P.O. Box 278
Riverdale, MD 20738

Committee: **Finance**

Testimony on: **SB 0423 Natural Gas-Strategic Infrastructure Development and Enhancement – Surcharge and Plans (STRIDE Act of 2022)**

Position: **Oppose**

Hearing Date: **February 15, 2022**

The Maryland Chapter of the Sierra Club urges an unfavorable report for SB 423 which would enable gas utilities to dramatically increase capital spending on gas utility infrastructure including main and service lines. This will lead to increased rates for consumers and businesses, hardship for low and moderate income households, and stranded assets as the state of Maryland leads in the transition to a carbon neutral future

SB 423 would allow gas utilities to move STRIDE expenditures into base rates and establish a new $2 per month surcharge any time base rates change instead of each five years. Under multi-year rate plans, base rates change each year as capital expenditures are made by the utility. Potentially, utilities could increase rates by as much $10/month each five years instead of $2/month under the current STRIDE legislation (PSC Order 89482, page 24). For the 1.2 million customers covered by STRIDE at Baltimore Gas and Electric, Washington Gas, and Columbia Gas, this could increase rates by more than $144 million or $120 per customer annually every five years.

Reducing greenhouse gas pollution is critical to limiting the damage from the climate crisis. The Maryland Commission on Climate Change has recommended a 50% reduction in greenhouse gas pollution by 2030 and net zero pollution by 2045. Residential, commercial, and industrial consumption of fracked gas in Maryland generates 13% of all greenhouse gas emissions (2017 Maryland GHG Inventory).

The Maryland Commission on Climate Change recommends that we reduce greenhouse gas pollution by electrifying our buildings, dramatically reducing the demand for methane. Among their 2021 recommendations were: adopting an all-electric building code; encouraging fuel switching to electric water and space heating; targeting 50% of heating ventilation, air conditioning and hot water heater sales to be heat pumps by 2025 and 95% by 2030; creating building emissions performance standards; and developing utility transition plans.

In other words, it is time for Maryland to begin to move away from fossil fuels to heat our homes and buildings. While we are transitioning off fossil fuels, gas utilities can repair gas leaks to make the distribution system safe and reduce methane leaks. Repairs can be done at low cost while we are transitioning off fossil fuels and do not result in long-lived assets. The STRIDE program, in contrast, replaces mains and service lines at a very high cost. As utilities replace gas mains and service lines more rapidly under SB 423, more stranded assets will outlive their useful lives as Maryland tackles climate change.

Much of the new infrastructure put in place under STRIDE will last 35-50 years,[1] well beyond the time when we need to be carbon neutral. As we target net zero GHG pollution in 2045, rate payers will be stuck with the bill for these assets when they no longer serve customers.

Passage of SB 423 will disproportionately impact low and moderate income customers. As other families and businesses shift to low carbon forms of building and water heating, low and moderate income customers will be left with the bill for gas infrastructure. According to the E3 Building Decarbonization Study for the Maryland Climate Commission (page 31), gas rates could quadruple by 2040.

STRIDE has not been meeting its goal of increasing gas distribution safety. BG&E gas leaks have increased since 2011. Gas utilities have not been delivering the planned level of cost or infrastructure replacement. We should not reward the utilities by allowing them to add to the rate base additional uncontrolled spending. With our goal to achieve carbon neutrality by 2045, we should not be investing in assets that will last far beyond that point and burden rate payers, especially low and moderate income households, with ever higher rates.

Christopher T. Stix
Clean Energy Team
Stixchris@gmail.com

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org

[1] Ned Allis testimony on page VI-6 in BG&E rate case 9610.