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**TESTIMONY OF**
**THE**
**WASHINGTON GAS LIGHT COMPANY**
**BEFORE THE**
**MONTGOMERY COUNTY COUNCIL**

**JULY 26, 2022**

**BILL 13-22 – BUILDINGS – COMPREHENSIVE BUILDING DECARBONIZATION**

## LETTER OF OPPOSITION

Washington Gas Light Company (Washington Gas) opposes Bill 13-22, **BUILDINGS – COMPREHENSIVE BUILDING DECARBONIZATION** (Bill 13-22). Bill 13-22 would require public and private actors to electrify new construction as well as homes and buildings undergoing significant renovations.

Washington Gas has a duty to support our customers and to act as a partner with Montgomery County to develop and implement policies that help us to continue to provide affordable, safe, and reliable energy.

Washington Gas hears the voice of policymakers in the Council as it relates to climate change.

However, Bill 13-22 structurally focuses on economy-wide electrification while dismissing other proven opportunities for decarbonization. These opportunities would benefit our customers, the County, and the environment immensely if given the leeway to do so. In the most recent Maryland Legislative Session, the State Legislature decided to have their experts look into the impact of full electrification before mandating such an unprecedented approach. We strongly advise that the Council wait for the results of the analysis before considering this Bill. We urge the Council to consider a more holistic approach to decarbonization, one that puts affordability, reliability, resiliency and secutiy at the forefront.

## Grid Reliability and Resiliency Enhancements Must be Made Before All-Electric Mandate

During the 2022 Maryland General Assembly Legislative Session, State legislators heavily debated the issue of climate change in the 2022 Climate Solutions Now Act. One key point that came up was the question of if the power grid could manage the increased energy needs of an all-electric energy system. The electric utility companies were concerned about grid reliability and the significant infrastructure investments needed to bolster the grid distribution system. We at Washington Gas share those concerns for our current customers.

According to Pepco and Delmarva Power at a legislative hearing:

> "…***the impact on new investment needs may be considerable in fast growing areas of the system, and ongoing supply chain delays, as well as siting and permitting issues will likely slow the progress of emerging projects. Pepco and Delmarva Power, as the electric distribution companies, will need to plan for, invest in, and build these upgrades to ensure a reliable system for customers and to ensure the system can adapt to increased electrification.***"[1]

Pepco's sister utility company, BGE, also warned in its testimony:

> ***"according to modeling of the BGE territory, residential gas customers can expect to pay $10,000 or more per household for heating costs and retrofits. In aggregate, this shift will cost our residential and commercial gas customers no less than $2.8 billion. These projections do not include the electric infrastructure costs described above to ready the system for load growth."*** [2]

After extensive discussion, the Maryland General Assembly decided to conduct a study to determine the readiness of the electric distribution system instead of prejudging the decision and locking the State into a single-pathway solution that could compromise energy reliability, resiliency, and affordability for customers. This point alone should signal a pause to the Council, we need to adequately assess all of the risks with transitioning to ensure all infrasture needs are met.

## Electrification Today Will Drive Up Emissions

This bill's directive to require building electrification for all growth and development may have an unintended effect of increasing the near-term emissions, given that the largest source of electricity used in the State is derived from power plants burning natural gas to generate electricity. As of 12PM on July 27, 2022 PJM reported using mostly coal and natural gas to power their grid, most importantly noting that only 5% of energy produced was renewlable energy[3]. Looking forward,

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[1] Pepco & Delmarva Power's t testimony in opposition to Senate Bill 528, dated February 15, 2022. Found here: https://mgaleg.maryland.gov/cmte_testimony/2022/ehe/1DdghLP51AK7ZNdbZm_ysvNz8LvQDJwWZ.pdf

[2] BGE's testimony in opposition to Senate Bill 528, https://mgaleg.maryland.gov/cmte_testimony/2022/ehe/1N0C3kaAX0oqK_fSmlibjlizR12BWdt8g.pdf

[3] https://www.pjm.com/markets-and-operations

there doesn't seem to be much of a change in how they power their grid. In December 2021, the North American Electric Reliability Coporation issued a Long-Term Reliability Assessment of the entire Bulk Power System in the U.S., there objective is to consider the reliability, resiliency, and security of the grids. In the report, they forecasted that the fuel needed to power the PJM system, looking forward to 2031, would still be powered by mostly coal and natural gas[4].

Significant investments in the power supply infrastructure will be required to serve Maryland and provide the reliability and resiliency necessary for a modern 21st century economy. Acting too quickly will have an unintended consequence by increasing electricity generated out-of-state which will use natural gas or other fossil fuels for electricity generation. .

**Focus on Growing New Opportunities, Diversifying Energy Supply and Demand**

As written, this measure prohibits using "*combustion equipment relying on gas fuel"* in new construction or in buildings undergoing major renovations. Bill 13-22 would foreclose opportunities to leverage existing infrastructure to deploy carbon neutral fuel choices. The Maryland Commission on Climate Change's E3 report (published October 2021) analyzed several pathways to meet the State's climate goals to decarbonization , and determined that a fuel neutral approach provided for a more reliable and resilient energy system.[5] In a recent study in Massachusetts (February 2022), consulting firm E3 stated "a coordinated gas and electric decarbonization strategy, utilizing a diverse set of technologies and strategies, is likely to be better able to manage the costs and feasibility risks of decarbonization than scenarios that rely more heavily on single technologies or strategies."[6] In the two reports, E3 analyzed various scenarios that will lead to robust, and similar decarbonization goals as Montgomery County, it is clear that energy diversity is essential when considering affordablility, reliability, and resiliency.

At Washington Gas we have already started to introduce low/no carbon non-fossil-based gases into the natural gas delivery system. For instance, feedstocks from municipal solid waste landfills, wastewater treatment plants, food production facilities, and organic waste management operations and hydrogen are options that have strong decarbonization potential. We are continuing to increase the use of certified natural gas into our energy delivery and supply system. And recently, we partnered with WSSC Water to turn waste into energy so that we can further lower greenhouse gas emissions in our region. Also, we are actively partnering with regional stakeholders to identify and pursue opportunities to utilize **hydrogen as a replacement for fossil fuels.** Federal funding opportunities to facilitate hydrogen production, storgage, and transport are aggressively being explored. Washington Gas stands ready to propel Montgomery County to be a leader in the energy transition space, maintaining infrasture and allowing for technology innovation is imperative to achieve this goal.

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[4] https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_LTRA_2021.pdf

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

[6]https://thefutureofgas.com/content/downloads/2.15.22%20%20DRAFT%20Independent%20Consultant%20Technical%20Report%20-%20Part%20I%20(Decarbonization%20Pathways).pdf

**An Equitable and Affordable Transition**

In the Mongomery Climate Action Plan, published in 2021, the County thoughtfully put equity and social justice at the forefront of all climate solutions that will be considered[7]. Natural gas usage remains more affordable than electricity. Studies have shown that in Maryland, natural gas is less costly for customers as compared to electrification.

In Baltimore, the American Gas Association found that when equipment costs, installation costs, maintenance costs, and energy costs are annualized, the average home with natural gas would cost its customers an average of $1,115 per year while the average electrified home would cost between $1,455 and $1,631 per year. Hence, natural gas customers would save between $340 to $516 per year.[8]

We must consider the impacts on the affordability of energy for our most vulnerable customers and members of the community. Without further analysis as it relates to those issues, equity and social justice will be compromised. We have a shared responsibility in ensuring that a decarbonized future does not leave anyone behind. This bill does not address, or guarantee that.

**Oppose 13-22**

We at Washington Gas, in the interest of our over 200,000 customers, oppose Bill 13-22. Montgomery County should wait for the State's study on total electrification to conclude before pre-empting experts on the issue. Our primary concern with Bill 13-22 is that there are multiple pathways to decarbonize, and only one – total electrification is allowable under this Bill. We stand ready to partner with the County moving forward.

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[7] https://www.montgomerycountymd.gov/green/Resources/Files/climate/climate-action-plan.pdf
[8] https://www.aga.org/globalassets/grounded_methodology.pdf