



An Exelon Company

Position Statement

SUPPORT

Economic Matters

02/18/2021

House Bill 890 – Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans

Baltimore Gas and Electric Company (BGE) supports *House Bill 890 – Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans*, which facilitates accelerated replacement of aging natural gas infrastructure by altering the maximum monthly surcharge assessed under the Strategic Infrastructure Development and Enhancement (STRIDE) Program and modifying the mechanism to be compatible with a multi-year rate plan, as well as a traditional base rate case.

Since the Commission approved BGE's initial 5-year, \$400 million STRIDE plan in 2014, BGE has invested more than \$850 million in gas system infrastructure replacement and has retired over 300 miles of obsolete cast iron or bare steel gas pipeline. As part of these projects, BGE has retired over 250 miles of low-pressure pipeline. In addition, we have replaced over 50,000 metallic service lines. All of this work to date has required the support of 600 full-time equivalent jobs, including both BGE employees and contractors. These are not temporary jobs, but rather career jobs to support BGE's currently approved STRIDE plan.

While STRIDE is working for the Maryland natural gas customer, it can work even better. By authorizing an increase in the customer surcharge cap from \$2 per month to \$2.50 per month for residential customers, BGE will be able to seek to further accelerate the replacement of obsolete, leak-prone pipes and the reduction of low-pressure infrastructure.

In addition, in 2021, BGE became the first Maryland utility to pilot a multi-year rate plan. While this innovative ratemaking model promises significant benefits to Maryland's utility customers, the STRIDE mechanism needs updating to reflect the fact that multi-year plans are replacing traditional rate cases for several Maryland utilities. HB 890 would alter the STRIDE mechanism, so that it operates with a multi-year rate plan consistent with how it operates under a traditional base rate case. This modification will facilitate BGE's accelerated gas replacement work through the company's multi-year rate plan period and beyond.

Completing a replacement and modernization program sooner will accelerate the reduction in the number of leaks on BGE's gas system, which will reduce BGE's pipeline operating and maintenance costs and result in direct savings to customers. In addition to direct customer savings through cost avoidance, an accelerated investment program delivers greenhouse gas emission reductions sooner and will result in greater demand for a skilled labor force that is currently in short supply.

As seen from the work to date, Maryland can expect increased job and economic benefits from the passage of House Bill 890. STRIDE has created a demand for these skilled, full-time, career jobs. Based on an impact study BGE commissioned by Econsult Solutions, Inc (ESI), under the current plan the total economic impact in the state of Maryland is projected to be approximately \$2.5 billion, supporting more than 14,700 jobs through 2042. If we accelerated the work by 10 years, the total economic impact is projected to be over \$3 billion, supporting more than 15,300 jobs through 2032. Modifying the surcharge cap and modernizing the STRIDE mechanism to fit with evolving ratemaking policies will position Maryland to realize these additional benefits in a shorter period of time.

For these reasons, BGE respectfully requests a favorable report from the Committee.

BGE, headquartered in Baltimore, is Maryland's largest gas and electric utility, delivering power to more than 1.25 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), the nation's leading competitive energy provider.