

**Testimony of
Willie L. Phillips, Chairman
Public Service Commission of the District of Columbia
before the
Committee on Business and Economic Development
Kenyan, McDuffie, Chairman**

**Oversight Hearing
On
Fiscal Year 2019 and Fiscal Year 2020 to Date**

January 22, 2020

Good Morning Chairman McDuffie and Members of the Committee. I am Willie L. Phillips, Chairman of the Public Service Commission. I am joined today by Commissioner Richard A. Beverly and Commissioner Greer J. Gillis. First, let me thank you for your interest in the Commission and giving us the opportunity to speak with you about our work.

Last year, when I came before you as a newly minted Chairman, I identified three challenges that we face: Grid Modernization, Infrastructure Improvements and Community Engagement. Here's how we have met these challenges.

Grid Modernization

The Commission has taken the first of a series of steps that will bring grid modernization to fruition. We adopted the first order in our Formal Case 1130, Power Path DC, formerly known as MEDSIS. This Order, among other things, approves a new Distribution Planning Process that allows improved customer engagement and will help the District meet its clean energy goals of 100% renewables, 50% carbon reduction, and 5.5% solar by 2032. The Order also launches the long-awaited Power Path DC Pilot Project Program and approves a new Retail Choice website– an idea suggested by the Power Path DC advocates – that will provide a central clearinghouse for information about third-party energy suppliers to consumers in the District. Finally, the Order establishes a microgrid proceeding to inform our further decision-making about the development of the energy distribution systems in the District.

Last year I committed to you that we would view grid modernization through the prism of environmental considerations. That was before the CleanEnergy DC Omnibus Amendment Act became law. Now, we are obliged to do what we had already committed to do. Consistent with our role as an independent regulatory agency, and as required by the law, we shall consider effects on global climate change and the District's climate commitments when we act. In that connection, we have taken four positive steps. First, we have amended our Mission Statement to specifically include the preservation of environmental quality and advancement of the District's climate policy commitments; second, we have requested two additional positions in our 2021 budget for in-house environmental analysts; third, we have released an RFP for an environmental consultant to assist us during 2020; and fourth, we have issued a Notice of Inquiry requesting advice on the analytical frameworks that we might use to consider the effects of a utility proposal on global climate change and the District's public policy commitments, including whether specific reporting requirements, metrics for greenhouse gas reductions and carbon footprints should be used. We are analyzing the comments received last week and intend to convene a technical conference to further refine our analysis. In sum, we have made considerable progress in grid modernization and in understanding how we should conform that modernization with our environmental responsibilities.

Infrastructure Projects

Last year, when I spoke about infrastructure projects, I spoke of Capital Grid, Project Pipes and DC PLUG. I am happy to report substantial progress in each of these areas.

DC PLUG is finally moving ahead. After overcoming the final legal hurdle with our win at the D.C. Court of Appeals, the Commissioners were excited to participate in the ground breaking with you, Mr. Chairman, the Mayor and Pepco, for the first feeder to be placed underground on June 14, 2019. Construction of Feeder 308 began in the American University Park and Friendship Heights neighborhoods. Construction of Feeder 14900, serving Hawthorne, Barnaby Woods, and Chevy Chase, has begun. DC PLUG will increase electric reliability by placing the District's most vulnerable overhead lines in Wards 3,4,5,7 and 8 underground. Pepco and DDOT have filed the Second Biennial DC PLUG Plan which contemplates undergrounding of 10 feeders. We held a Community Hearing on January 8 to solicit public views and we approved the plan yesterday.

In the meantime, Washington Gas and Light Company (WGL) is proceeding with its plans to replace aging natural gas infrastructure in the District. What was once known as the

Accelerated Pipeline Replacement Program is now known as Project Pipes and WGL has filed an application for Phase II of the project. All the parties have been working towards a settlement of the issues in that application. A report on the settlement negotiations is due today. We are hopeful that a settlement can be reached.

In December we approved construction of Phase II of Pepco's Capital Grid Project to address anticipated load growth and to ensure safety, reliability and resilience of our utility electrical system. After reviewing all comments and studying the possibility of non-wire alternatives, the Commission concluded that a new Mt. Vernon substation would provide substantial reliability benefits and help prepare for anticipated climate change challenges. We found that Mt. Vernon would provide for additional Distributed Energy Resource (DER) hosting capacity, and bring reliability, resilience, and sustainability benefits to the grid, and help boost the local economy by constructing the new substation.

It's important to point out that we not only think about utility infrastructure, but we are also concerned with non-utility infrastructure, consistent with our Power Path DC conclusions and overall grid modernization efforts. The grid of the future will not be exclusively created and controlled by traditional utilities. Our mandate is to help the evolution of that grid into a very safe and highly reliable energy delivery platform. As of today, we have approved 5,428 solar facilities in the District for participation in the Renewable Portfolio Standards (RPS) program. We have 54 MW of cogeneration facilities operating in the District, encompassing 11 separate facilities. We expect the future installation of battery storage in the Mt. Vernon substation, which we hope will be an effective pilot for other battery storage projects. Moreover, we have a rapidly growing portfolio of Community Renewable Energy Facilities (CREFs) in the District, now numbering 63 and providing 2.7 MW of electrical capacity. In that connection, we look forward to receiving the Technical Feasibility Assessment for a Community Renewable Energy Facility at Gallaudet University. Last month we granted a waiver to Pepco to assess a virtual CREF demonstration project on the private microgrid planned at Gallaudet. We have created a Working Group to assess changes in the CREF rules and the feasibility assessment of the Gallaudet CREF will assist in making revisions consistent with our renewable energy goals. We are also supportive of other DER proposals. Most importantly, we are hopeful that the Power Path DC pilot projects will help us all to rethink what we mean by "energy infrastructure."

Community Engagement

Last year, I told you that we are sensitive to criticisms about a lack of transparency. As a result, we undertook a complete organizational and management assessment, led by a consulting firm, ADC Management Solutions. We received 25 recommendations in the spring of 2019 and have adopted most of those recommendations, including a new Office of External Affairs to create strategic communications plans for major projects and to enhance our media and social media presence. So far, OEA has published 7 newsletters and has prepared numerous press releases and fact sheets for distribution to the public. We have also inaugurated an Office of Policy and Development to implement operational changes, such as the introduction of a streamlined process for the assessment of annual fees. That Office will also implement our new Retail Choice website.

We have created or conducted numerous community hearings, working groups and technical conferences, encouraging stakeholder involvement wherever we can. We also responded to concerns about natural gas safety raised by Georgetown residents by having two community hearings to question Washington Gas about their plans to communicate information about gas leaks to the public. We intend to pursue this until we are satisfied that members of the public have the information, they need to feel safe in their homes. We also held a hearing on the Pepco outage affecting the Florida Avenue substation.

Our Office of Consumer Services participated in over 65 Outreach events in 2019, including 5 Winter Ready Pop Ups. We have also worked with the Department of Aging and Community Living (DAACL), the Department of Human Services (DHS), the Department of Housing and Community Development (DHCD), and Councilmember's constituent service officers to be sure that District residents know about the PSC and the services we provide.

The review of our rules of practice and procedure that we spoke of at last year's hearing is almost complete. We have held three stakeholder meetings, have completed two drafts, and are almost prepared to issue a Notice of Proposed Rulemaking. It is our hope that the rules when adopted will make evidentiary hearings more efficient and less costly to all participants.

What's Coming?

Of course, we do not rest on our laurels. The accomplishments of the past year are only a prelude to what we hope to accomplish in 2020 and beyond. Late last year we set the framework for utility requests for Alternative Forms of Regulation (AFOR). This was prompted by a Pepco request for a rate increase, using one of two different rate setting

approaches: the traditional cost-of-service method; and a new approach that would incorporate a Multi-Year Rate Plan with Performance Incentive Mechanisms (PIMs). We are confident that this AFOR approach will be a tool to help assure that we meet our clean energy goals, while potentially avoiding the millions of dollars in expenses to litigate a full-blown rate case. We will work with stakeholders over the next few months to discuss what are achievable PIMs in this proceeding. We anticipate that this modern approach to ratemaking will be a model for future utility rate cases.

We also expect to turn our attention to Transportation Electrification in the new year. We approved in part Pepco's Transportation Electrification Application and we have issued a Notice of Proposed Tariff for the "make ready" infrastructure. We expect to act on the tariff once the comment period has expired. Pepco has filed a TE plan and we hope to make decisions regarding that soon.

Last week, we launched a "Fight Utility Scams" website to equip utility consumers with information about individuals impersonating utility representatives over the phone and in person. These scammers threaten consumers with disconnection if they don't pay immediately. Our online consumer resources guide will help protect against this form of fraud.

The Commission has also done something I am particularly proud of: we have formed an Advisory Council on Utility Supplier and Workforce Diversity to provide advice and recommendations to the Commission on ways to improve diversity and inclusion within our utilities in the District. Members of the Council will work collaboratively to create a workforce pipeline, developing resources for the next generation of utility leaders. We had a meeting last week and the excitement among the members of the Council was very encouraging. The Council will consider ways to improve diversity and will report its recommendation to the Commission by the end of 2020.

Finally, let me say that this year has been challenging and exciting. I appreciate the Committee's help in getting done what we have needed to do and hope we can count on your future support. Some of the credit for our success goes to the talented and dedicated staff of the Commission, but an equal amount of credit goes to the large numbers of stakeholders who have participated in our proceedings, both formally and informally. They have helped craft our orders and have enlightened our vision. We are grateful to them all, even to those who disagree with our decisions.

Thank you, Mr. Chairman. I would be happy to answer any questions.