

OPPOSE
Environment & Transportation
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Senate Bill 528: Climate Solutions Act 2022

Baltimore Gas and Electric Company (BGE) respectfully opposes *Senate Bill 528: Climate Solutions Act of 2022* as it was amended in the Senate. While the Senate amendments improve the legislation, additional amendments are needed to shield Maryland's utility customers from service reliability concerns.

Senate Bill 528, as amended, would still dramatically alter Maryland's established greenhouse gas emission (GHG) goals in the Commercial and Residential building sector. This proposed legislation requires the Maryland Department of Environment (MDE) to establish building emissions standards for large commercial or multifamily residential Maryland buildings. The bill would also require MDE to establish the Building Energy Transition Implementation Task Force to study and make recommendations regarding the development of complementary programs, policies and incentives aimed at reducing GHG emissions from the building sector that does not include key stakeholders in the process.

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 nation. 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. 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. BGE's STRIDE (gas delivery modernization) program has also supported greenhouse gas reductions. Since 2014, pipe replacements have reduced the emission of about 55,000 metric tons of greenhouse gas. When BGE's STRIDE plan is complete, GHG emissions will have been reduced by 210,000 metric tons per year compared to 2013.

BGE is an electric and gas delivery company, whose key responsibilities are to deliver energy, regardless of whether it is electricity or gas, in a manner that is safe, reliable, and affordable. **As such, BGE has concerns about Senate Bill 528 for the following reasons:**

- 1. The provision that allows county governments to establish local building energy performance standards presents potential: a) significant challenges from an electric system planning and reliability perspective; b) increased costs to customers; c) reduced optionality for customers; and d) impaired economic recovery and development in the state.**
- 2. The Building Energy Transition Implementation Task Force does not include the participation and input of the very entities that need to plan for and construct the infrastructure necessary to accommodate such a transition in energy usage.**

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 fully-informed efforts to decarbonize the building stock in our service territory. Such a meaningful shift to the state's economy should not be executed at the local level. Such a transition will require 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.

BGE is concerned that building energy performance standards that are designed to reduce natural gas use that are implemented at the local level will not provide adequate time to prepare for load growth on the electric system and to construct the infrastructure needed to ensure a safe, reliable, and resilient grid. In addition, Senate Bill 528 does not provide the tools necessary to expedite the planning, siting, permitting, and construction of such electric system infrastructure and limits optionality for new technological advancements that may help to lower decarbonization costs over time and/or smooth end-user disruption during the transition. 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 Senate Bill 528 as amended in the Senate, because it authorizes local governments to implement potentially harmful building energy performance standards with first understanding the likely consequences of those programs on our customers, communities, and on the state's economy. Senate Bill 528 compromises our ability to ensure the continued delivery of safe, reliable, and affordable energy delivery service.

Below are several amendments that address Senate Bill 528's deficiencies and reduce the likelihood that the legislation will compromise the reliability of the electric grid.

AMENDMENT TO SENATE BILL 528, AS AMENDED

Amendment One

On page 62, after line 14, insert:

Article – Public Utilities

7-213.

(K) AN ELECTRIC COMPANY SHALL INVEST IN INCREMENTAL INFRASTRUCTURE PROJECTS TO PREPARE THE ELECTRIC GRID FOR INCREASED ELECTRIFICATION, INCLUDING PROJECTS THAT:

(I) IMPROVE THE RELIABILITY OR RESILIENCE OF TRADITIONAL ELECTRIC UTILITY PLANT;

(II) INCREASE THE PREVELANCE OF ENERGY STORAGE FACILITIES WITHIN THE ELECTRIC COMPANY'S SERVICE TERRITORY;

(III) ENHANCE RELIABILITY THROUGH THE CONSTRUCTION, INTERCONNECTION, AND OPERATION OF DISTRIBUTED ENERGY RESOURCES, AND, WHERE APPROPRIATE, CREDIT THE GENERATED ELECTRICITY OR THE

**VALUE OF THE GENERATED ELECTRICITY TO ELECTRIC COMPANY CUSTOMERS;
AND
(IV) IMPLEMENT ANY OTHER RELIABILITY OR RESILIENCE INITIATIVES
APPROVED BY THE COMMISSION.**

On page 72, after line 6, insert:

(d) In alignment with the General Assembly’s intent established in paragraph (a)(2) of this section, an electric company shall invest in incremental infrastructure projects designed to prepare the electric grid for increased electrification.

Justification: As amended in the Senate, Senate Bill 528 establishes the General Assembly’s intent “that the State move toward broader electrification of both existing buildings and new construction on completion of the study” due from the Public Service Commission in December 2023. To support broad building electrification, electric companies must prepare for load growth on the electric system by constructing the infrastructure needed to ensure a safe, reliable, and resilient grid. Some required infrastructure could take years to construct. This amendment requires electric companies to hasten efforts to prepare the electric system for broad building electrification.

Amendment Two

On page 68, in line 28, strike “AND”; and in line 30, after “**INDUSTRY**” insert“; **(XII) ONE REPRESENTATIVE OF MUNICIPAL ELECTRIC UTILITIES, SELECTED BY THE PUBLIC SERVICE COMMISSION; AND
(XIII) ONE REPRESENTATIVE OF INVESTOR-OWNED UTILITIES, SELECTED BY THE PUBLIC SERVICE COMMISSION**”.

Justification: This amendment adds utility representation to the Building Energy Transition Implementation Taskforce. This taskforce will consider various mechanism to support existing building electrification, including financing transition projects on utility bills. Utilities would bring a unique and valuable prospective to these financing conversations.

In addition, the recommendations of the taskforce will guide the pace and other considerations around building electrification. These considerations will inform utility preparation for broad building electrification.

Amendment Three

On page 64, strike lines 22 through 24 in their entirety.

Justification: As amended Senate Bill 528 authorizes local governments to establish building energy performance standards that are more stringent than the state's standards, with the Department of Environment's approval. However, the Department of Environment is not positioned to ensure that local standards will not negatively impact the reliability of the local electric system. This amendment ensures that local building standards are aligned statewide.