HOUSE BILL 731

C5, M5 4lr2628 CF SB 548

By: Delegates Embry, Qi, Boafo, Charkoudian, Edelson, Grossman, Queen, and Ruth

Introduced and read first time: January 29, 2024

Assigned to: Economic Matters

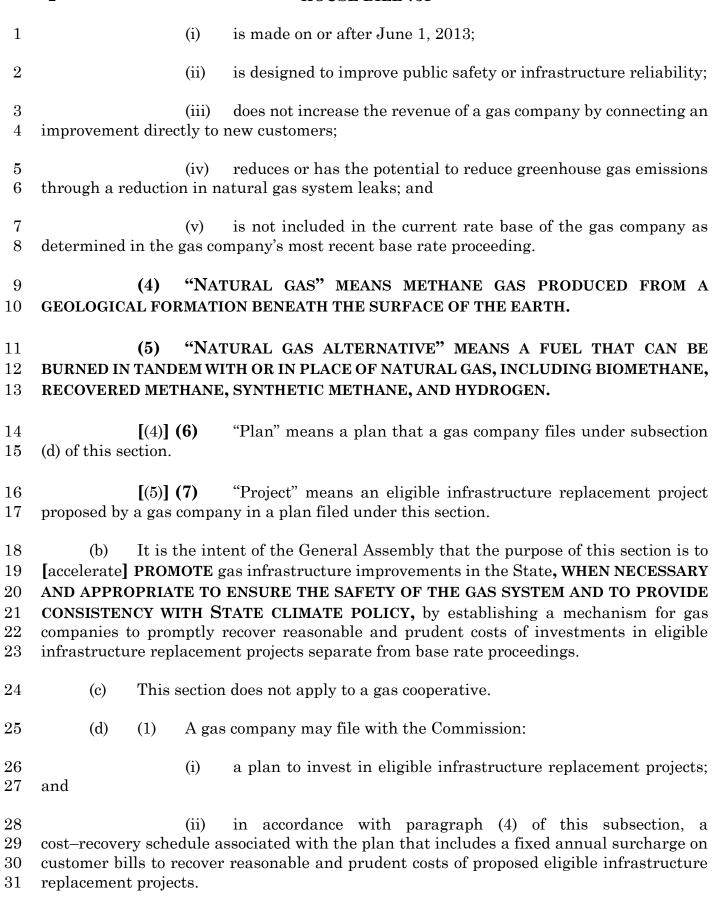
A BILL ENTITLED

1	AN ACT concerning
2 3	Natural Gas – Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)
4 5 6 7 8 9	FOR the purpose of altering the required contents of a certain plan that a gas company may file with the Public Service Commission for proposed eligible infrastructure replacement projects to include certain descriptions, demonstrations, analyses, and notifications; altering the required findings of the Commission in considering whether to approve a certain infrastructure replacement plan; and generally relating to natural gas and infrastructure management.
10 11 12 13 14	BY repealing and reenacting, with amendments, Article – Public Utilities Section 4–210 Annotated Code of Maryland (2020 Replacement Volume and 2023 Supplement) SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND
16	That the Laws of Maryland read as follows:
17	Article - Public Utilities
18	4–210.
19	(a) (1) In this section the following words have the meanings indicated.
20	(2) "Customer" means a retail natural gas customer.
$\frac{21}{22}$	(3) "Eligible infrastructure replacement" means a replacement or an improvement in an existing infrastructure of a gas company that:



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(2)



A plan under this subsection shall include:

$\frac{1}{2}$	(i) A DESCRIPTION OF EACH ELIGIBLE PROJECT, INCLUDING THE PROJECT'S EXPECTED USEFUL LIFE;
3	(II) a time line for the completion of each eligible project;
4	[(ii)] (III) the estimated cost of each project;
5	[(iii)] (IV) a description of customer benefits under the plan;
6 7 8	(V) A DEMONSTRATION THAT THE GAS COMPANY HAS SELECTED AND GIVEN PRIORITY TO PROJECTS BASED ON RISK TO THE PUBLIC AND COST–EFFECTIVENESS;
9 10	(VI) AN ANALYSIS THAT COMPARES THE COSTS OF PROPOSED REPLACEMENT PROJECTS WITH ALTERNATIVES TO REPLACEMENT, INCLUDING:
11	1. LEAK DETECTION AND REPAIR; AND
12 13	2. THE TARGETED RETIREMENT OR ABANDONMENT OF PORTIONS OF THE GAS SYSTEM IN CONJUNCTION WITH ELECTRIFICATION;
14 15	(VII) A PLAN FOR NOTIFYING CUSTOMERS AFFECTED BY PROPOSED PROJECTS AT LEAST 2 YEARS IN ADVANCE OF CONSTRUCTION TO ALLOW CUSTOMERS THE OPPORTUNITY TO ELECTRIFY; and
16	000101111111111111111111111111111111111
16 17 18	[(iv)] (VIII) any other information the Commission considers necessary to evaluate the plan.
17	[(iv)] (VIII) any other information the Commission considers
17 18 19	[(iv)] (VIII) any other information the Commission considers necessary to evaluate the plan. (3) (i) When calculating the estimated cost of a project under paragraph
17 18 19 20	[(iv)] (VIII) any other information the Commission considers necessary to evaluate the plan. (3) (i) When calculating the estimated cost of a project under paragraph (2) of this subsection, a gas company shall include: 1. the pretax rate of return on the gas company's investment
17 18 19 20 21 22 23	[(iv)] (VIII) any other information the Commission considers necessary to evaluate the plan. (3) (i) When calculating the estimated cost of a project under paragraph (2) of this subsection, a gas company shall include: 1. the pretax rate of return on the gas company's investment in the project; 2. depreciation associated with the project, based on new

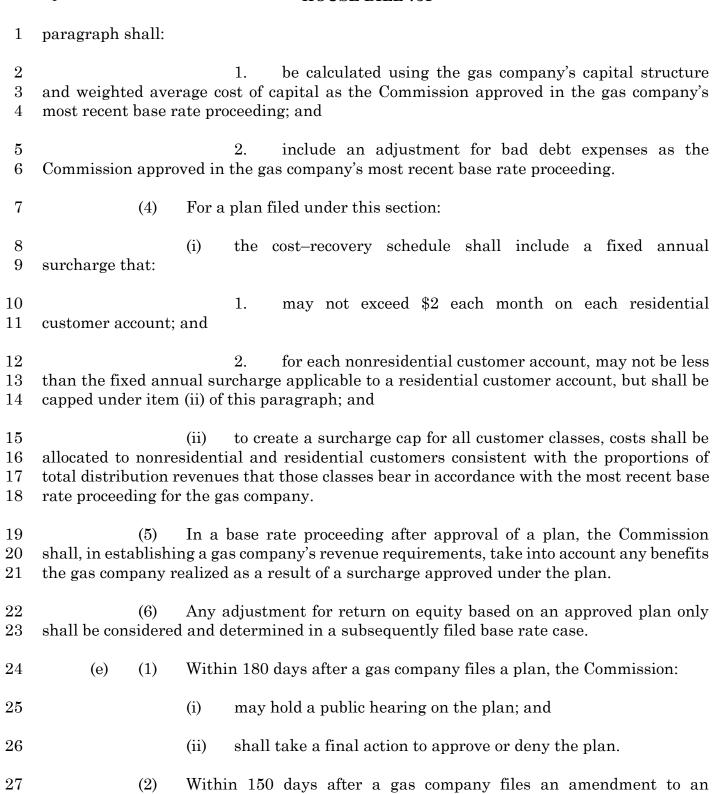
The pretax rate of return under subparagraph (i)1 of this

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(iii)

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29 (3) The Commission may approve a plan if it finds that the investments 30 and estimated costs of eligible infrastructure replacement projects are:

approved plan, the Commission shall take final action to approve or deny the amendment.

(i) reasonable and prudent; [and]

- 1 designed to improve public safety or infrastructure reliability (ii) 2 over the short term and long term; 3 (III) REQUIRED TO IMPROVE THE SAFETY OF THE GAS SYSTEM 4 AFTER CONSIDERATION OF ALTERNATIVES TO REPLACEMENT; 5 (IV) CONSISTENT WITH THE NEED TO REDUCE THE USE OF NATURAL GAS IN LIGHT OF STATE CLIMATE POLICY; AND 6 7 **(**V**)** CONSISTENT WITH THE PROJECTED AVAILABILITY AND 8 COST-EFFECTIVENESS OF NATURAL GAS ALTERNATIVES. 9 **(4)** (i) The Commission shall approve the cost-recovery schedule 10 associated with the plan at the same time that it approves the plan. 11 (ii) Costs recovered under the schedule approved in subparagraph (i) 12 of this paragraph may relate only to the projects within the plan approved by the 13 Commission. 14 The Commission may not consider a revenue requirement or (5)rate-making issue that is not related to the plan when reviewing a plan for approval or 15 16 denial unless the plan is filed in conjunction with a base rate case. 17 Subject to paragraph (2) of this subsection, if the Commission does not 18 take final action on a plan within the time period required under subsection (e) of this 19 section, the gas company may implement the plan. 20 If a gas company implements a plan that the Commission has not 21approved, the gas company shall refund to customers any amount of the surcharge that the 22 Commission later determines is not reasonable or prudent, including interest. 23A surcharge under this section shall be in effect for 5 years from (g) (1)(i) 24the date of initial implementation of an approved plan. 25(ii) Before the end of the 5-year period, the gas company shall 26 file a base rate case application. 27 2. In a base rate proceeding filed under subsubparagraph 1 28 of this subparagraph, if a plan approved by the Commission remains in effect: 29 eligible infrastructure project costs included in base rates in accordance with a final Commission order on the base rate case shall be removed from a 30 surcharge; and 31
- B. the surcharge mechanism shall continue for eligible future infrastructure project costs that are not included in the base rate case.

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- 1 (2) (i) If the actual cost of a plan is less than the amount collected under 2 a surcharge, the gas company shall refund to customers the difference on customer bills, 3 including interest.
 - (ii) If the actual cost of a plan is more than the amount collected under the surcharge and the Commission determines that the higher costs were reasonably and prudently incurred, the Commission shall authorize the gas company to increase the surcharge to recover the difference, subject to the rate limit under subsection (d)(4) of this section.
- 9 (h) Each year a gas company shall file with the Commission a reconciliation to adjust the amount of a surcharge to account for any difference between the actual cost of a plan and the actual amount recovered under the surcharge.
- 12 (i) If, after approving a surcharge in a plan, the Commission establishes new base 13 rates for the gas company that include costs on which the surcharge is based, the gas 14 company shall file a revised rate schedule with the Commission that subtracts those costs 15 from the surcharge.
- 16 (j) (1) The Commission may review a previously approved plan.
- 17 (2) If the Commission determines that an investment of a project or cost of 18 a project no longer meets the requirements of subsection (e)(3) of this section, the 19 Commission may:
- 20 (i) reduce future base rates or surcharges; or
- 21 (ii) alter or rescind approval of that part of the plan.
- SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2024.