

**COMMENTS TO THE VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY IN
ADVANCE OF A STAKEHOLDER WORK GROUP TO DETERMINE THE FEASIBILITY OF
SETTING A STATEWIDE METHANE REDUCTION GOAL AND PLAN**

SUBMITTED BY:
COLUMBIA GAS OF VIRGINIA
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Ms. Karen Sabasteanski
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Dear Ms. Sabasteanski:

These comments are submitted jointly by Columbia Gas of Virginia, Roanoke Gas Company, Virginia Natural Gas, and Washington Gas (the “local distribution companies” or “LDCs”) in advance of a stakeholder work group to determine the feasibility of setting a statewide methane reduction goal and plan, as required by Senate Bill 565 (Chapter 728) from the 2022 General Assembly Session (the “Virginia Energy Innovation Act” or the “VEIA”). Thank you for the opportunity to submit comments.

Headquartered in Chesterfield County, Columbia Gas delivers clean, affordable, and efficient natural gas to approximately 290,000 customers in portions of Northern Virginia, Hampton Roads, suburban Richmond, Central Virginia, the Shenandoah Valley, the Lynchburg region, and parts of Western Virginia. Roanoke Gas, founded in 1883, delivers natural gas to approximately 63,500 customers in the City of Roanoke, Virginia, and the surrounding counties. Virginia Natural Gas founded in 1850 and headquartered in Virginia Beach and a subsidiary of Southern Company Gas and Southern Company, delivers clean, safe, reliable, and affordable natural gas to more than 300,000 customers in southeast Virginia. Washington Gas Light Company (WGL) founded in 1848 is a regulated utility providing safe, reliable natural gas service to approximately 550,000 customers in northern Virginia. A subsidiary of WGL Holdings, Inc., the company has been providing energy to residential, commercial and industrial customers for 175 years.

As discussed below, the LDCs’ ongoing actions, as well as proposed and expected federal regulations, are expected to accelerate the reduction of methane emissions from the natural gas industry. In addition to a proven track record of LDC efforts to reduce methane emissions, EPA is currently in-process of establishing tighter standards on methane sources upstream of natural gas distribution. PHMSA is also expected to release new methane standards in 2023 for natural gas distribution which are expected to accelerate deployment of advanced technologies and methane emissions reductions. The objectives of a statewide planning process are likely to be accomplished through the upcoming federal rules.

The LDCs do not support additional state regulations on the natural gas industry at this time. The LDCs will, however, continue to utilize smart innovation, new and modernized infrastructure, advanced technologies, and regulatory strategy that support the Commonwealth's climate goals while also maintaining safe, reliable, resilient, and affordable energy service choices for our customers.

The LDCs are Actively and Significantly Reducing Methane Emissions

On a national level, methane emissions from natural gas utility distribution systems have declined approximately 70% since 1990¹ even as natural gas utility companies have added more than 788,000 miles of pipeline to serve 21 million more customers. This exceptional record can be traced to gas utilities continuing to make safety a top priority and remaining deeply committed to systematically upgrading infrastructure through risk-based integrity management programs.

In 2010, the General Assembly passed the Steps to Advance Virginia's Energy (SAVE) Plan Act, which allows the LDCs to file a plan with the State Corporation Commission (SCC) to replace eligible infrastructure. The SAVE Plan Act mandates that all replacement projects must enhance safety or reliability and reduce, or have the potential to reduce, greenhouse gas emissions. The LDCs must also demonstrate that the plan is prudent and reasonable. Columbia Gas has ramped up investment in the SAVE program from approximately \$20 million to over \$50 million per year, and eliminated its leak-prone cast iron pipe in 2015. Since 2012, Virginia Natural Gas has commissioned over 520 miles and retired over 470 miles of main and renewed over 28,000 services resulting in a 31% reduction in methane emissions. Virginia Natural Gas has ramped up investment from \$17 million to \$70 million per year. Since, 2010 WGL has replaced 174 miles of distribution mains and over 51,000 services that resulted in an estimated methane emissions reduction of approximately 223,249 tons of CO₂e emissions. WGL expects to increase its activity and forecasts investments of \$175 million per year between 2023 -2027. Through the first ten years of its SAVE program, Roanoke Gas has eliminated all cast iron and bare steel pipe in its system; replaced a large percentage of its first generation plastic mains and services; completed the renewal of six gate stations, five of which were placed into service over 50 years ago; and renewed the gas boil-off compressor at its liquefied natural gas facility, which was originally installed in 1972. Roanoke Gas recently filed for a new five-year SAVE Plan under which it proposes to invest approximately \$50 million over the five-year plan period to continue to modernize its transmission and distribution facilities.

The LDCs actively promoted the portions of the VEIA that made certain revisions to Va. Code §§ 56-248.1 and 56-265.1 to advance methane reductions. In § 56-248.1, the General Assembly provided a means to allow natural gas utilities to include in their fuel portfolios "supplemental or substitute forms of gas sources that meet the natural gas utility's pipeline quality gas standards and that reduce the emissions intensity of its fuel portfolio." Va. Code § 56-248.1 A. The term "supplemental or substitute forms of gas" means: "(i) low-emission natural gas, (ii) biogas, or (iii) hydrogen." Several of the LDCs have procured or are seeking to procure these forms of gas. Virginia Natural Gas now serves approximately one-half of its customers' current demand with such gas. Washington Gas sourced approximately 10% of its 2022-2023

¹ EPA Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2019, Table 3-63

winter heating season gas from lower-emission certified natural gas producers and is also investigating the integration of Virginia-produced biogas into its system.

Furthermore, the VEIA amended the SAVE Act to incorporate an enhanced leak detection and repair program which is defined as:

A program that is designed to allow a natural gas utility to deploy advanced leak detection technologies to more accurately identify active leaks as part of the natural gas utility's leak management program and to prioritize the repair of leaks that present a risk to safety or the environment. A natural gas utility may amend its SAVE plan to include an enhanced leak detection and repair program by filing an application to amend its previously approved SAVE plan, as set forth in subsection B of § 56-604.

Several of the LDCs have implemented or expect to implement an enhanced leak detection and repair program within their SAVE plan.

The LDCs also advocated for the VEIA to encourage and facilitate investments by the LDCs in biogas facilities that are reducing methane emissions. On August 3, 2022, Roanoke Gas filed an application with the SCC for authority to own, operate and maintain a biogas facility. Under the terms of an agreement with the local water authority - the Western Virginia Water Authority (WVWA), Roanoke Gas will buy anaerobic digester gas from the WVWA, which will be processed through a digester gas conditioning system to produce renewable natural gas. The construction of the biogas facility was undertaken in conjunction with the rehabilitation of the WVWA's wastewater treatment digesters. The digester rehabilitation is intended to reduce the amount of methane released from the digesters. The biogas facility is complimentary to the digester rehabilitation and is intended to eliminate as much as possible, the flaring of digester gas. Through this arrangement, digester gas that would otherwise be flared, will be cleaned and used by Roanoke Gas to offset the purchase of geologically produced gas. The SCC approved the application by Order dated January 23, 2023, and Roanoke Gas began commercial operation of the biogas facility in March of 2023. The other LDCs are actively vetting their own projects to help reduce greenhouse gas emissions including methane.

Notably, Virginia Natural Gas, Columbia Gas, and WGL are founding members of the Natural Gas STAR Methane Challenge², a voluntary program founded by the U.S. Environmental Protection Agency (EPA) in collaboration with oil and natural gas companies. The program recognizes companies that make specific and transparent commitments to reduce methane emissions. More than 60 companies from all segments of the industry – production, gathering and boosting, transmission and storage, and distribution – are now program partners. EPA is committed to continuously improving the Methane Challenge Program to maximize emission reductions.

Virginia Natural Gas, Columbia Gas, and Roanoke Gas are also members of Our Nation's Energy (ONE) Future, a group of more than fifty natural gas companies working together to voluntarily reduce methane emissions across the natural gas value chain to 1% (or less) by 2025. ONE Future is comprised of some of the largest natural gas production, gathering &

² <https://www.epa.gov/natural-gas-star-program/methane-challenge-program>

boosting, processing, transmission & storage and distribution companies in the U.S. and represents more than 20% of the U.S. natural gas value chain.

These voluntary efforts have resulted in significant methane reductions, and, as described below, new federal standards are expected to be released in 2023.

DEQ Can and Should Look More Broadly at Methane Emissions in the Commonwealth

The DEQ has been charged to consider a potential statewide methane reduction goal that is not limited to methane emissions from natural gas infrastructure and operations. The LDCs urge DEQ to look at the issue of methane emissions on a broader scale. Based on data from 2017 provided by DEQ and other presenters to DEQ's 2019 Ad Hoc Workgroup, methane emissions from natural gas systems contributed only two percent (2.0%) of total methane emissions in Virginia.

As explained in the section above, the LDCs have already undertaken significant successful steps to reduce methane leakage from their systems and continue these efforts today. The LDCs promoted and worked for the passage of the VEIA which enables investments by the LDCs in projects that will capture methane from agricultural, landfill, and wastewater treatment operations and facilitates the incorporation of renewable and other low emissions intensity natural gas in their systems—further reducing methane emissions from other sources both within and outside of the natural gas supply chain.

The LDCs respectfully suggest that, given the General Assembly's addressing of their methane emissions in the VEIA, representatives of the agricultural, landfill, and wastewater treatment communities should be included in the methane work group.

Regulation from the Pipeline and Hazardous Materials Safety Administration (PHMSA) is Expected to Accelerate LDC Methane Reductions

In December 2020, pipeline safety reauthorization legislation, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES Act) of 2020, was enacted. The PIPES Act identified areas where Congress believes additional oversight, research, or regulations may be needed with respect to methane leak detection and repair, among other priorities. The law directs PHMSA to promulgate a final regulation requiring new leak detection and repair programs, minimum standards for advanced leak detection practices and technologies, and rules requiring that operators be able to locate and categorize all leaks that are hazardous to human safety, the environment, or can become hazardous. Importantly, the PIPES Act requires the agency to consider the environment and safety in its cost benefit analysis of the proposed regulation. This regulation is expected to be proposed in 2023.

The Virginia LDCs generally support Congress's intent in the PIPES Act and anticipate that the upcoming PHMSA regulation will accelerate methane reductions for natural gas systems, in addition to the voluntary measures already underway. Measures to ensure the delivery of natural gas, both safely and reliably, focus on the same key principle – minimizing the release of natural gas. This aligns with the overall goal of the PHMSA rulemaking which is to continue to identify strategies for minimizing pipeline leaks and how to leverage, where appropriate, advanced leak detection technologies and processes.

Regulation from the EPA is Expected to Accelerate Methane Reductions from the Upstream Natural Gas Sector

The entire gas supply chain – from production through distribution – must continue to reduce methane emissions.

In November 2022, the Environmental Protection Agency (EPA) proposed to update, strengthen and expand its November 2021 proposal by reducing methane emissions from both new and existing upstream oil and gas operations. This 'supplemental proposal' would achieve more comprehensive emissions reductions from oil and natural gas facilities by improving standards in the 2021 proposal and adding proposed requirements for sources not previously covered. The LDCs have a strong interest in this rulemaking because it will have bearing on: (1) the cost and methane intensity of the natural gas product delivered to customers, and (2) the ability to implement plans to achieve low or net zero greenhouse gas (GHG) goals, which are increasingly a focus for investors, state utility regulators, and customers.

Conclusion

The LDCs' ongoing actions, as well as proposed and expected federal regulations, are expected to accelerate the reduction of methane emissions from the natural gas industry. Therefore, the LDCs do not recommend additional state regulations on the natural gas industry at this time.

The LDCs remain committed to maintaining and strengthening the flexibility, reliability, and versatility of a natural gas delivery system that continues to reduce GHG emissions, enables the increased integration of renewable energy, and provides consumers with uninterrupted access to a sustainable, safe, reliable, and affordable supply of energy in the Commonwealth. There is also high potential to leverage LDCs' existing infrastructure to reduce emissions across sectors and for new, lower carbon sources of gas to support economy-wide emission reductions.

Thank you for considering these comments. We look forward to engaging with you in the work group.