EASTERN SHORE NATURAL GAS

August 11, 2026
Lisa Vest, Hearing Officer
DNREC – Office of the Secretary
89 Kings Highway, Dover, DE 19901

Re: Proposed Amendments to Delaware's CO_2 Budget Trading Program (7 DE Admin. Code 1147) (Docket # 2026-R-A-0003)

Dear Hearing Officer Vest:

Chesapeake Utilities Corporation ("Chesapeake Utilities") appreciates the opportunity to comment on the Delaware Department of Natural Resources and Environmental Control's proposed amendments to Regulation 1147 implementing revisions to the Regional Greenhouse Gas Initiative ("RGGI")[1]. Chesapeake Utilities has long-standing operations in Delaware, tracing its roots back 166 years, proudly operating a natural gas distribution utility, Chesapeake Utilities-Delaware, serving more than 84,000 customers across all three Delaware counties, an interstate natural gas transmission company, Eastern Shore Natural Gas, which provides service to electric generation facilities, large industrials, and natural gas distribution utilities, which serve businesses, industries, institutions, and communities throughout Delaware, as well as a propane distribution entity, Sharp Energy. Collectively, Chesapeake Utilities operates approximately $973 million in assets invested within the State.

While we support practical and achievable environmental objectives and recognize the importance of reducing greenhouse gas emissions, we are deeply concerned that the proposed amendments fail to adequately account for the critical role natural gas plays in maintaining electric reliability, supporting economic development, and continuing Delaware's progress in emissions reduction. We are equally concerned that the Department has not clearly demonstrated that Delaware law requires the implementation of these specific revisions at this time, particularly as Delaware and the broader PJM region face growing concerns about electric reliability, generation adequacy, and energy affordability.

Delaware Is Entering a Period of Growing Energy Reliability Risk

The proposed amendments arrive at a time when Delaware's energy landscape is undergoing significant change. Across the PJM region, electricity demand is projected to increase due to electrification initiatives, economic growth, advanced manufacturing, artificial intelligence applications, and data center development. At the same time, dispatchable electric generation resources continue to retire faster than replacement resources that can provide equivalent reliability and operational flexibility.

In this environment, policymakers should exercise caution before adopting additional regulations that increase operating costs for dispatchable generation resources or create uncertainty regarding future generation investment.

As the interstate natural gas transmission system serving existing and future electric generation resources throughout Delaware, Eastern Shore Natural Gas has firsthand experience supporting fuel reliability for power

[1] States participating in RGGI currently include Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont, and Virginia.

plants that communities depend on during peak demand, extreme temperatures, and adverse weather conditions. The State's ability to maintain reliable electric service will continue to depend on a diverse generation portfolio that includes and attracts greater natural gas-fired generation for decades to come.

Natural Gas Has Been Delaware's Most Effective Emissions Reduction Tool

Any evaluation of Delaware's climate strategy should begin with an acknowledgment of a fundamental reality: natural gas has been one of the most significant contributors to emissions reductions achieved throughout Delaware, the Mid-Atlantic, and the broader RGGI region. Over the last two decades, fuel switching from higher-emitting energy sources to natural gas has produced substantial reductions in carbon dioxide emissions while preserving energy reliability and affordability. Natural gas-fired generation has provided the dispatchable, around-the-clock energy needed to support homes, businesses, manufacturers, healthcare facilities, and critical infrastructure while enabling meaningful environmental progress.

Natural gas remains essential to:

- Electric generation reliability;
- Residential and commercial heating;
- Manufacturing and industrial operations;
- Food processing facilities;
- Healthcare institutions;
- Data centers and technology investments;
- Future economic development projects; and
- Grid resiliency during extreme weather events.

Importantly, Chesapeake Utilities' own experience demonstrates that emissions reductions and economic growth can occur simultaneously. Across our Delmarva Natural Gas operations, emissions have declined by approximately 60 percent since 2019, driven by strategic system modernization investments, operational improvements, and continued efforts to deliver cleaner energy solutions to customers. At the same time, customer demand continues to grow as consumers seek affordable, reliable, and lower-emission energy options. This experience demonstrates that natural gas is not an obstacle to emissions reduction. Rather, it has been one of Delaware's greatest success stories in emissions reduction.

Proposed RGGI Changes Threaten Existing and Future Generation Development

The proposed reductions to Delaware's CO_2 allowance budget are significant. The State's allowance budget would decline dramatically over the next decade, accompanied by increased allowance scarcity, higher reserve prices, elimination of offsets, and additional pricing mechanisms. These changes may appear achievable from a regulatory standpoint, but they raise serious practical concerns about future investment in electric generation.

Developers considering new natural gas-fired generation facilities, repowering projects, or upgrades to existing resources evaluate long-term regulatory certainty and projected operating costs when making investment decisions. Increased compliance costs and regulatory uncertainty may discourage investment in generation resources that are necessary to maintain reliability and meet future demand growth.
Delaware should encourage investment in reliable electric generation, not create additional barriers at a time when regional reliability concerns are growing, and future capacity needs remain uncertain. According to the EIA, Delaware already consumes 81 times more energy than it produces, and imports about three-fifths of its

electricity from out-of-state power suppliers via the regional electric grid[2]. The regional grid (PJM region) covers all or parts of 13 states[3] and of those, only 4 currently participate in RGGI – Delaware, Maryland, New Jersey and Virginia. Interestingly, EIA reports that each of those 4 states consume more electricity than they produce[4], meaning each relies on the regional grid to supply their constituents and businesses with the electricity they require.

Clean dispatchable generation includes combined cycle natural gas plants, gas peaking turbines, nuclear, hydro, and battery storage. Delaware has a real opportunity to increase its clean dispatchable electric generation, providing Delawareans with firm, on-demand, reliable energy when they need it, *generated in state*. Proposals such as this one, however, attempt to hamstring that ability, keeping Delawareans dependent on out-of-state dispatchable generation.

Impacts on Natural Gas Transmission Infrastructure

Eastern Shore Natural Gas and other interstate transmission providers develop infrastructure based on long-term demand forecasts that often extend for decades. These projects require substantial capital commitments and regulatory certainty.

Over the past decade, Chesapeake Utilities has invested more than $637 million throughout Delaware. These investments support energy reliability, system resilience, economic growth, and future energy needs.
Policies that signal a diminishing role for natural gas, despite its continued necessity for electric reliability, create uncertainty that may:

- Delay future transmission expansion projects;
- Increase financing costs;
- Discourage infrastructure modernization investments;
- Reduce long-term investment certainty
- Limit Delaware's ability to attract energy-intensive development.

Natural gas infrastructure is not merely an energy asset. It is economic development infrastructure. Manufacturers, pharmaceutical companies, distribution centers, food processors, and technology companies routinely evaluate the reliability of natural gas availability when making location decisions.

DNREC Appears to Retain Discretion Regarding These Amendments

Equally important is the question of whether Delaware law requires adoption of the proposed revisions.
While Title 7 of the Delaware Code authorizes DNREC to regulate air emissions and participate in programs such as RGGI, Chesapeake Utilities is unaware of any specific statutory provision requiring Delaware to adopt every revision to the RGGI Model Rule or every recommendation resulting from the 2025 RGGI Program Review. Likewise, although the Delaware Climate Change Solutions Act establishes greenhouse gas reduction goals, it

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[2] United States - U.S. Energy Information Administration (EIA) https://www.eia.gov/states/de/analysis
[3] The PJM region includes all or part of: Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia.
[4] United States - U.S. Energy Information Administration (EIA) – analysis for the states of Delaware, Maryland, New Jersey and Virigina

does not appear to mandate adoption of these particular amendments on the timeline proposed by the Department. Accordingly, the proposed amendments appear to represent a discretionary policy decision rather than a statutory obligation.

As part of this rulemaking, DNREC should clearly identify the specific statutory authority that requires implementation of these revisions at this time. If such authority does not exist, the Department should carefully consider whether proceeding is prudent, given current concerns about affordability, reliability, generation adequacy, and economic competitiveness.

A Temporary Deferral Is Warranted

Given the significant uncertainty facing Delaware's energy future, Chesapeake Utilities respectfully urges DNREC to defer implementation of the proposed amendments.

A temporary pause would allow the State to assess better:

- Regional generation adequacy concerns;
- PJM reliability forecasts;
- Future electricity demand growth;
- Consumer affordability impacts;
- Economic development implications; and

The cumulative effect of additional regulatory burdens on dispatchable generation resources.
Importantly, a temporary deferral would not prevent Delaware from continuing to pursue environmental objectives. The existing RGGI framework would remain in place while policymakers evaluate whether additional restrictions are appropriate in light of evolving energy reliability challenges. Balancing environmental goals with reliability and affordability is not inconsistent with responsible climate policy. In fact, maintaining that balance is essential to ensuring long-term public support for emissions reduction initiatives.

Economic Impacts on Delaware Consumers and Employers

The proposed amendments are also likely to increase costs throughout the energy supply chain.
Higher allowance costs, reduced allowance availability, and increased compliance obligations will ultimately be reflected in higher energy costs for consumers and businesses.

For Delaware households, increased energy costs will place additional pressure on working families, retirees, low-income residents, and vulnerable populations already facing affordability challenges. For businesses, particularly energy-intensive industries, higher energy costs may reduce competitiveness and discourage future investment within the State. Delaware is competing with neighboring states to attract manufacturing facilities, logistics centers, data centers, and technology investments. Affordable and reliable energy remains a critical factor in those decisions.

Conclusion

Delaware's environmental goals should not be pursued in isolation from considerations of reliability, affordability, and economic growth.

Natural gas has been one of Delaware's most successful emissions-reduction tools and remains essential to supporting existing and future electric generation resources throughout the State. As an interstate natural gas transmission company and utility provider, Chesapeake Utilities believes the proposed amendments risk creating unintended consequences for reliability, infrastructure investment, economic development, and consumer costs while providing uncertain incremental environmental benefits.

Before adopting amendments that further constrain dispatchable generation resources, DNREC should clearly demonstrate that such actions are legally required, economically justified, and compatible with maintaining a reliable and affordable energy system.

Until those questions are fully addressed, Chesapeake Utilities respectfully urges DNREC to defer implementation of the proposed amendments and maintain the current regulatory framework. At the same time, Delaware evaluates the evolving energy reliability and generation adequacy challenges facing the State and the PJM region.

Thank you for the opportunity to comment on this important proposal.

Respectfully submitted,

Steve Baccino
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