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PUBLIC SERVICE COMMISSION

February 15, 2022

Chair Delores Kelley
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: SB 423 – INFORMATION – Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans

Dear Chair Kelley and Committee Members:

I have reviewed Senate Bill 423 and provide the information below for the Committee's consideration. In 2013, the Maryland General Assembly enacted SB 8/HB 89 ("STRIDE Legislation" or "STRIDE"), allowing gas companies to recover costs for infrastructure replacement projects through a separate surcharge on customer bills, with a cap of \$2.00 per month. Subsequently, four gas companies have filed plans with the Maryland Public Service Commission for approval: Baltimore Gas and Electric Company ("BGE"), Washington Gas Light Company ("WGL"), Columbia Gas of Maryland Inc. ("Columbia"), and Elkton Gas Company ("Elkton"). Since the passage of the 2013 legislation, the Commission has approved two five-year plans for each of BGE, WGL, and Columbia; the second plans are ongoing. The Commission also approved Elkton's first five-year STRIDE plan on September 4, 2021.

In 2020, BGE filed the first Multi-Year Rate Plan as the pilot utility under the Commission's Alternative Forms of Ratemaking proceeding. The MRP Pilot Order contains a mandatory stay-out provision, which provides that any utility that files an MRP will be prohibited from filing another base rate case for the three-year duration of the plan. The Commission contemplated whether the intent of the STRIDE law was for the STRIDE surcharge to be a form of alternative ratemaking since historical test years were still the basis of most rate cases at the time the legislation was passed. Proposals in the case included several various approaches to shifting STRIDE spending during the five-year plan into rate base, including only at the beginning and end of the three-year-rate plan, continuously throughout the plan, or only through base rates.

In interpreting the relevant statutes, the Commission authorized the shifting of STRIDE spending through the end of 2020 into rate base but left the STRIDE statute to continue controlling the existing filed spending plan that lasts for a total of five years. In doing this, the Commission respected STRIDE's statutory cap on recovery and the statutory requirement that spending can only be transferred to rate base during a full rate proceeding.¹ The Commission stated, "It is not clear that the General Assembly intended that a utility could put an unlimited amount of gas infrastructure costs on ratepayers through a forecasted, alternative ratemaking mechanism. Ultimately, when the General Assembly crafted such a mechanism—with STRIDE—it imposed a strict surcharge cap."² The Commission further found that the proposal to place STRIDE costs in the MRP could impact the transparency that the General Assembly required by making the surcharge visible to customers. SB 423 will provide clarity that costs from a five-year STRIDE plan can be shifted on an annual basis during a multi-year rate case, thereby reducing regulatory lag.

Thank you for the opportunity to provide informational testimony regarding SB 423. Please contact my Director of Legislative Affairs, Lisa Smith, at 410-336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman

¹ Order No. 89678, *In re Application of Baltimore Gas and Electric Company for an Electric and Gas Multi-Year Plan*, Case No. 9645, Paragraph 57, p. 27; *Public Utility Article*, § 4-210(g)(1)(ii)(2).

² *Ibid.*, Para. 58.