



March 4, 2022

**HOUSE ECONOMIC MATTERS COMMITTEE
HB 708 – Comprehensive Climate Solutions**

Statement in Opposition

Chesapeake Utilities Corporation (“Chesapeake Utilities”) respectfully **OPPOSES** certain provisions contained in HB 708. Among other things, HB 708 seeks to: (1) encourage and promote the replacement of gas, oil or propane heating systems with electric heat pumps (2) require gas utility companies to develop utility transition plans to achieve net-zero greenhouse gas emissions from the building sector and (3) create the “Just Transition Employment and Retraining Working Group” without including a representative from the gas industry.

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.

HB 708 will significantly increase costs for Maryland residents. We oppose HB 708 because of the extraordinary costs it would impose on *each and every* Maryland utility ratepayer. HB 708 would impose conflicting policy goals for the current EmPower program. The EmPower program was originally enacted to promote LOWER electricity use by Maryland customers. However, HB 708 would high-jack EmPower and direct that it now be used to encourage HIGHER electricity usage. We respectfully suggest that forced electrification – at all costs and speed – is not the correct approach for Maryland to reduce its GHG emissions cost-effectively.

HB 708 will require gas utility companies to develop utility transition plans. HB 708 directs the Public Service Commission to establish a process for gas companies (and electric companies) to develop utility transition plans to achieve a structured and just transition to near-zero greenhouse gas emissions from the building sector. We object to the nature and details regarding these utility transition plans. First, it is extremely awkward and troubling for the General Assembly to direct a utility company to spend rate payer dollars to develop a plan for putting itself out of business. These utility transition plans would directly conflict with the gas company’s fiduciary duty to its stockholders to operate the company successfully and efficiently. Moreover, HB 708 is overly prescriptive

in its language describing the utility transition plans. For example, HB 708 would not allow gas companies to consider alternative pathways that could result in lower emissions from the building sector than forced electrification. In addition, HB 708 directs a gas company to develop a “comprehensive strategy” to achieve “electrification affordably.” However, the bill ignores the fact that gas companies are not electric companies and generally possess little to no insight on how to electrify a building. HB 708 puts gas companies in the awkward position of spending our ratepayer dollars promoting *electric companies*. Finally, it is unclear what ultimate purpose a gas company’s utility transition plan would be put towards. If the purpose is to determine the amount of stranded costs Maryland gas ratepayers would be required to pay if a gas company went out of business – we do not need a utility transition plan to make such a calculation. Unfortunately, the actual purpose of the utility transition plans appears is revealed in HB 708 itself. HB 708 requires a gas transition plan to opine on and assess “alternative models” for the “regulatory compact” to be applied to the gas company. This is nothing more than a transparent attempt to force the gas company to manufacture evidence against itself that will be used by the State in future court proceedings over stranded assets and violations of the nationwide regulatory compact. A gas utility should not be required to submit a transition plan.

HB 708 excludes the voice of the gas utility worker. HB 708 establishes the “Just Transition Employment and Retraining Working Group” (the Working Group). The Working Group includes 27 members from various organizations and stakeholders. However, out of the 27 members of the Working Group, a representative from the gas industry is excluded from participating. As such, the gas utility worker is not provided a voice on a Working Group that is tasked with, among other things, advising on opportunities for workforce development and training related to “dislocated workers affected by the downsizing of the fossil fuel industries.” A gas utility worker should be included on the Just Transition Employment and Retraining Working Group.

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.¹

On behalf of Chesapeake Utilities Corporation, 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 708.

¹ <https://www.aga.org/netzero>.