

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 503
Finance

(Senator Smith)

Economic Matters

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

This bill requires gas service regulators to be installed or relocated outside of specified structures, subject to certain requirements and exemptions. By January 1, 2022, 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 issue a final order approving or disapproving each plan by January 1, 2023. If PSC issues an order disapproving a plan, the gas company must submit a new plan within 60 days. 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.

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.

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;
- whether the gas company has made every reasonable effort to expeditiously address any factor that may contribute to a delay in relocating the regulators and committed to a reasonable implementation timeline that does not unduly delay their relocation; 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.

The most recent PSC [order](#) (No. 89680) in the case (No. 9622) investigating the August 2016 Flower Branch explosion in Silver Spring, Maryland, assessed a \$750,000 penalty on Washington Gas Light Company (WGL). In that order, PSC also approved WGL’s proposed mercury service regulator replacement program, subject to additional conditions. For additional information, see the text of the order, which contains a thorough history and additional findings.

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, but notes that the recent PSC order related to the Flower Branch apartment building explosion requires WGL – one of three large gas companies in the State – to replace a portion of its regulators, albeit on a longer timeline than that required under 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.

Additional Information

Prior Introductions: HB 408 of 2020, a similar bill as amended, passed the House and received a hearing from the Senate Finance Committee, but no further action was taken.

Designated Cross File: HB 345 (Delegate Charkoudian) - Economic Matters.

Information Source(s): Public Service Commission; Office of People’s Counsel; Harford County; University System of Maryland; Morgan State University; Department of Legislative Services

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