



February 29, 2024

**HOUSE ECONOMIC MATTERS COMMITTEE**  
**HB 731 – Natural Gas – Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)**

**Statement in Opposition**

Chesapeake Utilities Corporation (“Chesapeake Utilities”) respectfully **OPPOSES** certain provisions contained in HB 731. Among other things, HB 731 alters the requirements for the Maryland Public Service Commission to approve certain infrastructure replacement projects under the Strategic Infrastructure Development and Enhancement (“STRIDE”) Act of 2013 for natural gas companies. The bill also seeks to circumvent an on-going comprehensive proceeding before the Maryland Public Service Commission.

Chesapeake Utilities operates natural gas local distribution companies that serve approximately 32,000 customers on Maryland’s Eastern Shore in Caroline, Cecil, Dorchester, Somerset, Wicomico, and Worcester Counties. These public utilities are regulated by the Maryland Public Service Commission and have provided in the coldest months of the year safe, reliable, resilient, and affordable service in the State for decades. As a company, Chesapeake Utilities serves as a positive and informed resource in the State's ongoing energy discussions.

**The premise of HB 731 is flawed.** The bill requires gas companies to notify their customers two years in advance of a STRIDE replacement project so its customers have an opportunity to electrify. To be clear, any customer can choose to electrify their homes at any time, so Chesapeake Utilities is unclear on the need for this provision. In addition, the bill directs gas companies to compare the cost of a STRIDE project to the cost of abandoning a portion of their own system. Gas companies have an obligation to serve customers. It is unclear why the bill suggests gas companies should consider abandoning their systems or what useful benefit would be gained by such a comparison.

**HB 731 deviates from the General Assembly's intent with STRIDE.** In 2013, the Maryland General Assembly passed and Governor Martin J. O'Malley signed the STRIDE law to encourage natural gas utilities in the State to accelerate replacement of certain aging gas infrastructure by allowing for partial recovery of infrastructure investment costs through a forward looking recovery mechanism. It is important to note what STRIDE is and what it is not. STRIDE allows for *contemporaneous* recovery of a small portion of the cost incurred by a natural gas utility as it performs the replacement work. STRIDE does NOT allow for advanced recovery of all pipeline replacement costs before the infrastructure is in service. This legislation was specifically passed in response to the United States Department of Transportation's Pipeline and Hazardous Materials Safety Administration (“PHMSA”) issued “Call to Action”. PHMSA directed all pipeline stakeholders in the nation, including Maryland's natural gas utilities and their regulators, to identify and replace certain aging infrastructure, specifically cast iron and bare steel. PHMSA's position



realting to this aging infrastructure has not changed. As especially relevant here, PHMSA ranks Maryland behind other states in the replacement of aging infrastructure. As such, HB 731 deviates from the General Assembly's 2013 intent with STRIDE and PHMSA's call to action.

**HB 731 alternatives to pipeline replacement impact safety and reliability.** HB 731 explicitly aims to slow the replacement of aging infrastructure, which could impact the safety and reliability of the State's natural gas systems. As stated above, PHMSA's intent is to completely eliminate cast iron and bare steel from the nation's natural gas systems. However, HB 731 requires an analysis that compares the costs of proposed replacement with alternatives to replacement, such as "leak detection and repair" or "targeted retirement or abandonment" and notice "at least 2-years in advance of construction." There is no support or explanation for this arbitrary 2-year advanced notification requirement and why it is necessary or if it is even workable for the natural gas utilities. These provisions will only further delay the elimination of cast iron and bare steel from the State's natural gas systems, which is in direct conflict with PHMSA's call for the safety and reliability of the natural gas system.

**The Public Service Commission has authority over STIDE.** Natural gas companies STRIDE programs have been reviewed and approved by the Maryland Public Service Commission ("PSC"), with very specific requirements for replacement of aging infrastructure. These requirements include the replacement of infrastructure that is designed to improve public safety or infrastructure reliability; does not increase the revenue of a gas company by connecting an improvement directly to new customers; reduces or has the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks; and is not included in the current rate base of the gas company as determined by the PSC in the gas company's most recent base rate proceeding. Advocates supporting HB 731 do not have specific expertise in pipeline safety, specific knowledge of individual gas company natural gas systems, nor do they have the engineering expertise of the PSC. The PSC is an independent State agency with a long record of gathering expert information and adjudicating outcomes that are in the public interest, including the natural gas companies annual STRIDE filings. In addition, the PSC recently opened a docket, Case No. 9707, in response to the Petition of the Office of People's Counsel for Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland's Gas Companies. Any concerns about utility planning for the State's natural gas distribution systems, including STRIDE programs, are already under consideration in Case No. 9707 so a holistic and comprehensive review of the gas systems can be adjudicated by the PSC.

On behalf of Chesapeake Utilities Corporation, and our thousands of employees and their families who deliver energy safely and contribute every day in the communities where they live, work and serve, we respectfully request an unfavorable vote on HB 731.

Sincerely,

Chesapeake Utilities Corporation  
Steve Baccino, Governmental Affairs Director / Contact: sbaccino@chpk.com