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COMMITTEE: ENVIRONMENT AND TRANSPORTATION

TESTIMONY ON: HB 1532 - CONTINUING THE NEXT GENERATION ENERGY ACT

POSITION: FOR INFORMATION

HEARING DATE: MARCH 3 AT 1:00 PM

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT FOR **INFORMATION** TO **HOUSE BILL 1532 – CONTINUING THE NEXT GENERATION ENERGY ACT**

Purpose and Effects of HB 1532

HB 1532 significantly revises Public Utilities Article §4-213 by restricting reconciliation mechanisms, prohibiting cost-sharing tools, authorizing refund-only true-ups, and narrowing a utility's ability to seek upward variance in an MRP after January 1, 2025. Separately, the bill amends the structure of the State's energy efficiency (EE) and greenhouse gas (GHG) reduction programs by modifying program cycles, tightening cost-effectiveness requirements, and initiating a third-party administrator (TPA) review.

While the goals of transparency, consumer protection, and emissions reduction are ones we share, several provisions in the bill, both on the MRP and EE/GHG sides, create operational and financial risk, reduce flexibility, and may unintentionally increase long-term costs for Maryland customers.

Concerns with MRP Provisions

1. Asymmetrical, refund-only reconciliation is certain to create customer risk.
HB 1532 would allow only downward reconciliation and prohibit any mechanism that could result in additional customer charges. This eliminates the two-way true-up structure that helps ensure accuracy, fairness, and predictability. Without limited upward reconciliation when reasonable and prudent costs exceed forecasts, utilities must absorb all variance even when driven by work necessary to maintain safety, reliability, and compliance. This dynamic discourages timely investment and increases the likelihood of budget shortfalls that ultimately lead to higher long-term costs for customers.

2. Prohibition on cost-sharing tools removes PSC flexibility.
Earnings-sharing bands and similar mechanisms are widely used nationwide because they align customer and utility interests, prevent excessive earnings, and maintain incentives for efficient performance. By prohibiting these tools, the bill constrains the Commission's ability to balance incentives and accountability within MRPs and could lead to more frequent, resource-intensive rate cases.

3. Undefined "additional customer charges" creates compliance uncertainty.
Routine PSC-approved mechanisms, including riders, statutory cost recoveries, or program true-ups, could be unintentionally affected. This ambiguity increases compliance risk and could generate avoidable disputes in future proceedings.

<u>Concerns with EE/GHG Provisions</u>

1. The residential cost-effectiveness prohibition poses the greatest risk.
HB 1532 bars the PSC from approving any residential energy efficiency subprogram with a benefit-cost ratio below 1.0 under the Maryland Jurisdiction-Specific Test. For a gas-only portfolio like ours, this restriction could force removal of measures that deliver substantial, low-cost GHG reductions compared with alternatives. Losing these measures would increase our GHG cost per ton, reduce flexibility, and raise overall customer surcharges.

2. Compressed 2026–2028 program cycle limits planning stability.
A mandated two-year EE/GHG plan compresses program design, forecasting, and contractor management. It disrupts pipeline continuity for the contractor networks that deliver much of Maryland's EE work and makes it harder to build efficient multiyear GHG reduction pathways.

3. Third-party administrator review introduces structural uncertainty.
Although PSC retains discretion to decline a TPA model if it is not cost-effective, the multi-year RFI/RFP process introduces uncertainty that could affect long-term planning and investment. Should a TPA model ever advance, gas-specific governance and strong cost-effectiveness controls would be essential.

Our priority—one we believe is shared by the Committee—is a balanced, carefully constrained approach that protects customers while advancing effective and affordable greenhouse gas reductions. We fully support thoughtful regulatory alignment, customer-focused program design, and accountability. However, as currently drafted, this bill would not achieve those goals. Instead, it risks undermining program stability, limiting cost-effective emissions reductions, and increasing customer costs without delivering the reliability or environmental benefits Maryland seeks. We respectfully urge the Committee to reconsider the current approach to ensure the State adopts a framework that truly centers customers and produces measurable, sustainable progress.

<u>About Washington Gas</u>

Washington Gas Light Company provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. WGL has been providing energy to residential, commercial, government, and industrial customers for more than 177 years, and currently serves nearly 520,000 Maryland customers in Montgomery, Prince George's, Charles, St. Mary's, Frederick, and Calvert Counties. The Company employs over 600 employees in Maryland, and hundreds of outside contractors, plumbers, union workers, and other skilled tradespeople. The Company strives to improve the quality of life in our communities by maintaining a locally-based workforce, working with suppliers that represent and reflect the communities we serve, and giving back through its charitable contributions and employee volunteer activities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.

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