

**SENATE EDUCATION, HEALTH & ENVIRONMENTAL AFFAIRS**  
**HB 1134 – Maryland Building Performance Standards – Fossil Fuel Use and Electric-Ready Standards**  
**Statement in Opposition – March 8, 2023**

Chesapeake Utilities Corporation (“Chesapeake Utilities”) respectfully **OPPOSES** HB 1134 which seeks to amend the State building code to ban natural gas in all new buildings over the next 2 to 6 years. In addition, HB 1134 authorizes any local jurisdiction to ban natural gas in all new and existing buildings immediately upon passage of the legislation. Just last year, the Maryland General Assembly passed the Climate Solutions Now Act of 2022 that, among other things, included language requiring the Maryland Public Service Commission to study the impact on the State’s electric grid resulting from mandating electrification of the building sector. This PSC study is due in September of 2023. This PSC study is particularly important given a recent study released by PJM (the Regional Transmission Organization that operates the 13-state wholesale electric grid serving Maryland) that concluded that thermal power plant retirements are outpacing new replacement generation sources (including renewables) at an alarming rate that could cause serious reliability issues (blackouts and brownouts) within 3 years.<sup>1</sup> It is simply premature and reckless to enact any legislation such as HB 1134 until (at a minimum) this important PSC study is completed and the impact on Maryland’s electric grid is known.

Chesapeake Utilities operates natural gas local distribution companies that serve approximately 31,000 customers on Maryland’s Eastern Shore in Caroline, Cecil, Dorchester, Somerset, Wicomico and Worcester Counties. These public utilities are regulated by the Maryland Public Service Commission and have provided in the coldest months of the year safe, reliable, resilient and affordable service in the State for decades. As a company, Chesapeake Utilities serves as a positive and informed resource in the ongoing energy and climate change discussions. In fact, the natural gas industry in general (and Chesapeake Utilities in particular) has been a part of the largest reduction in greenhouse gas emissions in this country and will continue to drive the practical solutions needed to move forward. Chesapeake Utilities is committed to being part of the solution as Maryland considers legislation addressing greenhouse gas emissions.

Having said that, we oppose HB 1134 because of the extraordinary uncertainty and costs it would impose on *each and every* Maryland utility ratepayer, which are significantly greater than any purported benefits the bill allegedly might provide. In addition, HB 1134 is unnecessary because alternatives exist that can achieve greenhouse gas reductions in a practical and affordable manner; and under a realistic timeline that would not place the reliability of our electric grid at risk. Finally, HB 1134 would eliminate thousands of good paying jobs (with family-sustaining wages) for energy workers.

**Hb 1134 will significantly increase costs for Maryland residents.** According to the Maryland Commission on Climate Change (“MCCC”), building direct use emissions account for 13% of

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<sup>1</sup> The PJM report forecasts that 40,000 megawatts (MW) of power generation—enough to light up 30 million households—are at risk of retiring by 2030, representing about 21% of PJM’s current generation capacity. The report notes that most projected power-plant retirements are “policy-driven.”  
<https://insidelines.pjm.com/pjm-details-resource-retirements-replacements-and-risks/>

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economy-wide GHG emissions in Maryland.<sup>2</sup> To attempt to achieve this purported 13% reduction, the MCCC estimated that implementing a natural gas ban on new and existing buildings would result in a number of significant costs:

- Incremental total resource costs ramp up almost immediately and reach between \$3 billion and \$5 billion by 2045 (\$2021).<sup>3</sup>
- *Annual* incremental electric grid investment costs ramp up over time and reach approximately \$1.2 billion in 2045 (\$2021).<sup>4</sup>
- Electricity rates increase between 2 and 3 cents per kilowatt-hour by 2045.<sup>5</sup>
- Gas rates increase to the \$40- 50/MMBtu range by 2045.<sup>6</sup>

A recent study by the Consumer Energy Alliance titled *The Hidden Costs of a Maryland Natural Gas Ban*, noted:

*With more than 40% of Maryland homes relying on natural gas during the winter for heat, banning such a critical resource would be a devastating blow to families who would have to pay more than \$26,000 to involuntarily reconfigure their home and purchase new appliances. A ban on natural gas would also lead to an increase in energy bills, placing an unnecessary burden on the nearly one in 10 Marylanders who live at or below the poverty level, those on fixed incomes, and businesses still recovering from the hardships of COVID-19.<sup>7</sup>*

Even more significant - a recent independent study conducted on behalf of BGE by the same contractor that performed the study for the Maryland Climate Change Commission (*i.e.*, E3) concluded that a transition to all electric buildings could cost between \$40 and \$50 billion in BGE's service territory alone.<sup>8</sup> Of course, Maryland is served by several electric companies: BGE, Pepco, Delmarva, Potomac Edison, SMECO, Choptank, etc. Accordingly, this \$40 to \$50 billion cost can be conservatively estimated to increase to approximately \$200 to \$300 billion statewide. Even more notable, BGE's study assumed its natural gas infrastructure will continue to be utilized into the future (with reduced gas throughput of 60% to 80%). As drafted, HB 1134 would artificially reduce natural gas

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<sup>2</sup> See E3's *Maryland Building Decarbonization Study*, September 16, 2021 at 5

<sup>3</sup> MCCC *Building Energy Transition Plan*, November 2021 at 11 (assumes commercial building owners would pay \$100/tCO2 for remaining emissions beginning in 2030, modeled as "alternative compliance" costs).

<sup>4</sup> *Id.* at 12. Maryland retail electricity rates are currently higher than the national average. See [eia.gov](http://eia.gov).

<sup>5</sup> *Id.* at 14.

<sup>6</sup> *Id.* at 13. For comparison, EIA currently forecasts natural gas prices to remain near \$4 per MMBtu in 2022 and decrease in 2023. See [EIA.gov](http://EIA.gov).

<sup>7</sup> See "Forced electrification could cost Maryland consumers more than \$26,000, report finds" *The Star Democrat*, dated January 28, 2022.

<sup>8</sup> The BGE / E3 study concluded that over the period from 2022 through 2050, total investments reach \$40 and \$52 billion in cumulative incremental cost – which consist of electric generating capacity, electric transmission and distribution, customer capital costs, renewable and fossil fuels costs and costs of gas and networked geothermal infrastructure.

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throughput at a more dramatic pace. This would raise Constitutional takings concerns that would require the State to compensate Maryland natural gas companies an additional hundreds of billions of dollars at the expense of Maryland taxpayers.

**HB 1134 unnecessarily eliminates energy choice, compromises Maryland’s electric grid and fails to recognize alternatives to a gas ban.** Natural gas is a product that Maryland businesses and residents want and need. For example, obtaining natural gas service in Somerset County has been a priority of the Somerset County Commissioners for decades. We recently partnered with the State to bring a natural gas line to the University of Maryland Eastern Shore and the Eastern Correctional Institute in Somerset County. This project allowed UMES and ECI to transition off other less clean fuels (fuel oil and wood chips) that had served those institutions for decades – immediately reducing GHG emissions in this community. HB 1134 would have prevented this Somerset County project. Today, Maryland residents who live in areas served by natural gas can choose to use gas or not. However, HB 1134 would take that choice away and force Maryland residents to use only electricity in their new homes.

Also, banning and reducing the use of natural gas will significantly increase the amount of electricity required to be delivered to Maryland customers, which ironically is generated by natural gas. Delivering this increased amount for electricity into Maryland will require billions of dollars of annual investments in the Nation’s and State’s electric generation, transmission and distribution systems. Electric transmission and distribution system planning is a complicated and time-consuming process – as it should be. It can take years to obtain the regulatory and federal/state/local permit approvals necessary to construct electric transmission lines, substations and related facilities. HB 1134 would significantly and artificially increase the demand for electricity in Maryland without any plan (or reasonable timeline) to ensure that Maryland’s electric grid can reliably deliver this energy.

Finally, we note that natural gas companies have been and will continue to be valuable contributors to lower GHG emissions. Chesapeake Utilities currently partners with developers of renewable natural gas projects in Maryland that turn chicken litter and other organic material into pipeline quality natural gas. In addition, we are actively involved in the transportation of hydrogen for blending with natural gas for utilization in the generation of electricity in other states. Chesapeake strongly supports these (and other) innovative advancements in technology and the continued utilization of the natural gas industry’s established and already built infrastructure to increase the likelihood of achieving net-zero targets while minimizing customer impacts.<sup>9</sup>

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<sup>9</sup> <https://www.aga.org/netzero>.

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**HB 1134 is a job killer for Maryland workers.** Mandating electrification and banning access to affordable and plentiful natural gas to all new buildings in the State is a job killer for both union and non-union Maryland workers.

On behalf of Chesapeake Utilities, and our thousands of employees and their families who contribute every day in the communities where they live and work, we respectfully request an unfavorable vote on HB 1134.