



1000 Maine Avenue, SW | Suite 700 | Washington, DC 20024 | www.washingtongas.com

COMMITTEE: ECONOMIC MATTERS

TESTIMONY ON: HB 731 NATURAL GAS - STRATEGIC INFRASTRUCTURE DEVELOPMENT AND ENHANCEMENT (RATEPAYER PROTECTION ACT)

POSITION: OPPOSE

HEARING DATE: FEBRUARY 29, 2024

Washington Gas respectfully submits this statement in **OPPOSITION** to **House Bill 731 -Natural Gas - Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)**

Washington Gas was founded in 1848 by Congressional Charter and is marking its 175th year of providing affordable, safe, and reliable natural gas service and currently serves more than 500,000 Maryland customers in Montgomery, Prince George’s, Charles, St. Mary’s, Frederick, and Calvert Counties and 1.2 million customers across its entire service area. Washington Gas employs over 400 people within Maryland, including contractors, plumbers, union workers, and other skilled tradespeople. We strive to improve the quality of life in our communities by maintaining a diverse workforce, working with suppliers that represent and reflect the communities we serve, and giving back through our charitable contributions and employee volunteer activities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers.

House Bill 731 (“HB 731”) seeks to fundamentally change the STRIDE program by dramatically changing the purpose of safety and reliability of gas infrastructure in Maryland. In 2013, the Maryland General Assembly enacted SB 8/HB 89 Strategic Infrastructure Development and Enhancement Plan (“STRIDE Legislation” or “STRIDE”) in response to increasing concerns about threats to public safety due to aging gas infrastructure throughout Maryland.

Since its passage in 2013, STRIDE has been successful at and solely focused on improving the safety and reliability of Maryland’s natural gas infrastructure, while providing ancillary economic and climate benefits to the State. HB 731 would halt the significant progress that Maryland has made in this regard. STRIDE is first, most and always a safety program. The Company’s STRIDE investments do not add new customers to our system or increase the capacity of existing gas infrastructure. STRIDE must continue to serve its original purpose: enabling gas utilities to proactively invest in their infrastructure to enhance system and public safety.

In 2011, following several fatal pipeline accidents, including a gas line explosion that killed five (5) people in Allentown, PA, the United States Department of Transportation (“DOT”) and DOT’s Pipeline and Hazardous Materials Safety Administration (“PHMSA”) announced a nationwide “Call to Action,” a pipeline safety action plan to repair and replace aging pipelines to prevent hazardous pipeline incidents.¹ In 2013, the Maryland legislature and the Maryland Public Service Commission (“Commission”) aligned on the need to respond to this call to action by passing the STRIDE legislation to allow for gas utilities to accelerate investments into aging pipelines to improve system safety and reliability and proactively prevent major incidents, like what happened in Allentown. Even as Maryland works to meet its climate goals and transitions to a new energy environment, the highest risk pipes on the Company’s distribution system cannot be ignored. The primary focus of these investments is to enhance the safety and reliability of the gas system infrastructure; this should continue to be the purpose of the STRIDE program, as relatively higher risk areas of the gas distribution network are still being prioritized and approved by the Commission for proactive replacement in accordance with prudent utility best practices. Maryland is not the only state with a proactive pipe replacement and management program; 41 total states and the District of Columbia have developed mechanisms to encourage gas utilities to replace older or problematic infrastructure within their distribution systems.²

Safety

STRIDE’s primary mission is to support safety and reliability improvements of aging gas infrastructure. Maintaining the safety and reliability of the system requires proactive and planned system maintenance, as well as a readiness to respond to emergent or emergency situations. Washington Gas currently maintains a safe and reliable gas system in full compliance with all federal, state, and local regulations. STRIDE provides the Company the financial and regulatory certainty necessary to replace relatively higher risk pipe earlier than it could be replaced if the Company were limited to recovering related costs using the traditional base rate case process. While under either scenario the Company will maintain and operate a safe and reliable system, with STRIDE, the Company can replace relatively higher risk pipe years earlier than the traditional replacement programs. STRIDE allows Washington Gas to be more proactive.

Washington Gas’s STRIDE plans from 2014-2023 have materially enhanced the safety and reliability of our Maryland transmission and distribution systems, consistent with the objectives of the STRIDE statute, by enabling the accelerated replacement of relatively higher risk facilities identified and approved through annual project lists. Through 2022, the Company has replaced 140.9 miles of main and remediated 30,616 affected services with investments approved under the STRIDE program.

¹ U.S. Department of Transportation. [U.S Transportation Secretary Ray LaHood Announces Pipeline Safety Action Plan](#) (Apr. 4, 2011).

² National Association of Regulatory Utility Commissioners. [Natural Gas Distribution Infrastructure Replacement and Modernization: A Review of State Programs](#) (Jan. 2020). See page 8

STRIDE works. Between 2019 and 2022, Washington Gas experienced a 45% overall reduction of leaks in Maryland, comprised of 45% reduction of leaks on mains and 46% on services.³ Federal regulations requiring the establishment of gas Distribution Integrity Management Programs (“DIMP”) are designed to focus an operator on the identification of risk and the measurement and continuous improvement of distribution system performance to enhance pipeline integrity and system safety. DIMP-driven accelerated replacement of eligible infrastructure through the STRIDE 2 Plan over this period reduced corrosion leaks by 51% and pipe, weld, or joint leaks by 44%.³

Leaks and the potential for leaks impact safety and reliability; observed or suspected leaks is one of the factors that dictates how different pipe segments are prioritized for replacement. The potential for leaks due to at-risk pipe materials (e.g., bare and unprotected steel, cast iron), as well as mechanically-coupled mains and services, also contributes to the identification and prioritization of at-risk infrastructure.

Recently the Public Service Commission approved the Company’s STRIDE 3 Plan, which includes a new Low Pressure program. The Low Pressure program focuses resources on geographical work zones to maximize risk reduction and capital deployment. Low pressure areas tend to be composed of the oldest and most leak-prone pipeline materials. For instance, water pipe leaks and water intrusions in and near lower pressure areas of the network are of concern if the system’s pressure is too low to keep out water. In some cases, water can breach lower pressure areas of the network and flow into homes or buildings through the gas lines, damaging critical household appliances, such as furnaces or water heaters.

Maintaining the safety and reliability of the system will always be a top priority for Washington Gas and the Company will always prioritize the safety and integrity of the system regardless of STRIDE. STRIDE is important, however, because it accelerates the replacement of leak-prone pipe compared to what would otherwise be possible to fund without accelerated cost recovery. Without STRIDE, the pace of replacement will return to a pace aligned with base-rate recovery, which the General Assembly has recognized is not in the public interest.

Economic Impacts

STRIDE provides significant economic benefits to customers and Maryland’s economy. STRIDE has created a demand for skilled, full-time, career jobs. STRIDE is critical to ensuring the Washington Gas’s ability to initiate planned work on a proactive basis, thereby creating the potential to reduce or avoid emergent and emergency work and any attendant hazards. In addition to its safety benefits, one of the primary economic benefits of STRIDE is that the program allows Washington Gas to cost-effectively plan and complete system maintenance activities. More specifically, maintaining the safety of the gas distribution system requires consistent, substantial work to survey, monitor, and repair gas leaks, in addition to the efforts that must be undertaken to address numerous operating and maintenance procedures required to keep the system safe. When

³ Washington Gas Light Company. [Application for the Approval of a New Gas System Strategic Infrastructure Development and Enhancement Plan \(“the STRIDE 3 Plan”\) and Accompanying Cost Recovery Mechanism. \(Public and Confidential\) Case No. 9708](#) (Jun. 16, 2023). Witness Murphy Testimony Page 14

an emergent condition occurs that must be addressed on an emergency basis, the Company must deploy its resources to investigate and resolve the issue. This drives recurring operating and maintenance expenses on the system, which are critical to maintaining service, as the condition of the infrastructure continues to decline. When we can proactively plan system maintenance, we have a greater opportunity to manage costs and implement replacements on the system efficiently, thus insulating customers from rising service costs.

Washington Gas's replacement work also creates economic benefits for the State of Maryland through job creation and property tax payments to municipalities, and the construction labor and expertise required to complete pipe repair and replacement work has resulted in significant direct, indirect, and induced job creation. In April 2023, Washington Gas commissioned Towson University's Regional Economic Studies Institute (RESI) to study the economic benefits of our recently approved STRIDE plan. According to the RESI study, by the end of 2028, investments through Washington Gas's STRIDE plan from 2024 through 2028 are expected to generate more than \$800 million in state GDP, and boost employment by nearly 4,000 person years that will pay \$277 million in salaries, wages, and benefits. RESI concluded that activity and income created by the STRIDE plan is expected to result in \$22.3 million in state taxes and \$15.7 million in tax revenues, shared across all Maryland counties.

Maryland anticipates an escalating budget deficit over the next four (4) years, with the deficit projected to reach more than \$1.8 billion in 2028.⁴ Maryland has considerable spending plans, such as ~\$500 million in funding to finance necessary building upgrades to comply with the State's Building Energy Performance Standards,⁵ and the sizeable deficit that is being projected will create serious economic challenges for the State. The benefits that the STRIDE program provides to Maryland, including tax revenues used to fund State programs, will be crucial for the State to avoid significant economic hardships. These economic benefits to Marylanders would be compromised by the fundamental changes that HB 731 would make to the STRIDE program.

Reduction in GHG Emissions

The reduction in GHG emissions associated with STRIDE investments (e.g. reduction in leaks) is consistent with the State's policy objectives and supports the achievement of its' 2031 and 2045 GHG emissions reduction targets. STRIDE continues to reduce GHG emissions. Natural gas leaks result in methane releases into the atmosphere. For this reason, reducing natural gas leaks, and thereby reducing methane released into the atmosphere, is an important customer and public benefit associated with addressing leaking and aging infrastructure. From the beginning of STRIDE through December 31, 2022, Washington Gas has reduced GHG emissions associated with the operation of the distribution system by an estimated total of 105,199 metric tons ("MT") of carbon dioxide equivalent ("CO₂e"), comparable to removing approximately 22,513 gasoline-powered cars from the road over the program duration. The Company estimates that the projects proposed within its 2024-2028 STRIDE filing will reduce GHG emissions associated with the

⁴ Maryland Matters. [Five-year budget picture has legislators weighing cuts, taxes other options](#) (Nov. 8, 2023).

⁵ Building Energy Transition Implementation Task Force. [Final Report of the Building Energy Transition Implementation Task Force](#) (Jan. 24, 2024). The Report states that approximately half of these necessary costs are financeable (page 12), meaning that the State would be accountable for funding the other half.

operation of the distribution system by approximately 32,022 MT CO₂e, comparable to removing approximately 6,853 gasoline-powered cars from the road over the program's duration.⁶

Conclusion

At Washington Gas, our core values are safety, collaboration, integrity, inclusion, and learning. Maintaining and enhancing the safety, reliability, and resiliency of our energy supply and delivery remains critically important.

The safe and reliable delivery of energy is vital to the Maryland economy. Our STRIDE program ensures that our system continues to deliver energy to customers in a safe and reliable manner. Amending the STRIDE program in the manner proposed in HB 731 undermines the General Assembly's stated goal of enhancing the safety of Maryland's natural gas system by changing the focus of the program away from its intended purpose. Infrastructure that presents a high risk to Marylanders must continue to be replaced at an accelerated pace. Our continued investment through STRIDE positions us to keep a proven track record of providing safe service to Marylanders for many years to come.

For the above reasons Washington Gas respectfully requests an unfavorable vote on House Bill 731. Thank you for your consideration of this information.

Contact:

Manny Geraldo, State Government Relations and Public Policy Manager
M 202.924.4511 | manuel.geraldo@washgas.com

⁶ On December 13th, 2023, the Maryland Public Service Commission approved Washington Gas' STRIDE filing with modifications, pending approval by the Commission of actual projects from WGL's November 1, 2023 Project List, with an anticipated reduction in the associated STRIDE surcharge of at least one-third over the five-year term. The amount of emissions reductions achieved by the approved filing will depend on the number and type of projects that receive approval from the Commission.