



1000 Maine Avenue, SW | Suite 700 | Washington, DC 20024 | www.washingtongas.com

TESTIMONY
WASHINGTON GAS LIGHT COMPANY
EDUCATION, ENERGY, AND THE ENVIRONMENT COMMITTEE
MARCH 21, 2024

HOUSE BILL 864
Energy Efficiency and Conservation Plans

Washington Gas respectfully submits this statement in **OPPOSITION** to *HB 864 - Energy Efficiency and Conservation Plans* (“HB 864”).

Washington Gas Light Company (“the Company”) provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. Washington Gas has been providing energy to residential, commercial, government, and industrial customers for more than 175 years, and currently serves more than 500,000 Maryland customers in Montgomery, Prince George’s, Charles, St. Mary’s, Frederick, and Calvert Counties. The Company employs over 400 people within Maryland, including contractors, plumbers, union workers, and other skilled tradespeople. We strive to improve the quality of life in our communities by maintaining a diverse workforce, working with suppliers that represent and reflect the communities we serve, and giving back through our charitable contributions and employee volunteer activities.

Background

The Maryland General Assembly passed the EmPOWER Maryland Energy Efficiency Act of 2008, 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 EmPOWER “has saved Marylanders more than \$4 billion on their

energy bills and reduced statewide greenhouse gas emissions by at least 9.6 million metric tons”.¹ These statistics exemplify the success and necessity of the EmPOWER programs.

The original intent of EmPOWER Maryland was to focus on reducing electricity consumption across the State. However, certain regulations authorized Washington Gas to deliver complementary energy efficiency programs through the EmPOWER Maryland regulatory framework. In 2015, Washington Gas became an active participant in EmPOWER, and since then has been delivering cost-effective energy efficiency programs to Maryland residents, businesses, and underserved communities. These programs have been designed to **reduce energy consumption by promoting and incentivizing the efficient use of natural gas**, which is realized through (1) installing high-efficiency equipment and appliances such as furnaces or commercial kitchen equipment, (2) optimizing home and commercial building operations to use less energy, and (3) educating customers and changing consumption behaviors towards energy conservation. The Company’s energy efficiency programs have resulted in:²

- Serving over 413,000 Maryland customers through the various program offerings.
- Issuing a total of \$35 million in incentives (rebates) to participating customers, making the investment of energy improvement projects more affordable.
- Investing over \$14 million towards 3,200 projects that serve low-income customers and communities, making homes and buildings more efficient and safer.
- Reducing over 113 million therms in natural gas consumption over the useful lifetime of installed measure or equipment (lifecycle energy savings), which has resulted in helping Maryland residents and businesses save over \$223 million in energy costs.

The Company supports Maryland’s climate goals and believes that reducing emissions through pragmatic means is important. The Company’s EmPOWER program is a pragmatic solution that can help the State achieve its climate goals and help Maryland consumers reduce their climate impact while retaining access to critically needed energy solutions. However, the Company is opposed to HB 864 due to the inclusion of certain clauses. The Company will highlight its main concern in the suggested amendments section below, which if not changed, would lead to massive increases in the Company’s energy efficiency surcharge for residential and commercial customers.

¹ Energy Efficient Maryland. [How Energy Costs Affect Maryland Households](#)

² Washington Gas EmPOWER Maryland Semi-Annual Report (Jul. 1, 2023 – Dec. 31, 2023)

ADDENDUM: PROPOSED AMENDMENT

Amendment 1 – Gas Utility (GHG) Emissions Target

Context:

HB 864 calls for using the Commission-approved target for the 2021-2023 program cycle as the baseline for establishing a lifecycle GHG emissions target for gas utilities in future EmPOWER program cycles.

Table 1 shows the Company’s GHG emission reduction performance relative to the Commission-approved target. The noticeable gap between targets and performance (58% to target) was primarily a result of inflated forecasts from energy efficiency programs jointly implemented by WGL and other EmPOWER utilities.

Table 1	2021-2023 Approved Target	2021-2023 Actual Performance
Lifetime GHG CO ₂ e (Metric tons)	622,735	358,575

As part of its planning efforts for the 2024-2026 EmPOWER program cycle, the Company made considerable strides to “right-size” its energy savings and emission reduction forecasts and align with the Company’s 2021-2023 performance.

More importantly, the costs to achieve the 2024-2026 Approved Target result in significantly smaller increases to the energy efficiency surcharges when compared to the company’s alternative “Max” scenario for 2024-2026 as shown in Table 2 below, particularly for commercial customers. The “Max” scenario is one of three scenarios that the Commission ordered the utilities to include in their 2024-2026 proposed plans. This “Max” scenario represents the highest, and in the Company’s opinion, unattainable, GHG reduction target, which results in massive increases to the energy efficiency surcharges.

If passed as currently drafted, the Bill would set WGL’s goal-setting baseline to the 2021-2023 target, requiring Washington Gas to refile its currently approved 2024-2026 plan with higher budgets, resulting in substantial surcharge increases as shown in Table 2 below in the column labeled “2024-2026 Reset to 2021-2023 Target”.

Table 2	2024-2026 Approved Target	2024-2026 Max Target from Filing	2024-2026 Reset to 2021-2023 Approved Target
Lifetime GHG CO2e (Metric tons)	373,510	736,994	622,735
2023 Residential EE Surcharge	\$0.0312	\$0.0312	\$0.0312
2026 Residential EE Surcharge	\$0.0728	\$0.1081	\$0.0970*
% Residential Surcharge Increase	133%	246%	211%*
2023 Commercial EE Surcharge	\$0.0064	\$0.0064	\$0.0064
2026 Commercial EE Surcharge	\$0.0129	\$0.0707	\$0.0525*
% Commercial Surcharge Increase	102%	1,005%	721%*

*These are estimates based on the Company’s 2024-2026 Filed Plan

WGL Position:

WGL generally supports the adoption of a GHG emissions target for gas utilities and that the Commission be the governing entity to establish these targets. However, the approved 2021-2023 goal does not account for regulatory changes that went into effect starting in 2024 and will result in massive increases to customer energy efficiency rates as outlined in the above table. **Therefore, Washington Gas recommends the approval of the current 2024-2026 program cycle as a baseline or by using 2021-2023 actual results achieved as a baseline.**

Proposed Amendment:

WGL proposes the following section be amended as shown by text **in bold**:

(7-223)(B)(5) On or before January 1, 2025 and on or before January 1, 2027, and every 3 years thereafter, the Commission shall establish greenhouse gas emissions reduction targets for each gas company plan that will achieve at least the greenhouse gas emission reduction equivalent, measured on a lifecycle basis using the emission intensities under paragraph (2) of this subsection, of the gas savings targets established by the Commission for the ~~2021-2023~~ **2024-2026** program cycle;

Proposed Alternative Amendment:

Alternatively, WGL proposes an alternative amendment, should the first proposal not be adopted. WGL proposes the same section be amended as shown by text **in bold**:

(7-223)(B)(5) On or before January 1, 2025 and on or before January 1, 2027, and every 3 years thereafter, the Commission shall establish greenhouse gas emissions reduction targets for each gas company plan that will achieve at least the greenhouse gas emission reduction equivalent, measured on a lifecycle basis using the emission intensities under paragraph (2) of this subsection, of the gas savings **achieved by each gas company** ~~targets established by the Commission~~ for the 2021-2023 program cycle;

Conclusion

The Company is committed to working with stakeholders to help achieve Maryland's GHG emissions reduction targets. EmPOWER Maryland is an important tool in reducing GHG emissions from both electricity and gas usage. Electrification is not the sole solution to climate change in Maryland and should not be treated as such. There is a role for existing and future technology innovation to support diverse pathways to decarbonizing Maryland, and the State's existing gas infrastructure can and should be leveraged to preserve affordability, reliability, safety, and security of energy delivery.

As currently drafted, Washington Gas respectfully requests an unfavorable vote on House Bill 864. If the proposed changes are adopted, Washington Gas would support the legislation. Thank you for your consideration of this information.

Contact:

Manny Geraldo, State Government Relations and Public Policy Manager
M 202.924.4511 | manuel.geraldo@washgas.com