

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL



BRIAN L. SCHWALB
ATTORNEY GENERAL

Public Advocacy Division
Social Justice Section

ELECTRONIC FILING

January 22, 2024

PUBLIC VERSION

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

**Re: Formal Case No. 1154 – In the Matter of Washington Gas Light Company’s
Application for Approval of a PROJECTpipes 2 Plan,**

Dear Ms. Westbrook-Sedgwick:

On behalf of the District of Columbia Government, please find the enclosed public version of comments pursuant to Public Notices issued on December 22, 2023, and January 8, 2024. Please note that a confidential version of this filing is being filed under separate cover. If you have any questions about this filing, please contact me.

Respectfully submitted,

BRIAN L. SCHWALB
Attorney General

By: /s/ Brian Caldwell
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cc: Service List

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA**

IN THE MATTER OF:)	
)	
The Application of Washington Gas)	Formal Case No. 1154
Light Company for Approval of)	
a PROJECTpipes 2 Plan.)	

**THE DISTRICT OF COLUMBIA GOVERNMENT’S COMMENTS
IN RESPONSE TO PUBLIC NOTICES ISSUED
ON DECEMBER 22, 2023, AND JANUARY 8, 2024**

In response to Public Notices issued by the Public Service Commission of the District of Columbia (Commission) on December 22, 2023, and on January 8, 2024, in the above-captioned proceeding, the District of Columbia Government (DCG or the District), through the Office of the Attorney General, respectfully submits the following comments and attached analysis performed by Synapse Energy Economics, Inc. (Synapse), evaluating the performance of Washington Gas Light Company’s (WGL) Accelerated Pipe Replacement Program known as “Project Pipes 2.”

BACKGROUND

The December 22, 2023 Public Notice requests comments in response to an Independent Management Audit Report of Project Pipes 2 performed by Continuum Capital (Continuum’s Audit), dated December 12, 2023. Continuum’s Audit stems from a requirement in the Commission’s final order approving Project Pipes 2 back on December 11, 2020.¹ The scope of Continuum’s Audit focused on delivering three tasks: (1) assessing WGL’s method for selecting pipe replacement projects and its success in managing such projects; (2) assessing how well

¹ Formal Case No. 1154, Order No. 20671.

WGL implemented the numerous recommendations contained within Liberty Management’s audit of Project Pipes 2’s predecessor pipe replacement program; and (3) determining whether WGL accurately calculated its “excess costs” for purposes of complying with its requirements under Term 73 of the merger settlement agreement with AltaGas.² Comments on Continuum’s Audit are due today.

The January 8, 2024 Public Notice requests comments in response to additional information that the Commission directed WGL to file before it would act on WGL’s motion to extend the duration of Project Pipes 2 by one additional year (and the Office of People’s Counsel for the District of Columbia’s ((OPC)) opposition to WGL’s extension request).³ In directing WGL to file additional information, the Commission stated:

[T]he burden rests with the Company to justify an extension of the PIPES 2 program. WGL’s Motion for Extension does not contain data or information supporting its argument that an extension of PIPES 2 is justified. Without this information, it is not possible for the Commission to grant the Company’s Motion, nor, under the circumstances, are we inclined to dismiss it.⁴

On January 4, 2024, WGL filed information in compliance with the Commission’s directive. The information received prompted Commissioner Beverly’s Office to issue a series of charts illustrating various performance metrics for WGL’s pipe replacement activities during the Project Pipes 2 timeframe as compared to other timeframes, such as *inter alia* “total miles and cost of pipe replaced, by year”, “cost per mile of pipe replacement by year”, “total leaks discovered by year.”⁵ WGL responded by issuing its own set of charts it claims provide a more

² See, Formal Case No. 1142, Order No. 19396, Appendix A, Terms 54 and 73 (*rel.* June 29, 2018).

³ Order No. 21940, at ¶ 16 (*rel.* December 20, 2023). OPC’s Opposition to extending Project Pipes 2 was support by DCG and the Apartment and Office Building Association.

⁴ *Id.* at ¶ 15.

⁵ F.C. 1154, Notice of Commissioner Beverly (*rel.* Jan. 8, 2024).

accurate picture of costs and units delivered by separating out the costs of main and service line expenditures.⁶ Comments on the additional information by WGL are due tomorrow.

Because both Public Notices relate to WGL's performance under Project Pipes 2, the District retained the services of Synapse to provide a consolidated analysis of both Continuum's Audit and the information provided by WGL in response to Commission Order No. 21940. As the attached analysis by Synapse finds, WGL's Project Pipes 2 program is failing in three significant ways. First, Project Pipes 2 is failing to achieve its fundamental goal of accelerating pipe and service replacements. Second, Project Pipes 2 is not cost effective relative to alternatives. Third, Project Pipes 2 is poorly designed and managed.

Based on these findings, WGL has not met its burden of justifying the extension of Project Pipes 2. The program should therefore be discontinued, and WGL's motion should be denied.

Respectfully submitted,

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Attorney General

JENNIFER JONES
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Public Advocacy Division

ARGATONIA WEATHERINGTON
Chief, Social Justice Section

/s/ Brian R. Caldwell
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January 22, 2024

Attorney for the District of Columbia Government

⁶ F.C. 1154, WGL's Response to Notice of Commissioner Beverly, filed January 17, 2024.

Memorandum

TO: BRIAN CALDWELL, DC OFFICE OF ATTORNEY GENERAL
FROM: JENNIFER KALLAY AND ASA HOPKINS, SYNAPSE ENERGY ECONOMICS
DATE: JANUARY 22, 2024
RE: SYNAPSE FINDINGS ON PROJECT PIPES 2 PERFORMANCE TO DATE

Synapse Energy Economics respectfully provides these comments to the District of Columbia's Office of Attorney General (OAG) on the Washington Gas and Light (WGL) Project PIPES 2 program's (PIPES 2) performance to date. We base our comments on:

- The set of performance data on PIPES 2 filed by WGL in Formal Case 1154, including: miles of pipe replaced, number of services replaced, spend, leaks discovered by grade, and leaks repaired by grade, as updated on January 16, 2024
- The Notice of Commissioner Beverly, containing a presentation of the PIPES 2 performance data, issued January 8, 2024
- Continuum Capital's Independent Management Audit on PIPES 2, issued December 13, 2023

We find that WGL's PIPES 2 program:

1. Is not accelerating pipe and service replacements.
2. Is expensive and may not be cost effective relative to alternatives.
3. Is not well designed and managed.

We include further detail on each of these findings below.

1. PIPES 2 is not accelerating pipe and service replacements

Figure 1 shows the miles of pipeline that WGL replaced each year from 2005 to 2023. We also include the average annual replacement rate for three eras: 2005 to 2013 (pre-PIPES), 2014 to 2018 (PIPES 1 era), and 2019 to 2023 (PIPES 2 era). The average annual miles of pipeline replaced during PIPES 2 is lower than for PIPES 1 and lower than the years prior to the PIPES programs. The PIPES 2 program is not increasing, or even maintaining, the miles of pipe replaced compared with the years prior to the existence of this program.

Figure 1. Miles of pipe replaced, 2005 to 2023

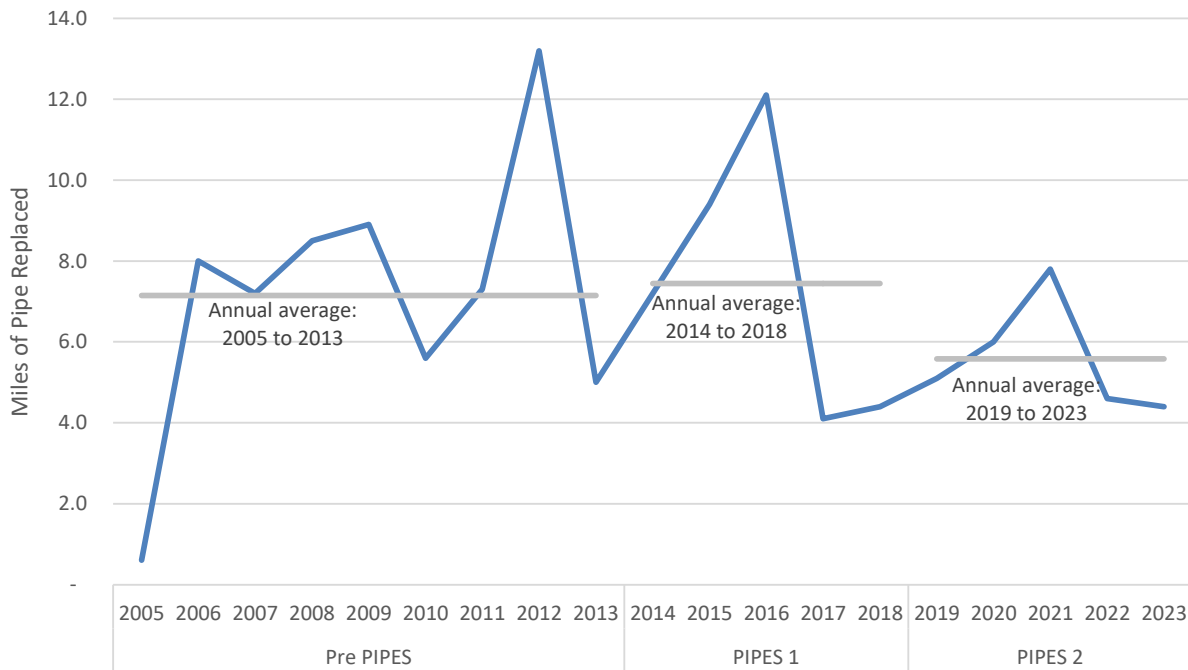


Figure 2 shows the miles of pipeline that WGL replaced each year under normal operations, 1027, and PIPES, from 2005 to 2023. The miles of pipe replaced under normal operations declined significantly from 2010 to present. The miles of pipe replaced shifted from normal to 1027 and then from 1027 to PIPES. Normal replacement is meant to address active leaks and accelerated pipe replacement is meant to avoid future leaks. The PIPES program was never intended to completely supersede WGL’s replacement/repair duties under normal operations.

Figure 2. Miles of pipe replaced under normal operations, 1027, and PIPES, 2005 to 2023

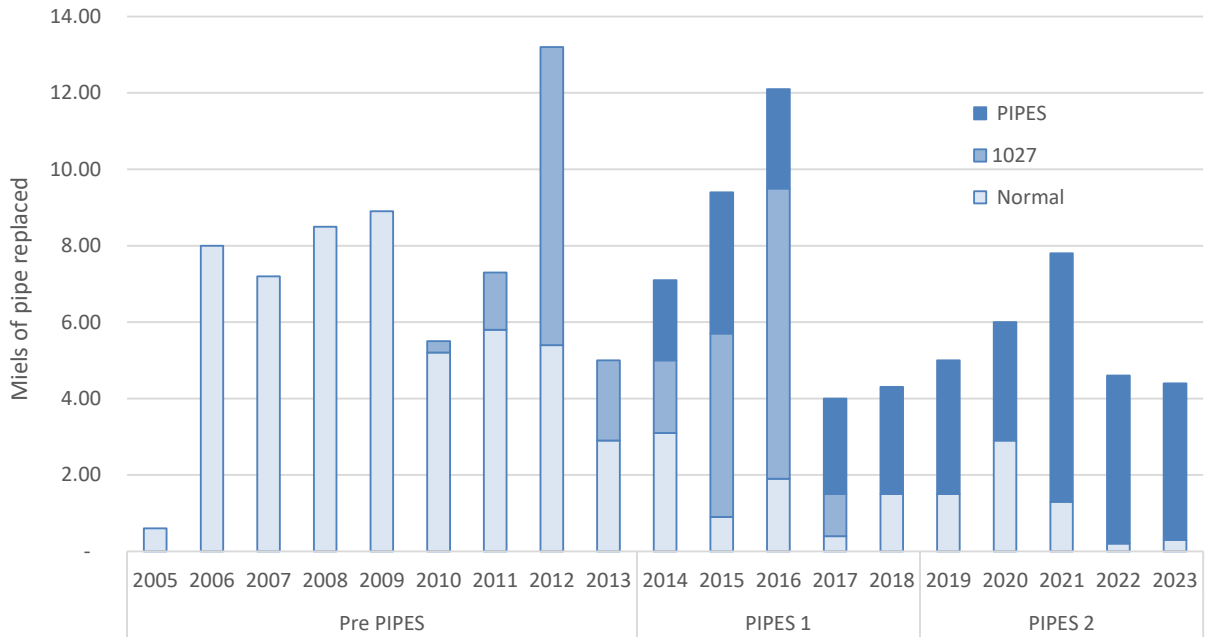
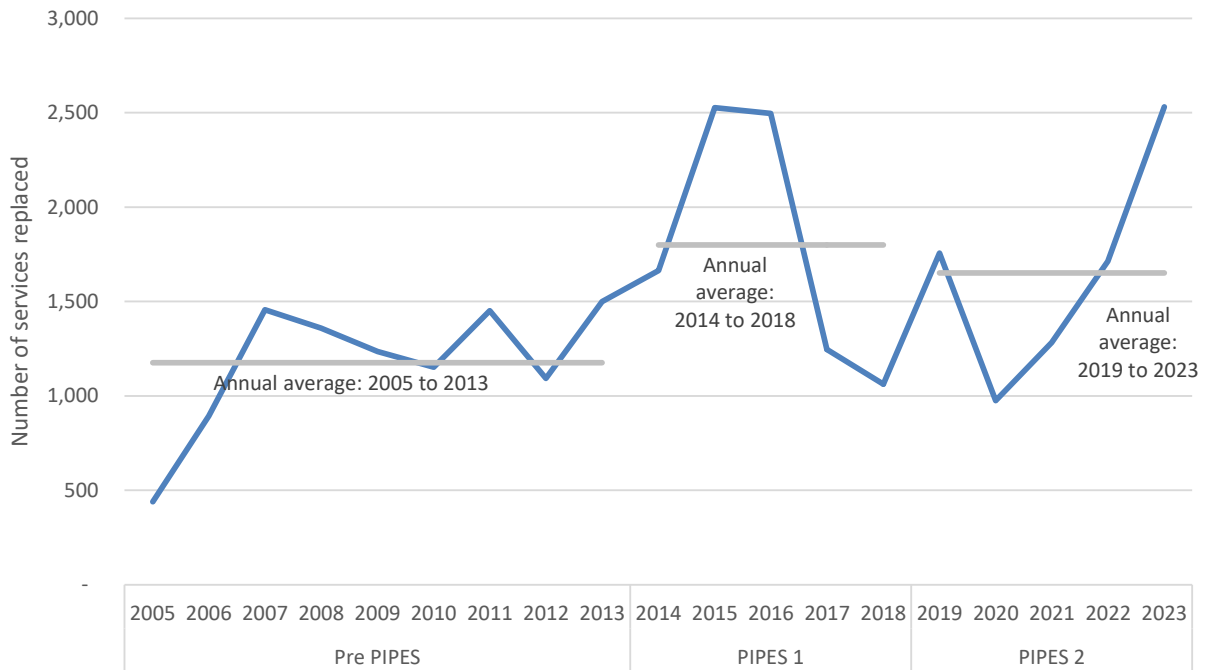


Figure 3 below shows the services replaced from 2005 to 2023, including average annual rates of service replacement for the same pre-PIPES (2005 to 2013), PIPES 1 (2014 to 2018), and PIPES 2 (2019 to 2023) eras. The average annual services replaced during PIPES 2 is higher than it was pre-PIPES, but lower than in PIPES 1. PIPES 1 led to an increase in pipe and service replacements. However, the PIPES 2 program did not reach the same levels of pipe and service replacement as PIPES 1.

Figure 3. Number of services replaced, 2005 to 2023



2. Asset replacement in the PIPES 2 era is expensive and may not be cost effective relative to alternatives

Figure 4 below shows the pipeline replacement expenditure for the pre-PIPES, PIPES 1, and PIPES 2 eras, and the allocation of that spend to pipe and service replacements. In the PIPES 1 era, pipe replacement costs more than tripled and service replacement costs more than doubled compared to the years prior. Action in the PIPES 2 era continued to experience cost increases compared to PIPES 1, while the miles of pipe and number of service replacements are declining on average across the years of the program.

Figure 4. Spend on service replacements and pipe replacements, 2005 to 2023

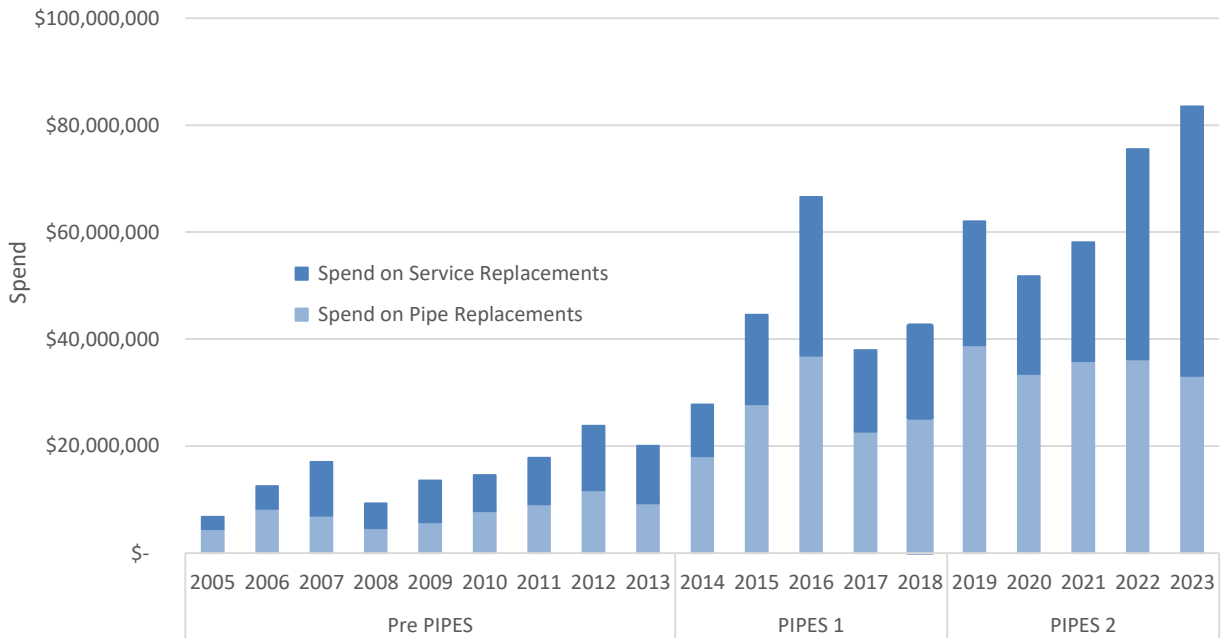


Figure 5 below displays the spend per mile of pipe replaced from 2005 to 2023. The average annual spend per mile more than doubled from pre-PIPES to PIPES 1 and increased by nearly 70 percent from PIPES 1 to PIPES 2. While there has been some economy-wide inflation over this period, spending per mile and per service has risen substantially even in inflation-adjusted terms.

Figure 5. Spend per mile of pipe replaced, 2005 to 2023

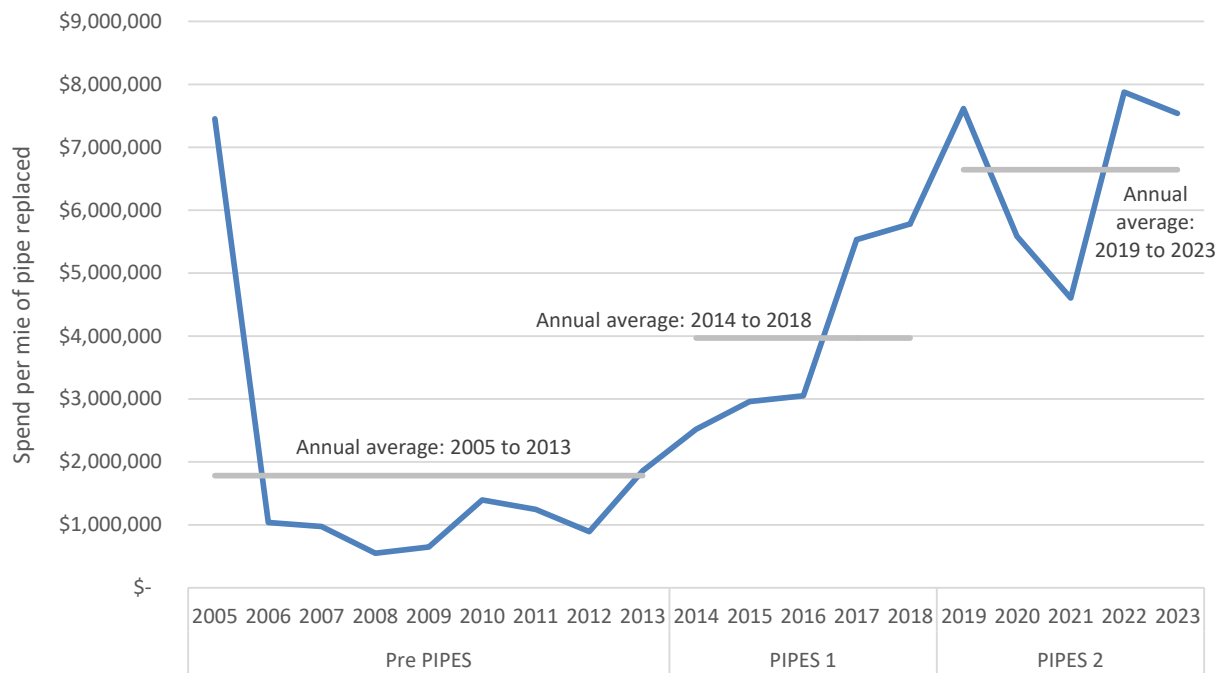
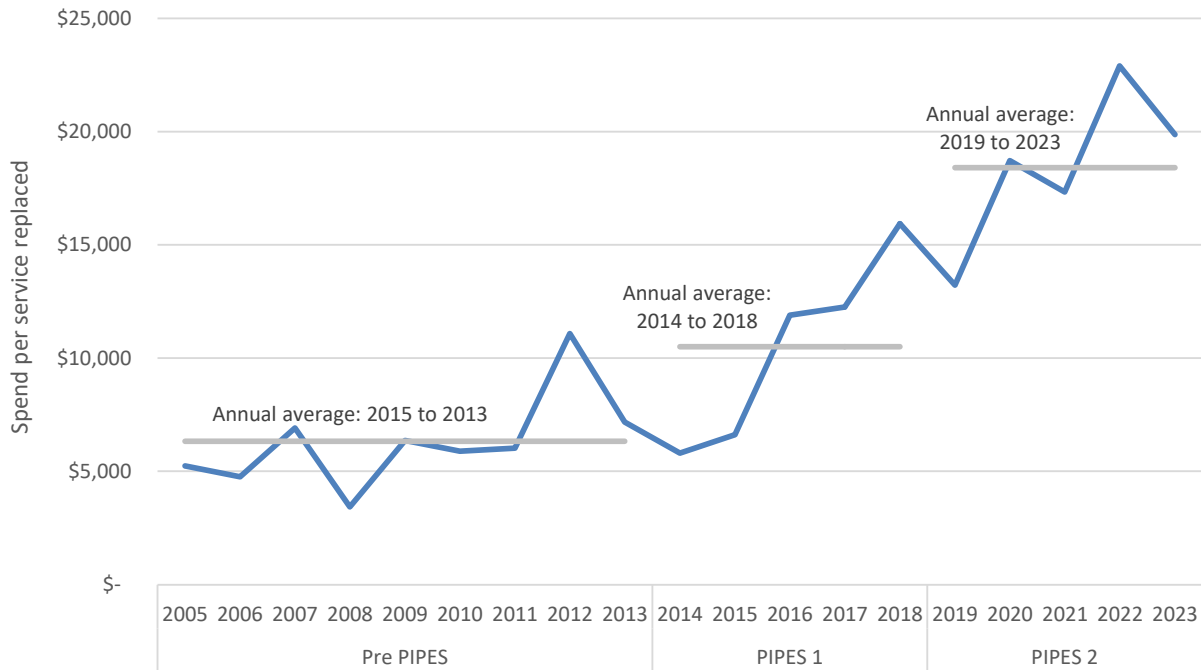


Figure 6 below displays the spend per service replaced from 2005 to 2023. The average annual cost per service increased by 65 percent from pre-PIPES to the PIPES 1 era and 75 percent from PIPES 1 to PIPES 2. The spend per service replacement of over \$18,000 in 2023 is comparable to the cost of heat pump installation, making heat pump installation accompanied by service retirement a potentially cost-effective alternative that is also lower risk for both the utility and customer.

Figure 6. Spend per service replaced, 2005 to 2023



WGL’s performance data does not show that PIPES 2 accelerates pipe and service replacement relative to performance in prior years. PIPES 2 is not achieving or improving the rate of or spend on pipe and service replacements as compared to PIPES 1. The data tracked and reported for the PIPES 2 program also does not include information to help stakeholders understand whether the program is cost-effective (i.e., that it replaces pipes and services at a cost that is lower than other alternatives that achieve the same environmental and safety goals).

3. PIPES 2 is not well designed and managed

[REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

The purpose of the Continuum Audit Report was to evaluate WGL’s management and implementation of pipe replacement under the PIPES 2 umbrella. Generally speaking, the auditors were asked to evaluate

[REDACTED]

[REDACTED] Continuum was not asked to evaluate whether the choices WGL has made with respect to overall leak-prone pipe program design are appropriate, sufficiently incorporate District climate policy, and reflect changing costs to implement pipeline replacement, technology context, utility business models, or market changes. These broader concerns should be part of a consideration of the prudence of the PIPES 2 program.

If the Public Service Commission and other stakeholders plan to continue investment in PIPES 2 and future PIPES programs, changes to program design and management are needed.

[REDACTED]

[REDACTED] WGL and District policymakers should consider Continuum’s recommendations within a broader context and develop remedial actions that take that context into account.

The District of Columbia’s plans and policies call for a move away from natural gas toward electrification. If investment in the PIPES programs continues as it has, the PSC risks the imposition of untenably high gas rates and increased difficulty in mitigating stranded asset costs which will burden ratepayers for decades into the future. These risks and costs can be mitigated through a strategic approach that optimizes the program to reduce safety risk and prepare for a future with significantly less natural gas usage in the District of Columbia.

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of January 2024, I caused true and correct copies of the enclosed DCG PUBLIC Comments pursuant to Public Notices issued on December 22, 2023, and January 8, 2024., to be emailed to the following:

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