

Testimony
of
Emile C. Thompson, Interim Chairman
Public Service Commission of the District of Columbia
Before the
Committee on Business and Economic Development
Kenyan, McDuffie, Chairman
Performance Oversight Hearing
February 23, 2022

Thank you, Chairman McDuffie, and members of the Committee. I am Emile Thompson, Interim Chairman of the Public Service Commission.

I want to depart from the usual practice of giving you an overview of our activities over the last year to discuss instead two overarching principles and how those principles play out in our policies and decisions. Council mandates have informed those principles, including, most importantly, the Clean Energy DC Omnibus Amendment Act (CEA).

The first of these principles concerns our efforts to reduce Greenhouse Gas (GHG) and other harmful emissions. The second involves efforts to modernize the electric and gas distribution grids. These two principles overlap and are interrelated. **We cannot expand the use of renewables if the grid is not equipped to adapt to multiple distributed energy resources (DER's), including solar energy facilities.** While we foster the expansion of DER's across the District, we must also ensure that the grid maintains a superior level of reliability and resiliency, while also considering affordability.

Lowering Emissions.

Regarding the first principle noted above, we can lower emissions by converting to non-fossil fuel energy sources, where appropriate. Our Renewable Portfolio Standards program is a highly successful step in that direction with, as of 2021, over 10,000 solar projects within DC and some 2,900 projects outside the District. In 2021 alone, we certified 2077 new RPS solar facilities within DC, including 82 new Community Renewable Energy Facilities (CREFs). This represents total RPS-certified solar capacity of 192 MW, exceeding the "Solar Carve-out" estimated goal for the first time. We continue to improve

RPS processing by deploying an innovative online RPS application portal. The enhanced features of this online portal have helped accelerate RPS facility certification. We processed about 65% more RPS certifications in CY2021 than we did in CY2019.

We recognize that the continued success of our RPS program depends on solar customers being able to interconnect with the electrical distribution system. We also acknowledge that there have been recent instances of extensive system upgrade costs being charged to the customer. These upgrades may be necessary to ensure that the grid remains reliable, safe, and resilient. This is one prominent instance of long-term need for a modern grid, our second guiding principle, but we thought it necessary to take immediate action. On January 28, we issued a Notice of Proposed Rulemaking in RM40-2022 that would permit \$1 million of cost-sharing subsidies to help pay for system upgrades necessary to interconnect solar systems with the electric grid. We had earlier undertaken a similar cost-sharing approach to promote new CREFS in the District.

We understand that interconnection issues must be resolved to continue to promote renewable facilities. We also know that the District is not alone in facing this problem. Therefore, we are planning a legislative-style Public Hearing on Interconnection. We will invite local and regional players to share their insights on making the interconnection process more efficient, transparent, and less expensive. One sign of progress in this area is the Pepco public interconnection queue, which is live as of last week. This will improve transparency and accountability. We will also continue encouraging the Department of Consumer and Regulatory Affairs to work collaboratively with Pepco and solar installers in its role in the interconnection process.

Let us turn to another example of our efforts to lower GHG emissions: Case No. GD-2019-04, our framework for considering the climate effects of utility proposals under the Clean Energy Act. The Commission created this docket in 2019 to seek public comments on the analytical approach we should take to evaluate the effect utility proposals have on climate change, including what metrics or measurements to use, what reporting requirements should be required to track compliance, and what type of Benefit/Cost Analysis (BCA) framework would be most effective. We convened a Clean Energy Act Implementation Working Group to recommend metrics, reporting requirements, and BCA frameworks. The work was arduous, but on November 16, 2021, the Working Group filed its lengthy Report. There was majority agreement on what metrics to use, including quantifying carbon dioxide, methane, and nitrous oxide in benefit-cost analysis of utility programs and utility performance metrics. We intend to act on the Working Group's recommendations shortly. The Working Group also suggested that a Phase II Working Group be convened to develop further recommendations on reporting requirements and other specialized BCA topics. We are considering how best to speed our decision-making on these matters.

To demonstrate again how our cases relate and how we include our guiding principles in our cases, let me point out that the latest Pepco rate case, FC 1156, also considered metrics aimed at lowering emissions, not a traditional concern of rate cases. In June 2021, the Commission approved an Enhanced Multi-Year Rate Plan application filed by Pepco. In addition to approving some of Pepco's requests for rate increases, the Commission also adopted climate and energy goal tracking Performance Incentive Mechanisms (PIMs), encouraging Pepco to contribute to the District achieving its carbon neutrality goal by 2050 and Tier One Renewable Energy Portfolio Standard goal of 100% by 2032. The PIMs, when fully operational, will track metrics such as Greenhouse Gas emissions, Energy Efficiency, Peak-shaving program efforts, and Distributed Energy Resource levels deployed in DC. The Commission authorized the creation of a PIMs Working Group, which filed its second report on December 17, 2021. We expect to act on the PIMs Working Group report in the second quarter of this year.

Other cases where metrics for emissions are being considered or where the overarching principle of lowering emissions is featured include:

- The [FC1162](#) Washington Gas Light Company Rate Case Settlement in which WGL committed to file an annual report of GHG emissions associated with the Company's gas distribution system. We expect the Annual Report to be filed in May 2022.
- The [FC1154](#) WGL Advanced Leak Detection Pilot Program, in which the Commission determined that ALD technology, once fully implemented, would be able to assist WGL in managing and maintaining its distribution system and target GHG emission reduction. This Pilot Program continues but is subject to procedural challenges, which we acted on yesterday.
- The [FC1160](#) Energy Efficiency/Demand Response cases, in which the Commission established the Energy Efficiency and Demand Response Metrics Working Group, pursuant to the Clean Energy Act. Pepco has proposed a \$118M 3-year package of energy efficiency and peak-shaving programs, which will complement DC's SEU programs, as well as other private and public sector energy efficiency efforts in the District. We expect WGL to propose a similar energy efficiency program in the future.
- The FC1017 Power Purchase Agreement (PPA) Order, in which the Commission approved a Pepco pilot program to procure renewable energy through a long-term PPA for electricity for a target quantity of five (5) percent of the Standard Offer Service ("SOS") load. Pepco continues to negotiate with proposed counterparties to the PPA, and the Commission closely monitors those negotiations.

Perhaps the most important of our cases to ensure that we meet our Clean Energy Act climate commitments is FC1167, the Climate Business Plan case. In this case, opened in

November of 2020, the Commission commenced a climate policy proceeding to consider whether and to what extent utility or energy companies under our purview are meeting and advancing the District of Columbia energy and climate goals and then take action, where necessary, to guide the companies in the right direction. AltaGas/WGL had filed a Climate Business Plan pursuant to Term 79 of the Settlement Agreement in FC 1142. In July of 2021, Pepco filed its Climate Solutions Plan. Numerous comments, briefs, and studies have been submitted in this case. We expect to make initial determinations in the second half of 2022.

Modernizing the Grid

The most far-reaching of our efforts to modernize the grid is case FC1130, known as PowerPath DC. The Commission began this case in 2015. Since then, we have held numerous technical workshops and town hall meetings issued a detailed Staff Report outlining the Commission's jurisdiction, identifying regulatory barriers to grid modernization, and providing a framework for the subsequent phases of the case. We also began the stakeholder working group process by approving the formation of working groups, including one to identify DER Pilot Projects for grid modernization.

Most recently, we have focused on these Pilot Projects with the assistance of a Governance Board consisting of interested stakeholders. We intend to use the \$21.55 million Pilot Project Fund, created as a result of the Pepco/Exelon merger to support DER pilot projects related to energy delivery system modernization. The Governance Board is currently reviewing a Request for Proposal for a Community Heat Pump Pilot Project. We expect to act on that RFP in the first quarter of 2022. Other Pilot Projects will follow.

We also have created Working Groups to consider other PowerPath DC issues, including rate design and customer impacts. We continue to work with interested parties in these Working Groups and hope to issue decisions soon. We also directed Pepco to implement a stakeholder informed distribution system planning process, along with a Non-Wires Alternative (NWA) RFP program. We look forward to future NWA RFP's, as well as improvements in the NWA RFP process.

Another critical case regarding the modernization of the grid is FC1144, the Capital Grid Project. The Capital Grid project will increase the electric distribution system's reliability and resiliency and help prepare the city for extreme weather events anticipated with climate change.

After reviewing all the filings and multiple rounds of public comments, we concluded that the project would help modernize the District's electric system by increasing networked transmission capacity and providing about 70 MW of additional hosting capacity for future

Distributed Energy Resource (DER) projects. Additionally, Pepco will be installing a 1 MW pilot battery energy storage unit, which will be capable of producing 3 MWh of energy. This pilot project will provide a window on emerging technologies and non-wires alternative solutions for the traditional electric grid. This battery energy storage pilot project will be deployed within the Mt. Vernon Substation in 2024 and may defer the future installation of the fourth transformer inside the substation. Construction of the Capital Grid Project began in 2020 and is expected to be complete by 2027. The Commission monitors construction activities and oversees Pepco's plan for consumer communications.

Also, the Commission recently approved the latest phase of Pepco's DC PLUG program in FC1168. DC PLUG is a public-private partnership between Pepco, and the District of Columbia Department of Transportation (DDOT), to improve electric service reliability and reduce the impact of storm-related outages in the District by placing vulnerable overhead distribution lines underground in Wards 3, 4, 5, 7 and 8. This modernization program is another example of our efforts to protect against extreme weather events caused by climate change.

And lest you think that we are only modernizing the electric grid, let me tell you about PROJECTpipes, the WGL program to replace aging gas distribution infrastructure. This is a 40-year accelerated pipeline replacement program to modernize the 1,200-mile natural gas distribution system in the District and enhance overall system resiliency, reliability, and safety for nearly 165,000 gas customers. This accelerated replacement program also helps the District meet its climate goals by reducing potential leaks and methane gas emissions on the distribution system.

Conclusion

I have tried today to show how two principles, Lowering Emissions and Modernizing the Grid, guide the Commission in its actions. There are other examples, and there are other aspects of our work that are related only indirectly to those principles, such as consumer protection and pipeline safety. But, overall, we see adherence to those principles as the most effective way for the Commission to contribute to the District's climate commitments, while also maintaining a reliable, safe, and affordable energy delivery system. Thank you, and I would be happy to answer any questions.