

Senate Budget and Taxation Committee
03/11/2020

Senate Bill 912 – Environment – Climate Crisis and Education Act
POSITION: OPPOSE

Thank you, Chairman Guzzone and members of the Senate Budget and Taxation Committee, for the opportunity to comment on SB912.

There are plenty of bills looking for ways to fund the Kirwan Commission’s recommendations. SB912 would implement an escalating carbon price to raise the funds. We have a few concerns to share with the Committee.

First off, SB912 would forbid companies from recovering the fees imposed by the bill. It is very problematic when government targets one specific industry, and this provision could potentially raise Constitutional takings concerns. Without a recovery mechanism, the implementation would face major hurdles.

On page 12 of the bill, there is language that suggests the PSC could allow companies to recover the cost of the tax on a commodity if you can show that the cost was prudently incurred as a distribution cost, which of course is impossible, thus the tax is non-recoverable.

If companies could recover the fees, the cost to customers would be huge. We asked ICF to run the numbers on how this would impact Maryland’s natural gas customers.

The impact of the proposed carbon tax on Maryland natural gas consumers was estimated using the average annual natural gas used from October 2018 through September 2019 by Washington Gas customers. We used this figure to calculate the associated carbon emissions (in metric tons). From there, we multiplied the various proposals for a carbon tax to determine the impact on residential, commercial and interruptible rate customers.

	\$15/metric ton carbon tax		\$60/metric ton carbon tax impacts	
Residential	\$62	7.4%	\$250	29.9%
Commercial	\$1,446	8.8%	\$5,786	35.1%
Interruptible	\$51,719	12.7%	\$206,875	50.9%

Without a costly carbon tax, Washington Gas has drastically reduced emissions and is focused on sustainability.

As this Committee likely knows, in 2014, the PSC approved Washington Gas' Strategic Infrastructure Development and Enhancement Plan (STRIDE). Through STRIDE, we are authorized to accelerate replacement of targeted pipes for safety and environmental reasons reducing emissions throughout Maryland.

As of 2018, Washington Gas has replaced 21,657 miles of mains and services and will have reduced state GHG emissions by 32,000 metric tons as a result of these infrastructure enhancements.

That is equivalent to:

- 3,579,000 gallons of less gasoline used
- 6,752 fewer passenger vehicles on the road
- 3,810 homes' energy use avoided per year
- 73,640 barrels of oil avoided

With almost half a million customers in Maryland, we take pride in our company's ability to provide energy to families and businesses in six counties throughout the state. On behalf of our 400+ employees across Maryland, we ask for an unfavorable report on SB912.

.....
Brian Smith, State Government Relations and Public Policy Manager
M 202.945.7140 | bsmith@washgas.com

