

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

ORDER

December 5, 2019

FORMAL CASE NO. 1137, IN THE MATTER OF THE APPLICATION OF WASHINGTON GAS LIGHT COMPANY FOR AUTHORITY TO INCREASE RATES AND CHARGES FOR GAS SERVICE, Order No. 20263

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission” or “PSC”) denies Washington Gas Light Company’s (“WGL” or “Company”) Motion to Extend the Multi-Family Piping Program.

II. BACKGROUND

2. In WGL’s last rate case the Commission approved a two-year pilot for a Multi-Family Piping Program (“MPP” or “program”)¹ designed to incentivize developers and builders of multi-family projects in the District of Columbia to use natural gas as an energy source. These incentives would off-set the costs to install natural gas piping and venting for gas service to an individually metered family building.² In approving the program, we found that the MPP was consistent with the District’s and the Commission’s goal of encouraging energy efficiency, and we were persuaded that the MPP could provide net benefits to the system. We also indicated that there would be a review of the impact of the MPP in the next base rate case.³ In Order No. 18768, the Commission recognized that the MPP had economic considerations for both new and existing customers, and that the Commission would need to consider the net economic benefits of the MPP.⁴ The Order also clarified that Commission staff would develop and propose evaluation criteria for the MPP pilot.⁵

¹ *Formal Case No. 1137, 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. 1137”), Order No. 18712, rel. March 3, 2017 (“Order No. 18712”), ¶ 446.*

² Order No. 18712 ¶¶ 416, 446. The costs to the builders for installation of gas piping are calculated on a project specific basis with a life cycle cost/benefit analysis reflected in the modified General Services Provision No. 14. This calculation provides up to 80% of the net present value to offset the cost of installing gas piping in the project.

³ Order No. 18712, ¶ 446.

⁴ *Formal Case No. 1137, Order No. 18768, ¶ 24, rel. May 12, 2017, (“Order No. 18768”).*

⁵ Order No. 18768, ¶ 24.

3. Thereafter, the Commission extended the pilot to a four-year program and split the pilot into two parts, enrollment and data collection. The first two years of the pilot would include enrollment of participants, and the last two years for data collection, with no new enrollments during the data collection period.⁶ In that same order, the Commission adopted criteria to assist in the evaluation of the MPP pilot.⁷

4. On March 28, 2019, WGL filed a Motion to Extend the MPP.⁸ The Office of the People's Counsel ("OPC") filed a response to WGL's Motion on April 8, 2019.⁹ On the same day, the District of Columbia Government ("DCG") and the Sierra Club each filed oppositions to WGL's Motion.¹⁰

III. DISCUSSION

A. WGL's Motion

5. WGL states that the two-year MPP pilot was designed to give WGL an opportunity to provide natural gas to multi-family dwellings by offering incentives to developers and builders of multi-family buildings to install natural gas piping and venting for gas service to individually metered apartments and condominiums.¹¹ According to WGL, the developer incentives were provided to help offset the high upfront investment costs.¹² WGL notes that the approved two-year program was extended to a four-year program; during the first two-years WGL would secure projects and enroll customers, while the last two years would facilitate the collection of billing history and other data

⁶ *Formal Case No. 1137*, Order No. 19236, ¶ 14, rel. January 17, 2018 ("Order No. 19236").

⁷ Order No. 19236, ¶¶ 14-17.

⁸ *Formal Case No. 1137*, Washington Gas Light Company's Motion to Extend the Multi-Family Piping Program, filed March 28, 2019 ("WGL's Motion").

⁹ *Formal Case No. 1137*, Response of the Office of the People's Counsel for the District of Columbia to Washington Gas Light Company's Motion to Extend the Multi-Family Piping Program, filed April 8, 2019 (OPC's Response").

¹⁰ *Formal Case No. 1137*, District of Columbia Government's Opposition to Washington Gas Light Company's Motion to Extend the Multi-Family Piping Program, filed April 8, 2019 ("DCG's Opposition"); *Formal Case No. 1137*, Sierra Club's Opposition to Washington Gas Light Company's Motion to Extend the Multi-Family Piping Program, filed April 8, 2019 ("SC's Opposition").

¹¹ WGL's Motion at 1.

¹² WGL's Motion at 2.

needed to address the Commission's evaluation criteria.¹³ WGL noted that during the data collection period, no new enrollments could occur.¹⁴

6. WGL indicates that the Company has approved 20 projects, representing 1,521 meters without disbursing any incentive dollars for the program in the District.¹⁵ WGL notes that the Company is in discussions with other interested developers for an additional 32 projects, representing 7,075 meters.¹⁶ WGL requests that the pilot program be extended to five years, enrollment extended for an additional three years, with the pilot program concluding on March 24, 2022. The Company found in implementation of the pilot that "the project design period can span two to five years, encompassing initial discussions with developers, developing program proposals, influencing design solutions, providing financial data for project budgets, obtaining governing agency approvals."¹⁷ According to WGL, thereafter, a project Business Case Authorization is developed and final designs are obtained from the developer and finalized, which may take up to two years to complete.¹⁸ WGL asserts that construction can't begin until permits are issued, site readiness is established, and meters are installed and operational for data collection.¹⁹ WGL states that it could potentially include the additional 32 projects, representing 7,075 meters to provide an increase in the pool of data available for analysis.²⁰ Moreover, the Company contends that it needs at least 12 months of data for analysis, including a full heating season.²¹

7. The Company contends that it will use the evaluation criteria established by the Commission at the conclusion of the MPP in order to provide evidence of the success of the program in a subsequent rate case.²² WGL argues that the additional time is important for the success of the program, and that by extending the enrollment period by an additional three years, the Company will have more time to finish projects and collect more data on the benefits of the MPP.²³ Lastly, the Company states that the Maryland

¹³ WGL's Motion at 2.

¹⁴ WGL's Motion at 2.

¹⁵ WGL's Motion at 2.

¹⁶ WGL's Motion at 2.

¹⁷ WGL's Motion at 2-3.

¹⁸ WGL's Motion at 3.

¹⁹ WGL's Motion at 3.

²⁰ WGL's Motion at 2.

²¹ WGL's Motion at 3.

²² WGL's Motion at 3.

²³ WGL'S Motion at 3-4.

Public Service Commission approved an MPP on a permanent basis, the Virginia State Corporation authorized a five-year pilot, and that the Company's request to extend the MPP to a five-year pilot is consistent with the extension it obtained in Virginia.²⁴

B. Parties' Comments

8. **OPC.** In general, OPC does not object to the granting of additional time but notes several concerns.²⁵ OPC asserts that WGL is required to file its next rate case by April 2020, and because the MPP pilot is scheduled to conclude in 2021, the data to be used to evaluate the program would not be available for the rate case.²⁶ Thus, OPC requests that the Commission direct WGL to file a rate case at the conclusion of the pilot program, on a date certain, to review the cost and effectiveness of the program and the degree to which it increased billing determinants on WGL's system (*i.e.*, expected to lower rates and provide more customers with whom to spread the cost of ProjectPipes).²⁷ Second, OPC is concerned that extending the program "could leave ratepayers on the hook for additional program costs."²⁸ Third, OPC contends that "WGL has not made a showing that extending the program that incentivizes expansion of gas 'squares' with the District's environmental policies" to electrify the city to become carbon neutral.²⁹ Lastly, OPC questions allowing enrollment through the data collection period, noting that there would be little to no data on customers that enrolled late.³⁰

9. **DCG.** DCG opposes the MPP and the requested extension because the fundamental purpose of the MPP is contrary to the District's goal of transitioning away from fossil fuel-based energy sources for cleaner, more efficient energy sources (*i.e.*, Combined Heat and Power ("CHP") and rooftop solar).³¹ DCG argues that the Commission should not expand the current two-year limit on the MPP's enrollment period because it would be inconsistent with the CleanEnergy DC Omnibus Amendment Act of 2018 ("Clean Energy Act") which requires the Commission to consider the effects of global climate change and the District's public climate commitments.³²

²⁴ WGL's Motion at 3.

²⁵ OPC's Response at 3.

²⁶ OPC's Response at 3.

²⁷ OPC's Response at 3.

²⁸ OPC's Response at 4.

²⁹ OPC's Response at 4.

³⁰ OPC's Response at 4.

³¹ DCG's Opposition at 4.

³² DCG's Opposition at 5-6.

10. DCG specifically argues that “the [CleanEnergy] Act amends the Renewable Energy Portfolio Standard Act of 2004 by increasing the percentage levels of tier one renewable energy sources year-over-year going forward until [sic] 2032, [and] 100% of all electricity supplied must be obtained from tier one renewable energy sources.”³³ In addition the CleanEnergy Act contains provisions dealing with reducing the amount of transportation emissions caused by gas-burning vehicles such as financial incentives to adopt electric vehicles.³⁴ DCG also states that the CleanEnergy Act directly aligns with the Mayor’s aggressive goal of achieving carbon neutrality by 2050 and is consistent with the Mayor’s executive order binding the District to the Paris Climate Accord.³⁵ Lastly, DCG asserts that WGL could evaluate the benefits of the program from its system-wide data as a supplement to its evaluation of DC specific data without expanding the enrollment period.³⁶ Contrary to WGL’s position, DCG notes that Maryland and Virginia’s longer enrollment period for their programs is unavailing or irrelevant because Maryland’s and Virginia’s climate goals and commitments are unique to those jurisdictions’ priorities and are not as aggressive as the District’s policies and goals.³⁷

11. **Sierra Club.** The Sierra Club states that the Commission should reject WGL’s request for an extension of the MPP because the request contradicts and undermines the CleanEnergy Act’s commitment to end greenhouse gas emissions by 2050 and the District’s other climate commitments.³⁸ The Sierra Club goes on to argue that “[t]he District cannot institute a net-zero-energy building code while at the same time permitting a program that incentivizes builders to use gas as a heating source; the two policies are mutually exclusive.”³⁹

12. In addition, the Sierra Club contends that the request runs counter to the Commission’s order approving WGL’s acquisition by AltaGas which, among other things, requires WGL to submit a business plan demonstrating a business model that moves the Company beyond selling gas and being able to support the District’s 2050 climate goals.⁴⁰

³³ DCG’s Opposition at 5, *citing* D.C. Code § 34-1432(c)(22).

³⁴ DCG’s Opposition at 5.

³⁵ DCG’s Opposition at 5.

³⁶ DCG’s Opposition at 7.

³⁷ DCG’s Opposition at 7.

³⁸ SC’s Opposition at 2-5.

³⁹ SC’s Opposition at 5.

⁴⁰ SC’s Opposition at 5-6. Merger Commitment No. 76 states in relevant part that AltaGas recognizes greenhouse gas as a primary contributor to global climate change and commits to “continued change and improvement in its operations, and [to] provide an evolving portfolio of clean and renewable products and services to the communities AltaGas serves.” Merger Commitment No. 79 provides that AltaGas is to file, by January 1, 2020, a long-term business plan evolving its business model to support DC’s 2050 climate goals (provide innovative and new service products instead of natural gas).

The Sierra Club argues that “[the] Commission should not allow WGL to lock in continued expansion of its business in violation of the clear policy objectives set forth in the settlement.”⁴¹

13. Lastly, the Sierra Club avers that WGL’s Motion is an untimely request for reconsideration of Order No. 18768, which, among other things, directed the split of the program into two parts, two years for enrollment and two years for data collection to enable the Commission to determine if the MPP provides net economic benefits.⁴² Because WGL did not challenge the Commission’s determination in Order No. 18768, the Sierra Club maintains that “the Commission should reject WGL’s attempt to circumvent the need to prove that MPP is cost-effective and provides net benefits prior to continuing the program.”⁴³

IV. DECISION

14. The Commission is not persuaded that we should grant WGL’s request for an extension of the MPP for the reasons stated below. In approving WGL’s MPP, the Commission was persuaded that the MPP was consistent with the District’s and the Commission’s goal of encouraging energy efficiency, noting that “households with natural gas appliances cost 33% less to operate and that individual metered customers have greater ability to control their energy use.”⁴⁴

15. Initially, the Commission approved a two-year pilot MPP. Thereafter, the Commission determined that criteria should be established to evaluate the MPP and directed Staff to develop and propose evaluation criteria.⁴⁵ The Commission subsequently adopted evaluation criteria by Order No. 19236, the Commission adopted evaluation criteria and also granted WGL’s request to extend the program to a four-year pilot with enrollment of participants limited to the first two years, and data collection occurring during the last two years. The Commission concluded that “splitting and extending the MPP pilot from two to four years will allow WGL an opportunity to develop projects, enroll customers, complete projects, collect and evaluate the data, and derive reasonable conclusions regarding the nine criteria.”⁴⁶ Since the Commission’s approval of the MPP, the District of Columbia Council enacted the CleanEnergy Act, which requires the Commission to consider WGL’s MPP request in light of its effects on global climate change and the District’s public climate commitments.⁴⁷

⁴¹ SC’s Opposition at 6.

⁴² SC’s Opposition at 6-7.

⁴³ SC’s Opposition at 7.

⁴⁴ Order No. 18768 at 10, n. 59, *citing* Order No. 18712, ¶ 429.

⁴⁵ Order No. 19236, ¶ 3.

⁴⁶ Order No. 19236, ¶ 14.

⁴⁷ D.C. Code §34-808.2 (2019).

16. WGL is now asking the Commission to extend the program another year, with enrollment occurring during all five years of the MPP. WGL contends that their experience shows that bringing these multi-family projects to actual development may take two to five years, and if it is allowed to extend the enrollment through a five-year program, the Company will be able to better demonstrate the usefulness of the program through the collection of more data. However, we are not convinced that it is necessary to extend the program to facilitate WGL's opportunity to collect data to support the viability of the MPP. WGL states that it has approved 20 projects, representing 1,521 meters. Although WGL indicates that it might be able to consummate contracts for 32 additional projects, we believe that the approved 20 projects will provide WGL sufficient information to facilitate WGL's obligation to address the Commission's evaluation criteria in assessing the MPP pilot. The Commission also agrees with OPC's concern that extending the program "could leave ratepayers on the hook for additional program costs" should the Commission ultimately determine that the program is imprudent and not aligned with the District's climate goals.

17. Finally, the Commission notes that WGL did not respond to the parties' concerns that the MPP was inconsistent with the recently enacted CleanEnergy Act. As the Sierra Club recognizes, WGL's merger commitments require the Company to submit a business plan to support the District's climate goals.⁴⁸ Therefore we are hesitant to extend the MPP pilot beyond the current four-year term until we assess how the MPP fits into WGL's overall business model to be filed with the Commission in January 2020.⁴⁹ Thus, we deny WGL's Motion to extend the Multi-Family Piping Program.

THEREFORE, IT IS ORDERED THAT:

18. Washington Gas Light Company's Motion to Extend the Multi-Family Piping Program is **DENIED**.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:



CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**

⁴⁸ SC's Opposition at 5-6.

⁴⁹ Merger Commitments Nos. 76 (provide an evolving portfolio of clean and renewable products) and 79 (provide a long-term business plan to support DC Climate goals). Note that pursuant to Merger Commitment No. 79, the Commission will await WGL's filing of its Climate Plan in January 2020 which should fully explain the long term and short-term impact of WGL's future operations on GHG emissions.