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June 14, 2024

VIA ELECTRONIC FILING

Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission
of the District of Columbia
1325 "G" Street, NW, 8th Floor
Washington, D.C. 20005

Re: FC 874 – Gas Procurement Working Group Report

Dear Ms. Westbrook-Sedgwick:

Pursuant to Order No. 21921 in the above-referenced matter, the Gas Procurement Working Group ("GPWG") hereby files its Initial Report regarding the reporting and evaluation criteria necessary to measure the impact of Washington Gas Light Company's procurement activities on the District of Columbia's climate goals.

As the Commission is aware on May 29, 2024, Washington Gas Light Company filed with the Commission an unopposed Motion for Extension of Time to File the Initial Report on June 14, 2024. The GPWG respectfully requests that the Commission accept the Initial Report as timely filed.

Sincerely,

John C. Dodge
Associate General Counsel
Director, Regulatory Matters

cc: Per Certificate of Service

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

IN THE MATTER OF GAS ACQUISITION STRATEGIES OF DISTRICT OF COLUMBIA NATURAL GAS, A DIVISION OF WASHINGTON GAS LIGHT COMPANY	)	Formal Case No. 874

IN THE MATTER OF THE IMPLEMENTATION OF ELECTRIC AND NATURAL GAS CLIMATE CHANGE PROPOSALS	)	Formal Case No. 1167

THE GAS PROCUREMENT WORKING GROUP
REPORT ON THE MINIMUM CRITERIA

Reporting and Evaluation Criteria Necessary to Measure the Impact of Washington Gas Light Company's Procurement Activities on the District's Climate Goals

Pursuant to the Public Service Commission of the District of Columbia's ("Commission") Order No. 21921[1] the Gas Procurement Working Group ("GPWG") files this Initial Report regarding the reporting and evaluation criteria necessary to measure the impact of Washington Gas Light Company's procurement activities on the District of

[1] *Formal Case No. 874*, *In the Matter of the Gas Acquisition Strategies of the District of Columbia Natural Gas, a Division of the Washington Gas Light Company* ("*Formal Case No. 874*"), Order No. 21921 ("Order No. 21921"), rel. October 27, 2023.
[1] Id. at ¶ 15.

Columbia's climate goals.

SUMMARY

The GPWG has met twice to discuss the impact of the Company's procurement activities on the District of Columbia's climate goals. The GPWG has not reached agreement on minimum reporting criteria to measure such impact. Washington Gas recommends that at this time the Commission reject OPC's additional specific reporting requirements, as they are unlikely to provide the Commission with any additional information that would accurately capture Washington Gas's operational impact on the District's climate goals beyond what the Company will already provide as part of its Purchase Gas Charge application. In the alternative, Washington Gas recommends that GPWG meet at least one additional time to provide further facts in the record and to attempt to reach consensus on minimum reporting criteria.

BACKGROUND

On October 27, 2023, the Commission issued Order No. 21921 in the above-captioned dockets, which, *inter alia*, directed the GPWG to discuss what reporting and evaluation criteria are necessary to measure the impact of Washington Gas Light Company's procurement activities on the District's climate goals at its December 2023 meeting. The Commission further directed the GPWG to file a report reflecting the minimum reporting criteria for measuring the impact of Washington Gas's procurement activities on the District's climate goals on or before April 30, 2024.[2]

On November 29, 2023, the Office of the People's Counsel for the District of Columbia ("OPC") filed comments which requested the Commission adopt at least eight

[2] *Formal Case No. 874,* Order No. 21921 at ¶ 15.

(8) types of information to be included in compliance filings required under Commission Order No. 21921.[3] Each type of information requested by OPC is addressed in the GPWG Report section of the instant filing.

On April 29, 2024, Washington Gas filed its "Unopposed Motion for Extension of Time to file Gas Procurement Working Group Report," citing the unexpected absence of a key Company employee working on GPWG matters.[4] Washington Gas requested an extension to file the GPWG Report. No party, including the Office of People's Counsel, opposed the motion.

GPWG MEETING – DECEMBER 7, 2023

Attendees:

Commission Staff:
Kimberly Lincoln-Stewart, Attorney Advisor; Bryan Henning, Senior Gas Engineer; Gilliam Marime, Acting Chief, Finance and Accounting; Thomas Olmstead, Environmental Economist; Poorani Ramachandran, Director of the Commission's Office of the Technical and Regulatory Analyst; Roger Fujihara, Senior Electricity Economist; Tom Shetty, Senior Analyst; and Rodney K. Wilson

Office of People's Counsel:
Adam Carlesco, Assistant People's Counsel and Yohannes Mariam, Economist

Washington Gas:
Victoria Abraham Paul, Manager Energy Planning; Samiah Bahhur, Pricing Specialist; Alfred Balow, JR., Lead Regulatory Affairs; Robert C. Cain, II, Associate Legal Counsel; Everett Coates, Manager Customer Experience; Honoré M. Dzisam, Senior Paralegal; Joseph Fallah, Senior Regulatory Affairs Specialist; Marcel Fortune, Manager Customer Experience; Lisa Gillison, Manager Energy Supply, David Lewis, Strategy and Innovation; Phuong Nguyen, Senior Pricing Specialist; Mark Shaver, Chief of Staff and Vice President Strategic Priorities Office; Sasha Traup, Supervisor Pricing; James Wagner, Assistant Vice President Rate and Regulatory Affairs; and Elizabeth Wolohan, Director of Energy Acquisition.

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[3] *Formal Case No. 874,* Comments of the Office of People's Counsel Seeking Submission of Comprehensive Greenhouse Gas Emissions Reporting, filed November 29, 2023.
[4] *Formal Case No. 874,* Washington Gas's Unopposed Motion for Extension of Time to File Gas Procurement Working Group Report, filed August 29, 2024.

Kimberly Lincoln-Stewart, Attorney Advisor to the Commission and Chairperson of the GPWG, called the meeting to order and opened the discussion regarding Order No. 21921. Ms. Stewart invited Washington Gas to respond to OPC's recommendations in turn. Elizabeth Wolohan, Washington Gas' Director of Energy Acquisition, shared a slide presentation responding to OPC's recommendations.[5]

Discussion of OPC Recommendations

1. Detailed reports on both upstream and downstream GHG emissions, quantifying the specific volumes of methane and other GHGs across the entire natural gas lifecycle – from extraction, transportation, storage, to combustion.

Ms. Wolohan explained that OPC's first recommendation is not related to gas acquisition strategy and as a result the Company does not collect or maintain any of the requested information.[6] Ms. Wolohan, first explained that the gas molecules that run through Washington Gas's distribution system are not all purchased by Washington Gas. Gas molecules purchased by the Company and transported on interstate pipeline systems are commingled with gas molecules purchased by Competitive Service Providers ("CSPs") and many other entities, and their origins cannot be reasonably or reliably traced.[7] Gas is physically delivered to customers through displacement, based on operating decisions made by interstate pipelines. Additionally, CSPs procure and deliver gas on behalf of Choice Retail customers and Interruptible customers behind the Company's gate. The Company does not have access to CSP gas procurement metrics. The Commission has certified approximately 54 different CSPs, and these entities deliver approximately 40-70% of Washington Gas's system supply on any given day.

[5] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 27, 35, Exhibit 4.
[6] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 28-30.
[7] *Id.* at 29.

Second, the Company regularly buys natural gas from liquid trading points, in order to achieve price and reliability benefits for customers. Natural gas from these points cannot necessarily be traced back to the physical point of origin.[8]

Third, for many gas producers and CSPs, even if they were to provide the relevant information, the Company cannot verify the accuracy of the information provided.[9] Washington Gas is working toward a supply portfolio that provides it with a greater ability to better verify the emissions associated with its own procurement activities. Specifically, the Company explained that it has Renewable Natural Gas ("RNG") projects underway in its other jurisdictions and the Company is examining how the industry handles calculating emissions regarding RNG.[10] Additionally, the Company procures Certified Natural Gas ("CtNG"), which examines methane emissions and other greenhouse gases at the production site.[11]

OPC acknowledged the difficulty in the Company tracing the origin of the gas that flows through the Company's system. OPC suggested that the Company could report the metric without using the precise information from the gas that it procures or flows through the pipeline. Instead, OPC suggested that the Company could use national averages on the gas life cycle, extraction, transportation, and combustion provided by the Energy Information Administration ("EIA").[12] OPC believes that, even though EIA information would not provide the exact measure regarding upstream and downstream emissions on Washington Gas's system, it would provide some information on whether the gas

[8] *Id.* at 30.
[9] *Id.* at 29.
[10] *Id.* at 31.
[11] *Id.* at 29.
[12] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 50.

procurement is moving in the compliance level to meet the goals in place for the District of Columbia for 2050.[13]

In response, Washington Gas informed the GPWG that the Company did publish CtNG targets in the Company's Climate Business Plan and could report that the targeted throughput of CtNG purchased was approximately 25 percent of the Company's gas purchases[14] However, with the addition of gas flowing through the Washington Gas system that was not procured by Washington Gas, the CtNG throughput is roughly 8 percent. Washington Gas could provide certain relevant data available from the CtNG that is procured.

OPC then suggested that the Company could use information from EIA broken down by basins and production areas and integrate that information with the CtNG data. OPC stated that even if the information were not exact, it would be better than a black box.[15] Washington Gas informed the GPWG that if EIA averages are used, they would not give Washington Gas an opportunity to highlight the efforts the Company is pursuing to meet the District's climate goals and would make it difficult to show material progress toward them. Washington Gas further stated that black box data is not appropriate for informing the community regarding District-specific matters.

However, OPC contends that emissions reductions can be estimated as a proportion of these averages where appropriate. To exclude these averages entirely would impede the Commission's statutory directive to make informed decisions on progress toward the District's emissions reduction goals. OPC contends that the burden

[13] *Id.* at 50-51.
[14] *Id.* at 54.
[15] *Id.* at 56-57.

is on WGL to either use these approximate numbers based on EIA data or develop its own plan. OPC maintains that WGL cannot claim to support the District's climate policy while neglecting to account for the emissions associated with its procurement and distribution activities. OPC contends that the EIA's emissions factors, being in the public domain, provide a reasonable starting point and can be adjusted if necessary. OPC believes this approach offers a general estimate and can serve as an interim measure until WGL establishes a robust protocol for measuring emissions from its procurement and distribution services.

Washington Gas strongly disagrees with OPC's recommendation that the Company submit data to the Commission that it cannot verify or that clearly is not a reasonable representation of emissions attributable to Washington Gas. Further, the expectation that Washington Gas "develop its own plan" to collect data from facilities owned by other entities ignores the limitations in the scope of the Company's authority. Washington Gas does not currently have access to the facilities or the data required to establish transmission pathway emissions on interstate pipelines, storage field emissions, or production emissions in most instances. However, where it is reasonable and prudent to do so, Washington Gas has taken steps to obtain greater upstream emissions data through the purchase of CtNG. The Company is committed to monitoring and supporting developments in the industry that may increase the availability of accurate upstream emissions data. Until such data are available, OPC's reporting requirements on life cycle emissions should be rejected.

2. Identification of the origin of procured natural gas, distinguishing between gas sourced from hydraulic fracturing and conventionally sourced gas. This should include an assessment of environmental impacts and emissions intensities based on the extraction method and basin of origin.

Ms. Wolohan explained that, with respect to this OPC recommendation, the Company cannot trace all of the gas molecules procured from a particular origin or well site.[16] Additionally, Ms. Wolohan explained that natural gas is likely produced by the hydraulic fracturing process as it is an industry best practice. Hydraulic fracturing is recognized as an advancement in technology and is more efficient than drilling conventional wells, although conventional wells still exist.[17] WGL maintains that the method of drilling also does not inform the Commission, Commission Staff, or OPC about the relevant climate impacts and the focus should not be on how the natural gas originated but rather on greenhouse gas emissions.

However, OPC contends that the negative externalities associated with unconventional wells, such as those employing hydraulic fracturing, tend to be higher. These wells also have faster depletion rates, necessitating continuous expansion of drilling operations leading to greater overall environmental impact compared to conventional wells. Therefore, OPC maintains that it is essential that Scope 3 upstream production emissions reflect the average emissions from hydraulically fractured wells rather than conventional wells.

Furthermore, OPC believes it is far more difficult to explore strategies to reduce emissions unless all parties know both the source and volume of those emissions throughout the production and delivery system. OPC argues that focusing solely on direct greenhouse gas emissions without considering the method of natural gas extraction overlooks the broader environmental impacts and potential mitigation strategies. OPC

[16] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 30.
[17] *Id.*

believes WGL must address these issues to inform the Commission, Commission Staff, and OPC about the relevant indirect and cumulative impacts of its gas procurement and develop effective strategies for emissions reduction, whether they are upstream or downstream.

OPC did not provide any expert testimony in support of its beliefs regarding the impacts of well type on emissions. Rather, OPC's arguments criticizing hydraulic fracturing do not speak to emissions, at all, but rather to generalized environmental impacts that may be associated with well development. As to emissions specifically, Washington Gas notes that Marcellus gas, largely developed through hydraulic fracturing, has some of the lowest methane emissions by basin, and also has the shortest transportation pathway, lowering the total emissions associated with this source of supply. In addition to the fact that Washington Gas cannot trace the production origin of individual gas molecules, there is no evidence in the record to conclude that OPC's unsupported claims regarding the impacts of hydraulic fracturing would even be relevant to evaluating the impact of procurement on the Commission's climate objectives. As a result, OPC's well type reporting requirement should be rejected.

3. Documentation of the proportion of renewable natural gas (RNG) or hydrogen blended within the overall gas supply, indicating the commitment to transitioning to a lower-carbon gas mix. Hydrogen sourcing should disclose whether it is "gray hydrogen" derived from methane steam reforming of fossil gas or "green hydrogen" made from electrolysis via renewable energy as lifecycle emissions profiles vary drastically depending on sourcing.

Ms. Wolohan shared that the Company may be able to accomplish OPC's third recommendation at some future point. Ms. Wolohan pointed out that the Company is looking into how the industry handles calculating emissions associated with RNG.[18] The Company is pursuing two RNG projects, which are not District-based projects.[19] The Company is developing an accounting methodology for RNG.

OPC suggested that hydrogen suppliers will be able to determine the amount of gray fossil sources and hydrogen sources contained in the RNG sold and whether methane steam reformation or electrolysis was used to produce it.[20] OPC predicts that any sort of distribution that can come from future reports should give a better picture as to whether Washington Gas is coming in line with the stated goals of the District.[21]

Washington Gas is not currently purchasing any hydrogen, but is willing to agree that, should it purchase hydrogen, it will report the details of that transaction to the Commission in its annual Gas Portfolio Plan and its annual Purchased Gas Charge application. The Company notes that OPC's comments regarding the colors of hydrogen are premature because there is no clear and immediate third-party hydrogen market. At this time, the Commission should not use OPC's assertions on hydrogen as the foundation for any determination regarding the viability or impact of including hydrogen in the Company's supply portfolio.

4. Comprehensive reporting on the total volume and relative percentage of natural gas lost due to leaks, venting, flaring, or other inefficiencies during production, transmission, and distribution phases.

In addressing OPC's fourth recommendation, Ms. Wolohan informed the GPWG that the recommendation is not related to gas procurement. However, OPC contends that

[18] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 31.
[19] *Id.*
[20] *Id* at 59.
[21] *Id* at 60.

gas procurement encompasses not only the purchasing of natural gas but also its delivery to end users. OPC's contention improperly ignores the distinction between Washington Gas's distribution role, which is mandatory for all customers, and its procurement role, which is applicable only for those customers who do not choose an alternative supplier. Further, as it relates to the company's distribution system, those data are already reported to the Commission and multiple federal government agencies.

Additionally, Ms. Wolohan shared that Washington Gas cannot provide the recommended information because there is not accurate information available concerning the loss of gas along the transmission pipeline route. OPC reiterated that the information covered by the agency's recommendation, although not provided specifically, could be reported by using data provided by EIA and/or other industry research data.[22]

OPC emphasizes that gas procurement involves assessing customer demand, determining how to meet that projected demand, and allocating a reserve margin to account for leaks during transport and distribution. Therefore, understanding and reporting on leaks and other inefficiencies that occur within the distribution system are integral to natural gas procurement activities. OPC contends that accurate reporting on these factors is essential to developing effective strategies for emissions reduction and ensuring the integrity of the gas delivery system.

OPC draws a number of incorrect conclusions that the Commission should reject. First, as stated previously, OPC incorrectly blends Washington Gas's distribution and procurement roles. Second, OPC incorrectly concludes that the reserve margin is used to account for leaks during transportation and distribution. The reserve margin helps to

[22] *Id at* 61.

maintain a reliable supply of natural gas to customers in the event that (1) actual weather conditions experienced in the Washington Gas service territory are more severe than projected in the design day analysis, (2) firm customer consumption per Heating Degree Day is greater than the level used in the design day forecast calculation, (3) a failure of interstate pipeline equipment reduces the amount of supply the Company can take from one or more of its pipeline suppliers, (4) a disruption in the gas production region reduces the supply of gas available for firm transport through Washington Gas' pipeline entitlements, (5) a Company gate station or on-system peaking facility experiences an equipment failure that would reduce available gas supply from that resource, (6) a Competitive Service Provider fails to deliver all or a portion of the gas supply required to meet the needs of their firm delivery service customers, (7) a firm delivery service customer returns to utility service without the CSP returning capacity resources back to Washington Gas, or (8) an interruptible shipper fails to comply with an interruption order, or (9) any combination of these items.[23] Third, OPC appears to seek to double count distribution leaks as a source of emissions, as these emissions are already accounted for in other reports, and therefore would be duplicative if restated and attributed to procurement activities. Finally, Washington Gas does not have access to data that would allow it to accurately report on the majority of the information items sought here (e.g., transmission venting, production flaring, etc.). Given the duplicative and unsupported nature of OPC's position, the Commission should not adopt it.

5. A clear and analytical comparison of WGL's procurement strategies and resulting GHG emissions against the District's climate targets, with references to the benchmarks established in local climate action laws and plans (e.g., Climate Commitment Amendment Act of 2022, Sustainable DC, Clean Energy DC).

[23] WGL Portfolio Plan 2024-2028 ML# 306221 filed November 17, 2024

Concerning OPC's fifth recommendation, Ms. Wolohan stated that Washington Gas can provide its strategies, as evidenced by its procurement of CtNG. CtNG calculations for emissions reductions are developed by the certifying entity and can be provided by Washington Gas.[24]. Additionally, the Company annually files a clear procurement strategy with the Commission. While the calculations for emissions reductions developed by the certifying entity can be provided by Washington Gas, OPC contends that this alone does not demonstrate a comprehensive effort to benchmark and attain the District's climate goals.

OPC emphasizes that merely evidencing the purchase of CtNG for a small percentage of its supply (9%) is insufficient. WGL should provide a clear and analytical comparison of its overall procurement strategies and resulting GHG emissions compared to the District's climate targets. This includes references to benchmarks established in local climate action laws and plans. OPC believes that WGL should outline how its procurement activities align with the District's climate goals and what steps are being taken to increase the proportion of CtNG and other low-emission sources in its supply portfolio as well as efforts to pare back its distribution system in the District. Additionally, OPC believes WGL should detail how its procurement strategy will evolve to meet these targets and demonstrate measurable progress toward the District's climate objectives.

OPC misinterprets the Company's comments to conclude that CtNG, at the current percentage, is the only option that Washington Gas intends to utilize in its efforts to support the District's climate goals. This is not accurate, as evidenced by the Company's efforts to explore alternatives such as RNG, hydrogen, renewable energy credits, carbon

[24] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 33.

offsets, leak repair and reduction activities, and energy efficiency programs, to name some of the areas where Washington Gas believes it can make meaningfully strides in lowering emissions. Simply put, procurement is just one area where the Company is seeking to support the District's climate goals. While the Company is willing to identify how modifications to its procurement activities constitute a reasonable practice that will align the Company's supply portfolio with the District's climate goals, Washington Gas encourages the Commission to reject OPC's misplaced proposal of these analyses in this procurement proceeding. Rather, these discussions are already ongoing in Formal Case 1167.

6. Inclusion of materials that showcase WGL's stakeholder engagement efforts aimed at soliciting and incorporating input on procurement practices and environmental impacts.

Ms. Wolohan reminded the GPWG that Washington Gas participates in open, public meetings in Formal Case No. 1167 twice a year concerning gas procurement, where stakeholders can engage on the Company's procurement activities.[25]

However, OPC contends that holding two PSC-mandated open meetings annually is not sufficient to demonstrate WGL's proactive efforts to solicit stakeholder engagement and input. Effective stakeholder engagement requires more than just compliance with regulatory mandates; it requires active outreach and meaningful dialogue with the community. While the discussions in FC1167 are similar to those presented before the gas procurement working group but do not adequately address emissions from the procurement and distribution of natural gas. OPC recommends that WGL provide detailed accounts of its efforts to engage stakeholders beyond these mandated meetings.

[25] *Id* at 33.

Washington Gas disagrees with OPC's contention that the Commission's existing requirements and regulatory obligations are insufficient to provide customers and stakeholders with opportunities to engage with the Company on its procurement activities, including supply procurement that may reduce emissions. In addition to the procurement specific opportunities, the Company has many other forums and events where customers and stakeholders can engage with Washington Gas on climate issues. To the extent that OPC and the Commission believe that additional outreach is required, then the Company would ask that the Commission include appropriate cost recovery in its Purchased Gas Charge application.

7. Detailed accounts of WGL's investments in carbon offset programs, methane capture technologies, and any innovative practices adopted to mitigate the climate impacts of its current gas procurement activities, particularly in the context of regulatory changes such as those stemming from FC1167.

Ms. Wolohan confirmed that this proposal is unrelated to gas procurement activities. However, part of this recommendation could be fulfilled with the Company's proposed energy efficiency measures being reviewed under Formal Case 1160.[26]

OPC stated that it imagines that CtNG producers advertise carbon offset, methane capture, etc.[27] OPC believes such information would be useful in analyzing Washington Gas's performance. In response, Washington Gas raised concern about tasking the Company to research and retrieve all the recommended data points. Upon hearing what OPC wanted and recognizing what it would take to get all those things, Ms. Wolohan also questioned whether OPC was going to provide the same scrutiny to Pepco for electricity that is generated by natural gas.[28]

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[26] *Id* at 34.
[27] *Id* at 63.
[28] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 63-64.

OPC contends that relying solely on energy efficiency measures as a response to this recommendation is insufficient. Energy efficiency efforts related to natural gas will only have a significant impact on emissions if natural gas prices remain low and stable, which is not realistic for a long-term strategy. Therefore, OPC believes that energy efficiency cannot be presented as WGL's principal effort to curb emissions. OPC maintains that WGL should provide detailed accounts of its specific investments in carbon offset programs, methane capture technologies, and other innovative practices that directly mitigate the climate impacts of gas procurement. Such transparency is essential for demonstrating WGL's commitment to reducing its carbon footprint and aligning with the District's climate goals, beyond the limited scope of energy efficiency.

Washington Gas disagrees with OPC's claim that the Company intends to rely "solely" on energy efficiency measures. The Company has and will continue to actively explore available options for including lower-emissions supply in its procurement activities in a way that meets its statutory obligation to use reasonable practices to address its procurement obligations, and to the extent allowed by the Commission.

Further, OPC's comments regarding energy efficiency programs include certain incorrect assertions. Widespread use of energy efficiency programs in jurisdictions across America have shown that many of these programs are among the most cost-effective ways to lower individual customer consumption and thereby reduce emissions associated with gas use. Further, these programs are more popular when gas prices are high and/or volatile because customers are more likely to seek ways to lower their bill or obtain relief from an unexpectedly high bill. To the extent that Washington Gas undertakes procurement activities that result in lower carbon emissions, the Company will report on those in its Purchased Gas Charge application.

8. Provision of year-on-year comparative metrics to facilitate tracking of WGL's progress in aligning its gas procurement with climate objectives.[8]

Ms. Wolohan stated that Washington Gas welcomes this criterion although parties must be cautioned that tracking gas molecules continues to evolve.[29]

Additional Remarks

Washington Gas provided additional views on Reporting and Evaluation Criteria to Measure the Impact of Washington Gas's Procurement Activities through a PowerPoint Presentation marked as Exhibit 4.[30] The Company compares the calculated baseline methane intensity with its CtNG transactions. The Company receives third party verified emissions information concerning upstream CO2 equivalent and calculates the emissions savings in CO2 equivalent.[31] The Company's strategies continue to include RNG and the direct injection of RNG into the Washington Gas system.[32] Additionally, procuring CtNG is a part of the Company's procurement strategy. Washington Gas is active in the CtNG market, which helps to develop liquidity in the CtNG market so that there will be more opportunity for future purchases.[33]

OPC highlights that CtNG currently represents less than 10% of all WGL emissions and even with 100% CtNG, WGL would not meet the District's emissions goals without other practices and significant investment. OPC believes that a business-wide evaluation of emissions is more informative than focusing on a fractional portion of WGL's gas supply. Therefore, WGL's response, which primarily discusses CtNG, does not sufficiently

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[29] *Id.* at 34-35.
[30] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 35, Exhibit 4.
[31] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 36. Exhibit 4 at 2.
[32] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 36, Exhibit 4 at 3.
[33] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 37,

address the broader scope of the recommendation. OPC maintains that Washington Gas should provide comprehensive year-on-year comparative metrics that encompass all aspects of its gas procurement activities. OPC believes this approach should include detailed tracking and reporting of emissions from all sources, not just CtNG, to provide a complete picture of WGL's progress toward achieving the District's climate objectives. OPC believes such transparency is essential for demonstrating WGL's commitment to reducing its overall carbon footprint and aligning with the District's climate goals.

Additionally, the Company favors procurement of CtNG because the certifier performs most of the documentation regarding the gas that the Company buys. The CtNG information is also verified through a third party.[34] The Company cannot control what suppliers are currently sharing, but as potential strategies, the Company could engage in dialogue with the clearinghouse or the natural gas producers to see what options may exist.[35] The Company would like to continue to collaborate with industry organizations, different industry associations, and groups focused on sustainability in the sector to identify methodology and protocol development needed to report on how the procurement of gas can assist with meeting climate objectives.[36] The Company believes that conducting independent audits, which stems from the third party concept that CtNG already pursues would enable the Company to evaluate practices that would assist in supporting some of the desired information. The Company wants to encourage transparency upstream and advocates increased transparency within the industry.[37]

However, OPC raises concerns that focusing solely on CtNG may appear as

[34] December 7, 2023, Gas Procurement Working Group Meeting Transcript at 38.
[35] *Id.* at 44-45,
[36] *Id.* at 45.
[37] *Id*.

greenwashing. The continued burning of fossil gas, even with best practices in procurement, is counterproductive to achieving the District's climate goals by the designated legislative deadlines. Therefore, the Company must create a comprehensive plan of action to estimate and report emissions from its procurement and distribution activities, especially regarding Scope 3 emissions. To genuinely move toward the District's climate objectives, the Company should not only rely on CtNG but also develop a holistic strategy encompassing all aspects of its gas supply chain. This includes committing to significant reductions in overall emissions and adopting innovative practices beyond just procurement. By doing so, Washington Gas can better align with the District's climate goals and demonstrate a genuine commitment to sustainability.

Finally, the Company wants to coordinate its analysis with its electric utility counterpart, Pepco, to discuss how that company intends to report upstream emissions from electric generation.[38] Based upon data provided by PJM, the regional electricity grid that serves the District and surrounding states, almost 50 percent of the electricity is generated by natural gas, and a large portion from coal generation.[39] Pepco is in a comparable position as the Company regarding supporting the District's climate goals because it uses upstream suppliers to procure electricity for its customers.[40]

Washington Gas objects to OPC's unfounded allegations about greenwashing. Reporting specific quantities of CtNG is not misleading or unsubstantiated. Further, OPC has provided no facts to support its egregious claim that natural gas is counterproductive to the District's goals. Washington Gas's residential and commercial heating customers

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[38] *Id* at 45-46.
[39] *Id* at 46.
[40] *Id.*

make up more than half of the winter heating load for the District[41] and currently produce less GHG emissions per unit of energy consumed.[42] These facts, alongside PJM plans,[43] make it readily apparent that electrification of these customers at this time would produce more GHG emissions and at a greater cost to customers than the continued direct use of natural gas for meeting ratepayers' heating needs. OPC again incorrectly claims that the Company is focused solely on CtNG, despite the record. OPC claims that "relying solely on CtNG may appear as greenwashing" with no explanation or support for that position. To the extent that OPC supports a "holistic strategy" for addressing emissions associated with Washington Gas's activities, the correct place to do that is either in Formal Case No. 1167 or in a base rate proceeding, where cost recovery and other impacts on the cost of service flowing from OPC's recommendations can properly be addressed. That holistic discussion clearly cannot be undertaken in a procurement-focused proceeding.

GPWG MEETING – March 7, 2024

Attendees:

Commission Staff:
Kimberly Lincoln-Stewart, Attorney; Gilliam Marime, Acting Chief, Finance and Accounting; Thomas Olmstead, Environmental Economist; Roger Fujihara, Senior Electricity Economist; and Rodney K. Wilson

Office of People's Counsel:
Adam Carlesco, Assistant People's Counsel and Yohannes Mariam, Economist

Washington Gas:
Victoria Abraham Paul, Manager Energy Planning; Samiah Bahhur, Pricing Specialist;

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[41] EIA Natural Gas Consumption data (https://www.eia.gov/dnav/ng/NG_CONS_SUM_DCU_SDC_A.htm) and Appendix showing "Comparison of 2022 Energy Volumes Delivered to District of Columbia Customers by Washington Gas and Pepco" at system level.
[42] According to DC DOEE 2020 GHG Inventory data (https://doee.dc.gov/service/greenhouse-gas-inventories), electricity currently accounts for 1.6x the GHG emission per energy unit consumed compared to natural gas consumed across the Buildings & Energy sector. EPA eGRID emissions data also back this up (https://www.epa.gov/egrid/data-explorer).
[43] *See* PJM's Regional Transmission Expansion Plan https://www.pjm.com/library/reports-notices/rtep-documents.

Alfred Balow, JR., Lead Regulatory Affairs; Robert C. Cain, II, Associate Legal Counsel; Everett Coates, Manager Customer Experience; Honore` Dzisam, Senior Paralegal; Joseph Fallah, Senior Regulatory Affairs Specialist; Marcel Fortune, Manager Customer Experience; Lisa Gillison, Manager Energy Supply; James Sipes, Lead Greenhouse Gas and Air Quality Compliance; Phuong Nguyen, Senior Pricing Specialist; Mark Shaver, Chief of Staff and Vice President Strategic Priorities Office; James Wagner, Assistant Vice President Rate and Regulatory Affairs; and Elizabeth Wolohan, Director of Energy Acquisition.

CONTINUED DISCUSSIONS ON OPC'S RECOMMENDATIONS

The GPWG meeting commenced on March 7, 2024. The Working Group again took up the issue of what reporting and evaluation criteria are necessary to measure the impact of WGL's procurement activities on the District's climate goals. James Sipes, Washington Gas' Greenhouse Gas and Air Quality Compliance Lead attended to respond to OPC's recommendations. Mr. Sipes stated that Washington Gas is working towards providing a detailed report in the future on greenhouse gas emissions. However, the majority of OPC's recommendations focus on Scope 3 emissions, information about which Washington Gas does not analyze or capture.[44] In addition, as noted previously, the Company does not believe that using national averages or other industry averages to review upstream production data is reflective of the actual upstream conditions for Washington Gas purchases. Using such simplifying assumptions will not produce accurate information and will not provide an accurate report in the future.[45]

OPC, however, contends that WGL is indirectly responsible for emissions from the procurement and directly responsible for the distribution of natural gas in the District. The company can utilize standard guidelines on accounting and quantifying emissions and employ available software to estimate these emissions. Claiming that WGL does not

[44] March 7, 2024, Gas Procurement Working Group Meeting, Transcript at 21.
[45] March 7, 2024, Gas Procurement Working Group Meeting, Transcript. at 22.

analyze or capture either Scope 3 emissions or those that occur within its distribution system effectively shirks responsibility for emissions associated with its core product—natural gas. Therefore, OPC believes WGL should commit to adopting industry-standard practices for estimating and reporting all relevant emissions.

Washington Gas's core business function is the distribution and delivery of natural gas. The Company procures default supply for those customers that do not choose a supplier, or where a supplier fails to delivery to the Company's distribution system, because the Company has a legal obligation to do so and the Commission has rightly acknowledged that a default supplier provides a critical reliability and affordability backstop for customers. OPC's proposal serves to both double count Washington Gas's emissions impact on the District's climate goals, and also does not reach the impact CSPs have on those same goals. The Commission should not apply separate procurement-specific reporting requirements when there is a broad-based climate policy docket where these issues are more appropriately addressed.

Even assuming OPC was correct, OPC then goes on to recommend the use of estimated emissions based on "standard guidelines" and "available software." Washington Gas notes that OPC did not identify any source for a universally adopted set of guidelines on accounting and quantifying emissions, and particularly the Scope 3 emissions that it is focused on. To the Company's knowledge, no such set of standards has been widely adopted at this time.

Thomas Olmstead from Commission Staff reaffirmed that the Commission expected Washington Gas in the next Biennial Report of Gas Procurement to provide more information on the topic rather than just indicating that the Company supports the

District's climate goals.[46] Mr. Olmstead further provided that when looking at gas consumption in the District, it is always a magnitude different than the Scope 1 and Scope 2 emissions.[47]

Commission Counsel asked when Washington Gas will be able to provide Scope 3 emissions information related to the local area.[48] Mr. Sipes, on behalf of the Company, informed the Working Group that on March 6, 2024, the Securities and Exchange Commission ("SEC") issued its final rule governing registrant companies' climate disclosures in their annual reports and registration statements. The final rule does not require companies to provide Scope 3 GHG emissions disclosures.[49] Given the SEC's final rule, while it is possible that Scope 3 data may be collected and provided in the future, in the near term it is difficult to determine when that reporting may occur.[50]

OPC contends that WGL is conflating the requests as the PSC is not invoking the SEC securities disclosure rule; they are invoking their own authority as the utility commission regulating gas providers in the District. The SEC disclosure rules are not relevant in this instance as the DC PSC's statutory authority at § 34–903 requires it to "keep itself informed as to the manner and method in which the business of all public utilities is conducted, and shall have the right to obtain from any public utility all necessary information to enable the Commission to perform its duties." Further, § 34-907 also states: "[e]very public utility shall furnish to the Commission all information required by it to carry into effect the provisions of this subtitle […]." In this instance, OPC contends that the

[46] *Id.* at 24.
[47] *Id.* at 25.
[48] *Id.* at 26.
[49] March 7, 2024, Gas Procurement Working Group Meeting, Transcript at 26.
[50] *Id.* at 26.

Commission requires Scope 3 emissions regardless of SEC requirements to fulfill its duties to reach statutorily mandated emissions reductions. Therefore, OPC maintains that Washington Gas should comply with the PSC's request for Scope 3 emissions data as part of its obligation to provide the necessary information for regulatory oversight and to support the District's climate objectives – not as a subcomponent of an SEC requirement.

OPC misunderstands Washington Gas's position on Scope 3 reporting and the role of the SEC in this discussion. The SEC undertook a lengthy administrative process when it recently issued its final GHG disclosure rules. As part of that process, the agency considered voluminous comments both for and against the original proposal to require SEC-registered companies to disclose Scope 3 emissions. The agency considered "the potential burdens such a requirement could impose on registrants and other parties as well as questions about the current reliability and robustness of the data associated with Scope 3 emissions."[51] Ultimately, the SEC concluded that "at the present time, because of the *potential costs and difficulties* related to Scope 3 emissions reporting, the disclosure of Scope 3 emissions in Commission filings will remain voluntary."[52] Accordingly, OPC's demand that the PSC require Scope 3 emissions reporting is out of step with federal policy, ignores the impact of such reporting on the costs to customers, and should be rejected.

Mr. Olmstead, from Staff, noted that AltaGas has a plant in California and is subject to California's rule on greenhouse gas reporting and wanted to know how that would impact Washington Gas's reporting.[53] OPC's counsel also opined that if the largest state

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[51] SEC Final Rule at 256 available at: https://www.sec.gov/files/rules/final/2024/33-11275.pdf.
[52] *Id.* (emphasis added).
[53] *Id.* at 26-27.

in the country is requiring Scope 3 emissions assessments, companies will try to comply with such mandates.[54] The California laws cited by Staff and OPC are the Climate Corporate Accountability Act[55] and the Climate-Related Financial Risk.[56] Those laws require companies doing business in California to provide Scope 3 disclosures, the first of which is not due until 2026.[57] Moreover, the laws grant discretion to reporting companies with respect to materiality of Scope 3 emissions in the context of their businesses.

Mr. Sipes reported that Washington Gas has good data on CtNG and the Company can track those volumes and keep that information current, as well as many of the Company's downstream activities that fall under the classification for Scope 3.[58] However, for the reasons repeated in the GPWG meetings and made clear *supra*, the Company simply cannot provide upstream life cycle data, as that information is not available at this time . The Company already reports annual throughput to customers to the PSC and to the US EPA through its Subpart NN reporting. Any additional requests by OPC at this time are premature. Although the GPWG did not reach consensus on what Scope 3 information should be reported, Commission Staff indicated the Commission expects the Company to provide a more fulsome report on this topic. Washington Gas will report GHG emissions data as those may be required in the future by the appropriate regulatory body.[59] Staff suggested that Washington Gas provide all the information the Company can provide.[60]

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[54] *Id.* at 29.
[55] Cal. Health & Saf. Code § 38532.
[56] Cal. Health & Saf. Code § 38533.
[57] https://watershed.com/blog/california-sb-253-and-sb-261-a-guide-for-companies
[58] March 7, 2024, Gas Procurement Working Group Meeting, Transcript at 29.
[59] *Id.* at 32.
[60] *Id.* at 32, 33.

WASHINGTON GAS' RECOMMENDATIONS

Washington Gas appreciates the Commission facilitating dialogue among the Company, Staff, and OPC. Washington Gas recommends that the Commission either reject OPC's proposed reporting requirements or provide further opportunity for the parties to reach a consensus on the scope of additional reporting requirements that would provide the Commission with probative and accurate information reflecting Washington Gas's procurement activities. In addition, Washington Gas recommends that the discussion of a holistic response to emissions reductions continue in Formal Case 1167, the docket examining the District's Climate Goals, rather than Formal Case 874, the docket reviewing Washington Gas's gas procurement activities and strategies. Parties have focused their attention on climate-related matters in Formal Case No. 1167.

Further, the Company notes that OPC's recommendations largely center around Scope 3 emissions data, the capture, calculation and understanding of which is a complex undertaking that is not related to gas procurement. There is no authoritative requirement or industry standard regarding collection and calculation of Scope 3 emissions. The Company believes that it would be premature to set criteria related to Scope 3 emissions. Washington Gas recommends continued dialogue on Scope 3 emissions matters between the Company, Staff, and OPC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, the undersigned counsel, hereby certify that on this 14th day of June 2024, I caused copies of the foregoing **REPORT** document to be hand-delivered, mailed, postage prepaid, or electronically delivered to the following:

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