Columbia Gas of Maryland
A NiSource Company

August 8, 2023

Maryland Department of the Environment
1800 Washington Blvd.
Baltimore, MD 21230

RE: MDE CLIMATE PATHWAY REPORT COMMENT

Thank you for the opportunity to comment on Maryland's Climate Pathways report released in June 2023. Columbia Gas of Maryland (Columbia) recognizes this report was a significant undertaking by stakeholders and staff and we appreciate the opportunity to provide comments.

Columbia is a natural gas utility providing affordable energy to more than 34,000 residential, commercial and industrial customers in the western Maryland counties of Garrett, Allegany and Washington. We are one of six regulated utility companies of NiSource.

To help mitigate the impacts of climate change, the NiSource and Columbia Gas leadership teams are committed to reducing the greenhouse gas emissions of our operations and pursuing opportunities to reduce customer emissions.

NiSource has an industry-leading target to reduce our Scope 1 greenhouse gas emissions 90% by 2030, with a goal of reaching net zero emissions associated with our operations across six states by 2040. As of the end of 2022, we had achieved a 67% reduction in Scope 1 greenhouse gas emissions from 2005 levels.

Indeed, our investment of more than $270 million in Maryland over the past 15 years in repairing and replacing aging infrastructure has reduced methane emissions on our system by approximately 40% compared to 2005 levels. This work creates jobs, enhances the economy of our service territory and improves the environment.

We strongly believe that natural gas infrastructure will and must play an important role in Maryland's energy future and in helping the state achieve its decarbonization goals. There are numerous options to leverage the reliability and affordability benefits of our natural gas infrastructure while making meaningful emissions reductions. This includes but may not be limited to low-carbon fuels such as hydrogen and renewable natural gas, energy efficiency, and strategic electrification.

It is notable that we see continued interest in using natural gas in our service territory. Since 2016, the share of homes using natural gas for space heat has grown from 35% to 40%, compared to a decline in homes using electricity for heat from 38% to 36%. And although the number of our customers has been increasing, natural gas emissions have been declining. From 2005 through 2022, our total number of customers has grown by 9.7%, yet our customers' emissions have declined by 5.7%.

Columbia is providing comments regarding the Climate Pathways report on behalf of our customers who use our product to economically heat their homes and businesses, provide hot water, cook food for all of us, manufacture goods and create products.

Columbia believes that we will and must be part of a clean energy future that benefits all of Maryland and its residents. Diversity ensures the strength and resilience of any system. That is why it is essential for Maryland's energy industry to leverage a diverse array of energy sources to ensure an equitable energy future for all. Columbia's infrastructure positions us to deliver those diverse energy sources, including low-carbon alternative fuels, to our customers safely and economically. We can also be a strong partner to deliver emissions reductions and utility bill savings through enhanced energy efficiency programs.

Financial Impact To Our Customers

Columbia has discussed the Pathways report with several customers and stakeholders who believe they will be impacted by the proposed recommendations. There is significant concern related to potential future costs utility ratepayers – both residential and commercial - may be subject to should these recommendations be adopted.

Columbia is concerned specifically with the financial impact to low- and moderate-income Maryland residents. Consider the following:

- Based on 2020/2021 US Census Data, 16.4% of Allegany County residents are considered to be living in poverty, with 14.5 % of Washington County residents and 11% of Garrett County residents also living in poverty.

- Maryland Food Bank data estimates that more than 34,700 persons in our three-county service territory are considered food insecure. That means one person in eight are food insecure in Garrett and Washington Counties and one person in six is food insecure in Allegany County. In addition, approximately 2,600 of Columbia's customers receive Maryland Energy Assistance Program or MEAP support each year.

- Finally, United Way data indicates there are more than 26,000 households with working adults, who despite receiving regular paychecks do not have enough in their monthly budgets to afford basic needs in our service territory. The 26,000 households are within the United Way's ALICE (Asset Limited, Income-Constrained, Employed) Threshold.

The Pathways report recommends the creation of an economy-wide cap-and-invest program with a cap on greenhouse gas emissions. Columbia is concerned this recommendation will create a significant tax on residents and businesses throughout the state of Maryland. Such a tax will place additional burdens on poorer communities and low to moderate income Marylanders.

Although the revenues from a cap and invest program could be directed at assisting such under-resourced customers, there are inherent complexities with the equitable distribution of such funds and we believe the cap and invest proposal in the Pathways report is not well developed. And given the cost concerns raised in Washington and New York associated with their nascent cap and invest programs, we think it is prudent for Maryland to consider more targeted policies, such as gas innovation frameworks instituted in the states of Minnesota and Virginia.

The plan also recommends a zero-emission appliance standard and a zero-emission construction standard to achieve reductions in greenhouse gas emissions. Columbia is concerned such standards will increase the costs to home and building owners replacing appliances and equipment. Based on company analysis, the average monthly lifetime costs to heat a home with natural gas is $93 - $101 (depending on efficiency of furnace) compared to electricity, which is $113 - $199 (depending on efficiency of heat pump). This includes high efficiency heat pumps.

It should be noted the Climate Solutions Now Act of 2022 requires that "in developing and implementing the plans required by § 2–1205 of this subtitle, the Department shall…Consider whether the measures would result in an increase in electricity costs to consumers in the State….[and] Produce a net economic benefit to the State's economy and a net increase in jobs in the State." Columbia encourages cost to consumer impact studies be completed for the Pathways report recommendations prior to any final adoption.

The natural gas system is strong and reliable, particularly during times of peak demand. Columbia estimates it would cost $1.2 BILLION to build electric generation to replace just the firm capacity for our customers in Garrett, Allegany and Washington counties. That translates to a cost of approximately $35,000 per customer and does not include the cost of new transmission and distribution facilities, which is expected to be substantial, or the customer's cost of additional equipment to electrify their homes. The purchase and installation of a new high efficiency electric heat pump can cost as much as $17,000. All in, each residential customer could be expected to pay over $50,000 in incremental costs.

With regional electric grids already strained and challenges siting new electric infrastructure, it is prudent for Maryland to maintain a role for natural gas to meet our energy needs now and into the future, and to appropriately pace building and transportation electrification to avoid unintended consequences.

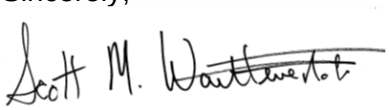
Thanks to Maryland's existing natural gas system, the state is fortunate to have extensive existing infrastructure that can be used to store and deliver a range of energy resources, such as renewable natural gas (RNG) and/or hydrogen blended with natural gas or other low-carbon fuels. In addition to being more ecologically sound, these diverse fuel options ensure that energy providers can continue to deliver a dependable and safe supply of energy to everyone across the socioeconomic spectrum.

Using the natural gas system can provide a pathway to decarbonize at a lower cost than electrification. Our modeling suggests Columbia Gas of Maryland could fully decarbonize our operations by 2040, and fully eliminate our customer's emissions by 2045, which achieves the Climate Solutions Now Act's 2045 net zero target. This could be done with a minimal increase to residential customer bills. This would use a combination of energy efficiency, renewable natural gas and hydrogen.

Columbia urges any future public policy to recognize a gas utility's ability to provide innovative solutions to help customers reduce greenhouse gas emissions. The use of promising new technologies such as RNG and hydrogen, as well as emerging technologies such as gas heat pumps and fuel cells, to reduce greenhouse gas emissions should be allowed as compliance pathways.

Thank you for your consideration of our comments.

Sincerely,



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