

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

PETITION OF THE OFFICE OF
PEOPLE’S COUNSEL FOR NEAR-TERM,
PRIORITY ACTIONS AND
COMPREHENSIVE, LONG-TERM
PLANNING FOR MARYLAND’S GAS
COMPANIES

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Case No. 9707 Phase II

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Dr. Sol deLeon Opening Statement

Good morning. My pre-filed direct and rebuttal testimonies argue for more transparency in gas companies’ supply and capacity planning, and that alternative fuels and certified natural gas are not affordable or feasible.

First on supply and capacity planning: The Commission does not have sufficient visibility into how all gas utilities are planning their supply and capacity portfolios. The utilities have described procurement practices and demand forecasting approaches, but those practices are not uniformly disclosed. The Commission currently has no requirement for all gas utilities to consistently and regularly report on their commodity and capacity procurement strategies and thus has no process to uniformly evaluate whether the gas companies’ planning decisions or the procurement strategies are prudent, whether they account for the changing market conditions, or whether they are consistent with the State’s long term climate obligations. Standardized reporting and a 20-year capacity planning forecast are essential because, as this proceeding revealed, the gas utilities currently employ materially different planning horizons, procurement strategies, and risk management approaches, making it difficult for the Commission and other stakeholders to conduct meaningful cross-utility comparisons to identify best practices.

Second: Alternative fuels and certified natural gas cannot realistically or affordably assist in achieving the state’s climate goals. The utilities have proposed using these fuels as a near-term decarbonization tool to reduce the carbon intensity of supply. The record however raises serious concerns about supply constraints, price pressures, and technical constraints.

There is significant doubt about the availability of RNG and hydrogen, both within Maryland and from out of state. In addition, RNG is expected to be in high demand from hard-to-decarbonize industries, which reduces its potential to be available in sufficient quantities to be a realistic solution to building decarbonization. Furthermore, the utilities did not provide any studies or market sizing solicitations to indicate that they have gone to market to estimate the RNG volumes that would be available to them in Maryland.

RNG and hydrogen are significantly more expensive than conventional natural gas, RNG can be produced at an average cost of \$20-\$23 per MMBtu, significantly higher than the cost of conventional natural gas. The record shows that if a utility were to serve customers exclusively with RNG, the average residential Maryland customer would see their monthly gas bill increase by roughly \$144 a month. If Maryland adopts policies to bring RNG onto the utility system, competition for its limited supply would increase, and thus further increase upward pressure on prices. In summary, constrained supply, competition for available RNG, and the cost to produce RNG from higher-production-cost feedstock indicates significant upward pressure on the price of RNG. Blending higher cost RNG into the system would threaten customer affordability.

Hydrogen faces similar supply and cost concerns. However, hydrogen is even less developed than RNG. There are technical barriers such as how much hydrogen can be safely blended into the existing pipeline infrastructure. Blending more than 5 percent of hydrogen into the natural gas stream increases the risk of pipeline leaks and embrittlement of steel pipelines. At high concentrations, hydrogen's fundamentally different physical and combustion properties increase risk of overheating of appliance components and flashback.

As for certified natural gas, it is not an alternative fuel. It is essentially similar to conventional natural gas where producers claim to use added monitoring and controls across their operations. It reduces only upstream-out of state emissions and is more expensive than conventional natural gas.

Blending high-cost fuels into the gas pipeline system, as the gas companies suggest, would increase the delivered cost of gas and impact affordability, which would defeat the purpose of any policy effort to promote alternative fuels and increase the risks of stranded assets.

These fuels are not viable, safe, or affordable solutions and the gas companies did not present data to show otherwise.

Based on these findings, I urge the Commission to:

1. Require all gas utilities to expand their capacity planning horizon to 20 years and align it with the long-term gas planning framework proposed in this proceeding;
2. Establish standardized reporting metrics for procurement of gas supply and capacity, including reporting on capacity contracting and hedging to ensure transparency and accountability; and
3. Protect ratepayers by declining broad-based cost recovery for unproven, high-cost alternative fuel and Certified natural gas blending programs that fail to deliver verifiable, cost-effective emissions reductions in Maryland.

Thank you.