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Governor Hogan's Plans to "Kick-Start" a Gas Expansion Across Maryland

Summary

While other states and cities are moving away from powering homes and buildings with gas—a potent climate pollutant—Maryland Governor Larry Hogan plans to spend $6.5 million *this year* in his effort to "kick-start" a gas expansion across Maryland. This $6.5 million is a portion of the $30 million his Administration can spend on expanding gas infrastructure after he negotiated the terms of a settlement allowing a Canadian company to acquire a local gas supplier.

Among the projects his Administration is backing: a new, 11-mile pipeline providing gas to two state-run facilities on the Eastern Shore. In repowering these state facilities, the Hogan Administration foreclosed the possibility of any other type of energy source by *only* requesting applications for gas. The government should be leading the way towards zero-emission buildings, especially when it comes to state facilities, not putting its thumb on the scale for gas.

"Natural" gas is primarily made up of methane, an extremely potent greenhouse gas. It's 86 times more potent than carbon dioxide at trapping heat in the atmosphere. Methane leaks during production and transportation and gas heaters themselves are inefficient. As a result, a leading scientist concludes that it may actually be better for the climate to heat your home with coal or oil than with gas. In an era of rapid climate change, we cannot wait to replace all of these polluting fossil fuels with electricity powered by clean sources like wind and solar.

According to the U.S. Department of Energy, electric alternatives exist for all major energy end uses in buildings. Space heating, water heating, and cooking account for the vast majority of direct fuel usage. Electric technologies exist, and are in use today, that can supply all of these end uses.

In 2017, Hogan signed a ban on fracking for gas in Maryland, saying that his administration had "concluded that possible environmental risks of fracking simply outweigh any potential benefits." Since signing that ban, however, the Hogan Administration has continued to call gas "a bridge fuel" and has worked consistently to kick-start a gas expansion across the State.

Hogan's Plans to "Kick-Start" a Gas Expansion

In 2018, Calgary-based gas giant AltaGas acquired local gas supplier Washington Gas. Hogan spent the better part of that year negotiating the terms of this acquisition, recommending that AltaGas deposit $33 million into a fund that the state could spend on gas expansion. Hogan also wanted AltaGas to spend an additional $70 million for pipeline expansion, all of which the company could recover from ratepayers. In other words, Hogan negotiated a deal where ratepayers would *subsidize* this gas expansion, paying for the pipeline expansion to the tune of $70 million while the state tossed in another $33 million in settlement funds.

In approving the acquisition, the Maryland Public Service Commission (PSC) directed AltaGas to deposit $30 million into a "Maryland Gas Expansion Fund" ($3 million less than Hogan wanted) to be administered by the Maryland Energy Administration (MEA). Ironically, the Gas Expansion Fund is part of Maryland's Strategic Energy Investment Fund, which is meant to fund programs to "address global climate change concerns."

According to the PSC Order, MEA "shall use such funds *in its discretion* for the purpose of promoting the expansion of natural gas infrastructure." MEA has discretion over how it uses these funds, yet it's plowing ahead with its plans to spending $6.5 million this year to expand gas throughout Maryland, despite strong opposition from Maryland residents.

The PSC approved the deal on April 4, 2018, over the strong objections of Chairman Kevin Hughes, who cited serious concerns that gas expansion is "contrary to the State's policy on greenhouse gas reduction and its commitment to clean energy." He faulted the majority, which, for procedural reasons, did not even consider stakeholders' concerns with the Gas Expansion Fund and worried that customers could bear the risk of pipeline expansion projects that result in stranded assets because of changing energy policies.

MEA's Sham Hearings

Last year, the General Assembly passed SB 52, which required MEA to "develop a plan for expenditures for fiscal year 2020 and a plan for expenditures covering the next 3 fiscal years." As required by law, the agency solicited input at a series of four meetings over the course of the fall. During these meetings, MEA referred to SB52 as intending to "increase the transparency and frequency of SEIF planning." (See, for example, this Facebook Live feed from the Nov. 13, 2019 meeting, starting around minute 6).

The meetings were inaccessible, poorly advertised, and lacked transparency. Nonetheless, about 100 people turned out and over 400 submitted comments, the overwhelming majority of whom opposed the Administration's planned gas expansion. Yet, when pressed to issue its plan, MEA said it had no intention of doing so. In defending its Fiscal Year 2021 budget before a Senate subcommittee, it insisted that the Gas Expansion Fund "must be used in the manner directed in the PSC order creating the source."

The State's Eastern Shore Gas Pipeline Could Be the First of Many

As part of its plans to spend this $30 million on expanding gas throughout Maryland, MEA is subsidizing an unnecessary and controversial 11-mile pipeline on the Eastern Shore.

In March, the Maryland Environmental Service (MES)—a little-known state agency—awarded a contract to Chesapeake Utilities to install energy infrastructure for both the University of Maryland Eastern Shore and Eastern Correctional Institution in Somerset County. The press release cites AltaGas's acquisition of Washington Gas as a funding source for the project.

Despite claiming that the procurement process was "competitive," it appears that only one company applied. Even more concerning was the fact that the Hogan Administration foreclosed the possibility of any alternative energy source by *only* requesting applications for gas. MES issued the following request for proposals:

> The Maryland Environmental Service (Service or MES) is issuing this Request for Proposals (RFP) to provide Engineering, Procurement, and Construction of a *natural gas pipeline* to supply to the Eastern Correctional Institution (ECI) and to the University of Maryland Eastern Shore (UMES) campus.

The document makes no mention of alternative, renewable, clean, or solar energy.

Furthermore, because the pipeline will be built entirely in the state of Maryland (it's an *intra*state pipeline), the federal government has no oversight and information on the pipeline and its impacts is very difficult to come by.

What we know about this 11-mile pipeline is by virtue of a "separate" seven-mile, 10-inch-diameter Del-Mar pipeline already under construction to carry gas from Delaware into Maryland. The Del-Mar project will supply concentrated animal feeding operations, other businesses and residential uses, and "*potentially serve the Eastern Correctional Institute in Somerset County*." The installation of the Del-Mar pipeline will impact 1,239 ft^2 of streams and more than 16,000 ft^2 of wetlands. Installation of the longer 11-mile pipeline will surely have similar, if not more, impacts, but, as yet, those impacts are unknown to advocates.

Given the fact that Hogan negotiated a total of $100 million to be spent on this type of harmful infrastructure, this Eastern Shore pipeline could represent the beginning of a state- and ratepayer-funded gas infrastructure build-out across Maryland.

Alternatives to Gas Are Viable, and the State Should Be Leading the Charge

Gas is not a bridge fuel. Indeed, leading research warns that shifting to gas will cause *more* global warming than coal over a 20-year time frame. International climate scientists say we have just ten years to stop the most catastrophic impacts from global warming, so we need to focus on reducing our near-term climate pollution.

The technology exists today to completely electrify residential and commercial buildings. States and cities are leading the charge to electrify everything. Berkeley, Calif. and Brookline, Mass. have banned new gas hookups and major cities such as Los Angeles, San Francisco, and Seattle are on the verge of taking similar action.

Gov. Hogan should join other states and cities that are leading the way towards zero-emission buildings, not put his thumb on the scale for gas to the detriment of our climate and against the wishes of his constituents.