

Comments on Washington Gas Light Company's Alternative Plan

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Prepared by

veic

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Executive Summary

Washington Gas Light Company's ("WGL") Alternative Plan¹ ("alternative plan") demonstrates that WGL can meet its greenhouse gas ("GHG") reduction goals without ratepayer-funded rebates for new gas-burning appliances by following many of the strategies outlined by WGL, as well as increasing GHG reduction opportunities for commercial customers.

The Commission should order WGL to eliminate rebates for gas appliances by January 1, 2026—except for limited, specific circumstances in some commercial applications where no viable electrification options exist—as WGL's alternative plan demonstrates it can achieve its statutory minimum GHG reduction target without incentives for gas appliances. The Commission should order a work group to evaluate and report on any exceptions for commercial applications where no viable electrification options exist. The Commission should, in conjunction with an order for WGL to eliminate rebates for gas appliances, also approve WGL's requests to (1) require the electric utilities to increase GHG reduction targets in the residential coordinated programs that they offer with WGL; and (2) prohibit the EmPOWER electric utilities from offering incentives for gas energy efficiency measures. For the next cycle, the Commission should order WGL to re-evaluate its commercial program plan, as the alternative plan proposes only minimal participation from this sector and is likely to leave significant GHG reductions untapped. The Commission should also order WGL to coordinate the inclusion of electrification measures into its plan for the next cycle, as electrification measures represent a notable source of GHG reductions that are currently going unrealized. Finally, the Commission should reject any increase to WGL's EmPOWER surcharge unless the company demonstrates that it has exhausted all options for meeting its GHG reduction goal within its allotted budget.

¹ Washington Gas Light Company, *Washington Gas Light Company's Alternative EmPOWER Energy Efficiency and Conservation Plan*, ML No. 321580 (Case No. 9705, August 15, 2025). ("WGL's Alternative Plan").

Key Points

1. The alternative plan illustrates that it is possible for WGL to achieve its statutory minimum greenhouse gas reduction targets without offering rebates for new gas appliances. Furthermore, it is appropriate to proceed with statutory minimum GHG reduction targets combined with the elimination of rebates for new gas equipment.
2. WGL's claimed barriers to achieving statutory minimum GHG reduction targets appear to be either self-imposed or well within the purview of the Maryland Public Service Commission, indicating that these barriers are all surmountable.
3. With more thoughtful program offerings in the commercial sector, WGL may minimize or completely eliminate the projected cost increases, and corresponding surcharge increases, it claims are necessary to achieve GHG reduction targets while eliminating gas appliances. Further, the cost increases projected by WGL ought to be scrutinized due to its recent history, described further below, of overestimating costs.
4. WGL should emphasize "no-regrets" gas efficiency measures and those that prepare homes for electrification, including air-sealing and insulation.
5. There is inherent conflict between the state's net-zero commitment and WGL's continued reliance on new gas equipment.

Introduction

WGL filed its alternative plan on August 15, 2025, in response to the Commission’s order to file a “a detailed, alternative program proposal that does not include gas appliance incentives.”²

WGL’s alternative plan demonstrates that it is possible to achieve the statutory minimum GHG reduction targets while excluding ratepayer funded rebates for new gas-burning appliances. The key drivers in the alternative plan that contribute to the GHG reduction targets are in keeping with recommendations OPC shared in May with the EmPOWER service list and filed on the docket.³ Among them: raising the incentive rate WGL offers to customers for gas savings that result from home retrofits and other measures available through residential “coordinated programs”, which WGL offers together with electric companies that share its service territory; increasing targets for the number of residential customers who participate in those coordinated programs; introducing new, non-gas equipment measures (e.g., HVAC controls and water heater controls to improve operating efficiency of existing gas appliances); and finally, the development of a behind-the-meter methane leak reduction pilot program.

WGL further claims that while it is technically possible to achieve its goals without the incentivization of new gas appliances, the programs outlined in the alternative plan represent a poor option for ratepayers, customers, and stakeholders. OPC disagrees. Shifting the portfolio away from new gas appliances does introduce new and unique challenges. However, as explained below, many of the concerns WGL raised in its alternative plan appear to be solvable.

The Commission should order WGL to revise its alternative plan in the ways discussed below, which would allow the company to:

- achieve statutory minimum GHG targets;

² Maryland Public Service Commission, Order No. 91461, ML No. 314502 (CN 9705, December 27, 2024) at 18. The deadline for this filing was extended by Order No. 91528.

³ Maryland Office of People’s Counsel, *OPC Comments to WGL on Inputs to Planning, in Response to its Filing of April 1, 2025*, ML No. 318749 (CN 9705, May 9, 2025). (“OPC Comments to WGL on Inputs to Planning”).

- eliminate rebates for new gas equipment, except in limited, specific circumstances in some commercial applications where no viable electrification options exist (to be determined by a work group process, described further below); and
- prevent residential surcharge increases above those already expected for other reasons.

WGL's continued preference to incentivize customers to purchase more efficient gas appliances represents a low-cost form of *short-term* emission abatement, but such incentives are both at odds with Maryland's long-term GHG-reduction objectives and unnecessary for WGL to meet its near-term statutory minimum GHG targets while avoiding additional residential surcharge increases. WGL's cycle-to-date results show it is on track to substantially underspend its budget this cycle while failing to develop commercial programs that could assist in meeting statutory goals without raising the residential surcharge. The Commission should reject any WGL request for a surcharge increase due to phasing out gas appliance incentives unless the company demonstrates that it has exhausted all options for meeting its emission reduction requirements within its allotted budget—something it has not done. Instead, WGL's alternative plan demonstrates the company's lack of long-term cohesive strategies aligned with Maryland's long-term climate goals and EmPOWER's GHG reduction objectives, projects unnecessary cost increases, and projects unnecessary surcharge increases. WGL's track record of overestimating residential program costs⁴ further diminishes the credibility of the company's proposed alternative plan.

Points of Agreement

Several of WGL's arguments and recommendations have merit, including WGL's recommendations that the Commission adopt exceptions allowing incentives only for certain categories of defined commercial gas equipment (with an important caveat to WGL's proposal—

⁴ The costs WGL projected would be necessary to achieve GHG reductions in this cycle's residential programs are nearly 70 percent higher than the actual spending required to achieve GHG reductions cycle-to-date. Additional detail is included in subsequent analysis.

OPC's recommendation that an objective work group process determine a list of exceptions—described below); require the electric utilities to increase GHG reduction targets in the residential coordinated programs ("RCP") they offer with WGL; and prohibit the electric utilities from offering incentives for gas energy efficiency measures.⁵ OPC expands on these recommendations below.

Section 2.3.1 of the alternative Plan, "Adoption of Commercial Gas Equipment Exceptions,"⁶ argues that certain categories of gas equipment in the commercial sector should continue to be eligible for incentives. Section 7.2, "Commercial and Industrial Equipment Exceptions" provides WGL's reasoning for such exceptions—that such end uses "generally...require custom-designed systems" and that "alternative electric options would require logistically challenging and/or cost-prohibitive upgrades to a customer's existing electric systems or service."⁷ For these reasons, as well as the precedent established by Massachusetts to allow certain limited exceptions to its termination of incentives for gas equipment,⁸ it is prudent to provide ongoing incentives for gas appliances in limited, defined commercial instances where no viable alternative currently exists. In such instances, incentives for gas appliances should follow a harm reduction strategy that acknowledges that fossil fuel use is unavoidable and continued incentives should at least minimize the emissions from those uses. While OPC supports this principle in general, the proposed list of allowable exceptions that WGL provided is overly broad and ambiguous. The Commission should require an appropriate, objective work group process to establish a more narrowly defined list of specific gas appliance exceptions for the commercial sector that could continue to be included in WGL's programming.

Further, WGL's recommendation that the Commission order electric utilities to increase their residential coordinated program GHG reduction and participation targets⁹ has merit. The residential coordinated program ("RCP") is a collaborative retrofit program that the electric utilities administer and WGL participates in by offering savings for natural gas efficiency

⁵ WGL's Alternative Plan at 9-12, § 2.3 (Multiple Conditions Simultaneously Realized).

⁶ WGL's Alternative Plan at 10.

⁷ WGL's Alternative Plan at 52-54.

⁸ WGL's Alternative Plan at 52.

⁹ WGL's Alternative Plan at 10.

opportunities. As part of each planning cycle, the electric utilities commit to reaching emission and participation goals under the RCP. WGL participates in the program through incentivizing customers to save natural gas, but those savings contribute towards the emission and participation goals of the electric utility that provides electric service to that customer. WGL does not have the autonomy to set and pursue a separate goal outside of the cumulative program limits established by the electric utilities. By increasing emission and participation targets, the electric EmPOWER utilities provide the growth opportunity that WGL can capitalize on to seek greater GHG savings within this program. Absent such an approach, the electric utilities and WGL will simply be competing for the same total amount of GHG savings. Even should WGL successfully increase its savings through the RCP, this will only have the effect of obtaining savings that the electric utilities would have otherwise pursued. Only through an increased emission and participation target from each electric utility, combined with WGL increasing its incentives for natural gas efficiency savings through the program, can WGL secure additional emissions reductions from this program without encroaching on the electric utilities' savings.

In the alternative plan, WGL models a 92 percent increase in the lifecycle GHG target for the residential coordinated program, an estimated increase that is predicated on higher emission and participation targets for the electric utilities. RCP is a promising program to expand in size, as WGL proposes in its alternative plan, in part because, "replacement of gas equipment...has been a rare occurrence in the existing program".¹⁰ Given this, the program does not rely on replacement of gas equipment in order to drive its thermal savings, so further expansion of the RCP requires minimal changes to program design and can be a comparatively low cost means of securing additional thermal savings without incentives for gas appliances. Furthermore, the primary measures that the RCP targets—for example, air sealing, insulation, and other shell improvements—tend to be precisely the prerequisites that HVAC contractors recommend undertaking prior to sizing and installing air source heat pumps. These are "no regret" measures that benefit customers and reduce emissions today through lowered gas usage but also reduce

¹⁰ WGL's Alternative Plan at 46.

energy use, capital cost, and emissions in the future if a building installs air source heat pumps (“ASHPs”). Shell improvements reduce both the size of a building’s required ASHP and the cost of running that ASHP. As such, the residential coordinated program presents savings today in gas usage that persist as future savings in electric usage and reduced capital costs for a building that completes the transition to electric heat.

In section 2.3.3, “Electric EmPOWER Utilities Cannot Offer Incentives for Gas Energy Efficiency Measures (\$/therm or \$/GHG),”¹¹ WGL correctly raises the concern that allowing electric utilities to offer incentives for gas savings introduces imbalances and confusion in EmPOWER program. The Commission should prohibit EmPOWER electric utilities from offering incentives for natural gas savings. Doing so would open the door to heavily subsidizing one segment of a utility’s customers using the EmPOWER surcharges from another segment of that utility’s customers. For example, if electric utilities are permitted to pursue natural gas savings and find those to be cheaper to acquire, then they will tend to serve customers who use gas for heating. This would have the unintended consequence of customers with electric heating sponsoring the energy efficiency efforts of customers with gas heating. Furthermore, this approach risks sowing unnecessary confusion among customers—and duplication of efforts among utilities—by allowing EmPOWER utilities to pursue customers with different offers for the same resource. An approach of competitive bidding for resources could undermine confidence in the coordinated, regulated use of ratepayer funds through the EmPOWER program.

Key Objections

WGL is understandably concerned that a restriction on incentives for gas appliances will lead to an increased cost to procure efficiency savings in furtherance of its GHG goals. However, WGL itself claims that it can continue to achieve highly cost-effective measures without gas appliances—with a benefit/cost ratio greater than 2.¹² Moreover, a VEIC analysis on behalf of OPC indicates that the portfolio can substantially outperform even this ratio, both because WGL

¹¹ WGL’s Alternative Plan at 10-12.

¹² WGL’s Alternative Plan at 8.

has historically acquired natural gas efficiency savings for much less cost than budgeted¹³ and because the alternative plan leaves tremendous potential in the commercial sector untapped. Indeed, our analysis below shows that WGL can improve its alternative plan to the point where EmPOWER surcharge increases are unnecessary to achieve its GHG emission reduction goal. Broadly speaking, OPC's objections to the alternative plan fall into three categories:

- 1) **WGL's alternative plan reflects a limited scope that is focused on short-term, haphazard savings** instead of long-term, strategic efficiency and decarbonization;
- 2) **WGL's alternative plan contains unnecessary or, at best, overstated surcharge increases** that exaggerate the potential programmatic cost increases of eliminating gas appliances; and
- 3) WGL's alternative plan reflects a **feeble, even neglectful, approach** to potential efficiency opportunities in the **commercial sector**.

Limited Scope

WGL's alternative plan consistently focuses narrowly on the near-term, direct impacts of ending gas appliance incentives. While it is true that measures for new gas appliances are a cost-effective means to reduce GHG emissions in the near term, doing so very likely will increase the cost of achieving the State's net zero target and lead to higher emissions over time. While the cost per therm saved (and per corresponding GHG reduction) in the residential sector may increase with the elimination of rebates for new gas equipment, the Commission should not simply pursue low-cost savings today, but consider the medium- and long-term cost impacts for ratepayers. If WGL is permitted to incentivize gas appliances through the next three-year EmPOWER cycle, a new home constructed in 2029 would be incentivized to install gas appliances. Given that the useful life of gas appliances is often 20 years, these *incentivized* appliances would almost certainly need to be replaced before the end of their useful life in order to meet the state's goal of net zero emissions by 2045. Such a policy would send mixed

¹³ Washington Gas Light Company, *Washington Gas EmPOWER Maryland Semi-Annual Report – January-June (H1) 2025*, ML No. 321568 (CN 9705, August 15, 2025) at 7. ("WGL Q1Q2 2025 Semi-Annual filing").

messages to ratepayers while directly undercutting other state efforts—both ratepayer and taxpayer funded—to reduce GHG emissions. It would be difficult to imagine a more inefficient and objectionable use of the EmPOWER surcharge than having the EmPOWER gas utilities *incentivize* gas equipment while having the EmPOWER electric utilities incentivize the *replacement* of gas equipment. With ratepayer dollars at stake, EmPOWER cannot afford to continue with mixed messaging and contradictory programs.

Moreover, the measures that WGL would likely pursue more vigorously under the alternative plan, such as air sealing and envelope upgrades, are precisely the measures experts recommend to cost-effectively electrify and transition to net zero emissions. These retrofit measures are typical preliminary steps to sizing an air source heat pump because they serve to decrease the cost of that electrification. Therefore, rather than representing an increase in cost per GHG reduced, incentivizing these measures now is a sound investment and will *decrease* the overall long-term cost of achieving the state’s legal mandate to be net zero. It is short-sighted, indeed, to pursue somewhat cheaper efficiency savings today through incentives for gas appliances that lock in stranded assets and higher transition costs over the coming decades as the state pursues its net zero emissions goal by 2045.

The need for the Commission to order a more strategic approach also applies across utility jurisdictions in instances such as the residential coordinated program. WGL notes that it currently offers \$3-\$6/MMBTU incentives in the RCP, far less than the \$20-\$27/MMBTU that electric utilities offer in that program. As a result, the customers who take advantage of the RCP and provide energy savings for the electric utilities’ participation targets are primarily customers with electric heat since the incentives for doing so are much larger. WGL estimates that, were it to make its incentives more lucrative for customers and increase them to \$14-\$18/MMBTU, it would achieve parity in participation numbers with the electric utilities through increased demand. At face value, observers might consider this a negative outcome given the increase in WGL’s cost per therm of efficiency. However, the Commission should consider costs systemically. For EmPOWER ratepayers as a whole, this increase in gas incentives and participation represents a cost decrease in terms of average dollars per MMBTU because the cost to procure an MMBTU of gas savings remains well below what electric utilities currently pay. That is, by raising the

incentives per therm paid through the RCP, more gas customers will take advantage of the incentives, driving greater MMBTU savings per dollar than the electric utilities are currently achieving.

WGL further suggests that increasing to full parity with the electric utilities, offering incentives of \$20-\$27/MMBTU, would “result in natural gas homes qualifying for significantly higher incentives than electrically heated homes—the inverse of the current incentive offerings,”¹⁴ and that doing so would be inadvisable because it would weight participation towards gas-heated homes. However, given that electric-heated homes have been privileged for several years through higher per MMBTU incentives, we see good reason to consider even a \$20-\$27/MMBTU incentive for gas-heated homes through the program.

WGL frames its alternative plan as a high-risk, narrow-margin effort, but the risks and narrow margins result from WGL’s design rather than necessity. WGL cites three contingencies for success: adoption of commercial gas equipment exceptions, electric utilities increasing RCP emission targets, and electric utilities not being able to offer incentives for gas energy efficiency measures.¹⁵ All three conditions are aspects of the regulatory environment within the jurisdiction of the Commission, and do not represent external, uncontrollable risks. As explained above, the Commission should approve all three of these adjustments (with the noted caveat of establishing an objective process to determine which limited commercial gas appliance use cases should be eligible for incentives) as part of an order to end incentives for gas appliances under EmPOWER.

In a similar vein, WGL claims that the alternative plan leaves “little room for error,” exceeding the statutory GHG goal by only 1 percent.¹⁶ However, through measures described below, the plan’s target GHG reductions can be significantly and cost-effectively expanded, providing greater headroom above the statutory goal and a more comfortable margin of error. For example, with the increased ambition in the commercial sector described below, we believe that the plan’s GHG reductions can be increased by a wide margin even while remaining within or below the

¹⁴ WGL’s Alternative Plan at 46.

¹⁵ WGL’s Alternative Plan at 9-12.

¹⁶ WGL’s Alternative Plan at 9.

current budget put forth. In other words, the 1 percent margin for error appears to be a self-imposed limitation rather than a real barrier. Our analysis shows that WGL should be able to increase the plan's GHG reduction comfortably without also increasing the EmPOWER surcharge.

Overstated Surcharge Increases

WGL should be able to accomplish its emission reduction goals without an EmPOWER surcharge increase. Given WGL's persistent overestimate of costs in recent years, its cost estimates for non-gas appliance measures in the alternative plan are likely similarly overstated. WGL's current cycle-to-date results show a cost per metric ton of CO₂-equivalent ("MTCO₂e") of \$56.07 as opposed to the \$94.75/MTCO₂e that it budgeted.¹⁷ These results indicate that WGL is achieving savings for less than 60 percent of its budgeted cost. Assuming the same outperformance of WGL's models for the alternative plan yields a much smaller annual budget for Program Year 1—\$15.66M or a \$1.62M *decrease* from the currently planned 2026 budget. As we show below, WGL should be able to outperform even that estimate through more vigorous programming to drive additional, highly cost-effective commercial measures.

Moreover, should WGL's EmPOWER surcharge ultimately need to increase to achieve its GHG reduction goal without incentives gas appliances, OPC disputes the size and representation of the increase that WGL describes in its alternative plan, and OPC argues that it should be understood in the larger context of EmPOWER surcharges for all ratepayers. To begin, OPC notes that WGL used the wrong 2025 surcharge as its baseline, inputting \$.0556/therm, when that surcharge had already increased to \$.0587/therm.¹⁸ Using the wrong surcharge for the 2025 baseline year inflates the apparent percentage increase in the EmPOWER surcharge.

Additionally, the increase that WGL cites in its alternative plan obscures the already anticipated surcharge increase due to other changes in the EmPOWER program. While the table on page 12 of the alternative plan shows the EmPOWER residential surcharge increasing by 63 percent for Plan Year 1, this is misleading on two counts. First, once the correct 2025 surcharge is used

¹⁷ WGL Q1Q2 2025 Semi-Annual filing at 7.

¹⁸ [**WASHINGTON GAS LIGHT COMPANY MARYLAND RATE SCHEDULES AND GENERAL SERVICE PROVISIONS FOR GAS SERVICE**](#) at PDF p. 146.

(\$.0587/therm rather than \$.0556/therm), this percentage increase falls to 55 percent. Second, given the anticipated rate increases to 2026 in the approved plan, the surcharge in Program Year 1 is only 20 percent above planned surcharges for 2026 (\$.0907/therm as opposed to \$.0753/therm). That is, less than half of the increase in surcharge that WGL anticipates is driven by the alternative plan's budget increase.

On the theme of obscuring a clean comparison, in the alternative plan WGL aligns "2024" and "Program Year 1" in the first columns of Table 1 and 2,¹⁹ when in fact Program Year 1 would actually fall in 2026 under the alternative plan. This approach visually compares the EmPOWER surcharge for 2024 with a surcharge that would instead be instituted in 2026 (and includes existing planned increases). By the same token, WGL compares overall program costs in the alternative plan with costs from its current 2024-2026 cycle proposed program, claiming an 80 percent increase in program costs, when the correct comparison would be with projected program costs for 2026-2028. Given that there is no approved plan for 2027 and beyond, VEIC is unable to recalculate this comparison, but notes the faulty and misleading methodology WGL employs that leaves the alternative plan appearing far more expensive than it actually is.

To reiterate, the WGL EmPOWER surcharge need not increase in order to successfully meet WGL's GHG reduction target without incentives for gas appliances. Nonetheless, given WGL's comparison between gas and electric incentives in the residential coordinated program, it is worth comparing WGL's EmPOWER surcharges with those of other utilities. WGL's 2025 surcharge of \$0.0587/therm is just 54 percent of BGE's gas surcharge of \$0.1087/therm, which is already more than the surcharges contemplated by the alternative plan. A typical Maryland home heated with natural gas using 9,700 kWh and 630 therm per year²⁰ in BGE electric territory currently pays 23 percent (\$31.50) more in EmPOWER surcharges per year if located in BGE's gas territory rather than WGL's.

As for comparison with the electric utilities, if we convert the surcharge to a common metric of MMBTUs, WGL's EmPOWER surcharge for 2025 is just \$0.59/MMBTU; by comparison, the

¹⁹ WGL's Alternative Plan at 8.

²⁰ Based on U.S. Energy Information Administration 2020 Residential Energy Consumption Survey (RECS) data, [Residential Energy Consumption Survey \(RECS\) - Energy Information Administration](#).

average EmPOWER surcharge for 2025 across the five electric utilities is \$0.01235/kWh, which translates to \$3.62/MMBTU. Therefore, WGL's surcharge is currently just 16 percent of the electric utilities' surcharge on a per energy unit basis, and even the proposed surcharge of \$0.09070/therm for Program Year 1 remains only 25 percent of the average electric surcharge. Again, while there is no need for a surcharge increase for WGL customers in order to meet the emissions reduction goal without gas appliance incentives, the relative size of the EmPOWER surcharges should be considered in the context of surcharges for other Maryland utilities.

Commercial Sector

WGL has not demonstrated ambition to meaningfully engage with its commercial customers to promote energy efficiency. As a result, significant cost-effective savings are likely overlooked, which unnecessarily impacts the cost of programs and WGL's entire portfolio.

WGL's 2024 annual report indicates a Maryland customer base of 420,508 residential accounts and 19,487 commercial/industrial accounts.²¹ The alternative Plan calls for three-year participation totals of 715,688 residential customers and 897 commercial/industrial customers,²² indicating that WGL is relying on repeat and/or ongoing participation from its entire residential customer base, while ignoring 95 percent of its commercial/industrial customers. Programming designed around such an imbalanced customer base almost surely has room for better fiscal efficiency.

To illustrate the importance of more diligent programming for the commercial customer base, consider a single measure: demand control ventilation ("DCV"). DCV systems may use occupancy sensors, indoor air quality measurements, and/or integrations with building management systems to adjust airflow in accordance with actual building conditions (e.g., occupancy, indoor air quality indicators, etc.) instead of relying on continuous, fixed rate ventilation. These systems can effectively reduce heating/cooling and ventilation loads in offices, schools, or any commercial buildings with variable occupancy patterns. Note that in previous comments, OPC

²¹ WGL 2024 annual report on FERC Form No. 2 at 300-MD – 301-MD.

²² WGL's Alternative Plan at 81.

has specifically recommended this measure for inclusion in custom programming targeting the commercial sector.²³ Within WGL’s Maryland service territory, NREL’s ComStock datasets suggest nearly 10,000 commercial buildings relying on natural gas heat would be candidates for retrofit projects to enable demand control ventilation.²⁴ Even ignoring the substantial electric system benefits from reduced loads²⁵, the total technical savings potential of this single measure in the market, *for natural gas only*, is a staggering 3.2 million therms annually, and 10 times that on a lifetime basis. By comparison, WGL’s revised plan expects to realize just 1.2 million total annual therms and 17 million lifetime therms from the entirety of “comprehensive” commercial programming. DCV is traditionally one of the most cost-effective commercial retrofit measures and even capturing 40-50 percent of the potential market for this single measure would yield comparable impact to all WGL’s proposed commercial programming. More thoughtful and deliberate programming for the commercial customer base could yield the same impact at far less cost.

Analysis – Electrification Opportunities Exist for WGL

Converting just 5,000 residential customers in WGL territory from natural gas heat to electric heat pumps would yield the same lifetime carbon impact as all WGL’s planned efficiency programming and likely cost far less.

NREL’s ResStock dataset estimates there are 360,000 residential customers in WGL territory that rely on natural gas for heating and 295,000 of those customers also have central air conditioning.²⁶ Retrofitting 5,000 households with a basic SEER 16, 9.2 HSPF heat pump would lead to an average lifetime carbon savings of 101 metric tons per home. WGL’s revised proposal requires more than \$88 million to achieve 478,793 lifetime metric tons of carbon savings

²³ OPC Comments to WGL on Inputs to Planning at 5.

²⁴ The National Renewable Energy Laboratory (NREL) has developed a commercial building sector stock (ComStock) model to simulate energy use of the U.S. commercial building stock. Details and documentation available at <https://comstock.nrel.gov/>.

²⁵ DCV achieves electricity savings in the form of reduced cooling and ventilation loads. It is estimated that these retrofit opportunities would achieve over 10,000 MWh of annual electricity savings.

²⁶ The National Renewable Energy Laboratory (NREL) The National Renewable Energy Laboratory (NREL) has developed a residential building stock energy consumption (ResStock) model to simulate energy use of the U.S. residential building stock. Details and documentation available at <https://resstock.nrel.gov/>.

through its efficiency programming. If that same funding were used to incentivize heating electrification for 5,000 customers, WGL could offer an incentive of nearly \$18,000 per household to retrofit with a heat pump. Across the nation, programs are having success implementing heat pump conversions with far fewer incentive dollars, meaning that electrification could achieve comparable (and permanent) results, for lower cost. OPC has recommended that fuel-switching and electrification measures be offered by WGL, noting the significant GHG reduction potential.

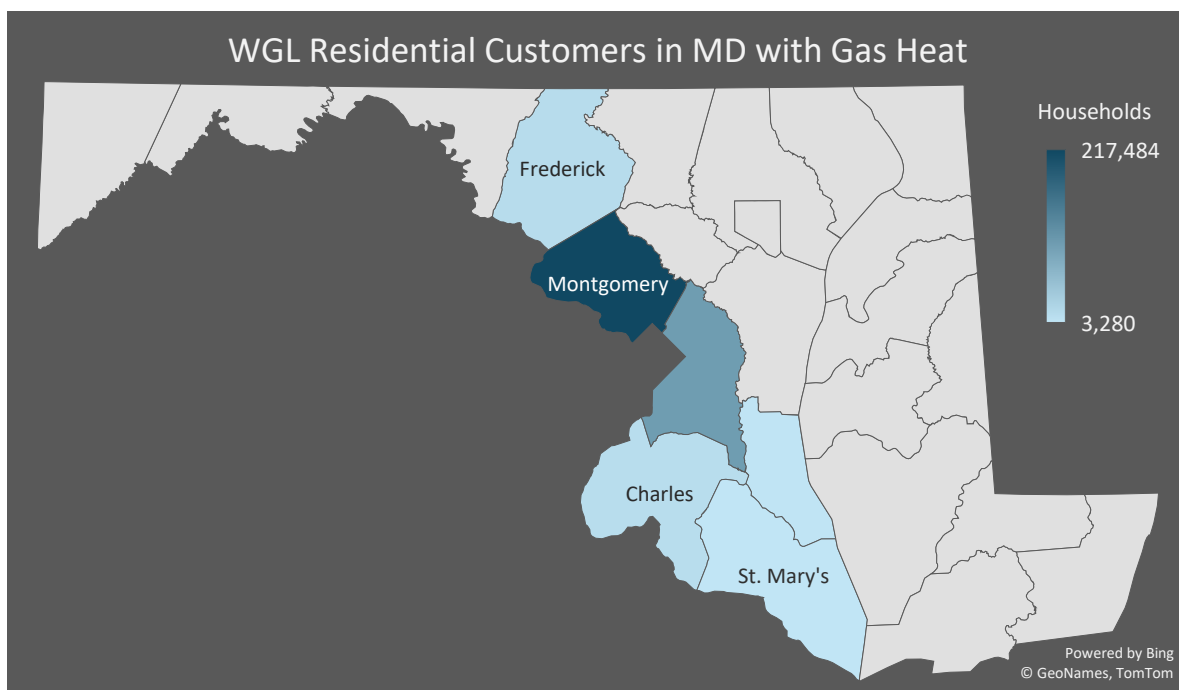


Figure 1. Concentration of WGL's residential households that rely on natural gas for heating.

Program and Measure Level Recommendations

In addition to the overarching response and objections shared above, the following comments provide specific recommendations and resolutions. These include programs and measures we have previously recommended be incorporated as strategies within the alternative plan. WGL has accepted several of these recommendations and rejected others.

Recommendations Included in Alternative Plan

Residential Coordinated Program

OPC has previously shared two primary concerns regarding the residential coordinated program (“RCP”). The RCP is a joint initiative between WGL and the electric utilities where WGL effectively purchases therm savings (and the corresponding GHG reductions) achieved when customers participate in the electric utilities’ existing programs. The first concern is that WGL ought to play a more active role in developing the program, as opposed to relying on electric utilities for design and implementation. Second, WGL should address the incentive disparity to drive more participation in gas households.

WGL’s alternative plan addresses these concerns, leading to a significant increase in GHG reductions. Hence, OPC supports these updates.

Residential Behavior Program

OPC encouraged WGL to revisit the maximum participation scenario in its Residential Behavior Program, as it fell well below the penetration rates that other electric utilities already enroll in behavioral programs. In response, WGL updated the maximum scenario to include additional participants, predicting a participation rate slightly above half of households. This is a reasonable near-term target, though WGL should seek higher participation rates in future years.

Methane Leak Reduction

OPC encouraged WGL to develop the methane leak reduction pilot, provided the rebates are offered only for fixing behind-the-meter leaks and not offered for new gas equipment. The pilot program proposed by WGL targets large commercial and industrial customers providing advanced methane leak detection and repair services. OPC continues to support this pilot.

Carbon Capture Rebates for Commercial Buildings

OPC has shared its skepticism of a carbon capture pilot while acknowledging it may be appropriate. OPC recommended this effort be delayed until findings from a Minnesota pilot be made available.²⁷ Carbon capture is often among the highest cost GHG reduction strategies, and the alternative plan has not sufficiently addressed the lower cost gas efficiency opportunities within the commercial and industrial sectors. The Commission should be skeptical of this pilot and require WGL to exhaust the lower cost alternatives before pursuing carbon capture. That said, it may have a place in future programming.

Recommendations Not Included in Alternative Plan

Commercial Behavioral

WGL should include a commercial behavioral counterpart to its residential behavioral offering. Other EmPOWER utilities include similar existing pilot programs. WGL determined that the savings potential is minimal, noting concerns about the limited customer base. This is consistent with the limited engagement with the commercial sector WGL puts forth in the alternative plan, a shortcoming OPC has noted above. We encourage WGL to expand efforts to engage the commercial sector, leveraging all program design strategies available.

Strategic Energy Management (“SEM”)

OPC has shared a neutral position regarding SEM, a comprehensive strategy of aligning a customer’s everyday operations, planning, and decision making with energy efficiency and GHG reduction objectives. WGL indicates that it will look to expand tune-ups and retro-commissioning projects already embedded in the C&I Custom Program, also noting opportunities to coordinate and collaborate with electric utilities.

²⁷ CenterPoint Energy’s pilot in Minnesota looks to assess the viability of a device that captures CO₂ directly from the flue gases of the gas equipment. No evaluation reports could be identified to date.

https://www.centerpointenergy.com/en-us/Services/Pages/Clean-O2.aspx?wt.mc_id=VanURL_CarbonCapture&sa=ho&au=bus

Small/Medium Business & Large Commercial/Industrial GHG Audits

OPC has encouraged WGL to offer GHG audits to commercial customers, noting that these services could be offered alongside other programs targeting this segment. WGL has determined that these services are too similar to existing offerings to warrant standalone programming. We continue to encourage WGL to utilize all strategies available to increase engagement in the commercial sector.

Conclusion

WGL's alternative plan demonstrates that WGL can and should meet its statutory minimum GHG reduction targets without offering rebates for new gas-burning equipment, and could even meet higher GHG reduction targets, although OPC is not recommending higher targets at this time. The barriers to achieving statutory minimum GHG reductions that WGL noted in its alternative plan are surmountable, given the significant room for improvement in the plan.

Specifically, the Commission should order WGL to eliminate rebates for gas appliances by January 1, 2026—except for limited, specific circumstances in some commercial applications where no viable electrification options exist. The Commission should order a work group to evaluate and report on any exceptions for commercial applications where no viable electrification options exist. The Commission should, in conjunction with an order for WGL to eliminate rebates for gas appliances, also approve WGL's requests to (1) require the electric utilities to increase GHG reduction targets in the residential coordinated programs that they offer with WGL; and (2) prohibit the EmPOWER electric utilities from offering incentives for gas energy efficiency measures.

For the next cycle, the Commission should order WGL to re-evaluate its commercial program plan, as significant opportunities for GHG reduction exist in the commercial sector. The Commission should also order WGL to coordinate the inclusion of electrification measures into its plan for the next cycle, as electrification measures represent a notable source of GHG reductions that are currently going unrealized. Finally, the Commission should reject any

increase to WGL's EmPOWER surcharge unless the company demonstrates that it has exhausted all options for meeting its GHG reduction goal within its allotted budget.

It is crucial that the Commission synergize the EmPOWER gas utilities' and electric utilities' programming by sending a clear, consistent message about the appropriateness of installing new gas appliances. Ratepayers are currently footing the bill for inconsistent messaging, which is a poor and inefficient use of ratepayer funds, especially at a time when ratepayers are facing a utility bill crisis.