

HOUSE BILL 1253

C5

6lr2332

By: **Delegates Behler, Boafo, Allen, Charkoudian, Embry, Lewis, Ruff, and Ruth**
Introduced and read first time: February 12, 2026
Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Gas Companies – Infrastructure Investments – Cost Recovery and Customer**
3 **Notification**
4 **(Break STRIDE Act)**

5 FOR the purpose of repealing certain provisions authorizing a gas company to file a plan
6 to invest in eligible infrastructure replacement projects with the Public Service
7 Commission and recover related costs through a certain surcharge; prohibiting the
8 Commission from allowing a gas company or a combination gas and electric company
9 to recover certain infrastructure replacement costs using an alternative form of
10 regulation beginning on a certain date; altering the list of items that an
11 investor–owned gas company must demonstrate to recover certain costs associated
12 with a planned gas infrastructure investment; requiring an investor–owned gas
13 company to provide certain advance notice of construction to customers affected by
14 certain planned gas infrastructure investments; and generally relating to gas
15 company infrastructure investments.

16 BY repealing
17 Article – Public Utilities
18 Section 4–210
19 Annotated Code of Maryland
20 (2025 Replacement Volume and 2025 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article – Public Utilities
23 Section 4–213 and 4–214
24 Annotated Code of Maryland
25 (2025 Replacement Volume and 2025 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
27 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



Article – Public Utilities

[4–210.

(a) (1) In this section the following words have the meanings indicated.

(2) “Customer” means a retail natural gas customer.

(3) “Eligible infrastructure replacement” means a replacement or an improvement in an existing infrastructure of a gas company that:

(i) is made on or after June 1, 2013;

(ii) is designed to improve public safety or infrastructure reliability;

(iii) does not increase the revenue of a gas company by connecting an improvement directly to new customers;

(iv) reduces or has the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks; and

(v) is not included in the current rate base of the gas company as determined in the gas company’s most recent base rate proceeding.

(4) “Plan” means a plan that a gas company files under subsection (e) of this section.

(5) “Project” means an eligible infrastructure replacement project proposed by a gas company in a plan filed under this section.

(b) It is the intent of the General Assembly that the purpose of this section is to allow for the appropriate acceleration of gas infrastructure improvements in the State when:

(1) necessary to ensure safety and improve reliability; and

(2) consistent with State policy.

(c) Nothing in this section may be construed to alter a gas company’s obligation under this division to make improvements to a gas system that are necessary to ensure the safety of the gas system.

(d) This section does not apply to a gas cooperative.

(e) (1) A gas company may file with the Commission:

1 (i) a plan to invest in eligible infrastructure replacement projects;
2 and

3 (ii) in accordance with paragraph (5) of this subsection, a
4 cost-recovery schedule associated with the plan that includes a fixed annual surcharge on
5 customer bills to recover reasonable and prudent costs of proposed eligible infrastructure
6 replacement projects.

7 (2) A plan under this subsection shall include:

8 (i) a description of each eligible infrastructure replacement project,
9 including the project's expected useful life;

10 (ii) a time line for the completion of each eligible project;

11 (iii) the estimated cost of each project;

12 (iv) a description of customer benefits under the plan;

13 (v) a demonstration that the gas company has selected and given
14 priority to projects based on risk to the public and cost-effectiveness;

15 (vi) an analysis that compares the costs of proposed replacement
16 projects with alternatives to replacement, including leak detection and repair;

17 (vii) a plan for notifying customers affected by proposed projects at
18 least 6 months in advance of construction; and

19 (viii) any other information the Commission considers necessary to
20 evaluate the plan.

21 (3) A customer notification plan required under paragraph (2) of this
22 subsection shall provide for:

23 (i) an initial notification of construction in a manner determined by
24 the Commission;

25 (ii) at least two subsequent notifications of construction in a manner
26 determined by the Commission; and

27 (iii) the communicating of:

28 1. a complete and accurate description of project activities;
29 and

30 2. any other information the Commission considers
31 necessary to evaluate the plan.

1 (4) (i) When calculating the estimated cost of a project under paragraph
2 (2) of this subsection, a gas company shall include:

- 3 1. the pretax rate of return on the gas company's investment
4 in the project;
- 5 2. depreciation associated with the project, based on new
6 assets less retired plant; and
- 7 3. property taxes associated with the project, based on new
8 assets less retired plant.

9 (ii) The estimated project costs described in subparagraph (i) of this
10 paragraph are collectible at the same time the eligible infrastructure replacement is made.

11 (iii) The pretax rate of return under subparagraph (i)1 of this
12 paragraph shall:

- 13 1. be calculated using the gas company's capital structure
14 and weighted average cost of capital as the Commission approved in the gas company's
15 most recent base rate proceeding; and
- 16 2. include an adjustment for bad debt expenses as the
17 Commission approved in the gas company's most recent base rate proceeding.

18 (5) For a plan filed under this section:

19 (i) the cost-recovery schedule shall include a fixed annual
20 surcharge that:

- 21 1. may not exceed \$2 each month on each residential
22 customer account; and
- 23 2. for each nonresidential customer account, may not be less
24 than the fixed annual surcharge applicable to a residential customer account, but shall be
25 capped under item (ii) of this paragraph; and

26 (ii) to create a surcharge cap for all customer classes, costs shall be
27 allocated to nonresidential and residential customers consistent with the proportions of
28 total distribution revenues that those classes bear in accordance with the most recent base
29 rate proceeding for the gas company.

30 (6) For a gas company to recover costs associated with eligible
31 infrastructure replacement projects, a plan shall demonstrate:

32 (i) customer benefits; and

1 (ii) that the gas company has:

2 1. analyzed available cost-effective options to defer, reduce,
3 or remove the need to replace, construct, or upgrade components of the gas company's
4 distribution infrastructure, including leak detection and repair; and

5 2. met any other requirements established by the
6 Commission when setting rates under this title.

7 (7) A plan under this subsection shall be filed separately from a base rate
8 proceeding.

9 (8) In a base rate proceeding after approval of a plan, the Commission
10 shall, in establishing a gas company's revenue requirements, take into account any benefits
11 the gas company realized as a result of a surcharge approved under the plan.

12 (9) Any adjustment for return on equity based on an approved plan only
13 shall be considered and determined in a subsequently filed base rate case.

14 (f) (1) Within 180 days after a gas company files a plan, the Commission:

15 (i) may hold a public hearing on the plan; and

16 (ii) shall take a final action to approve or deny the plan.

17 (2) Within 150 days after a gas company files an amendment to an
18 approved plan, the Commission shall take final action to approve or deny the amendment.

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

21 (i) reasonable and prudent;

22 (ii) designed to improve public safety or infrastructure reliability
23 over the short term and long term; and

24 (iii) required to improve the safety of the gas system after
25 consideration of alternatives to replacement.

26 (4) (i) The Commission shall approve the cost-recovery schedule
27 associated with the plan at the same time that it approves the plan.

28 (ii) Costs recovered under the schedule approved in subparagraph (i)
29 of this paragraph may relate only to the projects within the plan approved by the
30 Commission.

1 (5) The Commission may not consider a revenue requirement or
2 rate-making issue that is not related to the plan when reviewing a plan for approval or
3 denial unless the plan is filed in conjunction with a base rate case.

4 (g) (1) Subject to paragraph (2) of this subsection, if the Commission does not
5 take final action on a plan within the time period required under subsection (f) of this
6 section, the gas company may implement the plan.

7 (2) If a gas company implements a plan that the Commission has not
8 approved, the gas company shall refund to customers any amount of the surcharge that the
9 Commission later determines is not reasonable or prudent, including interest.

10 (h) The Commission may authorize a gas company to use a mechanism to
11 promptly recover reasonable and prudent costs of investments for eligible infrastructure
12 replacement projects that:

13 (1) are part of a plan approved under this section or implemented under
14 subsection (g) of this section; and

15 (2) accelerate gas infrastructure improvements in the State.

16 (i) (1) (i) A surcharge under this section shall be in effect for 5 years from
17 the date of initial implementation of an approved plan.

18 (ii) 1. Before the end of the 5-year period, the gas company shall
19 file a base rate case application.

20 2. In a base rate proceeding filed under subsubparagraph 1
21 of this subparagraph, if a plan approved by the Commission remains in effect:

22 A. eligible infrastructure project costs included in base rates
23 in accordance with a final Commission order on the base rate case shall be removed from a
24 surcharge; and

25 B. the surcharge mechanism shall continue for eligible future
26 infrastructure project costs that are not included in the base rate case.

27 (2) (i) If the actual cost of a plan is less than the amount collected under
28 a surcharge, the gas company shall refund to customers the difference on customer bills,
29 including interest.

30 (ii) If the actual cost of a plan is more than the amount collected
31 under the surcharge and the Commission determines that the higher costs were reasonably
32 and prudently incurred, the Commission shall authorize the gas company to increase the
33 surcharge to recover the difference, subject to the rate limit under subsection (e)(5) of this
34 section.

1 (j) Each year a gas company shall file with the Commission a reconciliation to
2 adjust the amount of a surcharge to account for any difference between the actual cost of a
3 plan and the actual amount recovered under the surcharge.

4 (k) If, after approving a surcharge in a plan, the Commission establishes new base
5 rates for the gas company that include costs on which the surcharge is based, the gas
6 company shall file a revised rate schedule with the Commission that subtracts those costs
7 from the surcharge.

8 (l) (1) The Commission may review a previously approved plan.

9 (2) If the Commission determines that an investment of a project or cost of
10 a project no longer meets the requirements of subsection (f)(3) of this section, the
11 Commission may:

12 (i) reduce future base rates or surcharges; or

13 (ii) alter or rescind approval of that part of the plan.]

14 4-213.

15 (a) This section applies only to a public service company that is an electric
16 company, a gas company, or a combination gas and electric company.

17 (b) Unless otherwise authorized by law, **AND SUBJECT TO SUBSECTION (D) OF**
18 **THIS SECTION**, the Commission may approve the use of a multiyear rate plan for
19 distribution base rates only if the plan:

20 (1) demonstrates the customer benefits of the investment; and

21 (2) does not allow for the public service company to file for reconciliation of
22 cost or revenue variances of the approved revenue component used by the Commission to
23 establish just and reasonable rates.

24 (c) A public service company that files or has filed an application for a multiyear
25 rate plan may not subsequently file for reconciliation of cost or revenue variances of the
26 approved revenue component used by the Commission to establish the multiyear rates
27 unless the filing for reconciliation was made on or before January 1, 2025.

28 **(D) BEGINNING OCTOBER 1, 2026, THE COMMISSION MAY NOT ALLOW A GAS**
29 **COMPANY OR A COMBINATION GAS AND ELECTRIC COMPANY TO RECOVER THE**
30 **COSTS OF ANY GAS INFRASTRUCTURE REPLACEMENT PROJECTS USING AN**
31 **ALTERNATIVE FORM OF REGULATION, INCLUDING A MULTIYEAR RATE PLAN.**

32 4-214.

1 (a) (1) In this section[, “nonpipeline alternative”] **THE FOLLOWING WORDS**
2 **HAVE THE MEANINGS INDICATED.**

3 (2) **“NONPIPELINE ALTERNATIVE”** means an investment or activity that
4 defers, reduces, or eliminates the need to construct a new gas pipeline.

5 (3) **“PLANNED GAS INFRASTRUCTURE INVESTMENT” MEANS ANY**
6 **NON-EMERGENCY INVESTMENT IN THE REPLACEMENT, UPGRADE, OR**
7 **CONSTRUCTION OF A PORTION OF A GAS COMPANY’S GAS SYSTEM.**

8 (b) Nothing in this section may be construed to restrict an investor-owned gas
9 company’s ability to make improvements to its gas system to ensure the safe and reliable
10 operation of the system.

11 (c) An investor-owned gas company may recover reasonable and prudent costs
12 associated with a planned gas infrastructure investment if the investor-owned gas
13 company demonstrates at a rate setting proceeding:

14 (1) the customer benefits of the investment;

15 (2) that the investor-owned gas company analyzed [cost-effective] options
16 available to defer, reduce, or eliminate the need to replace, upgrade, or construct new
17 components, including an analysis of:

18 (i) [for new investments unrelated to safety,] nonpipeline
19 alternatives; and

20 (ii) leak detection and repair; [and]

21 (3) the estimated risk reduction associated with a safety-related
22 investment, if applicable; **AND**

23 (4) **THAT THE INVESTOR-OWNED GAS COMPANY PROVIDED THE**
24 **CUSTOMER NOTICE REQUIRED UNDER SUBSECTION (D) OF THIS SECTION.**

25 (D) (1) **FOR ANY PLANNED GAS INFRASTRUCTURE INVESTMENT WHERE**
26 **AN INVESTOR-OWNED GAS COMPANY HAS DETERMINED THAT A NONPIPELINE**
27 **ALTERNATIVE IS NOT FEASIBLE, THE INVESTOR-OWNED GAS COMPANY SHALL**
28 **PROVIDE AT LEAST 2 YEARS’ ADVANCE NOTICE OF CONSTRUCTION TO CUSTOMERS**
29 **AFFECTED BY THE PLANNED INVESTMENT.**

30 (2) **THE CUSTOMER NOTIFICATION SHALL INCLUDE:**

31 (I) **AN INITIAL NOTIFICATION OF CONSTRUCTION, IN A FORM**
32 **DETERMINED BY THE COMMISSION;**

1 **(II) AT LEAST TWO SUBSEQUENT NOTIFICATIONS OF**
2 **CONSTRUCTION, IN A FORM DETERMINED BY THE COMMISSION;**

3 **(III) A COMPLETE AND ACCURATE DESCRIPTION OF THE**
4 **PLANNED GAS INFRASTRUCTURE INVESTMENT; AND**

5 **(IV) ANY OTHER INFORMATION THE COMMISSION CONSIDERS**
6 **NECESSARY.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That a presently existing obligation
8 or contract right may not be impaired in any way by this Act.

9 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 October 1, 2026.