

SUPPORT
Economic Matters Committee
02/24/2022

House Bill 801 Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans (STRIDE Act of 2022)

Baltimore Gas and Electric Company (BGE) supports *House Bill 801 Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans (STRIDE Act of 2022)*, which facilitates accelerated replacement of aging natural gas infrastructure by modifying the Strategic Infrastructure Development and Enhancement (STRIDE) 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 \$1 billion in gas system infrastructure replacement and has retired over 300 miles of aging cast iron or bare steel gas pipeline. As part of these projects, BGE has retired approximately 300 miles of low-pressure pipeline. In addition, we have replaced over 70,000 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. This legislation would position BGE to seek to further accelerate the replacement of aging, leak-prone pipes and the reduction of low-pressure infrastructure, while modernizing the gas system through replacements.

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 that multi-year plans are replacing traditional rate cases for several Maryland utilities. House Bill 801 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, improves safety and reliability for our customers quicker, 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 801. 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 BGE's STRIDE modernization plans are completed at an accelerated pace of approximately five years, those investments are expected to create about \$400 million in additional economic impact and \$200 million in additional labor income.

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.