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COMMITTEE: ECONOMIC MATTERS

TESTIMONY ON: HB 1037 PUBLIC UTILITIES – ENERGY RESOURCE ADEQUACY AND PLANNING ACT

POSITION: SUPPORT WITH AMENDMENTS

HEARING DATE: FEBRUARY 28, AT 1:30PM

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT IN **SUPPORT with amendments** to *HB 1037 – Energy Resource Adequacy And Planning Act*. (“HB 1037”)

Background

The Maryland General Assembly is considering HB 1037, the Energy Resource Adequacy and Planning Act, introduced by Delegate Crosby. This bill proposes the establishment of an Integrated Resource Planning Office within the Public Service Commission. The office's mandate is to ensure that Maryland's energy needs are met with cost-effective energy while addressing the State's greenhouse gas emission reduction goals over the long term.

Position

The Company supports Maryland's commitment to achieving its greenhouse gas emission reduction targets while enhancing energy reliability and minimizing ratepayer impacts, as outlined in HB 1037. The proposal to establish the Integrated Resource Planning Office (the Office) within the Public Service Commission is encouraging, as it aims to ensure Maryland's energy needs are met affordably, considering both electrification and the benefits of the existing gas infrastructure.

The Company proposes amendments to HB 1037 to align the Office's strategies while considering ongoing investments in natural gas infrastructure. Given Maryland's deepening budget challenges, which significantly constrains its ability to invest in climate initiatives, affordable and reliable energy solutions are urgently needed. A concerning 18% of Maryland residents are classified as energy burdened, spending more than 6% of their income on energy bills¹. Furthermore, the latest

¹ Lawmakers and BGE clash over infrastructure costs as residents face soaring energy bills. <https://wjla.com/news/local/lawmakers-bge-infrastructure-costs-residents-energy-bills-maryland-natural-gas-rate-payer-protection-act-baltimore>

capacity auction by PJM Interconnection resulted in an 800% price increase, potentially raising customer bills by up to 29% starting in mid-2025².

Natural gas remains a strong contender in addressing Maryland's energy reliability and affordability challenges. According to an energy affordability study from the Office of People's Counsel (OPC), for households earning \$29,900 annually, the average residential heating bill only accounts for half of what is considered an affordable energy burden. Additionally, average annual residential bills are lower than they were in 2006, thanks largely to reductions in commodity costs³. The Company also offers lower residential distribution and customer charges compared to other gas utilities in the state, further supporting its role as a cost-effective energy source.

Decarbonization strategies that incorporate the State's natural gas infrastructure are among the most cost-effective solutions. Ignoring the benefits of natural gas infrastructure could lead policymakers to favor electrification without fully understanding the repercussions, potentially jeopardizing the State's climate objectives. For example, U.S. households are expected to spend 76% more on electricity than on natural gas for heating this winter⁴. Studies, including those in Maryland, indicate that leveraging existing natural gas infrastructure is more economical than full electrification⁵. In Colorado, Xcel Energy determined that an electrification-centric plan would cost three times more than a hybrid approach⁶. Research by Home Innovation Research Labs also shows that upgrading to high-efficiency gas systems offers significant savings with shorter payback periods compared to electrification⁷.

An "electrify everything" strategy alone is insufficient for Maryland to achieve its climate goals. The integration of lower-carbon fuels is essential. Biomethane projects, or Renewable Natural Gas (RNG), reduce emissions from waste management and agriculture sectors and offer co-benefits for landfills, wastewater treatment facilities, and farms. RNG can replace diesel in vehicles and be injected into the natural gas system for delivery.

Conclusion

At Washington Gas Light Company, our core values are safety, collaboration, integrity, inclusion, and learning. The Company is committed to working with stakeholders to help achieve Maryland's GHG emissions reduction targets. 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

² <https://www.integrityenergy.com/about/news-media/pjm-announces-expensive-energy-changes-in-2025/#:~:text=Results%20of%20PJM's%20capacity%20auction,29%25%20starting%20in%20June%202025.>

³ <https://opc-dc.gov/wp-content/uploads/2022/03/DC-OPC-Energy-Affordability-Study-Population-Characterization-Report-FINAL-12-18-20.pdf>

⁴ EIA. [Winter Fuels Outlook 2023–24](#) (Nov. 7, 2023).

⁵ BG&E modeled its service territory to evaluate plausible options that achieve Maryland's climate goals, consisting of one (1) 'High-Electrification' scenario and two (2) 'Integrated Energy System' scenarios.⁵ The 2022 study found that the High-Electrification scenario **could as much as triple the system peak demand on the grid on the coldest winter days, from 6,000 MW today to 18,000 MW by 2045, and could cost customers** approximately 30% more than the scenarios that leverage alternative fuels and the natural gas infrastructure.

⁶ Xcel Energy created a *Clean Heat Plan* with multiple scenarios and associated costs in order to determine how best to meet the State's mandated GHG emission reduction targets for the energy distribution sector. Xcel Energy. [2024-2028 Clean Heat Plan](#) (Aug. 1, 2023).

⁷ Home Innovation Research Labs. [Cost and Other Implications of Electrification Policies on Residential Construction](#) (Feb. 2021).

infrastructure can and should be leveraged to preserve affordability, reliability, safety, and security of energy delivery.

While the Company supports the intent of HB 1037, we respectfully ask for the removal of the political appointment language and consideration of proposed amendments that include lower-carbon fuels and the existing gas infrastructure. With these amendments in place, the Company believes Maryland can better achieve a comprehensive and balanced energy strategy focused on long-term affordability and reliability. With these changes, the Company would support the remainder of HB 1037.

Thank you for your consideration of this information.

ADDENDUM: PROPOSED AMENDMENTS

Section 7-1203(C) - which requires the proposed Office of Integrated Resource Planning within the MD PSC to develop long-term energy forecasts which are reflective of scenarios in which demand and GHG emissions reduction needs are met- proposes that the Office also develop “A strategy to meet the scenario that the Office determines best meets the [long-term energy] needs...”

Possible amendments under this header include the following:

- **Modify Section 3 (VII)** “Sensitivities related to various levels of electrification and the adoption of load flexibility and distributed energy resources” to read as follows: **“Sensitivities related to various levels of electrification and the adoption of load flexibility, distributed energy resources, and penetration of biogases and other fuels”**
- **Seek additional detail by specifying the upstream gas system investments likely needed** to facilitate the siting of in-state generation in **Section 3(X)** which requires that the strategy adopted by a Office of Integrated Resource Planning consider “related investments in electricity and gas infrastructure”
- **Seek the addition of more specific language to limit the scope of strategic recommendations that an Office of Integrated Resource Planning might propose:**
 - 3(XII) State Financing Options, including State procurement and multi-state procurement
 - 3(XIII) Utility business models, tariffs, and cost recovery

Section 7-1203(D) directs the proposed Office of Integrated Resource planning to study several different aspects of the electric generation and transmission system. Possible amendments under this header include the following:

- Modify Section 3(II) of this which currently reads as “The Maryland Energy Administration shall study the feasibility of placing small modular nuclear reactors on

former electricity generation sites” to the read as follows:

“The Maryland Energy Administration shall study the feasibility of placing next generation technologies, including natural gas generation with advanced carbon capture and small modular nuclear reactors, on former electricity generation sites”

- Modify Section 3(III) which currently reads “The Power Plant Research program shall study state land suitable for solar energy development” to read as follows:

“The Power Plant Research program shall study state land suitable for solar energy development and existing and former dispatchable power generation sites that are suitable for expansion or re-development through the use of natural gas fired generation with advanced carbon capture, or biogases”

Section 7-1204(A) directs the proposed Office of Integrated Resource Planning to “complete energy modeling for the strategy and scenarios developed” and for the subsequent changes to that may trigger the need for additional modeling and analyses. Possible amendments include the following:

- **Modify Section (2)** which reads as “Considers the timeline for commercialization of energy technologies and when those technologies may become cost-effective” to read as follows:

“Considers the timeline for commercialization of energy technologies, including carbon capture and sequestration, and commodities, such as renewable biogases and when those technologies may become cost-effective”

About Washington Gas Light

Washington Gas Light 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 176 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. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all

Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.⁸

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⁸ DOE. [Energy Conservation Program for Consumer Products: Representative Average Unit Costs of Energy](#) (Aug. 28, 2023).