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GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL

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Public Advocacy Division
Housing and Environmental Justice Section

E-Docketed

September 25, 2024

Ms. Brinda Westbrook, Secretary
Public Service Commission
 of the District of Columbia
1325 G Street, N.W., Suite # 800
Washington, DC 20005

Re: Formal Case No. 1180 – In the Matter of the Application of Washington Gas Light Company for Authority to Increase Existing Rates and Charges for Gas Service.

Dear Ms. Westbrook:

On behalf of the District of Columbia Government and the Apartment and Office Building Association, I enclose for filing their Proposed Content for Supplemental Testimony in the above-captioned proceeding. If you have any questions regarding this filing, please contact the undersigned.

Sincerely,

BRIAN L. SCWALB
Attorney General

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BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

In the Matter of the Application of	)	
Washington Gas Light Company	)	**Formal Case No. 1180**
for Authority to Increase Existing Rates	)	
and Charges for Gas Service	)	

THE DISTRICT OF COLUMBIA GOVERNMENT AND APARTMENT AND OFFICE BUILDING ASSOCIATION'S CONSOLIDATED PROPOSED CONTENTS OF SUPPLEMENTAL TESTIMONY

As directed by the Public Service Commission of the District of Columbia (Commission) in Order No. 22293 the District of Columbia Government (DCG) and the Apartment and Office Building Association of Greater Metropolitan Washington D.C. (AOBA) jointly propose that Washington Gas Light Company (WGL or the Company) be directed to file supplemental testimony on the below consolidated subject matter areas (contents of supplemental testimony) as part of its Application for a rate increase in the above-captioned proceeding.[1] The contents of supplemental testimony proposed herein will aid the Commission in assessing the prudency of WGL's investments.[2]

It should be noted at the outset that these proposed content for supplemental testimony and the comments in support thereof were consolidated into one document for the convenience of the Commission only. The views expressed by DCG and AOBA herein represent the individual views of each party.

[1] Formal Case No. 1180, *In the Matter of the Application of Washington Gas Light Company for Authority to Increase Existing Rates and Charges for Gas Service* (FC 1180), ¶1 (*rel.* September 12, 2024).
[2] Washington Gas Light Company opposes this request.

I. DISTRICT OF COLUMBIA GOVERNMENT PROPOSED CONTENTS OF SUPPLEMENTAL TESTIMONY

In its direct testimony, WGL made broad statements regarding the prudence of its capital investments. However, it provided little evidence that other parties can use to confirm or refute that claim across the full breadth of capital investment (including not just PROJECTpipes but also new construction, system betterment, and other drivers of investment).

The concept of investment prudency evolves over time. What investments were prudent 10, 20 or 50 years ago, may not be considered prudent now. Prudency must be evaluated to served the District's needs today and also placed into the context of what goals the Commission and the District are seeking to achieve in the future. As the Commission recently reiterated in its final order on WGL's last rate case application issued a mere 9 months ago, "[t]he Commission remains committed to using all the regulatory authority at our disposal to ensure . . . that WGL's gas services assist the District of Columbia in achieving its climate goals, including a reduction in greenhouse gas emissions."[3]

As anyone familiar with the District's energy policy knows, the District views electrification – in both building heat and transportation – as a major key to achieving the its ambitious and fast-approaching greenhouse gas reduction targets. Therefore, one area of interest to DCG is to what extent WGL already does or should be tracking whether the assets they are investing in are continuing to be used and useful in light of electrification. Conversely, to the extent that WGL is not tracking its investments on this basis, the Commission should consider establishing a framework for deciding whether specific investments were prudently incurred, including what information the Commission should consider when making an ex-post prudency determination.

[3] Formal Case No. 1169, Order No. 21939, ¶12 (*rel.* Dec. 22, 2023).

It should be noted that Massachusetts and Connecticut already require this type of information from its gas utilities when filing for a rate increase. Specifically, appropriate evidence to evaluate prudence includes information about WGL's planning and decision-making processes (the proposed area of content for supplemental testimony, listed as Item 1 below). Items 2 and 3 below are more in the nature of exhibits and workpapers in support of the proposed content for supplemental testimony. These items are intended to identify the specific planned projects. In addition, the Item 3 is also necessary to have a summary of the composition of capital additions and retirements in a standardized form that can be evaluated against WGL's existing and historical plant in service, and other gas utility investment patterns.

1. Detailed description of WGL's capital project planning and selection process. This testimony should include, but not be limited to:

    - How WGL identifies project need and the criteria used in this identification/evaluation
    - What processes and criteria WGL uses to identify alternative approaches to meet the need, from which it selects the executed project approach
    - How WGL selects the approach from among alternatives
    - How WGL prioritizes capital projects (differentiated, as appropriate, between different types of capital projects)
    - How WGL develops and refines project engineering estimates
    - What internal approvals are required at what stage and scale of project development and execution
    - The process flow (and typical timeline if available) of project development from need identification through to execution
    - How WGL incorporates District climate, equity, and other policies into its capital planning and selection processes
    - How WGL tracks changes and variance in project scope and cost, including the threshold variance in cost that requires documentation via a project variance or re-authorization process

2. The supplemental testimony proposed above should be accompanied with exhibits and workpapers sufficient to show that for each project over $100,0000 that WGL proposes as additions to plant in service in this case, the project is supported with exhibits and workpapers establishing:

    - the documentation of project need
    - the alternatives considered

- why the executed project was selected from among the alternatives
- the budgeted and actual costs of the project
- project variance and/or re-authorization forms for each project for which they were prepared
- what FERC account is charged for the project (including the split amounts for projects that are accounted for under multiple FERC accounts)

To the extent such documentation does not exist, WGL may submit additional supplemental testimony in lieu of documentation. To be clear, for projects completed as part of a high-level program (such as PROJECTpipes) should be presented at the project, rather than program, level.

3. WGL should be directed to file detailed tables showing the capital additions represented by each itemized project over $100,000, the remaining capital additions, the capital retirements, and the resulting net change in plant in service for each FERC account from the approved values in FC1169.

II. APARTMENT AND OFFICE BUILDING ASSOCIATION'S PROPOSED CONTENTS FOR SUPPLEMENTAL TESTIMONY

Nearly one-third of Washington Gas's distribution mains in the District of Columbia comprises Cast Iron mains with an average age well in excess of 100 years. The PHMSA "call to action" in 2011 prioritized the replacement of Cast Iron mains for all gas distribution utilities. More than a decade later, Washington Gas has replaced less than ten percent (10%) of the Cast Iron mains on its District of Columbia distribution system. The Company still has more than 390 miles of Cast Iron mains on its District of Columbia distribution system. Washington Gas has done less to replace its existing Cast Iron mains in the District of Columbia than any other major natural gas distribution utility system in the U.S.

Washington Gas recognizes the need for replacement of these mains and suggest that it will now start attributing greater focus on their replacement. However, the costs of replacing those mains has become prohibitive. If the Company's existing Cast Iron mains in the District are replaced at the Company's 2019 average cost per mile of Cast Iron main replacement, the impact on rates for District natural gas user will be dramatic. In Formal Case No. 1154, Washington Gas represented that its average cost for replacing its Cast Iron mains in the District was of $8.5 million per mile. With further cost inflation (which has been significant in recent years) and added work rules imposed by the District government that add to the costs of main replacement, there are indications that the Company's costs per mile of Cast Iron main replacement have risen even further.

Policies that permit or encourage Washington Gas to replace its substantial mileage of Cast Iron mains in the District must be expected to more than triple the size of Washington Gas's District of Columbia rate base, even if there are no further inflation or work rule impacts on Washington Gas Light Company's costs of Cast Iron main replacement. In other words, Washington Gas's planned Cast Iron main replacement activities will sharply increase the costs of natural gas service for ALL natural gas users in the District.

Furthermore, the Commission must recognize that policies which encourage electrification of energy end-uses in the District will negatively impact the expected lives of Washington Gas's distribution system plant in the District. Thus, the pursuit of the District's environmental gas needs to be reflected in the rates at which Washington Gas's distribution system facilities in the District are depreciated for ratemaking purposes. If the District pursues a goal of greatly reducing or eliminating natural gas use in the District by a given future date (e.g., by 2050), then it will be inappropriate for the Commission to continue to use depreciation schedules that assume 40, 50, or 60 year useful lives for gas distribution system facilities in the District. A failure to recognize this relationship will necessarily lead to substantial "stranded cost" claims by Washington Gas that will burden District energy users far into the future for facilities that would no longer be used or useful. For these reasons, it is essential that the

District start taking steps now to limit (not increase) Washington Gas's investments in long-lived distribution system facilities (e.g., Cast Iron main replacement) and minimize the District's exposure to future stranded cost claims.

The District must also be sensitive to the impacts on the economics of gas system operations of: (1) Cast Iron main replacement; and (2) electrification of energy end-uses. A strong case can be made that converting natural gas customers District of Columbia to electric service is a less expensive option than replacing the District's substantial remaining mileage of existing Cast Iron mains. Even without District policies that encourage or mandate the pursuit of electrification alternatives, sharp increases in Washington Gas's costs of service in the District of Columbia will result from its planned Cast Iron main replacements. Further, those cost increases must, at a minimum, be expected to depress further Washington Gas's natural gas service requirements in the District.

Added items 5-8 are intended to solicit greater information regarding the manner in which the Company's planning processes and decisions integrate with the ratemaking **determinations that Washington Gas seeks from the Commission.**

1. The Company's evaluation of customers' costs for alternatives to continued use of natural gas for specific end-uses.

2. The Company's evaluation of the affordability of natural gas service for its District of Columbia customers by rate schedule.

3. The impact of the Company's proposed rate increases by rate schedule on expected changes in service requirements and billing determinants.

4. The impact of DC climate policies on the economics of the Company's planned capital investments, expected lives for distribution assets, and the Company's depreciation rates for ratemaking purposes.

5. The Company's projected costs for Cast Iron Mains and the projected impacts of Cast Iron main replacement on rates.

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of September 2024, I caused true and correct copies of the foregoing District of Columbia Government and Apartment and Office Building Association's Proposed Content for Supplemental Testimony to be emailed to the following:

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