February 12, 2024

HOUSE ENVIRONMENT AND TRANSPORTATION COMMITTEE
HB 210 – Maryland Building Performance Standards – Fossil Fuel Use and Electric-Ready Standards

Statement in Opposition

Chesapeake Utilities Corporation ("Chesapeake Utilities") respectfully **OPPOSES** certain provisions contained in HB 210. Among other things, HB 210 seeks to ban a proven, affordable, reliable and domestic energy supply for all new buildings on or before October 1, 2026, for all new buildings less than seven stories tall and on or before October 1, 2030, for all new buildings seven or more stories tall. In addition, HB 210 requires the Department of Labor to adopt the ban on fossil fuel use in new buildings by January 1, 2025.

Chesapeake Utilities operates natural gas local distribution companies that serve approximately 32,000 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. Moreover, Chesapeake Utilities is committed to continuing being part of the solution as Maryland addresses greenhouse gas emissions.

HB 210 is expressly designed to artificially increase costs for existing gas customers. When gas companies add new customers, their fixed costs are spread over a larger customer base (keeping costs down for all customers). HB 210 intends to cut-off the ability of gas companies to add new customers, causing existing customers to pay more and more for their service. This unprecedented and unchecked rate inflation will continue until existing customers can no longer afford to maintain their service. Of course, remaining natural gas customers especially those who happen to be low and middle-income will be the most adversely impacted due to these artificially created costs increases.

HB 210 will significantly increase costs for owners of new buildings and existing gas customers. According to the Maryland Commission on Climate Change ("MCCC"), direct use emissions from all current buildings account for only 13% of economy-wide greenhouse gas ("GHG") emissions in Maryland.[1] These current emissions have decreased (and will continue to decrease) from historical levels because of natural gas. HB 210 would impose significant costs on the construction of all new buildings to be built to be electric ready. In addition, regardless of whether the new building will be permitted to use fossil fuels or not, as the buildings eligible for a waiver under the new Building Performance Standards (the "Standards"), must still be

[1] *See* E3's *Maryland Building Decarbonization Study*, September 16, 2021, at 5

constructed to be all electric ready. The types of buildings described in HB 210 that cannot feasibly use energy generated from a source other than fossil fuels such as commercial food establishments, laboratories, laundromats, hospitals, or crematoriums must still incur construction costs to be all electric ready under the proposed Standards.

<u>HB 210 unnecessarily eliminates an energy option that Maryland customers want</u>. Approximately 1.3 million households and businesses in Maryland use gas. The number of gas customers (both the number of residential customers and the total number of customers from all rate classes) grew at approximately one percent per year from 2014 through 2022. In 2022, Maryland's customers purchased about 168 million dekatherms of gas. Between 2014 and 2022, the total amount of gas purchased by Maryland customers grew by an average of 0.52 percent per year. This increase in total gas purchases is consistent with the fact that the number of gas customers is growing. However, it is important to note gas purchases are rising more slowly than the number of customers. Accordingly, gas usage per gas customer is *declining* slightly. For example, for the three largest gas utilities in Maryland, Baltimore Gas & Electric, Washington Gas, and Columbia MD, average residential throughput has decreased by 4.15 percent since 2014. The fact that the number of gas customers is increasing, but their average gas usage is declining can be explained by energy efficiency (e.g., more efficient appliances or improved insulation in buildings) and conservation efforts by customers (e.g., using a programmable thermostat). The data is clear, an increased number of Maryland residents continue to choose natural gas, purchase energy efficient appliances and adjust behaviors to conserve energy. We respectfully suggest that the State should not prohibit the use a proven and affordable energy resource.

<u>HB 210 compromises Maryland's electric grid and fails to recognize alternatives.</u> Today, Maryland building owners who live in areas served by fossil fuels, such as natural gas and propane, can choose to use the fuels or not. However, HB 210 assumes that forcing electrification on all new buildings is the right choice for Maryland to lower its GHG emissions. On the contrary, the fact that natural gas and propane have been replacing the use of dirtier fuels, such as fuel oils, is a primary driver of lower emissions from the residential and commercial building sector.

Also, banning and reducing the use of fossil fuels will significantly increase the amount of electricity required to be delivered to Maryland customers. Delivering this increased amount for electricity into Maryland will require billions of dollars of annual investments in the State's electric transmission and distribution system. 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 210 would significantly increase the demand for electricity in Maryland, especially if multiple, large counties implement fossil fuel bans on all new buildings.

HB 210 may be preempted by federal law. The Energy Policy and Conservation ACT (EPCA) preempts state regulations or laws that effectively ban EPCA-regulated products from accessing necessary energy sources. The State should reconsider its approach to ensure alignment with the Energy Policy and Conservation Act, foster consumer choice, and preserve access to today's cost-effective technologies and options and future emerging renewable technologies.

HB 210 will negatively impact emerging renewable technologies. The development of, and transition to, emerging renewable technologies such as renewable natural gas and hydrogen, to offset "traditional" natural gas, are a way to lower GHG emissions. Chesapeake Utilities currently owns a Maryland company, Planet Found Energy Development, that is developing a process to turn chicken litter into organic fertilizer and renewable natural gas (RNG), also referred to as biomethane or biogas. RNG is a fossil-free natural gas that is produced from naturally occurring sources such as food waste, manure, and other animal/plant-base materials to create biogas. The biogas is upgraded and cleaned to a quality similar to traditional natural gas and can be injected into a public utility's natural gas distribution system to offset the use of traditional natural gas. RNG can be used just like natural gas and is clean, reliable, and environmentally friendly and can also be used as a transportation fuel for vehicles. In addition, Chesapeake Utilities also recently completed a successful test that blended hydrogen with a gas supply to power a combined heat and power unit. The State should not discourage the use of these emerging renewable technologies that have been proven effective here and in other states to offset greenhouse gas emissions.

On behalf of Chesapeake Utilities Corporation, and our thousands of employees and their families who contribute every day in the communities where they live, work and serve, we respectfully request an unfavorable vote on HB 210.

Sincerely,

Chesapeake Utilities Corporation
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