



AN EXELON COMPANY

Position Statement

OPPOSE

Environment and Transportation

3/8/2023

HB 1134 – Maryland Building Performance Standards – Fossil Fuel Use and Electric-Ready Standards

Baltimore Gas and Electric Company (BGE) opposes *House Bill 1134 – Maryland Building Performance Standards – Fossil Fuel Use and Electric-Ready Standards*. House Bill 1134 would modify the Maryland Building Performance Standards to require that new buildings meet all energy demands without the use of fossil fuels and adopt an electric-ready standard for buildings that receive a waiver allowing the use of fossil fuels.

BGE is committed to electrification and decarbonization. The company announced our Path to Clean: a commitment to cut our own operational emissions by at least 50% by 2030 and achieve net-zero operations-driven emissions by 2050, in line with the ambitions of the state. To achieve these goals, BGE will implement a series of initiatives designed to modernize our energy delivery systems; reduce energy use in our offices and buildings; increase our use of renewable-powered energy; and electrify our company's vehicle fleet.

Also, on February 17th of this year, BGE filed its second multi-year rate plan with the Public Service Commission (PSC) which is critical to the early steps of preparing our grid for the rigors of future, extensive electrification. Contained in this plan are over 300 projects and maintenance programs for the period 2024-2026 which are designed to identify and circumvent damage to the electric grid and reduce the frequency and duration of power outages faster for our customers, replace outdated technologies to enable greater adoption of solar energy and electric vehicle charging, and harden the grid against extreme weather and threat-actor actions.

BGE also recently filed with the PSC our Electric School Bus Pilot Program. Working with several local school jurisdictions, BGE is proposing a rebate program associated with the costs of electric school buses, charging equipment, make-ready installation costs, and general and administrative costs. BGE believes that this proposal, if approved, will expand the opportunities each County has to pursue electrification as well as expand our opportunities to explore the value these battery resources can provide to our grid as we continue to pursue solutions toward resilience.

Within this very legislative session, BGE has demonstrated support for other key aspects of the suite of policies aimed at reducing emissions in the transportation sector, which makes up for about 45% of Maryland's greenhouse gas emissions, relative to buildings, which account for 13%. In addition, BGE's Empower Maryland programs have been highly successful in lowering energy usage and GHG emissions for residential and commercial customers, generating over 5 million MWh of energy savings valued at approximately \$6 billion in lifecycle customer bill savings, and reducing over 4 million metric tons of GHG emissions.

The BGE territory serves 54% of Maryland's residential gas customers and 55% of commercial and industrial gas customers. Collectively, these customers represent nearly half of statewide

natural gas use in Maryland's buildings and industry. Of this natural gas use, approximately 25% is associated with harder to electrify large commercial and industrial users.

BGE is supportive of efforts to decarbonize the building stock in our service territory. Such a meaningful shift to the state's building standards as the one contemplated in House Bill 1134, however, requires time for planning and implementation. Electrification will drive a requirement for significant incremental investments in our electric infrastructure to serve the resulting load reliably and with resilience in mind. While the exact scope of the required investments cannot be fully modeled without detailed knowledge of where growth will occur on the system, directional analysis that we have conducted indicates the need for major infrastructure components, including in the very near-term multiple substations and many new feeder lines.

Planning and construction of this new infrastructure will require significant time to: (1) analyze the detailed capacity needs on the system; (2) find and acquire land for new infrastructure in areas acceptable to our customers; (3) plan and design capital projects; (4) obtain the required permits and approvals; and (5) construct the required substations and feeders. In addition, there will be the need to ensure the availability of the workforce necessary to construct this infrastructure. This process is further complicated by escalating supply chain challenges that are increasing the lead time for critical infrastructure equipment. For example, lead times for distribution transformers have increased fivefold from their typical timeframes.

Because of the challenges just outlined that all electric utilities face, Section 10 of the Climate Solutions Now Act of 2022 (CSNA) required the Public Service Commission (PSC) to complete a general system planning study to assess each gas and electric company's distribution system to successfully operate in the transition to a highly electrified building sector. At present, the study is not expected to be complete until late 2023.

Based upon the anticipated completion date for the PSC study, BGE is concerned that the implementation timelines within House Bill 1134 would accelerate the requirement to construct the infrastructure needed to ensure a safe, reliable, and resilient grid ahead of a thoughtful, soon-to-be-completed analysis of the best path and customer impacts. In addition, House Bill 1134 does not provide the tools necessary to expedite the planning, siting, permitting, and construction of such electric system infrastructure. Without the required time and tools, it is possible that the grid will be unable to serve new load during times of peak energy usage.

BGE supports electrification and decarbonization. However, the company opposes House Bill 1134 as it forces a rapid and seismic shift in the state's future construction without appreciating the impacts of such a rapid change on all energy customers in Maryland, which the system planning study being undertaken by the PSC will help to determine.

BGE respectfully requests that the Committee issue an unfavorable committee report.

BGE, headquartered in Baltimore, is Maryland's largest gas and electric utility, delivering power to more than 1.2 million electric customers and more than 655,000 natural gas customers in central Maryland. The company's approximately 3,400 employees are committed to the safe and reliable delivery of gas and electricity, as well as enhanced energy management, conservation, environmental stewardship and community assistance. BGE is a subsidiary of Exelon Corporation (NYSE: EXC).