AARP Maryland

200 St. Paul Place, #2510 | Baltimore, MD 21202
1-866-542-8163 | Fax: 410-895-0269 | TTY: 1-877-434-7598
aarp.org/md | mdaarp@aarp.org | twitter: @aarpmaryland
facebook.com/aarpmd

House Bill 890 Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans
Senate Finance Committee
UNFAVORABLE
March 30th, 2021

Good Afternoon Chairwoman Kelley and Members of the Senate Finance Committee. I am Tammy Bresnahan, Director Advocacy AARP MD. AARP MD and its over 860,000 members opposes HB 890 Natural Gas Strategic Infrastructure Development and Enhancement Surcharge and Plans.

HB 890 also known as STRIDE requires eligible infrastructure project costs collected under a gas infrastructure replacement surcharge to be included in base rates as part of rate adjustments made during a multi-year rate plan, with the surcharge continuing for eligible future projects that are not included in base rates.

Home energy costs make up a sizable portion of household budgets. In recent years, volatile prices for natural gas, electricity, and fuel oil have significantly increased many consumers' costs. One group particularly vulnerable to rapid increases in energy prices are older consumers. Although they consume approximately as much energy as younger people do, older Americans devote a higher percentage of their total spending to residential energy costs. They spend a greater proportion of their income to heat their homes (this is true even after statistics are adjusted for weather and home size). Low-income older households spend an average of 10 percent of their income on residential energy. However, in about one out of four cases, low-income older households devote 15 percent or more of their income to home energy bills. Too often low-income older people must choose between cutting back on energy expenditures and reducing spending for other necessities, and may thus end up risking their health or comfort.

For many older people in low - and moderate - income households, high and unpredictable home energy prices jeopardize stable home heating and cooling. This increases the possibility of their homes being too hot in summer and too cold in winter. Such exposure can lead to a host of adverse health outcomes, ranging from the aggravation of chronic health conditions to food spoilage to premature death. According to the most recent statistics, exposure to heat and cold kills thousands of people prematurely in the US each year; it also causes many adverse health outcomes that do not prove fatal.

Historically in Maryland before allowing utilities to recover their costs, regulators traditionally required a rate case review. Once set, the rates remain in place until a new rate case is filed and approved. A rate case ensures scrutiny of a utility's costs. Regulators review costs, seeking decreases that might at least partially offset the need for a rate increase, thus reducing the overall price to consumers. This process also provides strong motivation for a utility to minimize its costs between rate cases.

Trackers adjust rates between rate cases based on actual increases or decreases in certain utility costs. The danger they pose for consumers is that such adjustments tend to limit regulators' ability to scrutinize and evaluate costs. This design also may lessen the utility's incentive to control its costs between rate cases.

AARP believes that:

- Regulators should ensure that utility rate changes occur within the context of a full rate case review and depart from this approach only when a utility can demonstrate that extraordinary circumstances jeopardize its financial condition and require emergency or interim action.
- Regulators should require full rate case reviews at intervals short enough to ensure that the utility remains accountable to its customers.

If policymakers allow a utility to recover a portion of its expenditures via a surcharge or tracker on a ratepayer's utility bill, AARP believes the following minimum consumer protections should be in place:

- A surcharge should recover only clearly defined costs, should expire in a reasonable period of time, and should undergo an audit or review (including public comment opportunities) to determine whether it achieved the intended result.
- The number of surcharges and trackers available to any one utility should be limited.
- A utility's authorized rate of return should be downwardly adjusted to reflect the reduced business risk that results from the guaranteed revenue stream that a surcharge or tracker provides.
- A surcharge or tracker should be designed so that cost overruns are absorbed by the utility and under spending is returned to ratepayers.
- The amount of a surcharge should be reduced to reflect utility cost savings when revenue from the surcharge funds' investments, such as upgrades in plant equipment, improves efficiency.

AARP also believes that as amended, HB 890 makes anti-consumer mechanisms even worse including:

- Multi-year rate plans are a problem since they lock in rate increases, limiting the ability of the Public Service Commission to alter rates as circumstances change

(i.e., failing to take into account lowered expenses to benefit consumers, or changes in tax laws, etc.).
- STRIDE is a separate infrastructure surcharge that harms consumers by allowing rates to increase on a piecemeal basis, even in situations where the utility's overall revenues are sufficient to cover all expenses, and can even allow over-earning at ratepayer expense.
- HB 890 would mandate that un-audited costs in the STRIDE surcharge be automatically placed in permanent multi-year rate.

This legislation would 1) reduce regulatory transparency, 2) limit due process by preventing consumer advocates from challenging questionable investments, and 3) it would reduce the ability of the Public Service Commission to protect consumers. This legislation would potentially allow rates to increase without proper scrutiny, potentially allowing excess earnings and unjustifiably high energy rates.

AARP is working hard to ensure that Marylanders can age in place without going broke. We respectfully request an unfavorable report on HB 890. If you have any additional questions please contact me at tbresnahan@aarp.org or by calling 410-302-8451. Thank you.