

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

House Bill 1083  
Economic Matters

(Delegate Rosenberg)

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**Gas Companies - Service Extension - Costs**

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This bill establishes procedures for specified property owners to seek an alternative estimated installation cost proposal from a utility construction company for a proposed gas service extension. The bill also establishes requirements and standards in the event a customer selects an alternative proposal.

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**Fiscal Summary**

**State Effect:** None. The Public Service Commission (PSC) can implement the bill with existing budgeted resources.

**Local Effect:** Minimal or none.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The stated purpose of the bill is to promote access by the public to public utility services and to encourage the conversion of residential combustion-based heating systems (fuel oil, wood) to natural gas in order to decrease the level of particulates and other pollutants resulting from home heating combustion.

If a gas company receives a request for the company to extend gas service to three or more residential properties in a defined area, the property owners must be given the opportunity to seek an alternative estimated installation cost proposal from a utility construction company chosen by the property owners. A utility construction company must be approved by PSC or the gas company to submit proposals or install gas service

extensions. The property owners may then compare the proposals for the estimated installation cost of the necessary gas mains, service lines, and other gas plant and installation services necessary to provide gas supply to the residential properties. An alternative installation cost proposal must include the same specified information that would be required of a gas company.

PSC must establish a specified methodology for a gas company and the property owners to compare the installation proposal of the gas company to the alternative proposal. PSC must also adopt procedures by regulation or order to allow property owners to select between the proposals. In accordance with those procedures, the gas company must allow property owners to select between installation of the proposed gas service extension by the gas company or the utility construction company. If the owner chooses to have the extension installed by the utility construction company, the company must meet or exceed all applicable safety and performance standards required for gas plant installations by the gas company.

When a gas service extension is completed, the gas mains, service lines, and other gas plant become the property of the gas company once the property owners and the gas company have executed a gas extension rebate agreement on a form approved by PSC. The rebate agreement must require the gas company to pay to the property owners a proportionate share of the proceeds that the gas company collects from other property owners who subsequently connect to the specified gas service extension.

The property owners must contribute for the cost of a gas service extension installed by a utility construction company in the same way they would be subject to contribution if the extension were installed by the gas company. A gas company may not discriminate between customers served by extensions installed by utility construction companies and those served by extensions installed by the gas company. Each gas company must publish specified information relating to service extension options on its website.

**Current Law:** A “gas company” means a public service company that (1) is authorized to install or maintain facilities in, over, or under streets for furnishing or distributing gas; or (2) owns a gas plant and transmits, sells, supplies or distributes gas, or manufactures gas for distribution or sale. “Gas plant” means the material, equipment, and property owned by a gas company and used or to be used for or in connection with gas service.

A gas company may lay pipe under roadways or other public ways of any county or municipal corporation of the State to transmit gas, and connect the pipe from the place of supply to any structure or object. However, a gas company must have the consent of the local government before laying any gas pipe, and must obtain the consent of PSC before transmitting or supplying gas.

The gas plant of the gas company must be constructed, installed, maintained, and operated in accordance with accepted good engineering practice in the gas industry to ensure, as far as reasonably possible, continuity of service, uniformity in the quality of service furnished, and the safety of persons and property. Gas companies must also adhere to various federal regulations as described in regulation. The production or storage capacity, or both, of a gas company's plant, combined with the gas supply regularly available from other sources, must be sufficiently large to meet all reasonably expectable demands for service.

A gas company may bill its customers for gas or any other service it renders only on the basis of the net total cost of the service under the applicable rate that is filed with PSC for that service. PSC may authorize additional charges in specified circumstances, such as a late payment by a customer.

#### *Baltimore Gas and Electric – Service Extension Tariff*

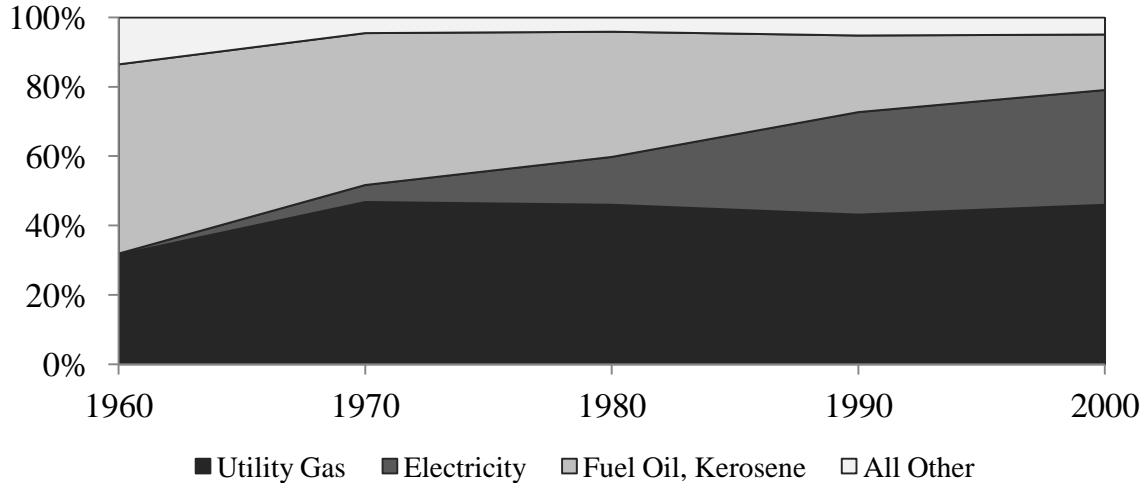
Most of the provisions regarding extension of service are contained in individual gas company tariffs. In Baltimore Gas and Electric's (BGE) tariff, for example, the estimated installed cost of an extension must include all distribution work performed by BGE in accordance with good engineering practice to make service available, including, but not limited to (1) rearranging or modifying the existing system, whether on or off the applicant's property; (2) the cost of piping, trenching, backfilling and restoring surface, ducts, and manholes; (3) breaking and replacing paving, curbing, and sidewalk; and (4) the installed cost of meter assemblies, regulators, valves, and specified protection equipment.

When two or more customers are to be served from a main extension, each customer must contract individually with BGE for the appropriate charges, if any, applicable to each. The extension of service is evaluated on the merits of each project's economics and subject to an economic test; a contribution may be required from the customer. Charges for service extensions are payable by cash in advance or in monthly installments as specified by BGE.

**Background:** The percent of Maryland households that use fuel oil for heat has steadily declined over the past 50 years. **Exhibit 1** shows the relative mix of heating sources for Maryland households from 1960 to 2000. Fuel oil has largely been replaced with electric heat, while the percentage of utility gas customers has remained largely stable.

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**Exhibit 1**  
**Household Heating Source – Maryland**  
**1960-2000**



Source: U.S. Census Bureau

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The U.S. Environmental Protection Agency reports that the carbon coefficient for fuel oil is 161 pounds of carbon dioxide (CO<sub>2</sub>) per million British Thermal Units (BTUs), while the carbon coefficient for natural gas is 117 pounds of CO<sub>2</sub> per million BTUs. A typical household that uses fuel oil emits 11,400 pounds of CO<sub>2</sub> per year, while a typical household consuming natural gas emits 9,500 pounds of CO<sub>2</sub> per year. Therefore, the average household reduction in carbon emissions from converting from fuel oil to natural gas is approximately 1,900 pounds of CO<sub>2</sub> per year.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Public Service Commission, Office of People's Counsel, U.S. Environmental Protection Agency, U.S. Census Bureau, Department of Legislative Services

**Fiscal Note History:** First Reader - March 5, 2012  
mlm/lgc

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