

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

ORDER

October 9, 2024

**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, Order No. 22311**

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) adopts the procedural schedule in Attachment A for this proceeding. The Commission also grants Washington Gas Light Company’s (“WGL” or “Company”) Motion for Leave to File Comments (“WGL Motion”) and accepts WGL’s Comments regarding supplemental testimony.¹ The Commission directs WGL to file the supplemental testimony requested by the Apartment and Office Building Association of Metropolitan Washington (“AOBA”) and the District of Columbia Government (“DCG”) in their Proposed Supplemental Testimony and Errata² on November 4, 2024.

II. BACKGROUND

2. On August 5, 2024, WGL filed an Application requesting authority to increase existing rates and charges for gas service in the District of Columbia (“District”).³ The requested rates are designed to collect approximately \$257.2 million in total revenue, which represents an increase in the Company’s weather-normalized annual revenue of \$45.6 million, which includes a transfer of \$11.7 million associated with costs from the natural gas system upgrades previously approved by the Commission and currently paid by customers through the Accelerated Pipe Replacement Program Adjustment (“PROJECTpipes”) monthly surcharge, resulting in a net increase of \$33.9 million in new revenues. These new revenues reflect an increase of approximately 11.9% over and above current rates. In its Application, the Company is proposing

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 (“Formal Case No. 1180”),* Washington Gas Light Company’s Motion for Leave to File Comments and Washington Gas Light Company’s Comments on The District of Columbia Government and Apartment and Office Building Association’s Consolidated Proposed Contents of Supplemental Testimony (“WGL Comments”), filed September 30, 2024.

² *Formal Case No. 1180, The District of Columbia Government and Apartment and Office Building Association’s Consolidated Proposed Contents of Supplemental Testimony (“Proposed Supplemental Testimony”),* filed September 25, 2024. An Errata was filed September 26, 2024. *Formal Case No. 1180, Errata to the District of Columbia Government and Apartment and Office Building Association’s Consolidated Proposed Contents of Supplemental Testimony,* filed September 26, 2024.

³ *Formal Case No. 1180, Application,* filed August 5, 2024.

a Weather Normalization Adjustment (“WNA”) in its proposed rate structure that will benefit customers and the Company. The proposed WNA is a billing mechanism that adjusts customer distribution bills to account for the variability of weather.

3. In Order No. 22293, the Commission directed the parties to meet to develop a joint procedural schedule and to identify what supplemental testimony was needed.⁴ On September 25, 2024, WGL filed a proposed Joint Procedural Schedule on behalf of the parties.⁵ WGL also filed a letter arguing that no supplemental testimony was needed.⁶ AOBA and DCG identified issues for which they seek supplemental testimony in their Proposed Supplemental Testimony and Errata on September 25, 2024. WGL filed its Motion and Comments in response to the Proposed Supplemental Testimony and Errata on September 30, 2024.

III. DISCUSSION

A. WGL Motion

4. In its Motion, WGL argues that its perspective on the Proposed Supplemental Testimony will assist the Commission in determining whether the Proposed Supplemental Testimony is relevant and appropriate for this proceeding. WGL asserts that no party would be prejudiced by the acceptance of WGL’s Comments, since WGL is responding to arguments raised by DCG and AOBA.⁷ The Commission agrees that WGL’s filing will assist the Commission in its decision. Further, there is no prejudice to the parties. Thus, the Commission grants WGL’s Motion and accepts WGL’s Comments.

B. Procedural Schedule

5. In the Joint Procedural Schedule, WGL represents that all of the parties in this proceeding agree on the procedural schedule included in Attachment A. The Commission agrees with the parties that this procedural schedule is reasonable, although the Commission encourages the parties to meet in settlement conferences before the April 3 settlement conference as well. To the extent that this procedural schedule differs from the process established in the Commission’s Rules of Practice and Procedure, the Commission waives those rules at this time, as the Commission is permitted to do.⁸

⁴ *Formal Case No. 1180*, Order No. 22293, rel. September 12, 2024.

⁵ *Formal Case No. 1180*, Joint Proposed Procedural Schedule, filed September 25, 2024.

⁶ *Formal Case No. 1180*, Letter to Brinda Westbrook-Sedgwick from Cathy Thurston-Seignious, Supervisor, Administrative and Associate General Counsel, Washington Gas Light Company (“WGL Letter”), filed September 25, 2024.

⁷ WGL Motion at 2.

⁸ 15 DCMR § 146.1 (2020).

C. Supplemental Testimony

6. WGL argues that no supplemental testimony is needed,⁹ but DCG and AOBA disagree, identifying different issues for which they seek supplemental testimony. DCG seeks supplemental testimony on WGL's capital investments. DCG is interested in obtaining information on how WGL is tracking whether its capital investments will continue to be used and useful in light of electrification in the District. If WGL is not tracking investments on this basis, DCG recommends that the Commission develop a framework for determining when investments are prudently incurred.¹⁰ DCG seeks the following information in supplemental testimony:

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 needs 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 reauthorization process.
2. The supplemental testimony proposed above should be accompanied with exhibits and workpapers sufficient to show that for each project over \$100,000 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 budgeted and actual costs of the project;
 - project variance and/or re-authorization forms for each project for which they were prepared;

⁹ WGL Letter at 1.

¹⁰ Proposed Supplemental Testimony at 2.

- what Federal Energy Regulatory Commission (“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 PROJECT*pipes*) 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 in plant in service for each FERC account from the approved values in *Formal Case No. 1169*.¹¹

7. AOBA has concerns regarding the high cost of updating WGL’s infrastructure, particularly cast iron mains, especially considering the District’s move to electrification. AOBA argues that additional information is needed regarding the following issues:

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 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.¹²

8. WGL objects to DCG’s proposed supplemental testimony by arguing that the request greatly expands the scope of this proceeding beyond WGL’s prima facie case. WGL also argues that some of the information sought can be provided in discovery. WGL also argues that DCG is attempting to tie a rate decision to the District’s electrification efforts.¹³ WGL asserts that a rate case determines whether plant in the historical test year is used and useful at the time, not in the future. WGL argues that its prima facie case also provides information to the Commission to determine whether WGL is helping the District meet its decarbonization goals. WGL contends that since electrification is a policy, not law, of the District, the Commission has no obligation to consider the prudence of costs in the rate case based on a policy.¹⁴ WGL claims that DCG’s

¹¹ Proposed Supplemental Testimony at 3-4.

¹² Proposed Supplemental Testimony at 4-6.

¹³ WGL Comments at 6.

¹⁴ WGL Comments at 7.

requests for additional testimony circumvent the “used and useful” standard of review of costs in a rate case.¹⁵

9. Regarding AOBA’s proposed supplemental testimony, WGL argues that the information sought is relevant in *Formal Case Nos. 1167 and 1179*, not this proceeding.¹⁶ To the extent that AOBA is seeking information about future costs and impacts, WGL argues that this information is outside of a rate case proceeding, which is focused on costs in the historical test year. WGL argues that some of AOBA’s proposed supplemental testimony relates to policy considerations. Like some of DCG’s proposed supplemental testimony, WGL contends that some of this information is more properly sought in discovery.¹⁷

10. In reviewing DCG and AOBA’s proposed contents of supplemental testimony, the Commission notes that they are all related to issues to be resolved in this proceeding. WGL Witness Fredrick Morrow discusses WGL’s capital expenditures in his testimony; DCG and AOBA seek additional testimony on these expenditures. WGL presents a new depreciation study through WGL Witness Dr. Ronald White; AOBA seeks additional information on depreciation. AOBA also seeks supplemental testimony on the effect of WGL’s proposed increases on affordability. The Commission finds that the supplemental testimony requested by DCG and AOBA is relevant and would assist the Commission in having a more complete record upon which to base its decisions in this proceeding. Although WGL argues that this information should be sought in discovery, requiring this information to be included in supplemental testimony could minimize discovery disputes, a goal of the Commission. While some information sought may relate to future, not test year, costs, the Commission will consider that information appropriately when rendering its decisions. Thus, WGL is directed to file the supplemental testimony requested by DCG and AOBA in their Proposed Supplemental Testimony and Errata by November 4, 2024.

THEREFORE, IT IS ORDERED THAT:

11. The procedural schedule in Attachment A is **ADOPTED**;
12. Washington Gas Light Company’s Motion for Leave to File Comments is **GRANTED**;
13. Washington Gas Light Company’s Comments on the District of Columbia Government and Apartment and Office Building Association’s Consolidated Proposed Contents of Supplemental Testimony are **ACCEPTED**; and
14. Washington Gas Light Company shall file supplemental testimony on the issues identified by the District of Columbia Government and the Apartment and Office Building Association of Metropolitan Washington in paragraphs 6 and 7 on November 4, 2024.

¹⁵ WGL Comments at 8.

¹⁶ WGL Comments at 8.

¹⁷ WGL Comments at 9.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:

A handwritten signature in black ink, reading "Brinda Westbrook-Sedgwick". The signature is written in a cursive style with a large initial 'B'.

CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**

Attachment A

1.	Order Adopting Procedural Schedule Issued	Wed, Oct 16
2.	WGL Supplemental Testimony and Workpapers (if necessary)	Mon, Nov 4
3.	Deadline for Data Requests to WGL Regarding Application, Direct and Supplemental Testimony	Tue, Nov 12
4.	WGL Responses to Data Requests	Tue, Dec 3
5.	Deadline to Submit Follow-Up Data Requests	Tue, Dec 10
6.	Responses to Follow-Up Data Requests	Tue, Dec 17
7.	Direct Testimony and Exhibits of OPC and Intervenors	Fri, January 24
8.	Deadline for Data Requests Regarding OPC and Intervenors Testimony	Fri, Feb 7
9.	All Responses to Data Requests Regarding Intervenor Testimony	Fri, Feb 21
10.	Deadline for Follow-Up Data Requests on OPC and Intervenor Testimony	Fri, Feb 28
11.	Responses to Follow-Up Data Requests Regarding OPC and Intervenor Testimony	Fri, March 7
12.	Rebuttal Testimony and Exhibits by All Parties	Tue, March 25
13.	Settlement and Stipulation Conference	Thu, April 3
14.	Deadline to Submit Data Requests Relative to Rebuttal Testimony	Tue, April 8 ¹⁸
15.	Parties Report on Settlement and Stipulation Conference	Thu, April 10
16.	Responses to Data Requests Relating to Rebuttal Testimony	Mon, April 21
19.	Surrebuttal Testimony and Exhibits	Fri, May 2
20.	Rejoinder Testimony and Exhibits	Mon, May 19
21.	Hearings (Per PSC decision)	Thu-Fri, May 29-30
22.	Community Hearings (Location and Time TBD)	TBD
23.	Motions to Correct Transcript and Corrected Final List of Cross-Examination Exhibits	Fri, June 6
24.	All Post-Hearing Briefs (One Brief)	Wed, June 18

¹⁸ WGL asserts that the Parties agreed to not submit follow up discovery relative to initial data requests on rebuttal testimony. *See*, Joint Proposed Procedural Schedule, Attachment A, n. 1.

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RATES AND CHARGES FOR GAS SERVICE,**

PARTIAL CONCURRENCE OF COMMISSIONER BEVERLY TO ORDER NO. 22311

While I concur with the majority opinion in granting the supplemental testimony that the non-utility parties seek, their need to seek this information in the first place is a result of the lack of an integrated thermal planning process for WGL in accordance with the request made by 10 Councilmembers of the District of Columbia.¹ If the Commission had undertaken this integrated planning process, the following types of analysis would already be available:

1. Cost and Revenue Analysis and Projections. This would include scenarios for demand forecasting, including weather forecasting; expected heating degree days 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 would include the impact of the Green Buildings Act.
3. Financial modeling. 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 would 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, including 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 would 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

¹ 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.

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. The short-term business plan would 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 could 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 would account for estimated changes to customer acquisition starting in 2026 as a result of the Green Buildings Act.

COMMISSION ACTION

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,

Date 10/9/24 Formal Case No. 1180 Tariff No. _____ Order No. 22311

	Approved by Roll Call Vote	Partially Concurs Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/CL 10/9/24</u>	_____	_____
Commissioner Richard A. Beverly	_____	<u>RB/CL 10/9/24</u>	_____
Commissioner Ted Trabue	<u>TT/CL 10/9/24</u>	_____	_____

Certification of Action

C. Lipscombe
General/Deputy General Counsel

Lara Walt
OGC Counsel/Staff