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The Honorable Jay Fisetto
Chairman, Climate Energy and Policy Committee
Metropolitan Washington Council of Governments
Suite 300
777 North Capitol Street, N.E.
Washington, DC 20002

Re: Washington Gas Comments on MWCOG CEEPC
2009-2012 Regional Climate Action Plan

Dear Chairman Fisetto:

Washington Gas is pleased to provide the following comments on the Metropolitan Washington Council of Government's (MWCOG) staff recommendations to the Climate, Energy, and Environment Policy Committee (CEEPC). The Workplan proposed by the staff charts an ambitious course to reduce the region's greenhouse gas (GHG) emissions by 10 percent from the "business as usual" 2012 forecast and establishes a strong foundation for future GHG reduction goals set forth in MWCOG's November 2008 *National Capitol Region Climate Report*.

1. A comprehensive approach that integrates energy efficiency with clean and renewable energy options will provide the most affordable and substantive reduction in GHG emissions.

We support the staff's proposals to adopt renewable energy purchase targets and to implement incentives that would encourage the deployment of new renewable energy technologies. We also urge the Committee to adopt policies that promote the use of readily available and affordable energy options that can reduce both regional GHG emissions and regional energy bills. For example, converting an all-electric home to use natural gas for space and water heating will reduce the home's carbon footprint by at least 33%. This would have reduced regional residential energy bills by an average of 17% during the one-year period ending March 2009, as estimated by actual regional rates and usage measurements.

Natural gas offers other valuable regional economic benefits. Deployment of highly efficient natural gas applications, e.g. hot water and heating applications, can reduce demand for our region's already over-taxed transmission lines and coal dependent generation. Strategic deployment of plentiful, accessible, low-cost domestic natural gas will help us to allocate efficiently scarce capital, freeing up investment for other infrastructure. Efficient utilization of our regional energy resources will lower consumer energy bills while reducing GHG emissions.

Municipalities and states throughout the nation have adopted policies that recognize the economic and environmental benefits of strategic fuel sourcing. The City of Austin, as part of its ambitious Climate Protection Plan, has adopted an ordinance that requires non-electric hot water heating in all

new construction. Wisconsin likewise recognizes the benefits of natural gas hot water heating and offers a generous incentive to encourage all eligible state utility customers to switch from electric water heaters to natural gas water heaters.

We further recommend that the committee support policies that encourage the deployment of clean and reliable resources like distributed, combined heat and power installations in new developments. Such facilities, widely utilized in Europe, can lead to efficiencies of 90% where co-generation is utilized. They can create electricity and productively utilize waste heat for heating and/or hot water. They have a proven track record and can alleviate strain on our regional transmission system while reducing demand for the region's coal-intensive generation and lowering associated GHG emissions.

2. The Committee's Workplan should adopt the National Academies' views on Efficiency and Full Fuel Cycle Analysis which take a sustainable, long-term position on efficiency, energy resource allocation, and environmental improvement.

Today's appliance and buildings standards do not tell the whole efficiency story and may inadvertently lead to poor decisions when considering GHG reduction strategies. In a May 2009 report, the National Academies (comprised of the National Academy of Sciences, the National Academy of Engineering, the Institute of Medicine and the National Research Council) recommended that the Department of Energy should consider changing its measurement of appliance energy efficiency to one based on the full-fuel-cycle, which takes into account the amount of energy produced and lost from the point of production to the final point of use. The Academy supports this approach as a more accurate measurement that would provide consumers with better information on energy use and environmental impacts. The Academies' position recognizes the inherent problems created when a fuel source that is only 30% efficient (electricity) is used. No matter how efficient the electric appliance or the building, if over 70% of the Btus needed to generate that energy are lost before it is delivered to the site, there is inherent inefficiency and an unnecessarily high generation of greenhouse gases.

The Staff's desire to promote renewable energy technologies reflects this thinking. The staff, like many other environmentally conscious policymakers, seeks to deploy renewable energy technology based on its ability to reduce GHG emissions and improve air quality. Though not a carbon neutral energy source, direct consumption of natural gas is still three times as efficient as electric end uses and results in a carbon footprint that is at least one-third less than regional electric sources with no emissions of SO₂ or particulates. We encourage the Committee to integrate natural gas appliance use into its strategy to reduce our GHG emissions and improve regional air quality.

We support building efficiency standards whose beneficial effects can be exponentially magnified when thoughtful energy supply sourcing is considered. The World Business Council recently reported that a \$150B US equivalent investment in building efficiency standards could reduce *world* energy consumption by 40%. A companion volume, now in development, seeks further reductions in energy usage and GHG emissions through efficient energy sourcing.

3. Standardization of program design will create a consistent, common approach across jurisdictions, enhancing consumer education and reducing implementation costs.

Protocols for data collection and analysis to determine building energy efficiency should be standardized and should incorporate the contribution of the full fuel cycle – from source to site -- into the GHG footprint. Likewise, we encourage jurisdictions to employ a common methodology as they measure their respective footprints. We also note that utilities will face certain systems, technical and regulatory challenges in providing data for smaller jurisdictions. For example, Washington Gas can provide data by district tax codes but cannot provide data for unincorporated districts. Likewise, certain regulatory restrictions prevent us from providing individual user data that may be requested.

We also encourage the replication of existing, successful models, for example Montgomery County's Clean Energy Rewards program. This will help expedite the adoption of mitigation strategies and make it easier for multi-jurisdictional businesses to effectively provide services across the region.

4. The CEEPC should promote policies, including decoupling and incentives supporting fuel cycle efficient appliances that effectively align stakeholder interests.

There should be economically equitable policies that permit all utilities to offer customer incentives to encourage utilization of the most fuel-cycle efficient appliances available. For example, due to the issues previously mentioned, namely transmission constraints and environmental concerns relating to electric generation, many electric utilities have generous incentive programs and well-funded conservation and customer education programs, albeit without the inclusion of far more cost effective programs to replace electric space and water heating appliances with gas. Such programs and associated electric decoupling provisions to mitigate negative financial effects should be part of an electric utility initiative. Gas companies, however, often do not receive similar levels of regulatory recovery for incentives and/or customer education, even though such programs help reduce our regional GHG footprint and reduce customers' energy bills. On behalf of all utilities, we seek decoupling, equitable recovery of costs incurred to provide incentives to promote full-cycle fuel efficient appliances, and funding to educate customers on conservation strategies and other practices (e.g., receiving and paying bills electronically) that promote sustainability.

We appreciate the opportunity to provide our comments and look forward to working with our region's government officials and stakeholders to improve the economic and environmental quality of the Greater Washington Metropolitan area.

Sincerely,

Adrian P. Chapman

Cc: CEEPC Vice Chairman Mary Cheh
CEEPC Vice Chairman Roger Berliner
Stuart Freudberg, MWCOG
Joan Rohlf, MWCOG