

OPPOSE
Economic Matters
2/6/2025**House Bill 419- Natural Gas – Strategic Infrastructure Development and Enhancement
(Ratepayer Protection Act)**

Baltimore Gas and Electric Company (BGE) opposes *House Bill 419- Natural Gas – Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)*. *House Bill 419* modifies the requirements for gas companies to include additional project information in their plans for eligible infrastructure replacement projects and mandates that the selected projects are based on public risk and cost-effectiveness and requires that customers affected by the projects be notified at least 2 years in advance of construction to allow time for electrification.

Safety is Paramount

Safety is and will always be BGE's top priority for its customers, employees, and contractors. In addition to the environmental benefits, the Strategic Infrastructure Development and Enhancement (STRIDE) program indisputably strengthens public safety for not only customers receiving natural gas, but for the general public. The Pipeline and Hazardous Materials Safety Administration (PHMSA), a United States Department of Transportation agency, has been *very clear* through the years that aging infrastructure, specifically cast iron and bare steel pipe, needs to be eliminated from the nation's gas systems. PHMSA has issued a "call to action", various bulletins, comments, and even rulemakings that urge natural gas energy providers and states to address these outdated materials. This has been further evidenced in Natural Gas Distribution Infrastructure Safety and Modernization grant program, as part of the IIJA, signed by Biden on November 21, 2021, which earmarked \$1 billion in grants for addressing infrastructure. PHMSA's data confirms that more than 75% of all gas leaks on the nation's gas distribution systems are from cast iron and bare steel piping – for BGE specifically, over 80% of gas main leaks are on cast iron alone. In fact, according to a PHMSA study, despite only representing only 2% of the nation's gas distribution infrastructure, cast iron mains are involved in 36% of gas incidents resulting in a fatality.

Maryland Lags Behind National Average

While STRIDE has helped BGE accelerate the modernization of its gas delivery system, it's critical to note that Maryland still significantly lags behind other states in removing cast iron and bare steel. Over the past five years, Maryland has replaced less than 20% of its cast iron, while nationally the rate is 50% higher, at 30%. Maryland has one of the ten highest cast iron mileages in the US, but is in *last place* in terms of replacement rates over the last five years, with states such as New York, New Jersey, and Michigan (all with established climate goals), outperforming Maryland. Changes to the STRIDE bill could make replacement and elimination of this outmoded infrastructure more difficult and more time-consuming, resulting in Maryland to continue to lag behind in safety improvements that the PHMSA is urging utilities to perform. It is noteworthy, however, that despite being behind the national average, STRIDE has benefited public safety by decreasing gas leaks by 31% since 2014, with 54% of those leaks being the most hazardous. BGE strongly urges the General Assembly to not deviate from its commitment in prioritizing safety by mitigating risks for catastrophic events that are preventable.

Robust Analysis and Program Guardrails Already Exist

House Bill 419 insinuates that extensive analysis is not currently performed when developing plans to replace gas piping. This is utterly false. BGE already conducts significant planning and analysis to develop asset replacement projects that address and/or review the riskiest assets on the gas system, while managing costs and customer impact from construction. **BGE would need to replace 70 miles of piping per year over five years to be comparable to neighboring states that also have aggressive climate policies, but recognize the importance of gas system upgrades, including New Jersey and New York. BGE is currently approved by the PSC to proactively replace only 42 miles per year.** Additionally, BGE already performs leak detection and repair work regularly, but must replace outmoded and poor-performing infrastructure to prevent future leaks. As stated by PHMSA in a 2024 report to Congress, replacement of this infrastructure continues to be the most effective method of mitigating risk of these assets.

The PSC also has pricing caps in place in accordance with existing law that states the surcharge cannot exceed \$2 per month on customers' bills. The notion that STRIDE is the chief culprit of surging energy costs is simply not true. *House Bill 419* also places an unrealistic requirement of notifying customers at least 2-years in advance before beginning a project so that customers can electrify their homes if they choose. Only 2 customers of the 13,000+ who have experienced gas infrastructure replacement work decided to electrify their homes. Nothing in the law prevents customers from electrifying today and we remain committed to working with those customers.

Resource Adequacy and Affordability

Capacity market pricing for electricity is increasing by 8% in June 2025 due to a significant drop in generation resources coupled with dramatic projected increases in electricity demand. Maryland has a constrained transmission grid that makes it more expensive to import electricity into the State. The expansion of electrification must be done in a measured way, understanding the impacts to the most vulnerable Marylanders, while the State's electric resource adequacy concerns are considered. BGE has approximately 700,000 existing gas customers who depend on this service each day and it is our responsibility to provide a safe delivery system. *House Bill 419* aims to reduce use of natural gas by promoting electrification. The reality is most customers cannot afford to make this transition and the State's current electric capacity market could not support it. The Integrated Decarbonization Strategy, completed by consulting firm E3, examined various scenarios that all achieve the State's decarbonization goals and found that the lowest cumulative costs is using an integrated energy system of both high levels of electrification as well as the existing gas system.

Reduction of Greenhouse Gas Emissions

House Bill 419 references the need to remain consistent with the State's climate policy but fails to recognize the substantial greenhouse gas emissions reductions that have been achieved thanks to STRIDE. STRIDE enables the accelerated replacement of aged and leak-prone gas infrastructure, like cast iron and bare steel dating back to the 1800s, to increase public safety and to improve the environment. BGE has reduced annual greenhouse gas emissions by 84,000 metric tons of CO₂e since the STRIDE program began in 2014 by retiring leak prone piping and replacing it with modern materials. In BGE's experience, new plastic gas mains leak at a rate 100 times less than cast iron main, the predominant infrastructure being replaced. This lowers emissions by keeping methane in the pipe where it belongs.

BGE strongly urges the Economic Matters Committee to deliver an unfavorable report on *House Bill 419* and reinforce its commitment to prioritizing safety and mitigating unnecessary risk for Marylanders.