

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 890
Economic Matters

(Delegate D.E. Davis)

Finance

Natural Gas – Strategic Infrastructure Development and Enhancement –
Surcharge and Plans

This bill requires eligible infrastructure project costs collected under a gas infrastructure replacement surcharge to be included in base rates as part of rate adjustments made during a multi-year rate plan, with the surcharge continuing for eligible future projects that are not included in base rates. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: The Public Service Commission can handle the bill’s requirements with existing budgeted resources. State expenditures (all funds) may increase minimally over time, as discussed below. Revenues are not affected.

Local Effect: Local expenditures may increase minimally over time, as discussed below. Revenues are not affected.

Small Business Effect: Potential meaningful, but only for energy intensive small businesses with natural gas service.

Analysis

Current Law: Chapter 161 of 2013 established an application and review process for gas infrastructure replacement plans with an associated monthly surcharge on customer bills (typically known as the “STRIDE” surcharge). The surcharge is collected at the same time as the eligible infrastructure expenditures occur.

The fixed annual surcharge may not exceed \$2 per month for each residential natural gas customer. The fixed annual surcharge for nonresidential customers may not be less than the fixed annual surcharge for residential customers, but also must be capped. To create a surcharge cap for all customer classes, costs must be allocated between residential and nonresidential customers consistent with the proportions of total distribution revenues that those classes bear, as determined in the gas company's most recent base rate filing.

State/Local/Small Business Effect: Currently, approved surcharges for residential customers are \$0.64 for Baltimore Gas and Electric (BGE), \$1.64 for Washington Gas (with heating/cooling), and \$2 for Columbia Gas. The bill requires eligible project costs – which are being recovered in those surcharges – to be incorporated into base rates when those rates are adjusted during a multi-year rate plan. For gas companies on such multi-year rate plans (currently, just BGE), this has the effect of frequently “making room” in the surcharge to add new eligible projects, since existing projects will be moved to base rates as part of the adjustment. In either case, the companies will earn a rate of return on their existing projects – there will just be more revenue available through the surcharge to provide contemporaneous funding for new projects. This may have the effect over time of increasing overall investments, and revenues associated with earning a return on those investments, by gas companies.

The overall effect on the State, local governments, and most small businesses is likely minimal; energy intensive small businesses in central Maryland (where there is natural gas service) are most likely to experience a meaningful effect.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2021
an/lgc Third Reader - March 22, 2021
Revised - Amendment(s) - March 22, 2021

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