electrification efforts are the reduction of GHG emissions and reducing expenditures on an aging gas distribution system. While the District has moved beyond pilot projects for electrification to fully developed programs, the Commission notes that we have seen a lack of coordination between WGL and electrification programs in the District. As we continue to advance the District’s climate goals, the Commission acknowledges that there is a need for more coordination amongst District entities and stakeholders to examine how to best address moving towards the decommissioning of main pipelines. Accordingly, we encourage the Company to engage all interested stakeholders in a robust discussion identifying critical policy questions that WGL should address in developing the Company’s new plan, and the Commission must consider when evaluating the Company’s new application, in addition to the items identified by the Commission in paragraphs 48-52 prior to the filing of the new PIPES application.

**Procedural Schedule**

54. The Commission adopts the following procedural schedule to consider the new WGL plan. The Commission believes that the procedural schedule affords parties the requisite amount of time to meaningfully assess the Company’s new Pipes Application in developing a comprehensive evidentiary record for the Commission’s consideration of this matter. The Commission also believes the adopted schedule recognizes and accommodates the parties’ case preparation.



<b>Date</b>	<b>Action/Deliverable</b>
6/12/24	Case Opening/Procedural Order
7/29/24	WGL Files Revised Application and Discovery Begins
9/12/24	Direct Testimony and Exhibits of OPC and Intervenors
10/14/24	Rebuttal Testimony and Exhibits of OPC/Intervenors
10/21/24	Settlement and Stipulation Conference
11/4/24	Discovery Ends
11/4/24	Joint Statement of Stipulation of Facts and Settlement Conference Report
11/8/24	Prehearing/Status Conference
11/22/24 (Friday) 11/25-26 (Monday and Tuesday - Thanksgiving week)	Evidentiary Hearings- <b>if needed</b>
12/10/24	All Post-Hearing Briefs

### **Prehearing/Status Conference and Proposed Issues**

55. The Commission directs the parties to meet in conference and prepare a Joint Prehearing Statement identifying the material issues of fact in dispute (if any). Once the parties have identified any material issues of fact, the Commission directs each party to submit a list of witnesses to be called, briefly describe the purpose of the testimony (*i.e.*, link the testimony to one or more material issues of fact), and provide an explanation for why the witness’s oral testimony will give meaningful insight that the written testimony does not. Providing this information assists the Commission in streamlining the proceedings, so we can better determine if material issues of fact in dispute require an evidentiary hearing. Following usual Commission policy, we will only hold an evidentiary hearing if we determine that material issues of fact are in dispute in this proceeding.<sup>131</sup> In addition, the Joint Prehearing Statement shall include a Joint Stipulation signed by all parties to the Joint Stipulation, and it shall be treated as a conclusive admission by the parties to the issues in Joint Stipulation and, except where justice requires it, the Commission will not permit a party to qualify, change, or contradict a stipulation in whole or in part. Note that at the Prehearing/Status Conference, Commission Staff will be responsible for reviewing the Joint Statement and Joint Stipulation in order to identify the material issues in dispute and will address

<sup>131</sup> By “material issues in dispute,” the Commission means disputes that are pivotal to the Commission’s ultimate decision in this matter. *See, Lopez v. Council on American Islamic Relations Action Network, Inc.*, 826 F.3d 492, 496 (D.C. Cir. 2016). *See also, Formal Case No. 1116, In the Matter of Application for Approval of Triennial Underground Infrastructure Improvement Projects Plan*, Order No. 17627, ¶ 71, rel. September 9, 2014.

the remainder of the procedural schedule.<sup>132</sup>

### **Discovery**

56. Discovery in this proceeding is to be conducted in accordance with Commission Rules 122 through 126.<sup>133</sup> Once discovery concludes, the Commission will ask parties to identify genuine issues of material fact in dispute that would require a hearing.<sup>134</sup> If an evidentiary hearing is necessary, the evidentiary hearing is not to be used as the forum for the parties to conduct discovery. The Commission encourages the parties to use every available method of discovery, including depositions, to obtain answers to questions so that the parties can determine what, if any, material issues of fact in dispute cannot be resolved by the parties, and will be presented for the Commission to consider at the evidentiary hearing. Any objections to discovery requests must be served within five (5) business days after service of the request. Any follow-up discovery requests are due within five (5) business days of service, and any objections are due to such follow-up requests within two (2) business days. The parties shall consult with each other and attempt in good faith to resolve all discovery disputes prior to making an objection, and again prior to filing a motion seeking relief from the Commission. If parties cannot resolve a dispute, the aggrieved party may file a motion for relief within three (3) business days from service of the written objection. The opponent shall respond to the motion within two (2) business days of service of the motion. The motion and response shall be in letter format and shall each be limited in length to three (3) single-spaced pages with a 12-point or greater font. The letters must specify the dates and times of all consultations the moving party has had to resolve the dispute with the party failing to make the disclosure or discovery.

### **Delegation of Authority**

57. To ensure that procedural issues do not impede the parties' hearing preparations, the Commission delegates to its General Counsel, for this case only, decision-making authority for all procedural motions, such as motions for extension of time and for special appearance. Additionally, the General Counsel is directed to issue other scheduling notices as needed during this proceeding. Finally, the Commission directs the General Counsel to issue an initial decision on any motions to compel. Any party may file a petition for reconsideration of the General Counsel's decision with the Commission.

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<sup>132</sup> See *Formal Case No. 1154*, Order No. 20333, ¶ 9.

<sup>133</sup> 15 DCMR §§ 122-126 (2023).

<sup>134</sup> See, *Potomac Elec. Power Company v. Public Service Commission of the District of Columbia*, 457 A.2d 776, 789 (1983). The D.C. Court of Appeals has indicated that a fact is "material if a dispute over it might affect the outcome of a suit under governing law." (*Holcomb v. Powell*, 433 F.3d 889, 895 (D.C. Cir. 2006) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986))). The Court has further stated, "[A]n issue is 'genuine' if the evidence is such that a reasonable jury could return a verdict for the non-moving party." (*Holcomb v. Powell*, 433 F.3d 889, 895 (D.C. Cir. 2006) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986))).

**THEREFORE, IT IS ORDERED THAT:**

- 58. The PROJECT*pipes* 2 Audit Report is **ACCEPTED**;
- 59. Washington Gas Light Company's PROJECT*pipes* 3 Application is **REJECTED** and *Formal Case No. 1175* is **CLOSED**;
- 60. The Commission **OPENS** *Formal Case No. 1179*, In the Matter of Washington Gas Light Company's Strategically Targeted Pipe Replacement Plan;
- 61. The Commission **DIRECTS** Washington Gas Light Company to file an updated and restructured Strategically Targeted Pipe Replacement Plan Application in accordance with the directives prescribed in this Order within 45 days of the date of this Order; and
- 62. The Commission **ADOPTS** the Procedural Schedule set forth above.

**A TRUE COPY:**

**BY DIRECTION OF THE COMMISSION:**



**CHIEF CLERK:**

**BRINDA WESTBROOK-SEDGWICK  
COMMISSION SECRETARY**

**Addendum: Audit Report Summary**

1. The Continuum PIPES 2 Audit Report determined that WGL successfully met the replacement targets set by the Commission in Order No. 20671, and the Commission accepts the Audit findings that WGL completed the projects prudently, with sound engineering judgment, and constructional integrity. We also accept the Audit Report’s finding that the work WGL performed reduced the risk, leaks, and improved safety within the District. However, as further explained below, WGL’s new/updated accelerated pipe replacement Application shall be consistent with the specific recommendations.

2. For Task 1, Audit Report Recommendation 1.1 (Variance Analysis), the commission accepts the recommendation that WGL shall complete a variance analysis on any project that exceeds five percent (5%) positive or negative variance from that original estimate and formally use this analysis to make process improvements in estimation to actual variance.<sup>1</sup>

3. With respect to Task 2’s requirement to review the Liberty Management Audit (“LMA”) for PIPES 1, the Commission agrees with the Continuum Audit Report determination that WGL has incorporated the majority of the recommendations from the PIPES 1 LMA. The Audit Report makes 17 recommendations for Task 2, and we agree these 17 recommendations provide an opportunity for further improvement by WGL. The recommendations note cohesive planning from the various groups within the Company to increase accountability and coordination, from the planning of a program through execution. In conjunction with the specific Task 2 recommendations, the Commission directs that replacement of services triggered by Grade 1 leaks should be removed from PROJECT*pipes*, as this type of emergency work should be considered “normal replacements”.<sup>2</sup> The Commission agrees with Recommendation 2.1 to retain Program 1 (Scattered Services) as a separate program, but to remove all emergency work from eligibility even when the material replaced would otherwise qualify.

4. With respect to Recommendation 2.2 (Service-Life-of-Plan), of the three options presented (revise the estimated service that can be replaced; revise the forecasted end date; or propose a specific mitigation plan), WGL proposes to update completion dates for all programs consistent with Option 1.<sup>3</sup> Although we are moving away from a program that contemplates the complete replacement of all high-risk materials, we believe that there is still merit in an ongoing evaluation of the Company’s performance. WGL’s updated Application must also consider future electrification programs in the District.

5. The Commission accepts in part Recommendation 2.3 (Small-Diameter Main

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<sup>1</sup> Audit Report at 23. The Commission rejects Audit Report Recommendation 1.2, to allow more project addition flexibility, because we believe that the existing process for addition of projects is functional. With the additional concern of meeting DC climate goals, our review is necessary to ensure alignment with those goals as well as proper cost recovery.

<sup>2</sup> Audit Report at 46.

<sup>3</sup> Audit Report at 46-48. *See also* WGL Comments at 5.

## Attachment to Order No. 22003

Focus).<sup>4</sup> WGL's DIMP analysis and risk-modeling evaluation includes consideration of the risk from small diameter pipe along with the attempt to maximize total risk removed through the Risk Reduced per Dollar Spent ("RRDS") metric. WGL claims that the Company does not need to utilize a separate program specifically for a small diameter main;<sup>5</sup> however, the Commission believes more information is needed on the operation of WGL's JANA risk model and how it evaluates both small diameter and other types of main. The Recommendation otherwise reiterates the 2019 LMA recommendation. The Audit Report notes that, at a certain point, the RRDS<sup>6</sup> metric will be similar for many programs, including both large and small diameter mains, and at that point WGL will need to prioritize small diameter mains.<sup>7</sup> The Commission previously elected not to implement this Recommendation from PIPES 1 in favor of the RRDS approach. The Commission believes there is value in a tiebreaker or sub-prioritization as recommended by Continuum as many projects have had very similar RRDS scores, but the Commission does not believe a separate program is required at this time.

6. The Commission accepts Recommendation 2.4 (Earned Value Analysis Program) to allow the EVA techniques to be applied throughout the course of the accelerated mains replacement program; to establish a schedule and budget performance on the entirety of the accelerated mains replacement program; and report quarterly to senior executives, allowing for course corrections as necessary.<sup>8</sup> WGL indicated that the Company already performed an EVA reporting at the program level, and they plan to improve reporting and will submit a presentation of improvements within 6 months of approval of an updated Application and PIP updates.<sup>9</sup> Because of the PIPES 2 extension, and the evaluation period for a new Application filing, the Commission directs the Company to update the EVA implementation as part of this and any future PIPES plans.

7. The Commission accepts the Audit Report's Recommendation 2.5 (Integrated & Resource Loaded Schedule Program) to require WGL to develop a resource-loaded schedule that is fully integrated across planning, budgeting, engineering, design, permitting, construction, and close out, for the entirety of the accelerated mains replacement program, and updated quarterly to demonstrate the progress and accuracy of the schedule and resource forecast.<sup>10</sup> The updated processes shall contain a master schedule, as OPC requests<sup>11</sup>, with all the components of an integrated schedule recommended by the Audit Report. We believe fully integrating the design,

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<sup>4</sup> Audit Report at 41, 50-57.

<sup>5</sup> WGL Audit Reply at 5-6.

<sup>6</sup> In PIPES 2, WGL was instructed to prioritize projects based upon risk reduced per dollar spent, which allowed them to remove the maximum total risk from the system with the available funds rather than solely prioritizing the highest raw risk score regardless of cost.

<sup>7</sup> Audit Report at 49-51.

<sup>8</sup> Audit Report at 58.

<sup>9</sup> WGL Audit Comments at 6.

<sup>10</sup> Audit Report 58-59.

<sup>11</sup> OPC Audit Comments at 1 and 8.

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budgeting, and planning process with the construction process will not only increase reporting visibility but will provide a complete view of the Company's plans and progress. The resource-loaded integrated schedule shall contain the following:

- a. Components:
  - i. Start dates, end dates, durations, remaining duration.
  - ii. Total quantities, remaining quantities.
  - iii. Resources.
  
- b. Activities:
  - i. Planning activities.
  - ii. Budgeting activities.
  - iii. Estimating activity.
  - iv. Design activities.
  - v. Contractor work distribution process as an activity.
  - vi. Permitting activity.
  - vii. Cover construction including various parts such as paving (currently included in annual project list).
  - viii. Close out activities.
  
- c. Framework:
  - i. Cost-loaded schedule.
  - ii. Labor loaded schedule.
  - iii. Program baseline schedule.
  - iv. Project by project breakdown.<sup>12</sup>

8. Audit Report Recommendation 2.6 (Accountability for Cost Estimates) recommends development of a requirement of accountability into the cost estimate and project management function, which will require the project manager to develop and/or sign off on the cost estimate before it is submitted to the Construction Manager for approval.<sup>13</sup> WGL indicates that the Company will consider whether Project Management department sign off should be incorporated into the process.<sup>14</sup> The Commission accepts this recommendation and directs this measure to be included in the new/updated Application.

9. Audit Report Recommendation ("ARP") 2.7 (PMO Strategic Planning) suggests that the PMO must go through the process of strategic planning every two to three years to align their plans and resources to an overarching construction and corporate strategies. The VP of Construction and/or ARP Executive Governance Committee is responsible for approving this plan or sending it back for refinement when presented.<sup>15</sup> WGL states that the Company works in five-year tranches for

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<sup>12</sup> Audit Report at 58.

<sup>13</sup> Audit Report at 61.

<sup>14</sup> WGL Audit Comments at 8.

<sup>15</sup> Audit Report at 61.

## Attachment to Order No. 22003

planning purposes, and that this long-range plan considers both available and needed resources for the PIPES programs. The plan is vetted by the Company's senior executive leadership for alignment with the Company's long-term strategic plans.<sup>16</sup> The Commission accepts the Audit Report recommendation of shortening the strategic plan, and directs that the new/updated Application provide for a three-year process to better align with the District's climate goals.

10. For Audit Report Recommendation 2.8 (Project EVA, Resource Loaded Integrated Schedule), the Commission accepts the recommendation that WGL is to apply EVA techniques to a subset of accelerated mains replacement projects in order to establish the schedule and budget performances. The Audit Report recommends building resource-loaded and fully integrated schedule as part of the PMO philosophy. The new/update plan shall utilize the same resource-loaded integrated schedule noted in Recommendation 2.5 for analysis.<sup>17</sup>

11. The Commission partially accepts Audit Report Recommendation 2.9 (Standard Reconciliation Reporting), which requires WGL to provide more robust and detailed reporting associated with the reconciliation reports prepared as part of PIPES 1.<sup>18</sup> The ability to accurately compare the performance each year to prior years is important in evaluating progress on any pipe replacement program. To that end, in the new/updated Application, WGL should maintain the presentation format and data set each year. Additionally, although WGL notes that the historical data is available in previous filings, we believe it would be an easier comparison of the data and to track progress for any PIPES program if the Company re-submitted a consolidated report on all PIPES 1 and PIPES 2 projects in a single format.

12. Audit Report Recommendation 2.10 (Dashboard Augmentation) proposes augmenting the existing PROJECT*pipes* program dashboard to include the following requirements: (a) Compare the total program units and costs plan to year-over-year and year-to-date actual performance, and provide a short (1-3 sentence) narrative describing if the entire program is on pace for successful completion; (b) When a monthly variance exceeds 10%, or an accumulated year-to-date variance exceeds 10%, a formal root cause analysis should be conducted to establish the source and cause(s) of the variance; and (c) When a monthly variance exceeds 10%, or an accumulated year-to-date variance exceeds 10%, a formal mitigation plan should be submitted to the VP of Construction and/or ARP Executive Governance Committee for approval and implementation.<sup>19</sup> WGL states that it uses the dashboard to update senior executives with metrics and graphs of actual performance (versus a 3-year plan) on a monthly basis, and to track year-to-date units, project management, and construction work in order to determine if corrective actions are necessary.<sup>20</sup> Although WGL maintains a robust year-to-date reporting infrastructure, the year-over-year and program total reporting is lacking and should be enhanced to ensure that

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<sup>16</sup> WGL's Audit Report at 9.

<sup>17</sup> Audit Report at 61-63.

<sup>18</sup> Audit Report at 63-64.

<sup>19</sup> Audit Report at 65.

<sup>20</sup> WGL Audit Comments at 11.

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the total program remains on course. Therefore, for the new/updated plan, the Commission accepts the recommendation to add year-over-year and sum-of-program reporting requirements to ensure the overall replacement of high-risk pipes if the District continues on schedule, and that WGL's program remains on track in support of improved safety, reliability, and the District's climate goals.

13. The Commission accepts Audit Report Recommendation 2.11 (Life-of-Plan Reporting; see also Recommendation 2.2), which requires annual performance reports to meet Life-of-Plan expectations. The reporting shall include the following: (a) Compare the Life-of-Plan expectation for units to year-over-year actual performance, and provide a short (1-3 sentence) narrative describing if the Life-of-Plan is on pace for successful completion; (b) When an annual variance against Life-of-Plan expectations exceeds 10%, a formal root cause analysis should be conducted to establish the source and cause(s) of the variance; and (c) When an annual variance against Life-of-Plan expectations exceeds 10%, a formal mitigation plan should be submitted to the VP of Construction and/or ARP Executive Governance Committee for approval and implementation.<sup>21</sup> WGL asserts replacing pipe throughout the District has reduced risk and GHG emissions, by the Company's calculations a cumulative 23,726 metric tons of CO2 equivalent to date.<sup>22</sup>

14. WGL also asserts the GHG performance metrics are already incorporated in filings in *Formal Case 1162*.<sup>23</sup> The Company argues that the dynamic nature of risk profile prioritization does not allow for reliable predictions of the exact mains to be replaced (including size, material, location, or specific services), and thus year over year comparisons are not possible.<sup>24</sup> The Company argues this complexity is further exacerbated by the difficulty to predict events such as rapid inflation or the COVID-19 pandemic. OPC argues the Audit Report's re-defining of a new normal for WGL lowers the standards for evaluating the Company's performance.<sup>25</sup> OPC also expresses concerns on the challenges of DC undergrounding work, as well as concerns on District ratepayers having to bear the cost for acceleration as the District transitions toward electrification.<sup>26</sup> The Commission notes that replacements play a significant role in ensuring the safety and reliability of the gas distribution system in the District. We believe that the pipe replacements completed through the PROJECT*pipes* program have significantly aided in the reduction of gas leaks, and in the maintenance of a safe and reliable gas system in the District. Keeping this in mind, we believe that the new/updated plan will need to establish a new baseline to help reflect the changing environment in the District, including the District's climate goals and ongoing electrification efforts. Although WGL submits robust annual reports on replacements,

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<sup>21</sup> Audit Report at 68-71.

<sup>22</sup> WGL Audit Comments at 11-13.

<sup>23</sup> WGL Audit Comments at 12.

<sup>24</sup> WGL Audit Comments at 13.

<sup>25</sup> OPC Audit Comments at 7.

<sup>26</sup> OPC Audit Comments at 7.



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costs and project status, those reports provide little information on the overall progress of PROJECT*pipes* against the long-term targets for pipe replacement. The Commission believes that accepting this recommendation and requiring WGL to include it in the new/updated plan will produce better Life-of-Plan reporting and analysis to ensure that PROJECT*pipes* remains on track as a cohesive plan to accomplish these objectives.

15. With respect to Audit Report Recommendation 2.12 (Executive Summary for the PIP), the Commission accepts the recommendation to provide a cover page plus three pages for each approved program (currently six approved programs): Current year, current year in PROJECT*pipes*, and current year in Life-of-Plan – (See Recommendation 2.2: Services Life-of-Plan, Recommendation 2.4: EVA Program, and Recommendation 2.11: Life-of-Plan for related commentary). The new/updated plan shall include: (1) an executive summary that provides the current year compared to both the Annual Project List, and the overall approved plan filtered by sub-program; (2) Program 10 performance as related to each sub-program to help track progress on each material category; and (3) current crews and estimates on crews required to complete the current PIPES plan.<sup>27</sup>

16. The Commission accepts with modifications the Audit Report Recommendation 2.13 (Cost Driver Conference). The Audit Report recommends encouraging WGL to take definitive action with respect to its interaction with DDOT and to implement, refine, or define why they are inappropriate, and annually report these efforts as part of the PIP.<sup>28</sup> The recommendations or actions include: (a) develop a committee (DDOT Regulation Refinement Committee) comprised of affected utilities and interested stakeholders to present a cost and impact analysis of DDOT's current requirements and propose changes to DDOT's regulations to the D.C. Council; (b) assist the DC UCC regulation refinement efforts by participating in the Utility Coordination Committee (UCC), which includes utilities operating in the District of Columbia and DDOT, to allow discuss issues affecting all participants, such as proposed DDOT regulation changes and impacts on ratepayers, better coordination on projects, and comparison of permit approval requirements; and (c) Conducting a formal Impact Study on permitting in D.C. Code and regulations to suggest ways to streamline the permitting process.<sup>29</sup> WGL states that the Company solicits external stakeholder involvement and that it is not opposed to these recommendations.<sup>30</sup> The Commission recognizes that this has been an ongoing challenge for WGL, and permitting delays affects the Company's productivity and costs. The Commission will facilitate additional technical conferences with DDOT and WGL to continue the ongoing dialogue started in 2023.

17. Audit Report Recommendation 2.14 (Internal Crew Usage) makes a formal assessment of the opportunity, strengths, and weaknesses of internal crew use by WGL as part of a larger capital construction and O&M strategy to support PROJECT*pipes* Life-of-Plan

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<sup>27</sup> Audit Report at 43, 71-72.

<sup>28</sup> Audit Report at 43-44, 80-81.

<sup>29</sup> Audit Report at 44 and 80.

<sup>30</sup> WGL Audit Comments at 14.

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requirements at each PIPES renewal, or every five years, whichever is shorter.<sup>31</sup> WGL states the Company appreciates the flexibility to use internal and external crews, but the Company will make a formal assessment of internal/external crews in a PIPES renewal request.<sup>32</sup> In addition, WGL notes that it has benchmarking analysis for 2023 for similar utilities, in accordance with Audit Report Recommendation 2.15, and will evaluate the results.<sup>33</sup> WGL ALSO noted the Company plans to include their evaluation of new technologies with the PIPES 3 Annual Report, as recommended by Audit Report Recommendation 2.17.<sup>34</sup> PWBLDC asserts the Commission should reject the recommendation and notes the extensive training necessary to bring on qualified crews.<sup>35</sup> The Commission accepts Recommendation 2.14 and modifies the recommendation to include the suggested evaluations to be added to the restructured PROJECT*pipes* Application. The new/updated plan should include the aforementioned modifications.

18. The Commission accepts Audit Report Recommendation 2.15 (Urban Challenges Benchmark/Best Practice Comparison), which suggests that WGL perform a benchmark and best practice comparison of major urban cities where critical coordination on underground infrastructure construction is necessary among city permitting authority, city transportation authority, electric utility, gas utility, and separate 811 authority. The objective of this study is to establish the process specifically used to coordinate underground construction, and then document the best practices used to control cost, protect the public, and speed the resolution of work. Areas that should be used for potential benchmark and best practice comparison include:<sup>36</sup>

City	Gas	Electric	Separate 811
Birmingham, AL	Spire	Alabama Power	No
Boston, MA	National Grid	Eversource	No
Brooklyn, NY	National Grid	ConEd	Yes
Chicago, IL	Peoples Gas	Exelon	Yes
Columbus, OH	NiSource	AEP	No
Jacksonville, FL	TECO	JEA	No
Las Vegas, NV	Southwest Gas	NV Energy	No
Los Angeles, CA	SoCal Gas	LADWP	No
Philadelphia, PA	PGW	PECO	No
Phoenix, AZ	Southwest Gas	Arizona Public Service	No
St. Louis, MO	Spire	Ameren	No

19. WGL conducted a benchmark assessment in 2021 to evaluate contract rates and terms, and concluded their rates were below benchmark averages. In 2022 Q4 the Company established a Business Transformation Office for the purpose of evaluating potential process

<sup>31</sup> Audit Report 44 and 90.

<sup>32</sup> WGL Audit Comments at 14.

<sup>33</sup> WGL Audit Comments at 14.

<sup>34</sup> WGL Audit Comments at 17-18.

<sup>35</sup> PBWCLD Audit Comments at 2-3 and 6-7.

<sup>36</sup> Audit Report at 44, 98-99.

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improvements. In 2023, WGL supported an industry peer review of construction best practices and plans to evaluate those results once they are available.<sup>37</sup> PBWCLD was supportive of the benchmarking recommendations and requested to be included in any benchmarking studies.<sup>38</sup> We believe that the recommendation of benchmarking and best practice comparisons with major urban cities is a good suggestion, even where WGL faces challenges that may not be comparable to other jurisdictions. WGL shall provide the results of their 2023 best practices evaluation and work with peers who have similar dense urban environments to evaluate further potential improvements and best practices.

20. Audit Report Recommendation 2.16 (GIS System Adoption), would require WGL to adopt a GIS system for asset mapping, and require notification through 811 using GPS coordinates.<sup>39</sup> In response, WGL contends it uses Smallworld as their GIS asset mapping, but plans to build out and transition to ESRI ArcGIS in 2Q of 2024, with completion in 2026, and will reevaluate mapping at that time. Smallworld is incapable of mapping with GPS accuracy.<sup>40</sup> The Commission rejects this recommendation as premature, since WGL is transitioning to a new GIS system for asset mapping that will not be operable until 2026. The evaluation of the new software will be part of future prudency review and rate case evaluations and should be handled at that time.

21. Audit Report Recommendation 2.17 (New Technology Investigation) recommends WGL create a continuous process improvement effort in the District with a target of investigating a minimum of two new techniques, processes, and excavation methods on an annual basis. The results of the tests on the impact on reduced cost incurred, field production, and safety should be reported annually to VP of Construction and/or ARP Executive Governance Committee.<sup>41</sup> WGL asserts the Company participates in numerous natural gas industry resource groups and is continuously looking to improve process and construction practices. WGL states it continues to evaluate areas of improvement and will formally document any technologies considered for implementation in the District on an annual basis as part of a PIPES 3 reporting requirements.<sup>42</sup> The Commission accepts the recommendation and directs WGL to also include in the annual report any operational or technological differences in Virginia and Maryland and the rationale for those differences.

22. Task 3 of the Audit required review of excess costs in *Formal Case No. 1142* Merger Commitment No. 72. The Audit Report concluded that WGL incorrectly calculated the baseline (target) value for Program 2 in their Year 6 (2019-2020) filings.<sup>43</sup> The error was the result

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<sup>37</sup> WGL Audit Comments at 15-16.

<sup>38</sup> PBWCLD Audit Comments at 6.

<sup>39</sup> Audit Report at 44, 101.

<sup>40</sup> WGL Audit Comments at 16.

<sup>41</sup> Audit Report at 44, 103.

<sup>42</sup> WGL Audit Comments at 17-18.

<sup>43</sup> Audit Report at 109.

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of incorrectly stating the target unit cost was \$1,078 instead of \$1,048. As a result, there was an approximate \$9,333 increase over the reported excess cost. WGL previously indicated it would remove the excess costs from their upcoming reconciliation filing in March 2024 and adjust the Current Factor at that time, as the error wouldn't affect customers billing rates in 2023. This adjustment was completed and incorporated into the 2024 surcharge.<sup>44</sup> There were no other errors in calculation for the baseline and actual costs, resulting in accurate excessive costs calculations and adjustments.<sup>45</sup> The Report also notes that the nomenclature needs to be consistent in preparing the annual American Association of Code Enforcement Class 3 cost estimates, so that it will be less difficult to determine the numbers used in the final submission for annual projects.

23. The Audit Report Recommendation 3.1 (Document Accuracy) recommends that WGL develop a formal document review process to improve accuracy of documents.<sup>46</sup> WGL indicates that the Company will enhance their current document process to include formal review and approval from the directors of Construction, Construction Management, and Construction Program Strategy and Management. Such enhancement will be documented in the PIP and will be added to Governance dashboards to ensure that tracking of Commitment 72 requirements is part of regular reporting.<sup>47</sup> The Commission accepts the recommendations for document improvement and monitoring accuracy.

24. The Commission accepts the Audit Report Recommendation 3.2 (File Nomenclature) requiring the Company to develop a file nomenclature process for Class 3 Estimates that would clarify a document is a final document.<sup>48</sup> The new/update Application should include detailed information on the nomenclature process for Class 3 Estimates.

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<sup>44</sup> WGL response to PSC DR 19-1

<sup>45</sup> Audit Report at 109.

<sup>46</sup> Audit Report at 109.

<sup>47</sup> WGL Audit Comments at 18-19.

<sup>48</sup> Audit Report at 109.

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

**June 12, 2024**

**FORMAL CASE NO. 1175, IN THE MATTER OF WASHINGTON GAS LIGHT  
COMPANY'S APPLICATION FOR APPROVAL OF PROJECTPIPES 3 PLAN; and**

**GD-2024-01-G, IN THE MATTER OF THE PETITION FOR AN INVESTIGATION INTO  
WASHINGTON GAS LIGHT COMPANY'S NATURAL GAS INFRASTRUCTURE**

**PARTIAL CONCURRENCE OF COMMISSIONER BEVERLY  
TO ORDER NOS. 22003 & 22004**

1. I concur with the majority opinions insofar as they dismiss the PIPES 3 Application and open the investigation that OPC has requested. However, in my opinion, we need to go farther and rethink our entire approach to pipe replacement and leaks and make it part of one plan involving every related issue regardless of the case in which it arises, rather than fragmented into two or more separate proceedings as the majority opinion does. Because my view covers Order No. 22003 and Order No. 22004, I have filed a single statement in both *General Docket 2024-01-G* and *Formal Case No. 1175*.

2. As I have said in a prior dissent, there is inadequate evidence that PROJECTpipes is significantly more successful with the surcharge than it is without it. Because the surcharge is extremely expensive and ratepayers are hemorrhaging cash, I think the new approach should begin with immediately suspending the surcharge<sup>1</sup> and then use the investigation proposed by OPC to develop an integrated planning framework as suggested by 10 Councilmembers in their February 8, 2024, letter to us.<sup>2</sup>

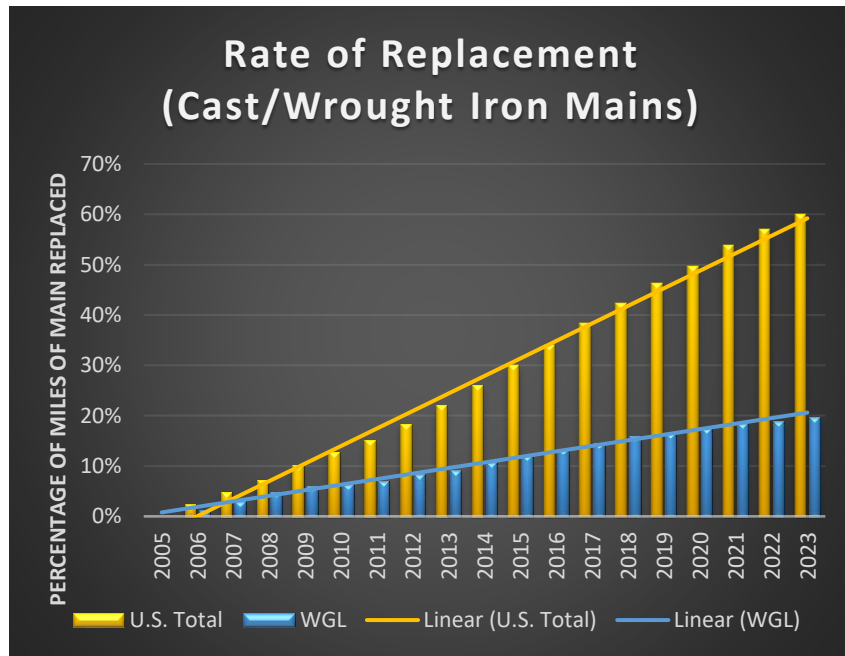
3. The approach in the majority opinion essentially invites the Company to file a new plan that is likely to be much the same as the plan it replaces. I recognize that the majority opinion directs the company to justify surcharge recovery as part of a new pipes plan but doesn't give the company any incentive to do anything but repeat what it has already said, especially since the majority opinion is wrapped in a review of the audit that doesn't suggest any change in direction. To be clear, I don't expect an auditor to examine policies. Instead, I expect the auditor to limit the audit to a determination of whether the Company did as we told them to do. However, my question is not whether the Company followed directions but whether, as a matter of policy, we need to change course.

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<sup>1</sup> Instead of a surcharge, I think WGL should continue with normal pipe replacement that is subject to review under a traditional rate case.

<sup>2</sup> Signatories included: Chairman Phil Mendelson, Councilmember Charles Allen, Councilmember Matthew Frumin, Councilmember Vincent C. Gray, Councilmember Christina Henderson, Councilmember Janeese Louis George, Councilmember Brienne K. Nadeau, Councilmember Zachary Parker, Councilmember Brooke Pinto, and Councilmember Robert C. White Jr.

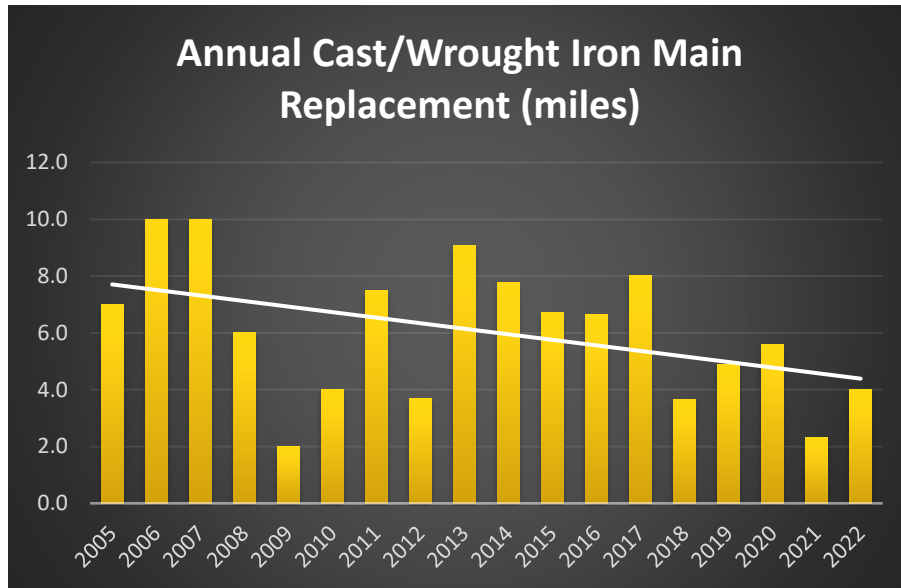
4. In examining the Company’s performance, I asked my Office to examine the available data from PHMSA, which tracks inventories of both cast/wrought iron and unprotected steel nationwide, and compare our progress to national trends. My office has provided charts below, but I invite other parties to provide their own graphical interpretations of PHMSA’s data or other datasets.



5. The chart above illustrates the rate of replacement of cast/wrought iron mains, both by WGL and nationwide, using 2005 as a baseline year. By 2023, nationally, 60% of iron mains had been replaced, while WGL had replaced 20%. At the current rate, the U.S. is set to replace iron mains by 2035, while it will take WGL until 2094.<sup>3</sup> I also note that according to PHMSA, the U.S. has about 1% iron mains remaining,<sup>4</sup> while WGL has over 32%.

<sup>3</sup> I focus on iron mains here because, according to PHMSA’s inventory, they constitute over 32% of the main miles in the District of Columbia. Conversely, iron services represent 0% of the District’s services, bare steel mains represent 1.6% of the District’s mains, and bare steel services represent 4.3% of the District’s services.

<sup>4</sup> <https://www.phmsa.dot.gov/data-and-statistics/pipeline-replacement/pipeline-replacement-background>



6. The chart above illustrates the miles of iron mains replaced by WGL (across all jurisdictions) since 2005 based on PHMSA’s inventory. The replacement of iron mains does not appear to be occurring at an “accelerated” pace, either compared to WGL’s pre-2013 pace or compared to the U.S. as a whole. Without evidence that the program has resulted in accelerated pipe replacement, I don’t see the justification for giving WGL accelerated cost recovery.

7. There is also the issue of overall cost. Based on the most recent data WGL provided in *Formal Case No. 1154*, for the last full year of data (2022), the cost per mile was about \$7.8 million (in 2028 dollars, this would be about \$9.2 million per mile).<sup>5</sup> For comparison, WGL’s projected per-mile cost of replacement under the STRIDE program in Maryland for 2028 is \$4.3 million per mile (less than half WGL DC’s costs), even though WGL has by far the most expensive cost of pipe replacement in Maryland.<sup>6</sup> The cost of service replacement for WGL in DC in 2022 was about \$23,000 per service, and the total cost of service replacement was more than the amount spent on mains for 2022. BG&E’s total service replacement budget was only 15% of the overall STRIDE 2 budget.<sup>7</sup> It is unclear why the costs for both main and service replacement in the District of Columbia are so elevated or why service replacement constitutes such a large portion of the spending for the program. The majority’s Orders have asked WGL to justify its inflated prices, , and therefore I expect WGL’s next Application to be similarly priced with WGL’s provided justification.

<sup>5</sup> *Formal Case No. 1154*, Washington Gas Light Company’s Response to Order No. 21940. January 4, 2024. Attachment A.

<sup>6</sup> BG&E’s costs are \$2.6 million per mile and CMD’s costs are \$2.8 million per mile. I note that this discrepancy is on top of the larger rate increase that WGL received in D.C. \*(\$25 million) vs. Maryland (\$10 million).

<sup>7</sup> Office of the People’s Counsel of the State of Maryland, Maryland Gas Utility Spending. November 2023. <https://opc.maryland.gov/Portals/0/Files/Publications/Reports/GasUtilitySpending%2011-5-23%20FINAL.pdf?ver=QdfdqphWg8P8SSpjtB29YQ%3d%3d>

8. When we shift from pipeline safety to climate issues, the situation doesn't improve. As pointed out by the 10 Councilmembers, the City's carbon neutrality goals are laid out in the Climate Commitment Amendment Act of 2022. Although we adopted the 5-year targets in the Climate Commitment Act for both utilities on December 8, 2023,<sup>8</sup> we have not yet issued the order establishing next steps for Pepco and WGL's reporting requirements.<sup>9</sup> The majority's Order asks WGL to submit a new plan that aligns with the District's targets, however the next GHG reduction milestones in the Climate Commitment Act are in 2025 (45% reduction from 2006) and in 2030 (60% reduction from 2006). To me, it would make sense to first issue the Order establishing the GHG reporting requirements, and then to have WGL develop 5-year integrated plans that align with the Climate Commitment Act.

9. Our view on whether the Pipes program is also a climate program tends to vacillate. In Order No. 21960, the majority leveraged GHG reductions as a reason for extending Pipes 2 for 12 months: "We...note that the proactive replacement of high-risk vulnerable main and service pipes reduces future greenhouse gas ("GHG") emissions."<sup>10</sup> However, in Order No. 22004 granting OPC's Petition, the majority underscores that Pipes is not a leak management program and therefore should not be part of the investigation.<sup>11</sup> In Order No. 22003 addressing Pipes 3, the majority again relies on the need to manage leaks and GHG emissions to justify a revised Application from the Company, going so far as to explicitly ask the Company to align its revised Application with the District's climate mandates.<sup>12</sup>

10. If we want to measure a reduction in GHG emissions from existing leaks and develop an effective plan, we need actual data rather than estimates of fugitive methane emissions as well as data on the location, concentration, and flow rates of the existing leaks. Given the problems with prior leak surveys pointed out by DCG (where DCG found more leaks in just part of the city than WGL found in the entire city), I suggest that the Commission undertake its own leak baseline survey to capture the location of leaks, their concentration, flow rate, and grade, using a level of sensitivity the same or higher than was used in DCG's survey.

11. My office has undertaken some analysis regarding the GHG impact of the Pipes program to date. The most recent estimates that WGL has provided regarding the impact of the Pipes program on GHG emissions is an avoided 23,726 metric tons of CO<sub>2</sub>e over ten years.

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<sup>8</sup> See *GD2019-04-M*, Order No. 21938, ¶ December 8, 2023.

<sup>9</sup> See Order No. 21938, ¶ 30: "Since the filing of the BCA Report, the D.C. Council has established interim targets for the District of Columbia. The Climate Commitment Act of 2021 adopted several interim targets on the path to carbon neutrality by 2045 based on reductions from 2006 as the baseline year: 45% reduction by 2025, 60% reduction by 2030, 70% reduction by 2035, and 85% reduction by 2040. The Commission adopts those targets for Pepco and WGL and will issue an order prescribing next steps on reporting requirements for both Pepco and WGL related to these targets."

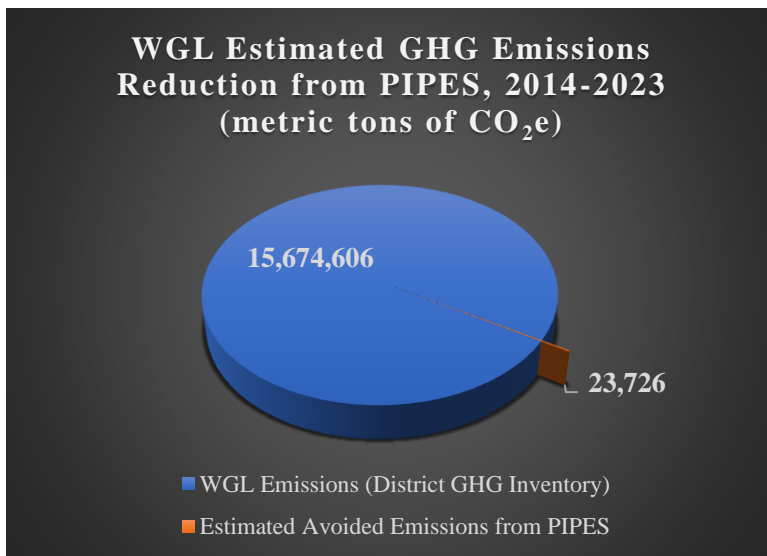
<sup>10</sup> See Order No. 21960, ¶ 12.

<sup>11</sup> See *Formal Case No. 1178, In the Matter of the Petition for Investigation Into Washington Gas Light Company's System Leak Reduction Practices*, No. 22004, ¶ 15, rel. June 12, 2024.

<sup>12</sup> See *Formal Case No. 1179, In the Matter of the Investigation Into Washington Gas Light Company's Strategically Targeted Pipe Replacement Plan*, Order No. 22003, ¶ 47-49, rel. June 12, 2024.



Without actual GHG emissions data from leaks, we have to rely on that estimate. The Commission has also recently adopted a social cost of carbon for use in our forthcoming BCA framework that allows us to assess the benefits of such avoided emissions, which is \$160 per metric ton. Therefore, if we assume WGL’s GHG estimates are correct for the sake of the calculation, the program has achieved approximately \$3.8 million in climate benefits since 2014. For comparison, the total cost of the program to date has been over \$305 million. We can also look at those savings in terms of WGL’s overall GHG footprint. According to the District’s GHG inventory, WGL’s total GHG emissions over the period from 2014-2023 was 15,674,606 metric tons of CO<sub>2</sub>e. Based on WGL’s estimate, without *Projectpipes*, WGL’s emissions over that period would have been 15,698,332 metric tons of CO<sub>2</sub>e, representing a reduction of 0.15%. A graphic representation of these estimated avoided GHG reductions is included below. Clearly, Pipes is not a climate program, and was never intended to be one. However, as DCG has pointed out, it is likely that a small proportion of the leaks on the system may be producing more than half of the fugitive methane emissions. Therefore, actual emissions data would allow the Commission to provide more specific direction to WGL regarding those super-emitting leaks to protect the climate.



12. I note that AOBA has flagged issues with lost and unaccounted for (“LAUF”) gas in the District, with WGL having one of the highest LAUF gas rates in the United States. This is a significant concern because the cost of LAUF gas falls on the backs of ratepayers and may reflect significant methane emissions into the atmosphere, whose impact is unknown due to the lack of GHG emissions reporting requirements. I would be interested to hear from stakeholders regarding the best practices from other jurisdictions for the regulation of LAUF gas, including but not limited to Performance Incentive Mechanisms (“PIMs”), or setting a cap on what may be transferred to rates.

13. In rethinking this initiative, we should begin our investigation by collecting the following information (subject to infrastructure security constraints):

- The location of all distribution system pipes and other infrastructure and their age, material, pressure, and condition
- The location, concentration, volume, and grade of leaks
- The volume of fugitive methane emissions from distribution system leaks for the purpose of calculating GHG impacts
- The impact of existing climate legislation on baseline gas demand
- The location and tariff class of all gas customers

14. To that end, I think the Commission should direct WGL to provide a digital map and dataset with the following layers and datasets:<sup>13</sup>

- Infrastructure Layer: location, length and diameter of pipes (including all mains and services); pipeline pressure; material; age; depreciation status; leaks per mile; interconnects; gate stations; compressor stations; and storage facilities.
- Replacement Layer: Pipes segments that have been replaced, length, year of replacement, and whether replaced under normal replacement, PIPES 1, PIPES 2, or *Formal Case No. 1027*;
- System Constraints Layer: areas of constraint or congestion;
- Customer Layer: customer locations and tariffs;
- Existing Leak Layer: location of known leaks, concentration, flow rate, and grade;
- Repair Layer: location of repaired leaks, concentration, flow rate, and grade;
- Supply Dataset: Sources of supply; supply contracts, including amounts and duration; storage and contingency resources;
- Demand Dataset: Current and anticipated demand under the baseline scenario (also known as “business as usual”) from 2025-2030. The baseline scenario shall include the impacts of existing legislation in the District, including the Building Energy Performance Standard, and the Clean Energy DC Building Code Amendment Act of 2022. Demand shall be broken out by customer class, season, and volumetric and peak requirements, based on current and historical delivery.

15. In addition to data collection and addressing the significant issues raised by stakeholders, I present an outline of integrated infrastructure planning for WGL for discussion purposes, below. I divide this exercise broadly into the following categories:<sup>14</sup> 1) Cost and Revenue Analysis and Projections; 2) Customer Acquisition and Loss Scenarios; 3) Financial Modeling; 4) Accuracy of Demand Forecasting; 5) Development of a Regulatory Roadmap; and 6) Development of Short and Long-Term Business Plans. It may be useful for the Commission to hire a consultant to oversee the development of an integrated planning framework for WGL.

1. Cost and Revenue Analysis and Projections. This exercise would include scenarios for demand forecasting, including weather forecasting; expected heating degree days

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<sup>13</sup> I leave it up to the other parties in these cases to seek such information in discovery if they wish.

<sup>14</sup> Note: This framework is based generally on a whitepaper by Megan Anderson, Mark LeBel, and Max Dupuy of the Regulatory Assistance Project titled “Under Pressure: Gas Utility Regulation for a Time of Transition,” released May 2021.

according to climate models; the impact of the Building Energy Performance Standard and the Green Buildings Act; and an analysis of potential end-use electrification scenarios.

2. Customer Acquisition and Loss Scenarios. The baseline scenario should include the impact of the Green Buildings Act.
3. Financial modeling. This should consist of financial models of the above scenarios, including the financial impacts on both WGL and on ratepayers, including under the business-as-usual scenario.
4. Accuracy of Demand Forecasting. This should include a review of historical demand forecasts against actual demand and explain any deviations.
5. Regulatory Roadmap. This would include a roadmap toward performance-based regulation. This should include parameters to adopt in future rate cases, such as changes to depreciation and/or amortization rates that may be beneficial.
6. Business Plans. These plans should determine areas where zero-carbon infrastructure may be deployed (i.e. geothermal); analyze cost trade-offs between pipe replacement, repair, and non-pipe alternatives; develop a plan for the treatment of areas of the gas distribution system that may become underutilized based on demand forecasting; and develop GHG analysis and scenarios that align with the 5-year targets under the Climate Commitment Act.<sup>15</sup> The short-term business plan should be established under the existing regulatory paradigm for reducing GHG emissions from WGL's operations to meet the 2025 GHG reduction target. The long-term plan should be developed from 2025 to 2045 under the performance-based regulatory framework, aligning with the 5-year targets under the Climate Commitment Act. This long-term planning should account for the change to customer acquisition starting in 2026 as a result of the Green Buildings Act.

16. I present all of this as a starting point for future discussion towards the development of an integrated infrastructure plan for WGL that aligns with the 5-year GHG reduction targets the Commission has already adopted. To that end, I seek input from all stakeholders regarding best practices from other jurisdictions for the development of a comprehensive and integrated regulatory framework for WGL. I also welcome graphics or additional datasets.

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<sup>15</sup> I'm not at this point determining whether our pipes are or are not too old to repair.

COMMISSION ACTION

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

FORMAL CASE NO. 1175, IN THE MATTER OF WASHINGTON GAS LIGHT COMPANY'S APPLICATION FOR APPROVAL OF PROJECTPIPES 3 PLAN; and

FORMAL CASE NO. 1179, IN THE MATTER OF THE INVESTIGATION INTO WASHINGTON GAS LIGHT COMPANY'S STRATEGICALLY TARGETED PIPE REPLACEMENT PLAN,

Date 6/12/24 Formal Case Nos. 1154, 1175, & 1179 Tariff No. \_\_\_\_\_ Order No. 22003

	Approved Initial & Date	Concur In Part Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/CL 6/12/24</u>	_____	_____
Commissioner Richard A. Beverly	_____	<u>RB/CL 6/12/24</u>	_____
Commissioner Ted Trabue	<u>TT/CL 6/12/24</u>	_____	_____

Certification of Action

C. Lipscombe  
General/Deputy General Counsel

Kimberly Lincoln-Stewart  
OGC Counsel/Staff