



February 29, 2024

**HOUSE ECONOMIC MATTERS COMMITTEE
HB 864 – Energy Efficiency and Conservation Plans**

Statement in Opposition

Chesapeake Utilities Corporation (“Chesapeake Utilities”) respectfully **OPPOSES** certain provisions contained in HB 864. Among other things, HB 864 modifies Maryland’s existing EmPOWER program.

Chesapeake Utilities operates natural gas local distribution companies that serve approximately 32,000 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 State's ongoing energy discussions.

EmPOWER History – Electric Utilities. Since its creation in 2008, the goal of the EmPOWER program has been to encourage retail customers to utilize less electricity, by allowing electric utilities to offer a variety of programs (e.g., more efficient light bulbs, energy audits, home weatherization, etc.). The electric companies have been authorized to recover the full costs (plus a return) for these EmPOWER programs through a surcharge on the utility bill of each and every customer in the State (whether the customer participates in the EmPOWER program or not). Since the inception of the program, gas only companies were not included in the EmPOWER program because its goals were focused on electricity reductions/efficiencies. Until recently, the EmPOWER program was successful because the Maryland law authorized the Maryland Public Service Commission (the “Commission”) to impose a cost-effectiveness test that ensured that any costs for the programs was more than offset by reductions in electricity usage. The Climate Solutions Now Act of 2022 completely changed the focus of the EmPOWER program from encouraging *less* electricity usage to greenhouse gas reduction (“GHG”) targets, which in turn requires customers to use *more* electricity. The current EmPOWER surcharge is already significant, averaging between \$6 and \$12 per month / per customer bill. In 2021, the utilities participating in the program spent \$253 million, which is amortized (i.e., the utilities are allowed to recover their authorized rate of return on these funds) and collected over 5 years.

HB 864 Now Requires Gas Utilities Participation. HB 864 now requires both electric and gas companies to participate in the EmPOWER program. As Chesapeake Utilities does not currently participate in EnPOWER, the Company would need approximately 18 months to prepare and file a thoughtful and comprehensive gas energy efficiency program, which would require engaging a consulting firm that specializes in developing utility-specific energy efficiency programs and information technology system changes, as well as hiring additional personnel to administer the EmPOWER program.



HB 864 Imposes Artificial Requirements on Gas Utilities. HB 864 artificially and unnecessarily: (1) restricts the types of programs utilities may offer and (2) restricts actual GHG reductions that may be credited towards the goals of each utility (utilities only receive 20% credit for actual GHG reductions simply because the reductions were created by utility side of the meter programs, instead of customer side of the meter programs, such as energy efficient appliance offerings inside customers' homes). HB 864 requires each electric company and gas company to reduce GHG emissions by 1.8% *annually* from an artificial baseline of GHG emissions set by the Maryland Department of the Environment (MDE) from the year 2020, an historic anomaly because of the significant and unusual usage patterns caused by the COVID-19 pandemic lockdowns. Accordingly, by definition, any emissions in 2020 are not representative of traditional measured usage. In addition, the 1.8% annual GHG reduction target is similarly arbitrary and unrealistic, not based on any sound analysis, especially for gas only companies that have never participated in the EmPOWER program.

Moreover, gas companies are artificially restricted in how they can accomplish this goal by forcing at least 80% of these reductions to come from behind-the-meter programs (i.e., inside the customer's home). This 80% / 20% (behind-the meter / in-front of-the meter programs) is arbitrary, based on no scientific analysis and is counter-intuitive. If the goal of HB 864 is to reduce GHG emissions, programs that reduce emissions should not be curtailed. For example, gas companies achieve almost all of their GHG emission reductions from in-front of-the meter programs such as fuel switching (conversions to natural gas from fuel oil) and through the use of renewable fuels, such as Renewable Natural Gas ("RNG") and hydrogen. Specifically, through fuel switching programs, Chesapeake Utilities is significantly reducing GHG emissions, including on Maryland's Eastern Shore, especially from converting customers to natural gas who are still using fuel oil for their heating and cooking needs. Finally, HB 864 (p. 16) re-defines the standard "cost-effectiveness" test to include vague and undefined criteria (e.g., "utility nonenergy benefits" and "societal nonenergy benefits") that artificially skew the outcome of the test, allowing the Commission to potentially impose extremely costly programs on customers.

Chesapeake Utilities is Committed to Reducing Emissions. To be clear, Chesapeake Utilities is committed to reducing its GHG emissions, which we have consistently done and have detailed in our 2022 Sustainability Report ([Sustainability Reporting - Chesapeake Utilities Corporation chpk.com](https://www.chpk.com/sustainability-reporting)). We implement cost-effective solutions to expand energy options that increase efficiency and reduce carbon emissions and we collaborate with companies and organizations, both within our industry and beyond, along with community partners, to promote best practices and raise awareness of environmental issues.

On behalf of Chesapeake Utilities Corporation, and our thousands of employees and their families who deliver energy safely and contribute every day in the communities where they live, work and serve, we respectfully request an unfavorable vote on HB 864.



Sincerely,

Chesapeake Utilities Corporation

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