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February 16, 2022

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Steven M. Sakamoto-Wengel
Consumer Protection Counsel for Regulation, Legislation and Policy

Re: Senate Bill 423 – Natural Gas - Strategic Infrastructure Development and Enhancement -
Surcharge and Plans (STRIDE Act of 2022) (OPPOSE)

The Consumer Protection Division of the Office of the Attorney General opposes Senate Bill 423, sponsored by Senator Hayes, which would result in increased utility costs for Maryland consumers. The Strategic Infrastructure Development and Enhancement (“STRIDE”) law established an application and review process for gas infrastructure replacement plans with an associated monthly surcharge on customer bills. The surcharge is collected at the same time as the eligible infrastructure expenditures occur. The fixed annual surcharge may not exceed \$2 per month for each residential natural gas customer. However, Senate Bill 423 would allow utilities to more easily move costs currently being recouped through the surcharge into the utilities’ base rates, thus allowing the utilities to free up space in the surcharge cap for additional charges.

Historically, when a utility moves STRIDE plant surcharges into base rates in a base rate case, the costs are first reviewed for prudence by the Commission. As such, they take on a different status. They are no longer “eligible infrastructure project costs collected previously under a surcharge.” They are instead considered prudently incurred historic capital costs. Under Senate Bill 423, no prudence review would occur. The costs would move from the STRIDE surcharge to base rates automatically without any qualitative review.

The Division is concerned that Senate Bill 423 will negatively impact already-strapped Maryland utility customers by:

- Eliminating transparency surrounding current STRIDE investments -- under this bill, the surcharge will only show current year's projected spending;
- Diminishing the value of the cap, an important consumer protection; and
- Eliminating the ability of parties to oppose the inclusion of an investment in rate base on prudence grounds.

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Accordingly, the Consumer Protection Division believes that Senate Bill 423 will increase utility costs for Maryland consumers without providing adequate opportunity for review of whether those increased charges are justified and respectfully requests that the Senate Finance Committee return an unfavorable report.

cc: The Honorable Antonio Hayes
Members, Finance Committee