

OPPOSE
Senate Education, Health, and
Environmental Affairs
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Senate Bill 528: Climate Solutions Act of 2022

Baltimore Gas and Electric Company (BGE) respectfully opposes *Senate Bill 528: Climate Solutions Act of 2022*. Senate Bill 528 seeks to dramatically alter Maryland's established greenhouse gas emission (GHG) goals, based loosely on a 2021 report from the Maryland Commission on Climate Change (Commission). While the Commission recommended a 50% reduction in GHG by 2030, the bill sets the more aggressive targets of 60% by 2030 and net zero by 2045.

The legislation requires the Maryland Department of Environment to propose a plan to achieve the revised GHG reduction goals by June 30, 2023. In advance of this effort, which would assumably consider the various pathways to achieve the stated goals, SB 528 seeks to eliminate a valuable tool for advancing decarbonization policies by placing restrictions on the use of the State's existing natural gas infrastructure. Here again, SB 528 departs from the Commission recommendations by requiring state building codes to prohibit space and water heating with natural gas and other fuels by 2023, significantly earlier than the Commission's 2027 recommendation.

While BGE is supportive of electrification and decarbonization, the company opposes SB 528. This legislation proposes the nation's most aggressive electrification and decarbonization targets without leveraging the collective wisdom of diverse stakeholders to evaluate all options to achieve the desired reductions, to understand the likely consequences of those options, and to ensure the continued delivery of safe, reliable, and affordable service.

BGE's Commitment to Decarbonization

Over the past several years, BGE has demonstrated its commitment to electrification and decarbonization. In addition to supporting well-conceived policies in regulatory and legislative forums, 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. To achieve these goals, BGE will implement a series of initiatives designed to modernize our delivery systems; reduce energy use in our offices and buildings; increase our use of renewable-powered energy; and electrify our company's vehicle fleet. 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.

Unprecedented and Aggressive Targets

Despite BGE's general support for electrification and decarbonization, BGE is concerned about the aggressive approach codified within SB 528. No state in the country has adopted a statewide building code that prohibits the use of natural gas for space and water heating. While states like California, New York, and Massachusetts are considering decarbonization policies, all are more measured in the timelines for implementing building decarbonization efforts. Even legislation proposed by smaller jurisdictions better accounts for the challenges, feasibility, necessary exceptions, and economic impacts inherent in such a transformative policy shift.

SB 528's misalignment with other decarbonization proposals, would put Maryland at a competitive disadvantage with other states. Further, this legislation proposes targets and timelines that exceed the recommendations of the Commission. Simply put, the economic impact of such a policy sea change, without the benefit of a study to examine its effects, would expose Maryland to a number of preventable unintended consequences, were SB 528 enacted as drafted.

Necessary Electric Infrastructure Investments

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 for harder to electrify large commercial and industrial users.

BGE is supportive of efforts to decarbonize the building stock in our service territory. However, such a meaningful policy shift requires time for planning, implementation, and considering emerging technologies. If SB 528 were enacted, it would drive a requirement for significant investments in our electric infrastructure to serve the resulting load. While the exact scope of the required investments cannot be fully predicted without detailed knowledge of where growth will occur on the system, we anticipate the need for major infrastructure components, including substations and new feeder lines.

Installing this infrastructure would require time to: analyze the detailed capacity needs on the system; find and acquire land for new infrastructure in areas acceptable to our customers; plan and design capital projects; obtain the required permits and approvals; and construct the required substations and feeders. 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.

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).

BGE is concerned that the implementation timelines within SB 528 do not provide adequate time to prepare for load growth on the electric system. In addition, SB 528 does not provide tools to streamline the processes and costs for making required investments. 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.

Customer Costs

SB 528 will drive costs higher for BGE's existing customers. According to modeling of the BGE territory, residential gas customers can expect to pay \$10,000 or more per household for heating costs and retrofits. In aggregate, this shift will cost our residential and commercial gas customers no less than \$2.8 billion. These projections do not include the electric infrastructure costs described above to ready the system for load growth. Even the Commission's report acknowledges these costs will be significant. The combined impact will be billions of dollars for BGE's customers alone, and even higher statewide. With such a meaningful price tag, this approach does not represent the least cost path or even an efficient cost path to decarbonization.

Flawed Approach Eliminates Potential Pathways

There are various pathways for Maryland to achieve deep decarbonization, and the Department of Environment should consider all options as it develops the plan to achieve the GHG reduction targets.

As a combination gas and electric utility, BGE can offer a diversity of energy solutions to our customers for a reliable, resilient, affordable, and net-zero future. We are exploring how our gas and electric systems can work together to support decarbonization. Both pipeline and wire infrastructure assets can have strong roles to play in designing a decarbonized future that meets all energy needs at all times.

Unfortunately, SB 528 effectively disqualifies this integrated approach and ignores solutions like Renewable Natural Gas, hydrogen blending, and carbon capture, among others. Instead, this bill will drive the need for significant new electric capacity at a high cost.

SB 528 drives Maryland towards unprecedented and unsupported decarbonization targets and building transitions. In so doing, the legislation does little to consider other plausible decarbonization pathways and fails to prepare the electric system for the resulting load. For these reasons, BGE opposes SB 528 and respectfully requests an unfavorable committee report.