Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1253 (Delegate Behler, *et al.*)
Environment and Transportation

Gas Companies - Infrastructure Investments - Cost Recovery and Customer Notification (Break STRIDE Act)

This bill repeals provisions of the Public Utilities Article that authorize gas companies to file a plan with the Public Service Commission (PSC) requesting authorization to include a surcharge on customers' bills to recover specified costs associated with gas infrastructure replacement projects (known as the "STRIDE" surcharge). Beginning October 1, 2026, the bill prohibits PSC from allowing a gas company or a combination gas and electric company to recover the costs of any gas infrastructure replacement projects using an alternative form or regulation, including a multi-year rate plan. The bill also alters the requirements an investor-owned gas company must satisfy to recover reasonable and prudent costs associated with a "planned gas infrastructure investment" during a rate-setting proceeding.

Fiscal Summary

State Effect: The bill's changes can be absorbed within existing budgeted resources. The potential effect on gas prices is discussed in the Additional Comments below. No effect on revenues.

Local Effect: The potential effect on gas prices is discussed in the Additional Comments below. No effect on revenues.

Small Business Effect: Potential meaningful, as discussed in the Additional Comments below.

Analysis

Bill Summary: The bill alters the requirements an investor-owned gas company must satisfy to recover reasonable and prudent costs associated with a planned gas infrastructure investment during a rate-setting proceeding to require (1) additional analysis of available options to defer, reduce, or eliminate the need to replace, upgrade, or construct new components and (2) specified customer notice (described below). A "planned gas infrastructure investment" means any non-emergency investment in the replacement, upgrade, or construction of a portion of a gas company's gas system.

An investor-owned gas company must provide at least two years' advance notice of construction to all affected customers for any planned gas infrastructure investment where the investor-owned gas company has determined that a nonpipeline alternative is not feasible. The notice must include:

- an initial notification of construction, in a form determined by PSC;
- at least two subsequent notifications, in a form determined by PSC;
- a complete and accurate description of the planned gas infrastructure investment; and
- any other information PSC considers necessary.

A presently existing obligation or contract may not be impaired in any way by the bill.

Current Law:

Regulation of Gas Companies, Generally

PSC regulates gas companies, including monitoring retail competition and customer choice, to ensure that safe, reliable, and affordable gas service is provided. Rates charged by a gas distribution company are specified in the company's tariff and are approved through an order made by PSC. Through the rate making process, a gas company is allowed to charge just and reasonable rates for the regulated services it renders.

Strategic Infrastructure Development and Enhancement Surcharge (STRIDE)

Overview and Purpose

Chapter 161 of 2013, as amended by Chapters 625 and 626 of 2025, establishes an application and review process for gas infrastructure replacement plans with an associated monthly surcharge on customer bills (typically known as the "STRIDE" surcharge). Statute establishes the intent of the General Assembly that the purpose of the STRIDE surcharge process is to allow for the appropriate acceleration of gas infrastructure improvements in the State when necessary to ensure safety and improve reliability and when consistent with

State policy. To that end, the surcharge is collected at the same time as the eligible infrastructure expenditures occur, as opposed to subsequent to the expenditures as authorized in a base rate proceeding.

Subject to PSC review and approval, the fixed annual surcharge may not exceed $2 per month for each residential natural gas customer. The fixed annual surcharge for nonresidential customers may not be less than the fixed annual surcharge for residential customers but also must be capped. To create a surcharge cap for all customer classes, costs must be allocated between residential and nonresidential customers consistent with the proportions of total distribution revenues that those classes bear, as determined in the gas company's most recent base rate filing. For a gas company to recover costs associated with eligible infrastructure replacement projects, a plan must demonstrate customer benefits and that the gas company has (1) analyzed available cost-effective options to defer, reduce, or remove the need to replace, construct, or upgrade components of the company's distribution infrastructure and (2) met any other requirements established by PSC, as specified.

All three of Maryland's major gas companies – BGE, Washington Gas, and Columbia Gas – have filed with PSC and received approval for gas infrastructure replacement plans since the surcharge was created. However, only Washington Gas has an active STRIDE plan. As of 2026, BGE conducts its infrastructure replacement work under its multi-year rate plan.

Eligible Infrastructure, Company Plans, Approval Criteria

"Eligible infrastructure replacement" is defined as the replacement or an improvement in the existing infrastructure of a gas company that is (1) made on or after June 1, 2013; (2) designed to improve public safety or infrastructure reliability; (3) does not increase the revenue of a gas company by connecting an improvement directly to new natural gas customers; (4) reduces or has the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks; and (5) is not included in the current rate base of the gas company as determined by the gas company's most recent base rate proceeding.

A plan for an eligible infrastructure replacement project must include (1) a description of each eligible infrastructure replacement project, including the project's expected useful life; (2) a timeline for completion of each eligible project; (3) the estimated cost of each project; (4) a description of customer benefits under the plan; (5) a demonstration that the gas company has selected and given priority to projects based on risk to the public and cost-effectiveness; (6) an analysis that compares the costs of proposed replacement projects with alternatives to replacement, including leak detection and repair; (7) a plan, subject to specified requirements, for notifying customers affected by proposed projects at least six months in advance of construction; and (8) any other information PSC considers necessary to evaluate the plan.

PSC must take final action to approve or deny a plan within 180 days after a gas company files a plan. PSC may approve a plan if it finds that the investments and estimated costs of eligible infrastructure replacement projects are (1) reasonable and prudent; (2) designed to improve public safety or infrastructure reliability over the short and long term; and (3) required to improve the safety of the gas system after consideration of alternatives to replacement. PSC must approve the cost-recovery schedule associated with a plan at the same time that it approves a plan.

The surcharge applies for five years from the date of initial implementation of an approved plan. Costs are reviewed by PSC each year and the surcharge is adjusted to account for any difference between actual and recovered costs (unless PSC determines higher costs were reasonably and prudently incurred, in which case PSC must authorize an increase in the surcharge to recover the difference). In a base rate proceeding subsequent to the approval of a plan, PSC must take into account any benefits realized by the gas company as a result of an approved surcharge.

PSC may authorize a gas company to use a mechanism to promptly recover reasonable and prudent costs of investments for eligible infrastructure replacement projects that (1) are part of an approved plan or implemented as otherwise authorized under the STRIDE surcharge process and (2) accelerate gas infrastructure improvements in the State.

Multi-year Rate Plan Requirements

Unless otherwise authorized by law, PSC may approve the use of a multi-year rate plan for distribution base rates for a gas, electric, or combination gas and electric company only if the plan:

- demonstrates the customer benefits of the investment; and
- does not allow for the company to file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish just and reasonable rates.

A gas, electric, or combination gas and electric company that files or has filed an application for a multi-year rate plan may not subsequently file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish the multi-year rates unless the filing for reconciliation was made on or before January 1, 2025.

Provisions authorizing PSC to regulate the regulated services of an electric company through alternative forms of regulation are subject to these requirements.

Recovery of Planned Gas Infrastructure Investments

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

- the customer benefits of the investment;
- that the company analyzed cost-effective options available to defer, reduce, or eliminate the need to replace, upgrade, or construct new components, including an analysis of (1) for new investments unrelated to safety, nonpipeline alternatives, as defined, and (2) leak detection and repair; and
- the estimated risk reduction associated with a safety-related investment, if applicable.

Nothing in this provision may be construed to restrict an investor-owned gas company's ability to make improvements to its gas system to ensure the safe and reliable operation of the system.

Additional Comments: Gas utility rates may decrease – or future rate increases may be minimized – as a result of repealing the STRIDE provisions and the bill's prohibition on using multi-year rate plans. The extent to which the bill results in a decrease in rates cannot be reliably estimated at this time. In any event, gas utility customers, including the State, local governments, and small businesses, benefit from any decrease in rates that may result from the bill's changes.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Maryland Energy Administration; Department of Legislative Services

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