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COMMITTEE: EDUCATION, ENERGY, AND THE ENVIRONMENT

TESTIMONY ON: SB0689 PUBLIC UTILITIES - ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS REDUCTIONS - ALTERATIONS AND REQUIREMENTS

POSITION: OPPOSE

HEARING DATE: FEBRUARY 28, 2022

Washington Gas respectfully submits this statement in **OPPOSITION** to **Senate Bill 689 - Public Utilities - Energy Efficiency and Greenhouse Gas Emissions Reductions - Alterations and Requirements**.

Washington Gas strives to be one of the safest and most innovative energy companies in the region, and the United States. We keep our finger on the pulse of new operating practices and developments relating to emissions detection and reduction and the introduction of lower carbon fuels. We work daily on fulfilling our longstanding commitment to ensure we deliver energy safely, reliably and affordably. At Washington Gas, we embrace our role in helping the communities we serve and are supportive of fully informed efforts to reduce greenhouse gas emissions.

Climate change is a defining challenge across Maryland, and natural gas, natural gas utilities, and the delivery infrastructure are essential to meeting the state's greenhouse gas emissions reduction goals. Maryland can continue to achieve significant emissions reductions by accelerating the use of tools available today, including high-efficiency natural gas applications, renewable gases, combined heat-and-power, and enhanced energy efficiency initiatives. Senate Bill 689 would limit Maryland residents and businesses from saving money and impede the state's ability to optimize all available resources towards reducing emissions.

Senate Bill 689 does not allow for the wide variety of low-cost decarbonization methods and technologies beyond electrification. The legislation eliminates EmPOWER Maryland program incentives for energy-efficient gas appliances and further requires the Department of Housing and Community Development to promote fuel switching from gas to electricity. While Washington Gas strongly support efforts to decarbonize and combat climate change, the Senate Bill 689 proposal to eliminate natural gas incentives and promote electrification is not an appropriate or efficient way to advance climate solutions for customers in Maryland.

Further, Senate Bill 689 impermissibly directs the Public Service Commission to set greenhouse gas reduction goals that, for gas utility companies, can only be met in two ways: building envelope improvements and fuel switching. The bill fails to define “building envelope improvements” but this term could include insulation or window upgrades to a building. Fuel switching is also undefined but the purpose clause indicates the intent is to switch existing customers from gas to electric. The effect of this bill would be that natural gas rate payers would bear the financial burden of building upgrades and electrification across every ratepayer class. This simply goes too far.

Decarbonization is unlike any energy or environmental challenge that Maryland has faced before, because it will require planning and execution at a “building by building” and “neighborhood-by-neighborhood” level. Moreover, it will have potentially dramatic cost and convenience implications for every existing homeowner and building owner. Maryland should adopt an approach that is focused on getting as much value (GHG emissions reductions) for every dollar from Day 1. *The Maryland Building Decarbonization Study* report prepared by Energy+Environmental Economics (“E3”) and released in October 2021 for the Maryland Commission on Climate Change provides generalized cost estimates that will not help building owners make informed decisions.

As a foundational matter, the Department, armed with as much information as possible, should be directed to periodically assess and promote achievement of GHG emissions reductions in the most efficient manner possible. It is premature to eliminate options without sufficient information. The “navigator” concept is promising, but they will require tools that enable them to assess all options and measure and provide estimates based on the best available information regarding up-front and ongoing energy costs for individual measures and the overall project. In fact, all customers require this information from an independent, trusted source. Electric utilities should not be directed to promote electrification as currently directed in Section C(1). Electric and gas utilities should be provided to provide data and insights that enable policy makers and building owners to make informed decisions.

In 2008, the Maryland General Assembly passed the EmPOWER Maryland Energy Efficiency Act which created a statewide program that helps homeowners, renters, and businesses save energy and money. According to Energy Efficient Maryland, “combined with other energy initiatives, EmPOWER Maryland has helped 21,000 low-income households save \$340 annually on their electric bills” and “the energy savings from EmPOWER have cut nearly 19 million metric tons of carbon dioxide emissions, over 34 million pounds of nitrogen oxides, and nearly 78 million pounds of sulfur dioxide.” These statistics demonstrate the success and necessity of the EmPOWER programs – including for gas utilities.

Washington Gas’ energy efficiency programs are primarily designed to reduce energy consumption through promoting and incentivizing the efficient use of natural gas. There are three main mechanisms through which Washington Gas implements reduction in energy consumption:

- Installing (retrofit or new construction) high-efficiency equipment and appliances (furnaces, water heaters, kitchen equipment, etc.)

- Optimizing home and commercial building operation to use less energy (weatherization, conservation kits, retro-commissioning, etc.)
- Promoting change in consumption habits and behaviors towards energy conservation (home energy reports, online audits, demand response, etc.)

The rebates that are currently available to customers in Maryland via EmPOWER offer a pathway to make reductions in energy consumption, through equipment upgrades, more attainable for cost-driven homeowners and businesses. Washington Gas' energy efficiency programs reduce natural gas consumption, mainly through space heating and water heating end-use applications. With less natural gas being consumed, less natural gas is needed to be paid for, leading to lower monthly bills.

Eliminating gas appliances from the EmPOWER program also infringes on consumer choice. Many homebuyers prefer a gas stove; gas stoves offer instant heat, and, in most cases, gas stoves offer superior temperature control. and instant heat. According to National Association Home Builder's What Home Buyers Really Want, 2021 Edition, consumers generally prefer gas (51%) to electricity (39%) for cooking. Senate Bill 689 disregards consumer choice and severely limits options for Maryland customers.

Electrification by itself is not decarbonization. Depending on the source of the electricity, this could be just shifting the point source of the emissions. Senate Bill 689 could ultimately result in more emissions across Maryland and the prolonged use of less efficient appliances. Eliminating rebates for high-efficiency natural gas appliances would put an immediate, cost-effective emissions reduction solution out of reach for thousands of Maryland homes and businesses, locking them into the continued use of older, less efficient appliances. Given Maryland's current electric generation mix fuel, switching to an electric appliance could increase emissions, particularly during times of peak energy demand and add an increased strain on the electric grid threatening reliability.

For the above reasons Washington Gas respectfully requests an unfavorable vote on Senate Bill 689. Thank you for your consideration of this information.

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