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September 30, 2020

VIA ELECTRONIC MAIL AND E-FILING

Ms. Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission of the District of Columbia
1325 G Street, NW, Suite 800
Washington, DC 20005

Re: Formal Case No. 1142
[In the Matter of the Merger of AltaGas Ltd. and WGL Holdings, Inc.
– PUBLIC Filing]

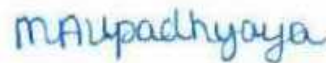
Dear Ms. Westbrook-Sedgwick:

Enclosed for filing is the public version of AltaGas Ltd.'s Q3 2020 Quarterly Report in compliance with the Commission's directives on Merger Commitment No. 5.

Attachment 1 to the Q3 2020 Quarterly Report is Confidential. The Confidential version of the Q3 2020 Quarterly Report, containing Attachment 1, will be submitted under separate cover.

If you have questions regarding this matter, please feel free to contact me.

Respectfully submitted,



Moxila A. Upadhyaya
Counsel for AltaGas Ltd.

Copy to: Certificate of Service
Christopher S. Gunderson, Esq.
J. Joseph Curran, III, Esq.

Quarterly Report: September 30, 2020**In compliance with Order 20250 for Commitment No. 5****I. Executive Summary**

AltaGas engaged EFW, Inc. (EFW) in June 2019, as disclosed in the June 17, 2019 filing to the Commission, to manage its program for meeting its DC Merger Compliance (MC) obligation to develop 10 MW of renewable power or storage. EFW is following the approach set forth in the December 2019 filing and consistent with the plan submitted in the June 2019 filing. COVID-19 and associated facilities closures have continued to substantially limit progress, particularly, with respect to larger facilities which, if operating, are doing so on an extremely limited basis. Given that the COVID-19 situation appears likely to continue well into 2021, we have modified our approach to focus more on smaller facilities that are often owner-occupied, and have continued to press forward in operations. Additionally, we are pursuing Community Solar projects as a means to economically access residential loads in response to substantially increased, and likely to be long-lasting, work at home trends. Site visits remained suspended during July and August and were resumed on a test basis during September.

EFW had already expanded its project criteria to include potential projects as small as 100 kW, and defined 3 basic target project types which require different development approaches: 1) large projects (>300 kW +) which require unobstructed roof space of 100,000 sqft +, 2) small projects (100 - 300 kW) which require unobstructed roof space of 20,000 – 60,000 sqft, and 3) 500 kW+ community solar systems which require a minimum unobstructed space of 3 acres. Projects types 1 and 2 require suitable onsite load such that no grid export would occur. The Community solar approach must accommodate grid export, which may complicate obtaining an interconnection and would, likely, be limited to areas with radial feeders.

COVID-19 continued to limit all site development efforts throughout the summer. We resumed scheduling site visits in September for those willing to accommodate us with appropriate precautions. We had an initial site visit with a potential 100 kW site as a test run of our site visit protocol. That visit was successful and we currently have three additional sites visits for potential 100 – 200 kW sites, scheduled for early to mid-October.. Some sites may require two visits to screen for technical feasibility. While we remain available for larger site visits, most of those facilities are focused on changing or adapting their building systems to meet COVID-19 re-occupancy requirements and are not receptive at this time to solar assessments.

One previously offered preliminary proposal for 500 kW of rooftop solar is dormant at this time due to low building occupancy and the uncertainty regarding COVID-19 impacts, but has not been rejected. Two proposals relating to the September site visit and a pre-pandemic site visit were issued this week for 200 kW of solar (storage may be added to the proposal prior to a formal commitment and based on engineering results), and we expect 3 – 5 additional proposals for 500 – 600 kW, in the aggregate, for pending site visits. Upon proposal acceptance, we anticipate 4 – 6 months for final documentation, engineering and permitting, and 2 – 4 months for construction.

Prior to the pandemic, EFW developed an agreement with a local general contractor (GC) and building services provider for future solar installation work and access to its client equipment service customer base. We expect that GC to provide turnkey solar installation for selected projects that are developed from its customer base and vary in size from 100 kW to 700 kW. Initial reviews have indicated 20 – 30 suitable sites throughout the District; however, that effort was suspended as a result of COVID-19. We expect that program to resume in late October / early November, although a significant portion of those potential sites may have HVAC retrofits / upgrades to complete before they consider any rooftop solar projects. Accordingly, EFW has expanded its ability to identify smaller (100 – 300 kW) solar and storage projects with a well-established local roofing company that also has an established solar installation affiliate, and with three independent solar project developers. We have received three new projects from this group for evaluation and expect to schedule site visits for those potential sites during October and early November. We are also in discussions with a community solar manager regarding potential sites, estimated project cost and fees for handling the administrative portion of community solar projects and the capability to manage the output of community solar facilities, as well as identify potential siting.

II. General Development Activity

All Program efforts associated with site visits were suspended during July and August. We are resuming site visits on a limited basis for potential sites that have expressed an interest and we have performed a preliminary aerial screening. We had one site visit in September for a potential 100 kW solar project for which a proposal has been issued, as well as a proposal for a site visited immediately prior to the pandemic that is now ready to consider solar. We have shifted our focus to the framework we developed in the 2nd Quarter to support smaller projects and have our necessary supporting agreements ready for legal review when a project is ready to proceed. In response to the shift to a telecommuting environment that appears likely to persist at some meaningful level for years to come, we have adjusted our targeting of potential Community Solar projects, where onsite load was small or non-existent, to between 30% - 50% of our total. The balance of projects will be more traditional rooftop; however, we now expect 65% - 75% of those projects to be smaller, i.e., in the 100 – 300 kW range. In all cases storage will be considered, but not as a part of our initial feasibility, and may require supplemental payments from customers.

In addition to our initial relationship partner (an area GC) we established another direct relationship with a local roofing company that has a solar construction business and three developers with expertise in DC and in DC-based community solar programs and operations. Currently, there are 3 site visits scheduled for October, and we received three new potential sites from our recently established relationship partners. We expect that these new potential sites will be visited in late October or early November with proposals to follow in approximately 3 – 4 weeks provided the sites are determined to be technically feasible. Site visits will be scheduled carefully, consistent with public health guidelines and be limited, at this time, to 1 site on any given day.

Several Federal Government (GSA) buildings that expressed an interest in solar energy and/or battery storage systems were screened prior to the pandemic. One building proposal remains under consideration, but is suspended until the facility is fully reopened and the facility manager is ready to proceed. Other buildings have deferred evaluation until early 2021. A summary of the Federal Government (GSA) and other buildings under consideration is provided in Attachment 1.

III. Activity in Mt. Vernon (Capacity Constraint Area)

As of yet, no further communication has been received from the Convention Center. To recap, the Convention Center stands out as the only significant rooftop site for solar in Mt. Vernon that could potentially support up to a 2 MW solar/storage system. Our initial and follow up contacts in late 2019 did not result in any interest from its Facility Group or its management. The Convention Center indicated that it was considering options for the use of the Convention Center roof and did not know, at that time, if they would consider any solar installation. They did indicate if there was any future interest in solar at the site, it would have to be competitively bid.

To determine other potential solar sites in the Mt. Vernon area, a more thorough review of rooftop areas was completed. We reviewed rooftop areas from Google Maps along with a field visit of the area, when appropriate. A determination was made that most other buildings in the area could only accommodate smaller rooftop solar installations (100 kW to 200 kW size versus the 500 kW size used in the initial financial model); however, with the GC relationship developed in the 1st quarter and the recent relationships established with an area roofing and solar installer, we are prepared to review and develop smaller projects in that area. The estimated schedule that was developed for potential projects in the Mt. Vernon area and was provided in response to the November 7, 2019 Merger Commitment 5, paragraph 50 (see Attachment 2) has been delayed now by at least six months as a result of the impacts of COVID-19. A revised schedule will be provided after gauging the success of site visits in October and November. The impact of Covid-19 on commercial building leases and electrical use has slowed down the progress and we do not expect the interest level from either landlords or tenants to return until at least early 2021.

IV. Financing Plan

The continuing issues associated with COVID-19 further delayed our financing program development into October. We expect to begin documenting program agreements next month and to be formalized during the forth quarter of 2020. The program is structured to provide the solar output onsite to the building owners with an agreement for installation of solar on the building owner's rooftop with no financial liability to building owners. We expect the cost to building owners will be zero for solar installations with unencumbered system ownership to transfer to the building owner at the end of a 10-year term. Pricing may not be zero if storage is included with the system. Our target pricing and structure assume that the building's roof and electrical systems are

capable of accommodating the proposed solar installations without significant upgrades or repairs.

Financing is a key component of cost-effective solar and storage development. Potential tax benefits can offset nearly 50% of the total project costs. As such, tax benefit monetization is a major factor in developing economic projects. EFW has been in discussions with a local bank to provide an equipment lease program for all of the D.C. projects, based on a lease finance approach EFW designed for its ground-mount projects that would provide highly competitive rates of tax benefit monetization and low interest rates. The bank has indicated a minimum of 80% monetization rate compared to the industry standard 50% and the marginal tax rate to be used in the calculation. Late in the 3rd quarter we opened discussions with another source of lease financing that is similar to our primary bank. While we intend to use our primary bank, we find it prudent to make arrangements for a secondary financing source to supplement our primary bank, as needed. We are holding the financiers' identities confidential until we reach a final program agreement.

Potential project builders (GC and EPC) will agree to provide construction financing embedded with project construction as project construction times are, generally, short (2 – 4 months) and our permanent financing structure will pay total costs at completion. The financing program that we designed is for permanent sale/leaseback financing when projects reach completion, and the bank will commit to funding each project released to construction within 48 hours of its punch-list completion.

V. Interconnection

Two meetings were held with PEPCO concerning the utility interconnection process and limitations on injecting solar generated electricity into the utility grid in late 2019. There has been no change in our expectations with respect to PEPCO interface and interconnection. The interconnection process is straight forward with the standard PEPCO application fees and solar developer responsibility for any upgrades or changes required on PEPCO's system to allow the interconnection. To insure minimal (if any) upgrade requirements on PEPCO's system, it is our intent to only develop rooftop systems where the amount of energy produced will be consumed by the building with no injection into the PEPCO utility system in order to limit project costs and expedite interconnection requests. In areas served by radial supply (overhead or underground power lines), injection will be considered since a community solar approach may be required for cost-effective development of solar projects on sites that use minimal electricity, such as parking lots. Interconnection applications will be submitted after a potential project passes the financial test and the building owner signs the term sheet for project development. Based on the input of PEPCO, we have focused some of our attention in parts of DC supplied by overhead electric, where there are numerous warehouses and commercial business park space.

VI. Next Steps

- Continue review of buildings throughout the District for rooftop solar/storage candidates (ongoing until solar target is completed);
- Finalize equipment lease term sheets with local bank (4th quarter 2020);
- Finalize construction funding to include in EPC. (Discussion complete with two potential EPC – agreement documents will be prepared and complete 4th quarter 2020);
- Prepare standard agreement for Federal Buildings and Private sector buildings to allow solar installation on roof of building and interconnection to in-building electrical systems (4th quarter 2020). (Draft Agreement for private sector developed – out for comments and will be submitted to our Attorney by end of October 2020);
- Meet with District Schools representative for potential solar rooftop projects on select schools (4th quarter 2020);
- Meet with representatives of District Government, as available, for potential rooftop solar on DC government building or sites (4th quarter 2020);
- Review of parking lot or otherwise unused areas in District for potential canopy solar and develop economic model for Community Solar. (4th quarter 2020);
- Develop agreement with roofing/solar contractor and pursue potential sites submitted by roofing/solar contractor;
- Target getting two small projects through the feasibility stage, initial design and proposal stage to identify any issues that were not anticipated from start of program; if projects are accepted by Host site, prepare final Customer Agreement.

FC 1142

**ALTAGAS QUARTERLY REPORT IN
COMPLIANCE WITH MERGER COMMITMENT
NO. 5 – ATTACHMENT 1**

ATTACHMENT DESIGNATED CONFIDENTIAL

Attachment 2**Mt Vernon Area Prospective Project Schedule**

Previously provided in response Commission Order of November 7, 2019, EFW's best-case schedule for developing a viable project in the Mt. Vernon area has been delayed by, at least 6 months in response to COVID-19, due to very low interest from building management companies and owners which we attribute to the low occupancy of the buildings and uncertainty due to continual efforts to keep people working from home and the issue of office workspace health safety, we expect this to continue into early 2021 and target schedules to be impacted accordingly. Following is the most recent schedule we provided, which we will update once we gauge the success of our site visits and associated proposals in October and November::

Task 1 – Screening of potential building candidates and contact with building owner or Management Company to determine interest.
(7/1/2019 to 11/1/2020)

Task 2 - Preparation of solar model and review of economics, determination of detailed cost of connection of solar to building electrical system and detailed analysis of roof/structural review.
(12/1/2020 to 3/1/2021)

Task 3 – Development of contracts for space leasing, benefit sharing and all other provisions necessary for contractual agreement; obtain signed contract with building ownership.
(4/1/2021 to 7/1/2021)

Task 4 – Finalize design, file utility interconnection application, apply for construction permits and finalize financing for project.
(7/1/2021 – 10/1/2021)

Task 5 – Order major equipment, start and complete construction and energize project.
(11/1/2021 to 4/1/2022)

Currently, we are assuming that there will be a minimum \$1,000 application fee for each project in the Mt Vernon area (PEPCO Level 4 Review); if each project is designed for no injection of electricity into the utility grid at any time, we do not anticipate any significant cost, due to impact on the grid but do assume some additional onsite cost for relay/control equipment onsite to eliminate the potential for any possible injection of power or fault current into grid.

CERTIFICATE OF SERVICE

I, the undersigned counsel, hereby certify that on this 30th day of September, 2020, I caused copies of the foregoing to be hand-delivered, mailed, postage-prepaid, or electronically delivered to the following:

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