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**TESTIMONY OF
THE
WASHINGTON GAS LIGHT COMPANY
BEFORE THE
COMMITTEE
FEBRUARY 25, 2021**

HOUSE BILL 831 – REDUCING GREENHOUSE GAS EMISSIONS - COMMERCIAL AND RESIDENTIAL BUILDINGS

POSITION: OPPOSE

Washington Gas Light Company (Washington Gas) provides these written comments regarding House Bill 831, the Reducing Greenhouse Gas Emissions --Commercial and Residential Buildings (HB 831). HB 831 seeks to further address climate change within the State of Maryland by requiring the State and its agencies to promulgate rules and take other actions that would require public and private actors to achieve net-zero statewide greenhouse gas emissions standards by 2045.

Washington Gas supports the overall goal of reducing greenhouse gas emissions and recognizes the scientific consensus that human activity – primarily greenhouse gas emissions and the conversion of land for agriculture and development – is contributing to changes in the global climate including changing weather patterns, rising sea levels and more extreme weather events. We believe that actions must be taken now to stabilize and reduce emissions. We are taking those actions.

Washington Gas also recognizes that we have a duty to support our customers and communities and to help the State develop and implement policies that help us provide affordable, safe, and reliable energy without restricting our customer’s energy choices, including source. Natural gas is an extremely affordable and reliable heating fuel available to residents and businesses in Maryland and many families and restaurants find it is a preferred option for cooking. Much of the recent success for the United States in addressing its climate impact in recent decades has been through the increase in use of natural gas as fuel input for power generation, displacing coal and oil.

A bit more about our background and focus. Washington was a small town when Washington Gas brought light to its first customer, the U.S. Capitol, in 1848. We have grown with this community ever since and care deeply about the 1.2 million customers we serve today, with over 500,000 customers in Maryland alone¹. We deliver affordable energy to heat homes, cook food, and enjoy hot showers. This safe and reliable energy is easy to take for granted, but it is only available because of our over dedicated employees, including over 600 in Maryland, and our repeated investments to maintain a vast network of essential infrastructure. We are proud to be there for our customers and will continue to work every day to earn their trust and confidence. WGL is committed to meeting changing energy needs in a sustainable, low-carbon future.

Washington Gas hears the voice of policymakers in the State as it relates to climate change. We feel, however, that HB 831 will strip our customers of energy choice, will have significant unintended consequences, and will pre-determine a pathway focused on policy-driven economy-wide electrification without adequate recognition of reliability, resiliency, and affordability.

This opposition to HB 831 should not be understood to mean that Washington Gas is not actively taking concrete actions today to address decarbonization and is not fully ready to invest further in the pursuit of fuel neutral decarbonization pathways as emerging solutions and technologies continue to develop, mature, and become commercially viable. Washington Gas' role in a decarbonized future, we believe, is framed around four key areas – 1) end use and efficiency, 2) sourcing and supply, 3) infrastructure and operations, and 4) transportation.

Washington Gas is actively working on all these elements. For example, we continue to work to expand our work with Maryland customers on delivering household energy efficiency. We have also recently signed a novel contract with WSSC Water to advance an innovative bioenergy project. In addition, we have delivered certified natural gas to our customers during 2021. Finally, we are working on options to further decarbonize our truck fleet, as well as working with other transportation fleet teams across our footprint to discuss new transportation solutions and alternative fueled vehicles.

OUR CONCERNS

Our primary concern with HB 831 is the structural focus of the legislation on economy-wide electrification without understanding what this will mean for the affordability, customer choice, reliability, and resiliency of our customer's energy needs over time. We recommend that the legislation be modified to provide fair support for all potential decarbonization pathways, recognizing that technologies, markets, and solutions will continue to develop over the coming years and decades.

One specific issue with HB 831 is the *“requirement that new buildings meet all water and space demand without the use of fossil fuels”* (Ln 10-13, pg. 8). Stated more directly, HB 831 prohibits

¹ Washington Gas provides service to 506,791 residential and commercial customers throughout Prince George's, Montgomery, Calvert, Charles, Frederick, and St. Mary's counties.

the use of fossil fuels, i.e., natural gas, in newly constructed buildings in the State in the very near-term. While the legislation at the highest policy level is focused on net-zero statewide greenhouse gas emissions by 2045, this explicit restriction goes beyond this goal and forces businesses and private actors to lose energy choices that they may find valuable for their enterprise and organization. And which may be a more affordable and cleaner solution.

Maryland residents, current and future, want energy choices. More than 40% of Maryland homes today rely on natural gas.² According to recent polling, 66% of Marylanders prefer to continue using natural gas.³

This bill's directive to prohibit the direct use of natural gas and require building electrification for all growth and development may have an unintended effect of increasing in the near-term emissions given that largest source of electricity used in the State of Maryland is derived from power plants burning natural gas to generate electricity.⁴ Washington Gas offers that the direct use of natural gas on-site for heating and hot water is far more efficient than using natural gas to generate electricity, transmit through the transmission and distribution system, and then use that energy for electric resistive or heat pump space heating. If this bill passes, there will need to be significant investments in the power supply infrastructure to serve Maryland, without any consideration for reliability and resiliency. Moreover, it will cause an increase in electricity generated by out of state natural gas or other fossil fuels power plants providing no local job benefit and potentially cause an increase in greenhouse gas emissions.

HB 831 also establishes new building emissions standards that require commercial or multifamily residential buildings with a gross floor area of 25,000 square feet or more that directly produce emissions onsite to reduce their net greenhouse gas emission by 20% on or before January 1, 2030.⁵ While the bill provides for an alternative compliance plan, those operating under an alternative compliance plan will be subject to a "fee" (Ln.10-13, pg. 3) that is akin to a tax on customers. Washington Gas supports policies that promote energy resiliency and sustainability by leveraging the reliability of the current natural gas delivery system. Phasing out natural gas will require an increase in electricity production and transmission as buildings consume more electric power for their heating systems. Thus, this natural gas ban may simply shift emissions rather than reducing them. Unfortunately, HB831 does not provide the flexibility, nor does it support technological innovation to reduce emissions through focusing on proven solutions like modernization of our physical infrastructure.

For instance, our Strategic Infrastructure Development and Enhancement Plan (STRIDE) program accelerates our pipeline replacement. This ongoing pipeline replacement project has enhanced

² Consumer Energy Alliance, pg. 2 <https://consumerenergyalliance.org/2022/01/forced-electrification-could-cost-maryland-consumers-more-than-26000-per-household-new-cea-report-finds/>

³ Public Opinion Strategies conducted a statewide poll surveying 600 Marylanders across the state from January 22, 2022 through January 26, 2022.

⁴ <https://www.pjm.com/markets-and-operations.aspx>

⁵ The bill applies to "covered buildings not owned by the State" defined as a commercial or multifamily residential building with a gross floor area of 25,000 square feet or more that directly produces emissions on site. (Ln 29-31, pg. 23). This bill is limited to commercial and multi-family units.

safety and reduced emissions throughout our service territories. As of 2018, Washington Gas has reduced state GHG emissions by 32,000 metric tons because of these infrastructure enhancements.

Washington Gas would also support this Committee working together to promote efforts to decarbonize the energy supplied through our distribution network. There are two ways to reduce emissions associated with natural gas supply. The first is introducing low/no carbon non-fossil-based gases into the natural gas delivery system. For instance, renewable natural gas (with feedstocks from municipal solid waste landfills, wastewater from treatment plants, livestock farms, food production facilities and organic waste management operations) and green hydrogen are options that have strong decarbonization potential. They also require no action on the part of customers to implement and bring to scale. The second is to avoid methane emissions from upstream natural gas extraction. This involves sourcing natural gas from higher quality producing firms. These technologies and options will be imperative as Maryland moves to a cleaner future. And are available today to our customers. Washington Gas looks forward to working with the Legislature to seek to bring additional cleaner supplies to its customers.

Maryland Commission on Climate Change Recommendations

House Bill 831 purports to be a policy recommendation offered by the Maryland Commission on Climate Change's E3 report, which analyzed three pathways to meet the State's climate goals. While three pathways were assessed, the Maryland report ("MD report"), published in October 2021, indicated that a fuel neutral approach to decarbonization goals is more affordable and certainly will provide a framework for a more reliable and resilient energy system.⁶ A few months later, on February 15, 2022, E3 published a pathway report for Massachusetts ("MA report")⁷. The MA report is much more detailed than the Maryland report with respect to customer assumptions, analysis, discussion, and number of pathways considered (8 pathways were offered but consolidated to 5).

In addition to presenting a more balanced perspective, the MA report relies on more realistic assumptions regarding customer conversion costs. The estimates to develop electric transmission to deliver off-shore wind power and to modernize the distribution grid to accommodate distributed resources were somewhat improved but still require detailed planning studies. Overall, most of the pathways call for enormous renewable generation and significant electrification of buildings. The MA report overall provides a more thorough discussion of why this is untenable from both a practical and financial perspective. Perhaps most importantly, the MA report analysis assumes that the transition will be driven by customers – not mandated conversions – and that financial support will be needed for low-resource customers. Neither report concludes that an all-electrification pathway is the preferred option.

⁶ AGA Study on Baltimore Electrification Customer Impacts
https://www.aga.org/contentassets/6628ffb835194ba1b89a0bb2ebc3b8a2/md-grounded-in-reality_exec-summary.pdf

⁷ Pg. 8, [Massachusetts D.P.U. 20-80](#).

CONCLUSION

Washington Gas works every day to earn our customers trust and confidence. We support the overall goal of reducing greenhouse gas emissions. We believe the best option is to support a fuel neutral decarbonization pathway that allows for the benefits of the entire energy system to be brought to bear on resolving sustainability goals, while also considering affordability. Washington Gas strongly objects to policies which reduce customer choice and mandate electrification. We will remain focused on ensuring energy security – reliability and resiliency – in any policy change. We are confident that there is a path forward, but do not see that HB 831, as drafted, is the right approach.

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