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**TESTIMONY OF
THE
WASHINGTON GAS & LIGHT COMPANY
BEFORE THE
ENVIRONMENT AND TRANSPORTATION COMMITTEE
AND
ECONOMIC MATTERS COMMITTEE**

MARCH 24, 2022

SENATE BILL 528 – Climate Solutions Now Act

POSITION: OPPOSE

Washington Gas Light Company (Washington Gas) provides these written comments regarding Senate Bill 528, the Climate Solutions Now Act (SB 528). SB 528 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 requiring public and private actors to achieve net-zero statewide greenhouse gas emissions standards 2045.

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 alone.¹ 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 600¹ 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 believe that actions must be taken now to stabilize and reduce emissions. However, we feel

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.

that SB 528 will have significant unintended consequences and pre-determine a pathway focused on policy-driven economy-wide electrification without adequately recognizing reliability, resiliency, and affordability.

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. As studies have found, a fuel-neutral approach to decarbonization goals is often more affordable and provides a framework for a more reliable and resilient energy system.² Further, the Maryland E3 study, and recently the Massachusetts E3 study, showed a fuel neutral approach is a workable pathway to decarbonization.³

OUR CONCERNS

Our primary concern with SB 528 is the structural focus of the legislation on economy-wide electrification without understanding what this will mean for the affordability, custom choice, reliability, and resiliency of our customer's energy needs over time.

SB582 requires "*commercial and multifamily residential buildings with a gross floor area of 25,000 square feet or more that directly produce emissions onsite to achieve at least a 30% reduction in net direct greenhouse gas emissions on or before January 1, 2035 as compared with the 2025 levels for average buildings of similar construction*" (Ln 12-14, pg.65). Those building owners would pay a fee if they cannot comply with the new energy performance standards (Ln.19-23, pg.66). While the legislation supports providing incentives to encourage businesses and multifamily units to retrofit their building, the cost to retrofit a single-family home is estimated at \$26,884. Naturally, it will be higher for commercial and multifamily units. This cost will likely be passed through to tenants. Most importantly, those building owners that can retrofit will do so — and eventually, costs will shift to those customers remaining in the natural gas market. Thus, the bill would negatively impact the low-income to low middle-class communities, who cannot afford to retrofit.

This bill's directive to drive customers away from natural gas use will have the opposite effect of the bill's intent because on most days, the largest source of electricity⁴ used in the State of Maryland is derived from power plants burning natural gas to generate electricity. The Environmental Protection Agency (EPA) recommends using source-to-site calculations⁵ for total building energy consumption, and it is widely accepted that direct use of natural gas on-site is far more efficient than using gas to generate electricity, transmit through the distribution system, and then used for electric resistive and heat pump space heating. If this bill passes it will cause an

² AGA Study on Baltimore Electrification Customer Impacts
https://www.aga.org/contentassets/6628ffb835194ba1b89a0bb2ebc3b8a2/md-grounded-in-reality_exec-summary.pdf

³ "*Meeting electric loads in the High Electrification scenario requires around \$4-5 billion of annual incremental system costs*". Pg.4

https://mde.maryland.gov/programs/Air/ClimateChange/MCCC/Documents/MWG_Buildings%20Ad%20Hoc%20Group/E3%20Maryland%20Building%20Decarbonization%20Study%20-%20Final%20Report.pdf

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

⁵ https://www.energystar.gov/buildings/benchmark/understand_metrics/source_site_difference

increase in electricity generated by natural gas, often out of State (no local jobs), and directly cause an increase in regional GHG emissions.

Further, if enacted, Washington Gas customers would experience an increase in overall cost of their energy fuel. This fee, in effect, drives customers away from natural gas use in the State and as building owners retrofit their buildings. As written in the legislation, the alternative compliance fee cannot be lower than the social cost of greenhouse gas adopted by the Department or the U.S. Environmental Protection Agency. For this Committee's review, we projected the impact on natural gas customers by using the average annual natural gas used from January through December 2021 by Washington Gas customers. We used this figure to calculate the associated carbon emissions (in metric tons). From there, we placed a \$60 per metric ton cost to determine the impact on Maryland homes and businesses:

Average Annual Cost at \$60 / Metric Ton Emissions (USD \$)	
Commercial	\$2,297.03
Interruptible	\$247,495.51
Group Metered Apartments	\$3,507.90

The calculation for the social cost of carbon is the minimum fee that can be imposed. SB 528 does not anticipate the maximum or cap on the fee. In neighboring jurisdictions that have enacted similar building energy performance provisions, the fee is extremely high when compared to the cost of retrofitting. For example, the District of Columbia passed similar building energy standards and has proposed a \$10 fee per square footage fee for buildings over 50,000 square feet, which would be a \$500,000 fee imposed on the business owner. If applied here, buildings over 25,000 square feet could be faced with a \$250,000.⁶ Therefore, this bill could have a detrimental impact on commercial and multifamily buildings in the State because it puts owners in an untenable position—retrofit or pay the penalty.

SOLUTIONS

Our opposition to SB528 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 supports policies that promote energy resiliency and sustainability by leveraging the reliability of

⁶In the 2022 Session, Senator Feldman introduced Senate Bill 81 that authorized local and municipal government to impose a \$10 square footage fee for building owners failing to comply with local building energy performance standards. <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/sb0081>

the current natural gas delivery system. We incentivize Maryland customers to upgrade and retrofit their boiler and heating, ventilation, air conditioning systems, especially for larger commercial and industrial customers seeking to improve energy efficiency. We have two incentive programs for those customers—the Prescriptive Program & The Custom Business Solutions Program. Over \$5.6 million has been invested in these programs and yielded over 15.7 million in lifecycle energy savings, equating to reducing 84,00 MT CO₂e. There are gas energy efficiency programs administered through DHCD's MEEHA program for low-income multifamily buildings. Lastly, WGL has three pilot programs that cover different customer segments. For instance, WGL is running a pilot for gas heat pumps, which, when replacing conventional boiler/HVACE systems, have substantial energy saving and greenhouse gas abatement for the commercial and industrial sectors. WGL continues to incentivize customers to become more efficient and help lower your upfront costs for equipment upgrades through rebates.

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 decarbonize our truck fleet further and working with other transportation fleet teams across our footprint to discuss new transportation solutions and alternative-fueled vehicles.

Washington Gas would also support this Committee working together to promote efforts to decarbonize the energy supplied through our distribution network. We believe that there are other low-carbon and renewable options that could be a bridge as emerging solutions and technologies develop, mature, and become commercially viable. 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.

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 that reduce customer choice and mandate electrification. In any policy change, we will remain focused on ensuring energy security – reliability and resiliency. We are confident that there is a path forward and have provided amendments (below) that if adopted supports and aligns the State’s policy position.

Proposed SB 528 – WGL Amendments

	Issue	Proposed Additions, Deletions	Why?
1	Alternative Compliance Fee	<p>Amendment: <i>Page 64, Lines 16-18: DELETE ITEM (3)</i></p> <p style="text-align: center;">(3) — THE DEPARTMENT MAY NOT SET AN ALTERNATIVE COMPLIANCE FEE THAT IS LESS THAN THE SOCIAL COST OF GREENHOUSE GASES ADOPTED BY THE DEPARTMENT OR THE U.S. ENVIRONMENTAL PROTECTION AGENCY.</p> <p><i>NOTE: this same language appears on page 66, lines 27-29.</i></p>	The Department should not be precluded by statute from setting an alternative compliance fee that is lower than the social cost of greenhouse gases adopted by the Department or the US EPA as may be appropriate to address unintended outcomes including an unacceptable impact on Maryland’s economy.
2	Local Energy Performance Standards	<p>Amendment: <i>Page 64, lines 22-29, DELETE SECTIONS (E)(1) and (2)</i></p> <p style="text-align: center;"><i>(E) (1) A COUNTY MAY DEVELOP AND ADOPT LOCAL BUILDING ENERGY PERFORMANCE STANDARDS THAT ARE AT LEAST AS STRINGENT AS THE STANDARDS DEVELOPED BY THE DEPARTMENT, IF THE COUNTY'S STANDARDS ARE APPROVED BY THE DEPARTMENT.</i></p> <p style="text-align: center;"><i>(2) COVERED BUILDINGS LOCATED IN A COUNTY THAT ADOPTS LOCAL BUILDING ENERGY PERFORMANCE STANDARDS IN ACCORDANCE WITH THIS SUBSECTION SHALL BE EXEMPT FROM THE STATEWIDE STANDARDS DEVELOPED BY THE DEPARTMENT.</i></p> <p><i>NOTE: I assume we want to delete both (1) and (2). Note also that this same language appears on page 67, lines 1-8.</i></p>	These provisions would be administratively cumbersome for all stakeholders, including those responsible for implementing and complying with performance standards.
3	Direct On-Site GHG Emissions	<p>Amendments 1: Deletions.</p> <p><i>Strike "direct on-site" language from Lines 23-24, PG.36, and anywhere there is a reference to direct on-site emissions</i></p> <p style="text-align: center;"><i>"DIRECT GREENHOUSE GAS EMISSIONS" MEANS GREENHOUSE GAS EMISSIONS PRODUCED ON-SITE BY A COVERED BUILDING COVERED BUILDINGS</i></p> <p>Amendments 2: Add <i>language to Line 31., Pg. 68, which should read as:</i></p>	<ol style="list-style-type: none"> 1. Deleted language retains the fuel neutrality of the bill and improves clarity. 2. It is appropriate to include at least one representative of a utility on the Building Energy Transition Implementation Task Force as many transition implementation details will benefit from electric and natural

		<p><i>XI) ONE REPRESENTATIVE OF THE DISTRICT ENERGY INDUSTRY.</i></p> <p><i>XII) ONE REPRESENTATIVE OF INVESTOR-OWNED UTILITIES SELECTED BY THE PUBLIC SERVICE COMMISSION.</i></p>	<p>gas network planning implications that can best be communicated by an electric or gas utility.</p>
<p>4</p>	<p>PSC Utility Planning Requirements</p>	<p>3 Options to Amend Section 10 (c) (1)</p> <p>Option 1: Strike and Add. <i>Add language related to decommissioning stranded gas, and add language for a utility transition plan to Line 22, pg. 71, which should read as:</i> SECTION 10. AND BE IT FURTHER ENACTED (c) (1) The Public Service Commission shall: (i) require gas and electric public service companies in the State to develop infrastructure plans to determine the investments necessary to accommodate the additional load of building electrification and the JUST TRANSITIONING OF decommissioning of stranded gas facilities to ACCOMMODATE HYDROGEN AND OTHER CLEAN FUELS; and (ii) determine whether the electric grid throughout the State is capable of accommodating the additional load of building electrification considering the infrastructure plans prepared under subparagraph (i) of this paragraph.</p> <p>Option 2: Strike and Add. <i>Add language related to decommissioning stranded gas, and add language for a utility transition plan to Line 22, pg. 71, which should read as:</i> SECTION 10. AND BE IT FURTHER ENACTED (c) (1) The Public Service Commission shall: (i) require gas and electric public service companies in the State to develop infrastructure plans to determine the investments necessary to accommodate the additional load of building electrification and the TRANSITIONING TO ACHIEVE A STRUCTURED AND JUST TRANSITION TO NEAR-ZERO GREENHOUSE GAS EMISSIONS decommissioning of stranded gas facilities; and (ii) determine whether the electric grid throughout the State is capable of accommodating the additional load of building electrification considering the infrastructure plans prepared under subparagraph (i) of this paragraph.</p> <p>Amendment 3: Strike and Add <i>Add language related to decommissioning stranded gas, and add language to enumerate what will be in the transition plan to Line 22, pg. 71, which should read as:</i> SECTION 10. AND BE IT FURTHER ENACTED (c) (1) The Public Service Commission shall: (i) require gas and electric public service companies in the State to develop infrastructure plans to determine the investments necessary to accommodate the additional load of building electrification and the decommissioning of stranded gas facilities; and (ii) determine whether the electric grid throughout the State is capable of accommodating the additional load of</p>	<p>Option 1: deletes “decommissioning of stranded” and substitutes “transitioning” to allow gas utilities to submit plans that assess options that continue to use the existing gas network. These options may include supply options such as renewable natural gas, responsibly sourced natural gas and hydrogen as well as end-use options such as dual-fuel heat pumps.</p> <p>Option 2: achieves a similar objective but reflects more descriptive language with respect to the goals of the transition: “TRANSITIONING TO ACHIEVE A STRUCTURE AND JUST TRANSITION TO NEAR-ZERO GREENHOUSE GAS EMISSIONS”</p> <p>Option 3 achieves a similar objective but adds more descriptive language specifying criteria that the gas plans should meet. Paragraph (A) requires the gas utility to consider all options; paragraph B restates the public interest considerations that apply to PSC decisions. These additions are consistent with the approach in DC and VA.</p>

		<p>building electrification considering the infrastructure plans prepared under subparagraph (i) of this paragraph.</p> <p>(III) THE GAS UTILITY TRANSITION PLANS DEVELOPED UNDER THIS SECTION SHALL BE BASED ON A GAS PLANNING PROCESS THAT:</p> <p>(A) CONSIDERS ALL VIABLE DEMAND-SIDE, SUPPLY-SIDE AND DISTRIBUTION OPTIONS THAT ENABLE MARYLAND TO ACHIEVE ITS GREENHOUSE GAS EMISSION TARGETS INCLUDING ENERGY EFFICIENCY, DECARBONIZATION OF RESIDENTIAL AND COMMERCIAL BUILDING END-USES, DECARBONIZATION OF GAS SUPPLY INCLUDING RENEWABLE NATURAL GAS AND CERTIFIED GAS, AND POWER-TO-GAS AND OTHER HYDROGEN-BASED TECHNOLOGIES.</p> <p>(B) ENSURES THE SAFE AND RELIABLE DELIVERY OF GAS SERVICE, WHILE SUPPORTING MARYLAND'S ENVIRONMENTAL, ECONOMIC DEVELOPMENT, OVERALL ENERGY SYSTEM RESILIENCE, AND OTHER POLICY GOALS AS COST-EFFECTIVELY AS POSSIBLE.</p>	
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