



March 6, 2024

**HOUSE ENVIRONMENT AND TRANSPORTATION COMMITTEE**  
**HB 1240 – Fossil Fuel-Powered Appliances and Vehicles – Installation, Use and Fees**

**Statement in Support**

Chesapeake Utilities Corporation (“Chesapeake Utilities”) **SUPPORTS** HB 1240 which, among other things, would prohibit the Maryland Department of the Environment (“MDE”); the Department of Housing and Community Development (“DHCD”) and any local or county government from prohibiting the use or installation of natural gas-powered appliances in new homes or in existing homes undergoing a renovation of at least 50% of the square footage of the home. If passed, the bill would take effect October 1, 2024.

Chesapeake Utilities operates three natural gas local distribution companies that serve approximately 32,000 customers on Maryland’s Eastern Shore in Caroline, Cecil, Dorchester, Somerset, Wicomico, and Worcester Counties. These public utilities are regulated by the Maryland Public Service Commission and have provided in the coldest months of the year safe, reliable, resilient, and affordable service in the State for decades. As a company, Chesapeake Utilities serves as a positive and informed resource in the ongoing energy and climate change discussions. Moreover, Chesapeake Utilities is committed to continuing to be a critical part of the solution as Maryland addresses greenhouse gas emissions.

**HB 1240 protects the ability of Maryland utility customers to have a choice in the appliances they use and ensures that Maryland does not put all of its energy use eggs in one basket.**

Approximately 1.3 million households and businesses in Maryland use gas. From 2014 through 2022, the number of gas customers grew at approximately one percent per year. In 2022, Maryland customers purchased about 168 million dekatherms of gas. Between 2014 and 2022, the total amount of gas purchased by Maryland customers grew by an average of 0.52 percent per year. This increase in total gas purchases is consistent with the fact that the number of gas customers is growing. However, it is important to note gas purchases are rising more slowly than the number of customers. In other words, gas usage per gas customer is *declining* slightly. For example, for the three largest gas utilities in Maryland, Baltimore Gas & Electric, Washington Gas, and Columbia MD, average residential throughput has decreased by 4.15 percent since 2014. The fact that the number of gas customers is increasing, but their average gas usage is declining can be explained by energy efficiency (e.g., more efficient appliances or improved insulation in buildings) and conservation efforts by customers (e.g., using a programmable thermostat). The data is clear, an increased number of Maryland residents continue to choose natural gas, purchase energy efficient appliances and adjust behaviors to conserve energy. We respectfully suggest that MDE, DHCD or any local government should not prohibit the use of a proven and affordable energy resource. Transitioning from dirtier fuels to natural gas has been a main contributor to reducing GHG emissions in Maryland and nationwide. Maryland should



implement an all-of-the-above approach to reducing GHG emissions. Accordingly, MDE, DHCD and local governments should not be artificially restricting energy choice for Marylanders.

**Why is HB 1240 necessary?** On December 28, 2023, MDE released its Climate Pollution Reduction Plan (“MDE Plan”). The MDE Plan states that MDE plans to implement a new ban on natural gas furnaces and water heaters by regulation and the MDE Plan refers to this appliance ban as a “Zero-Emission Heat Equipment Standard” (ZEHES).<sup>1</sup> See MDE Plan at 40 (“MDE is responsible for developing, adopting, and implementing regulations to enact and enforce ZEHES in Maryland. MDE will initiate a rulemaking process in 2024 to propose draft regulations based on existing statutory authority before 2025.”). Respectfully, the General Assembly, not just MDE, should have a say in protecting energy choice for Maryland customers.

**Banning natural gas appliances will artificially increase costs for existing gas customers.** When gas companies add new customers, their fixed costs are spread over a larger customer base (keeping costs down for all customers). The MDE ZEHES would cut-off the ability of gas companies to add new customers, causing existing customers to pay more and more for their service. This unprecedented and unchecked rate inflation will continue until existing customers can no longer afford to maintain their service. Of course, remaining natural gas customers -- especially those who happen to be low and middle-income -- will be the most adversely impacted due to these artificially created costs increases.

**Prohibiting gas bans encourages emerging renewable technologies.** The development of, and transition to, emerging renewable technologies such as renewable natural gas (“RNG”) and hydrogen, to offset “traditional” natural gas, are a way to lower GHG emissions. Chesapeake Utilities currently owns a Maryland company, Planet Found Energy Development, that is developing a process to turn chicken litter into organic fertilizer and RNG, also referred to as biomethane or biogas. RNG is a fossil-free natural gas that is produced from naturally occurring sources such as food waste, manure, and other animal/plant-base materials to create biogas. The biogas is upgraded and cleaned to a quality similar to traditional natural gas and can be injected into a public utility’s natural gas distribution system to offset the use of traditional natural gas. RNG can be used just like natural gas and is clean, reliable, and environmentally friendly and can also be used as a transportation fuel for vehicles. In addition, Chesapeake Utilities also completed a successful test that blended hydrogen with a gas supply to power a combined heat and power unit. The State should support the use of these emerging renewable technologies that have been proven effective here and in other states to offset greenhouse gas emissions.

On behalf of Chesapeake Utilities Corporation, and our thousands of employees and their

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<sup>1</sup> MDE argues that the ZEHES proposed in the MDE Plan does not ban gas stoves. However, banning gas furnaces (space heating) and water heaters eliminates the major source of gas demand for a building and will make it impossible for customers (and gas companies) to afford the cost to bring a gas line to a home in return for the small amount of gas used by a gas stove. Accordingly, the MDE ZEHES plan effectively and indirectly bans all natural gas appliances, including gas stoves.



families who contribute every day in the communities where they live, work and serve, we respectfully request a favorable vote on HB 1240.

Sincerely,

Chesapeake Utilities Corporation  
Steve Baccino, Governmental Affairs Director  
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