

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

ORDER

June 12, 2024

GD-2024-01-G, IN THE MATTER OF THE PETITION FOR INVESTIGATION INTO WASHINGTON GAS LIGHT COMPANY'S SYSTEM LEAK REDUCTION PRACTICES, Order No. 22004

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) grants in part and denies in part the Office of the People’s Counsel for the District of Columbia’s (“OPC”) Petition to establish an Investigation into the System Leak Reduction Practices of Washington Gas Light Company’s (“Company” or “WGL”) natural gas distribution system. An investigation is opened under *Formal Case No. 1178*, subject to the limitations discussed below.

II. BACKGROUND

2. On February 13, 2024, OPC filed a Petition requesting that the Commission conduct a comprehensive review of WGL’s infrastructure in order to examine WGL’s management of its distribution system and its ability to reduce natural gas leaks.¹ OPC had previously filed similar petitions in 2021 and 2022.

3. On February 23, 2024, WGL filed a response, requesting that the Commission deny OPC’s Petition.² On February 29, 2024, Sierra Club filed a letter supporting OPC’s request for a formal investigation into WGL’s leak reduction practices.³

III. DISCUSSION

4. **OPC’S 2021 Petition:** OPC filed its first Petition on April 27, 2021, requesting that the Commission establish an investigation into “the reasonableness, safety, and prudence” of

¹ *GD-2024-01-G, In the Matter of the Petition for Investigation into Washington Gas Light Company’s System Leak Reduction Practices and Transparency (“GD-2024-01-G”),* Petition at 2, filed February 13, 2024 (“OPC Petition”).

² *GD-2024-01-G, Washington Gas Light Company’s Response to the Office of the People’s Counsel for the District of Columbia’s Petition for Investigation into Washington Gas Light Company’s Natural Gas Infrastructure,* filed February 23, 2024 (“WGL Response”).

³ *GD-2024-01-G, Sierra Club Letter Supporting the Office of the People’s Counsel of the District of Columbia’s Petition,* filed February 29, 2024 (“Sierra Club Letter”).

WGL's handling of natural gas leaks on the District's distribution system.⁴ OPC asserted WGL had failed to meet its merger obligations to reduce Grade 2 leaks; failed to provide complete data on leaks and leak remediation outcomes in its reporting; and failed to develop an effective plan to reduce the number of gas leaks.⁵ OPC argued the investigation was necessary to "restore the public's confidence in WGL's ability to manage its network."⁶ By Order No. 20762, the Commission held OPC's request in abeyance and directed stakeholders to participate in technical conferences in *Formal Case Nos. 977 and 1154*.⁷ The Commission stated that at that time, the scope of a new independent proceeding was unclear, and expressed concern with how a new investigation would intersect with other ongoing proceedings.⁸

5. **OPC'S 2022 Petition:** OPC then filed a Motion on April 8, 2022, asking the Commission to approve OPC's original Petition for an investigation, stating that the collective findings of the technical conferences and further studies by interested parties "all indicate that the gas leaks continue throughout WGL's distribution system at troubling levels."⁹ The Commission denied OPC's petition, commenting:

The issue is not whether we can address gas leaks in various proceedings but whether a separate proceeding is the best way to address leaks, especially considering their impact on the District's long-term climate goals. After considering OPC's arguments, we are not persuaded that a separate proceeding is necessary or particularly helpful at this juncture, but that can change if warranted by the circumstances... If either OPC or interested stakeholders find that the separate nature of these proceedings actually impedes their meaningful participation, then they can ask us to revisit opening a separate proceeding at that time.¹⁰

6. **OPC'S 2024 Petition:** OPC asserts that it has long maintained persistent concerns regarding the Company's management practices, reports of natural gas leaks, and delayed

⁴ *OPC2021-01-G, The Office of the People's Counsel for the District of Columbia's Petition for an Investigation into Washington Gas Light Company's System Leak Reduction Practices and Transparency*, Office of the People's Counsel for the District of Columbia's Petition for an Investigation into Washington Gas Light Company's System Leak Reduction Practices and Transparency, filed April 27, 2021 ("OPC First Petition").

⁵ OPC First Petition at 1-2.

⁶ OPC First Petition at 2.

⁷ *OPC2021-01-G*, Order No. 20762, rel. June 24, 2021. See *Formal Case No. 977, In the Matter of the Investigation into the Quality of Service of Washington Gas Light Company*; and *Formal Case No. 1154, In the Matter of the Application of Washington Light Company for Approval of PROJECTpipes 2 Plan* ("Formal Case No. 1154").

⁸ *OPC2021-01-G*, Order No. 20762, ¶ 26.

⁹ *OPC2021-01-G*, Motion for the Commission to Approve the Office of the People's Counsel for the District of Columbia's Petition for an Investigation into Washington Gas Light Company's System Leak Reduction Practices and Transparency, at 4, filed April 8, 2022 ("OPC Motion").

¹⁰ *OPC2021-01-G*, Order No. 21169, ¶ 6, rel. June 17, 2022.

repairs.¹¹ Filed in February 2024, OPC's Petition identifies two new reasons to open an investigation into WGL's infrastructure: (1) The Council of the District of Columbia ("Council") issued a letter to the Commission asserting that some of WGL's programs, specifically PROJECTpipes, conflict with the Council's climate agenda; and (2) data demonstrates that Grade 1 leaks are increasing across WGL's distribution system in the District.¹²

7. First, the Council's February 7, 2024, letter states that "PROJECTpipes does not align with the new, fossil-free future that the Council has charted," and rebuilding the entire gas infrastructure would not be compatible with statutory mandates on the reduction of greenhouse gas emissions.¹³ OPC submits that a comprehensive investigation will "yield a new path for repairing leaks and assist the Commission and stakeholders in developing an effective roadmap for developing natural gas infrastructure consistent with the Council's stated climate goals."¹⁴

8. Second, OPC asserts that a January 4, 2024, filing from WGL demonstrated that Grade 1¹⁵ natural gas leaks have increased significantly in the past 10 years.¹⁶ In 2014 the number of Grade 1 leaks was 689, but the number increased to 1,019 in 2021 and 969 in 2022.¹⁷ OPC asserts that these Grade 1 leak increases are occurring despite the Company's financial investment in pipe replacement through PROJECTpipes and WGL's routine maintenance, and these numbers alone show the Commission should initiate an investigation into how WGL is managing the infrastructure.¹⁸

9. OPC identified six (6) components the Commission should include in the proposed investigation. The components include: (1) identifying the best methods for leak detection, including reviews of current technologies and innovative approaches, such as Advanced Leak Detection ("ALD"); (2) an examination of WGL's protocols for identifying, classifying, and scheduling leaks for repair; (3) an evaluation of PROJECTpipes; (4) quantification of leaks by locations in order to prioritize resource allocation, including review of WGL's Leak Identification, Detection and Repair, and Odor Complaints ("LIDAROC") databases and discussion of a

¹¹ OPC Petition at 4.

¹² OPC Petition at 2.

¹³ *Formal Case No. 1175, In the Matter of Washington Gas Light Company's Application for Approval of PROJECTpipes 3 Plan* ("Formal Case No. 1175"), Letter from the Council of the District of Columbia on the Future of the District's Gas Distribution Network, at 1, filed February 7, 2024.

¹⁴ OPC Petition at 5.

¹⁵ Grade 1 leaks are defined as a leak that presents an immediate or probable hazard to person(s) or property and requires immediate repair or continuous action until the conditions are no longer hazardous. 15 DCMR § 3702.4(a).

¹⁶ OPC Petition at 5, referring to *Formal Case No. 1154*, WGL Response to Order No. 21940, Attachment A, filed January 4, 2024.

¹⁷ OPC Petition at 5.

¹⁸ OPC Petition at 5.

Geographic Information System (“GIS”) mapping tool; (5) an aim to understand the causes and climate impact of natural gas leaks; and (6) an examination of how WGL can adjust to the changes required by the results of the investigation, ensuring the Company “remains adaptable to emerging technologies and industry best practices.”¹⁹ For the last component, focus would shift to leak documentation and reporting, the scrutinizing of PROJECTpipes, and the review of AltaGas-WGL merger commitments for ongoing reporting requirements. OPC argues that further delaying an investigation undermines the community’s confidence in the Company’s ability to manage its infrastructure effectively.²⁰

10. **WGL Response:** In response, WGL states that OPC has not demonstrated that a new investigation into the Company’s management of natural gas leaks in the District of Columbia is warranted. In Order No. 21169 denying OPC’s last petition, the Commission stated that either OPC or other interested stakeholders could ask the Commission to reconsider whether separate proceedings “actually impedes their meaningful participation,” or if an investigation was warranted by changed circumstances.²¹ WGL does not believe OPC has established significant changed circumstances. First, WGL argues that the Council’s statement regarding PROJECTpipes does not warrant a separate proceeding because PROJECTpipes, and the program’s alignment with the District’s climate goals, is already under review in *Formal Case Nos. 1154 and 1175*.²² The Company notes that OPC and the District of Columbia Government are fully participating in both proceedings without impediment, as well as in *Formal Case No. 1167*, which is evaluating the issues related to the Climate Commitment Amendment Act of 2022.²³ WGL argues that duplicating the record in a new docket would be administratively inefficient.²⁴

11. Additionally, WGL rejects the contention that an investigation is warranted because the number of Grade 1 leaks is increasing. WGL asserts that it operates a safe and reliable system, and OPC has presented no evidence to support its claims of mismanagement or delayed repairs on the Company’s distribution system. WGL submits that the increase in leaks, regardless of grade, is indicative of the age and condition of the pipe in the distribution system.²⁵ WGL notes that the Company has one of the oldest gas pipeline systems in the country, with several types of piping that have been shown to be at a higher risk of leaking. WGL contends that PROJECTpipes was designed to remove the higher risk pipe from the system at a faster rate for the purpose of reducing leaks and enhancing the safety of the system.²⁶ The Company also follows U.S. Department of

¹⁹ OPC Petition at 8.

²⁰ OPC Petition at 4.

²¹ *OPC2021-01-G*, Order No. 21169, ¶ 6.

²² WGL Response at 3.

²³ D.C. Law 24-176; D.C. Code §§ 8-151.09d and e.

²⁴ WGL Response at 3.

²⁵ WGL Response at 4.

²⁶ WGL Response at 4-5.

Transportation and Commission requirements to immediately repair or replace discovered Grade 1 leaks, and asserts its leak remediation practices are consistent with, and in some cases exceed, industry standards.²⁷ Further, WGL asserts that previous filings demonstrate that the total number of Grade 1 and 2 repaired leaks peaked in 2019 and have since declined by approximately thirty percent. (30%).²⁸ While year-to-year variations may arise “due to continued aging infrastructure”, the Company expects the leak rates for replaced pipes to decrease over time, as modern plastic piping outperforms the replaced cast iron and bare/unprotected steel piping.²⁹

12. Finally, WGL argues OPC has presented no evidence to demonstrate the need for a new investigation into the Company’s leak reduction efforts associated with PROJECT*pipes*. The Commission has previously recognized that PROJECT*pipes* is a pipe replacement program, not a leak repair program, and that the replacement activity is likely to eventually reduce leaks.³⁰ WGL asserts that leak reduction through accelerated pipe replacement has been effective, and that recent filings demonstrate that the pipe replacement program has reduced both leaks and greenhouse gas (“GHG”) emissions.³¹ WGL argues any other concerns regarding the Company’s infrastructure should be addressed in the Commission’s ongoing proceedings.³²

13. **Sierra Club Letter:** In a letter supporting OPC’s request for investigation, Sierra Club states that concerns have been raised that WGL may be mishandling gas system leaks, due to mismanagement of leaks and miscalculations of the impacts of the pipeline replacement project.³³ Sierra Club notes that WGL failed to meet its Grade 2 leak reduction targets for several years, and reiterates OPC’s concern that WGL’s Grade 1 leaks are on the rise.³⁴ Sierra Club argues that there may be more cost-effective approaches to PROJECT*pipes*, such as non-pipeline alternatives and targeted repairs. Sierra Club also raises issues with WGL’s estimated GHG benefits, as WGL restated its estimates of GHG emissions reductions from 22,000 metric tons of CO₂-equivalent emissions in December 2021 to 12,000 metric tons of CO₂-equivalent emissions

²⁷ WGL Response at 6.

²⁸ WGL Response at 6.

²⁹ WGL Response at 6.

³⁰ *OPC2021-01-G*, Order No. 20762, ¶ 27.

³¹ WGL Response at 5-6, *citing to Formal Case No. 1154*, Washington Gas Light Company Reply Comments on PIPES 2 Management Audit Report, at 2, filed February 5, 2024.

³² WGL Response at 7.

³³ Sierra Club Letter at 1.

³⁴ Sierra Club Letter at 1.

in October 2022.³⁵ Finally, Sierra Club asserts that WGL’s spending on PROJECTpipes is prone to mismeasurement and is risky to both ratepayers and the District as a whole.³⁶

IV. DECISION

14. OPC, and other parties, have repeatedly expressed concerns and confusion with WGL’s management and reporting of leaks in the District of Columbia. We are now persuaded that there is a need to provide more clarity into WGL’s leak management practices. We are cognizant of the administrative inefficiency in opening a matter that duplicates work that is being considered in other dockets, as we have “an obligation to use [our] finite resources in the most cost-effective and efficient manner.”³⁷ Nevertheless, on the whole, we agree an open and transparent investigation into leak detection, management, and reporting would be useful for both the Commission and parties to fully examine and understand WGL methodologies. Therefore, the Commission grants OPC’s petition with certain limitations, and establishes *Formal Case No. 1178* for an investigation into WGL’s leak repair and reduction practices, with the parameters as follows below.

15. *PROJECTpipes*. As an initial matter, we decline to include an evaluation of PROJECTpipes in a case outside of the existing PROJECTpipes cases, *Formal Case No. 1154* (“PIPES 2”) and *1175* (“PIPES 3”). We have said consistently that the PROJECTpipes accelerated pipe replacement program “is a distribution infrastructure management program, not a leak management program,”³⁸ and consideration of the protocols at issue in that program, including review of WGL’s Optimain and JANA software, should be confined to the current cases to avoid confusion and duplication. The PIPES programs replace gas pipes with high-risk materials or likelihood of future leaks, whereas this investigation is intended to focus on active leaks that are repaired as part of WGL’s normal operating procedures. We have issued a companion order today addressing next steps in WGL’s PROJECTpipes accelerated pipe replacement program.³⁹

16. *Merger Commitments*. We also separate analysis of some of the AltaGas-WGL merger commitments, specifically identified by OPC’s Petition as Merger Commitments 50, 55,

³⁵ Sierra Club Letter at 2, citing to *Formal Case No. 1167*, Revision to Climate Change Action Program – Part 1, filed October 26, 2022.

³⁶ Sierra Club Letter at 2.

³⁷ *Formal Case Nos. 989, In the Matter of the Office of the People’s Counsel’s Complaint for a Commission-Ordered Investigation into the Reasonableness of Washington Gas Light Company’s Existing Rates*, and *Formal Case No. 874, In the Matter of the Gas Acquisition Strategies of the District of Columbia Natural Gas, A Division of the Washington Gas Light Company*, Order No. 12379, ¶ 16, rel. April 12, 2002.

³⁸ *OPC2021-01-G*, Order No. 20762, ¶ 27; see also, *Formal Case No. 1154*, Order No. 21960, ¶¶ 12-13, rel. February 23, 2024.

³⁹ *Formal Case Nos. 1154, 1175, and 1179*, Order No. 22003.

57, and 73. Both Merger Commitment 50,⁴⁰ which requires regular reliability and customer service reporting, and Merger Commitment 57,⁴¹ which requires annual reporting of leaks, are already incorporated into Commission Natural Gas Quality of Service Standards (“NGQSS”) rules and our reporting docket *Formal Case No. 977*.⁴² NGQSS rules were initially adopted in 2009 by Order No. 15548,⁴³ and amended in November 2019 by Order No. 20254.⁴⁴ Merger Commitment 55 directed AltaGas to hire additional crews to reduce the then-existing Grade 2 leak backlog and modify its annual operating metrics to carry forward 35 or fewer active Grade 2 leaks on an annual basis, and Merger Commitment 73 is a compliance filing for the reduction of Grade 2 leaks.⁴⁵ WGL added two (2) internal and three (3) external crews to reduce the backlogs, as detailed in both *Formal Case No. 1142* and *Formal Case No. 977* filings;⁴⁶ Merger Commitment 73 is currently active in *Formal Case No. 1142*.⁴⁷

17. *Climate Studies*. OPC further requests the investigation examine the climate impact of natural gas emissions.⁴⁸ We believe climate studies, which will also quantify GHG emissions, are better retained in other cases. Metrics in measuring GHG should apply to all utilities under our purview, not just WGL, and therefore we prefer to contain such discussions in our existing multi-

⁴⁰ Merger Commitment 50 states that to the extent not already provided to the Commission, the Applicants shall file, quarterly, quality of service reports that examine pre- and post-Merger reliability and customer service performance. The reports shall examine and report monthly, items including but not limited to, the number of service disruptions/outages, cause of service disruptions/outages, length and duration of service disruption/outage, the number of safety/gas odor calls, average time to respond to safety/gas odor calls, the number of confirmed gas leaks, the number of leaks repaired, and the month-end Grade 2 leak backlog. *See Formal Case No. 1142, In the Matter of the Merger of AltaGas, Ltd. and WGL Holdings, Inc. (“Formal Case No. 1142”),* Order No. 19396, Appendix A.

⁴¹ Merger Commitment 57 states that WGL will provide annual reports of its District of Columbia distribution system leaks, by; (i) ward, (ii) type (main/service lines), (iii) grade, (iv) cause, and leak volumes when available. *Formal Case No. 1142,* Order No. 19396, Appendix A.

⁴² However, we note that Merger Commitment 57 also requests inclusion of leak volumes once “mobile mapping results are available,” as required by Merger Commitment 56. We plan to review mapping capabilities as part of this investigation.

⁴³ *Formal Case No. 977,* Order No. 15548, rel. September 17, 2009.

⁴⁴ *Formal Case No. 977,* Order No. 20254, ¶¶ 44-46, rel. November 13, 2019.

⁴⁵ Merger Commitment 55 states that within three years after Merger Close, WGL would reduce its Grade 2 leak backlog in the District of Columbia to a level consistent with SEMCO Energy Gas Company’s 2017 Grade 2 leak backlog. Once the Company’s Grade 2 leak backlog was at a level consistent with SEMCO Energy Gas Company’s Grade 2 leak backlog, the annual operating performance metrics must be modified to carry forward 35 or fewer active Grade 2 leaks in the District of Columbia on an annual basis. The benchmark date for measurement of Grade 2 leaks shall be on September 30th of each Calendar Year. *Formal Case No. 1142,* Order No. 19396, Appendix A.

⁴⁶ *Formal Case No. 1142,* WGL Response to Commission DR No. 8, filed August 21, 2019; *Formal Case No. 1142,* WGL Notice of Compliance with Merger Commitment 55, filed July 6, 2024.

⁴⁷ *See, e.g., Formal Case No. 1142,* Order No. 21969, rel. March 18, 2024.

⁴⁸ OPC Petition at 7-8.

utility climate cases including *General Docket 2019-01, Formal Case No. 1160, and Formal Case No. 1167*.⁴⁹

18. *Best Methods for Leak Detection.* OPC emphasizes that the Commission should conduct an analysis of “the most effective methods, both in terms of technology and procedures, for detecting natural gas leaks in urban environments.”⁵⁰ Accordingly, the first prong of this proceeding should assess both current practices and innovative approaches that may enhance accuracy and efficiency in leak detection. Analysis should include a discussion on Advanced Leak Detection (“ALD”) techniques,⁵¹ including methods in use by both WGL and in other jurisdictions that are comparable to the District. In addition, the investigation will review root causes of leaks and potential impacts of aging pipelines. We direct WGL to prepare materials for a technical conference on this topic, to be convened within 90 days of the issuance of this Order. We will issue a notice soliciting comments from interested parties within 30 days of this Order to identify relevant questions, concerns, and recommendations for best practices to be addressed at this conference. We direct the Company to file its presentation and responses to the specific questions raised by the parties in their comments within 60 days of the date of this Order. A joint report shall be prepared by the parties following the technical conference that addresses a summary of the discussions and any outstanding concerns of the parties and filed within 21 days after the technical conference.

19. *WGL Protocols on Identification and Categorization of Grades 1, 2, and 3 Leaks.* A second area of review will address WGL’s existing protocols for identifying and classifying Grades 1, 2, and 3 leaks in the District. The Company should explain how leaks are prioritized for repair and how related expenditures are categorized as repairs or replacements, including how the Company determines whether those repairs/replacements are completed as “normal” work or designated for completion under PROJECT*pipes*.⁵² The Pipeline and Hazardous Materials Safety Administration (“PHMSA”) has historically characterized leaks as “hazardous” (or Grade 1) and

⁴⁹ See also, *Formal Case Nos. 1154, 1175, and 1179*, Order No. 22003. However, as we discuss below, Advanced Leak Detection methods will be examined as part of this investigation, in particular for the ability to target “super-emitter” leaks within the pipeline system,

⁵⁰ OPC Petition at 6.

⁵¹ Advanced Leak Detection was previously included as Program 9 in PIPES 2 and has been included in the proposed PIPES 3 Application as the Advanced Leak Detection – High Emitter (“ALDHE”) program. However, WGL itself has stated that ALD best directs leak management, not the original intent of prioritizing pipe replacement projects. “The reason for this is that the PIPES 2 program requires the Company to generate a candidate list of replacement-eligible assets well in advance of the time they are replaced. All current ALD technologies provide search areas for potential leaks, but they require on-site verification to confirm a leak along with its precise location. In the event that a leak is confirmed on a Commission-approved PIPES 2 replacement asset by a qualified technician, the leak will be repaired under the normal Leak Management process. Once a repair is made, emissions stop, nullifying the original reason for a sub-prioritized replacement schedule under PIPES 2 Program 9.” The new ALDHE program costs would be primarily organized as Operations and Maintenance expenses. *Formal Case No. 1175*, Direct Testimony of Kenneth Hays, Exhibit WG (D), at 3-4, filed December 22, 2022.

⁵² The Company may update materials provided at a technical conference held on October 21, 2021, in *Formal Case No. 1154. Formal Case No. 1154*, Washington Gas Light Company’s Technical Conference Report on Washington Gas’s Pipe Replacement Activities, filed November 22, 2021.

“non-hazardous” (generally incorporating Grades 2 and 3).⁵³ However, in May 2023 PHMSA released a proposed rulemaking that proposes to alter their categorization into a system that is similar to the grading system used by the District and many other States.⁵⁴ A second technical conferences discussion should include consideration on how PHMSA’s proposed updates will allow for consistent treatment on WGL’s categorization. We direct WGL to prepare materials for a technical conference on this topic 15 days after the conclusion of the first technical conference. We will also issue a notice soliciting comments from interested parties to itemize relevant questions, concerns, and recommendations for best practices to be addressed at this conference.

20. *Reporting and Mapping Leaks and Repairs.* Third, the investigation will conduct a comprehensive review of WGL’s reporting methods for leaks in the District, currently maintained in the LIDAROC master database that contains all records for all gas leaks and customer-reported gas-related odor complaints. As we noted in the recent Order No. 21994, inconsistencies abound, and reports are frequently incomplete.⁵⁵ Other WGL reports also provide more information on leaks than what is required in LIDAROC, such as pipe size, pressure, and material, and the LIDAROC reporting also does not currently record gas concentrations from leaks. The Commission plans to discuss how reporting requirements may be adjusted in the future to make LIDAROC a more consistently reliable source of leak information.

21. As part of this investigation, OPC has also asked for a GIS mapping tool of leaks that shows the location of leaks discovered and repaired, which would demonstrate areas of the District most in need of attention and resource allocation.⁵⁶ Merger Commitments 56 required WGL to complete its Leak Survey Mobile Mapping program, which assists WGL technicians in locating leaks for repair, and WGL filed a Notice of Compliance with this Commitment on May 31, 2019.⁵⁷ The Commission recognizes that some of these details could be Critical Infrastructure Information, and will continue to evaluate the need for public access to recorded and/or repaired leaks. A third technical conference will be scheduled on the topics of leak reporting and mapping, and we will issue a notice soliciting comments from interested parties and presentation materials from WGL at that time.

22. Finally, we note that the Apartment and Office Building Association of Metropolitan Washington 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. While we recognize LAUF is driven by a variety of factors, including measurement errors in metering and adjustments to account for pressure differences in gas flows, in addition to leaks, energy theft, and other causes, there is a legitimate concern about the shifting of costs due to LAUF, even where it

⁵³ 49 CFR parts 190 – 199 (2024).

⁵⁴ Pipeline and Hazardous Materials Safety Administration (“PHMSA”) Notice of Proposed Rulemaking, Pipeline Safety: Gas Pipeline Leak Detection and Repair, rel. May 18, 2023, <https://www.federalregister.gov/documents/2023/05/18/2023-09918/pipeline-safety-gas-pipeline-leak-detection-and-repairrel>.

⁵⁵ Formal Case No. 977, Order No. 21994, ¶ 11, rel. May 16, 2024.

⁵⁶ OPC Petition at 7.

⁵⁷ *Formal Case No. 1142*, WGL Notice of Compliance with Merger Commitment 56, filed May 31, 2019.

may not be a leaks or emissions concern. This is a significant issue to the Commission because the cost of LAUF gas falls onto ratepayers. Therefore, the Commission directs WGL to file a report on the best practices from other jurisdictions for the regulation of LAUF gas within 45 days of the date of this Order.

THEREFORE, IT IS ORDERED THAT:

23. The Office of the People’s Counsel of the District of Columbia’s Petition for Investigation into Washington Gas Light Company’s System Leak Reduction Practices is **GRANTED**, with limitations as described above, and the Commission opens *Formal Case No. 1178*;

24. A technical conference will be scheduled by Staff within 90 days of the date of this Order as set forth in paragraph 18;

25. Washington Gas Light Company is **DIRECTED** to prepare materials for a technical conference, to be filed within 60 days of the date of this Order, as set forth in paragraph 18;

26. Additional technical conferences will be scheduled by Staff as set forth in paragraphs 19 and 21; and

27. Washington Gas Light Company is **DIRECTED** to file a report on the best practices from other jurisdictions for the regulation of lost and unaccounted for gas within 45 days of the date of this Order as set forth in paragraph 22.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:



CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**

**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*.

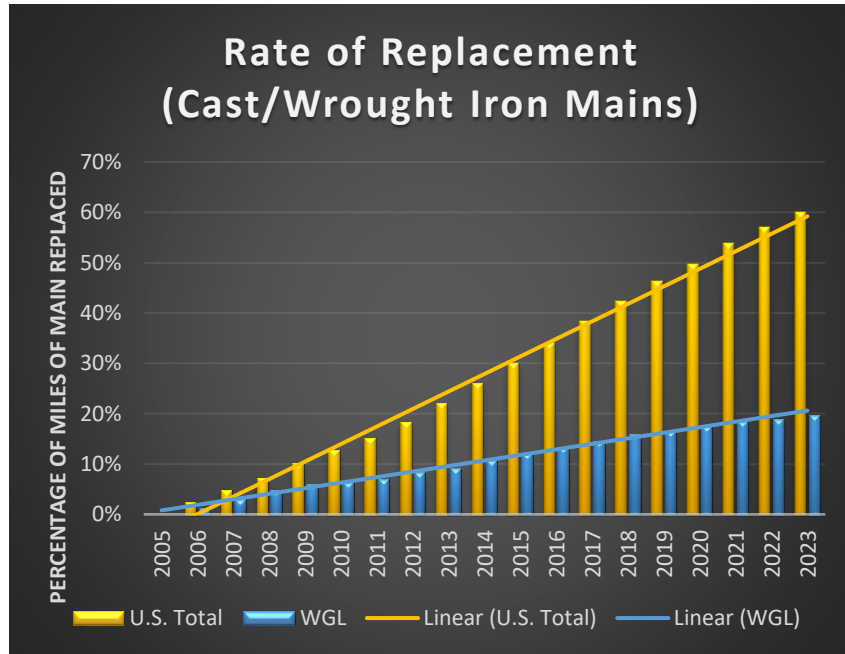
2. As I have said in a prior dissent, there is inadequate evidence that PROJECTpipes is significantly more successful with the surcharge than it is without it. Because the surcharge is extremely expensive and ratepayers are hemorrhaging cash, I think the new approach should begin with immediately suspending the surcharge¹ 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.²

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.

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

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

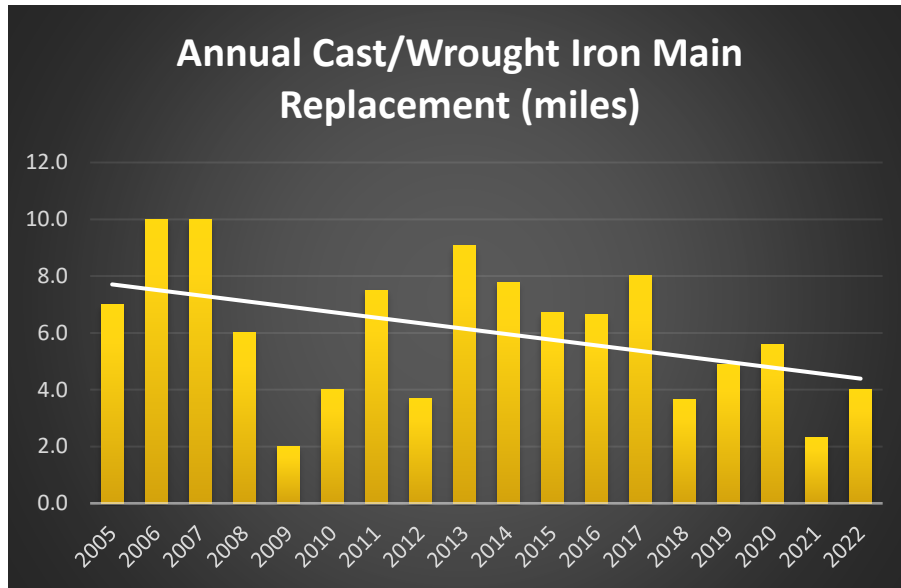
4. In examining the Company’s performance, I asked my Office to examine the available data from PHMSA, which tracks inventories of both cast/wrought iron and unprotected steel nationwide, and compare our progress to national trends. My office has provided charts below, but I invite other parties to provide 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 2094.³ I also note that according to PHMSA, the U.S. has about 1% iron mains remaining,⁴ while WGL has over 32%.

³ 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.

⁴ <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).⁵ 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.⁶ 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.⁷ 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.

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

⁶ 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).

⁷ 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, 2023,⁸ we have not yet issued the order establishing next steps for Pepco and WGL's reporting requirements.⁹ 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."¹⁰ 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.¹¹ 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.¹²

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 CO₂e over ten years.

⁸ See *GD2019-04-M*, Order No. 21938, ¶ December 8, 2023.

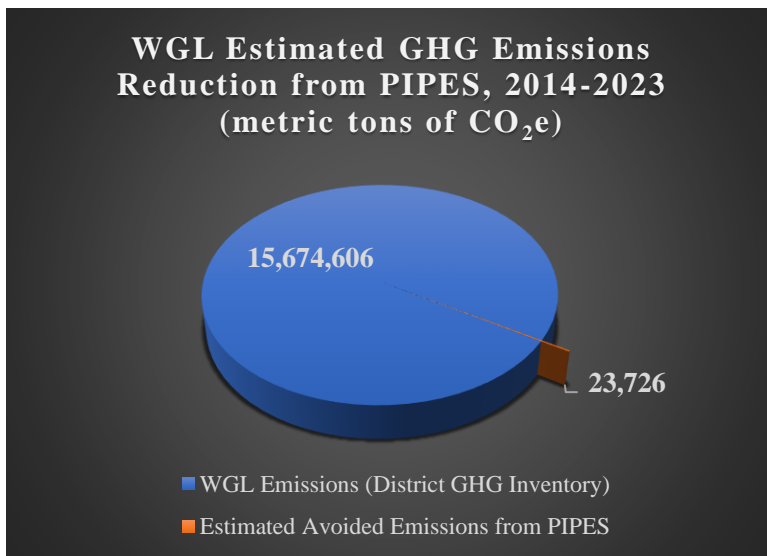
⁹ See Order No. 21938, ¶ 30: "Since the filing of the BCA Report, the D.C. Council has established interim targets for the District of Columbia. The Climate Commitment Act of 2021 adopted several interim targets on the path to carbon neutrality by 2045 based on reductions from 2006 as the baseline year: 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."

¹⁰ See Order No. 21960, ¶ 12.

¹¹ 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.

¹² 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 CO₂e. Based on WGL’s estimate, without *Projectpipes*, WGL’s emissions over that period would have been 15,698,332 metric tons of CO₂e, 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:¹³

- 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:¹⁴ 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

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

¹⁴ 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.¹⁵ 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.

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

COMMISSION ACTION

GD-2024-01-G, IN THE MATTER OF THE PETITION FOR INVESTIGATION INTO WASHINGTON GAS LIGHT COMPANY'S SYSTEM LEAK REDUCTION PRACTICES,

Date 6/12/24 Formal Case No. GD-2024-01-G Tariff No. _____ Order No. 22004

	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

Angela Parsons
OGC Counsel/Staff