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SB 423 Natural Gas - Strategic Infrastructure Development and Enhancement - Surcharge and Plans (STRIDE Act of 2022)
UNFAVORABLE
Senate Finance Committee
February 15th, 2022

Good Afternoon Chair Kelley and members of the Senate Finance Committee. I am Tammy Bresnahan, Director Advocacy AARP MD. AARP MD and its over 850,000 members **respectfully oppose SB 423** Natural Gas Strategic Infrastructure Development and Enhancement Surcharge and Plans.

SB 423 requires eligible infrastructure project costs collected under a gas infrastructure replacement surcharge to automatically move into the residential 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. One key utility customer protection, the monthly surcharge affords the PSC to have the ability for the PSC to review the STRIDE expenditures during rate cases.

SB 423 appears to eliminate this oversight entirely and simply push up the cash collection for STRIDE charges with no regulatory ability for parties to review what costs are being transferred into the rate base.

As you know AARP Maryland has opposed STRIDE for years. To date, around \$1.5 billion STRIDE projects has been approved by the PSC. Residential gas distribution rates have already climbed in a few short years.

We believe SB 423 will:

- Eliminate financial transparency and PSC oversight surrounding current STRIDE investments and will only show current year's projected spending; and
- Diminish the surcharge's consumer protection value, which was established by the General Assembly.

Home energy costs make up a sizable portion of household budgets. In Maryland, 41% of the 400,000 low-income households are older adults 60 and older. Since the pandemic, residential prices for natural gas, electricity, and fuel oil have increased significantly.

About one out of four cases, low-income older households whose income is less than \$16,000 a year devote 15 percent or more of their income to home energy bills. Too often low-income seniors face heat and eat decisions, even in Maryland.

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.

AARP believes state regulators should devise cost-allocation methods that appropriately assign the cost of power supply, transmission, distribution costs, and accelerated depreciation expenses fair and equitable. Such methods should be consistent with universal service and affordability goals.

- Regulators should ensure that all beneficiaries share the responsibility for paying joint and common costs based on a user-pays principle.
- 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.

Most importantly if policymakers allow a utility to recover a portion of its expenditures via a surcharge, the following minimum consumer protections should be in place:

- A surcharge should recover only clearly defined costs, should expire in a reasonable period, and should undergo an audit or review (including public comment opportunities) to determine whether it achieved the intended result.
- The number of surcharges 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 it provides.
- A surcharge 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 is working hard to ensure that Marylanders can age in place without going broke.

We respectfully request an unfavorable report on SB 423. If you have questions, please contact Tammy Bresnahan at tbresnahan@aarp.org or by calling 410-302-8451.