

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 408  
Economic Matters

(Delegate Charkoudian, *et al.*)

Finance

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Public Utilities - Gas Service Regulator Safety (Flower Branch Act)

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This bill requires gas service regulators to be installed or relocated outside of specified structures, subject to certain requirements and exemptions. By January 1, 2021, each gas company must file a plan with the Public Service Commission (PSC) to relocate gas service regulators in multifamily residential structures, as defined. After considering specified information, PSC must approve, disapprove, or approve with modifications each plan by January 1, 2022. Until the plans are fully implemented, gas companies must update PSC annually on the progress made in the previous year, and PSC must in turn report that information to the Governor and the General Assembly. The bill also specifies related legislative intent.

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Fiscal Summary

**State Effect:** PSC can handle the bill's requirements with existing budgeted resources. The bill is anticipated to increase costs for natural gas distribution service as eligible costs are recovered through rates; however, the bill likely does not materially affect State finances or operations, particularly in the short-term, as discussed below.

**Local Effect:** The bill likely does not materially affect local government finances or operations.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** Whenever gas service is newly installed at an occupied structure, any regulator may be installed only outside the structure. An *existing* interior gas service

regulator in a multifamily residential structure, which as defined must have at least six dwelling units, must be relocated outside whenever a gas service line or regulator is replaced. PSC may exempt a gas service regulator from these requirements if PSC finds that an exemption is warranted after considering:

- whether granting the exemption is consistent with the public interest;
- conflicts with federal, State, or local laws or regulations;
- physical obstructions or space constraints; and
- any other factor identified by PSC.

The bill also specifies where a regulator must be relocated: away from roads, driveways, parking areas, or other locations exposed to vehicular traffic or other external forces that may damage the regulator. If it is impractical to do so, guards – such as posts or bollards – must be installed to protect the regulator from damage.

**Current Law:** PSC, under certification from the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration, assumes safety responsibility with respect to intrastate gas facilities and has statutory authority to establish and enforce safety standards for intrastate gas facilities. PSC regulations regarding gas safety require each gas company to exercise reasonable care to reduce the hazards of gas distribution and transmission. Each gas company must adopt and execute a safety program, odorize the gas, and bury pipe according to specified standards. The gas company must also respond promptly to all reports of gas leaks and investigate the reports in accordance with certain standards.

**Background:** The four-story Flower Branch apartment building in Silver Spring, Maryland, caught fire and exploded on August 17, 2016. An adjacent building was also heavily damaged. The accident resulted in seven fatalities, and 65 individuals were transported to local medical facilities. Three firefighters also sustained minor injuries. The incident was investigated by federal, State, and local authorities, with assistance of representatives of Washington Gas Light Company (WGL) (the gas company serving the apartment building).

Subsequent to the investigation, the National Transportation Safety Board (NTSB) determined that the probable cause of the explosion was the failure of an indoor mercury service regulator with an unconnected vent line that allowed natural gas into the meter room where it accumulated and ignited from an unknown ignition source. Contributing to the accident was the location of the regulators, where leak detection by order was not readily available. WGL disputed the report’s probable cause determination.

NTSB's final report contains 17 findings and 13 recommendations, with 5 of those recommendations directed to WGL. Specific to the bill, the report recommends WGL:

- establish a timeframe with specific dates and milestones for the replacement of mercury service regulators throughout the WGL network that recognizes the need to expedite this (existing) program and that prioritizes multifamily dwellings where mercury service regulators are located inside the property;
- install all new service regulators outside occupied structures; and
- relocate existing interior service regulators outside occupied structures whenever the gas service line, meter, or regulator is replaced (while prioritizing multifamily structures).

In a public response to NTSB, PSC stated its intention to require WGL to provide an annual status report and that PSC's Engineering Division will be the responsible party for providing oversight and auditing WGL's performance of its mercury service regulator replacement program. The PSC case (No. 9622) investigating the Flower Branch explosion is still proceeding.

**State/Local/Small Business Effect:** PSC can handle the bill's requirements with existing budgeted resources. The Department of Legislative Services cannot provide an estimate of the total costs for gas companies to comply with the bill. Ultimately, costs incurred under the bill that are determined to be just and reasonable by PSC may be recovered in future base rates, which are paid by all gas customers, including the State, local governments, and small businesses. However the overall effect is likely modest.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Public Service Commission; Office of People's Counsel; University System of Maryland; Morgan State University; St. Mary's College of Maryland; Montgomery and St. Mary's counties; Easton Utilities; Baltimore Gas and Electric Company; Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2020  
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