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PUBLIC SERVICE COMMISSION

February 26, 2024

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: HB 731– Information - Natural Gas - Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)

Dear Chair Wilson and Committee Members:

Strategic Infrastructure Development and Enhancement (STRIDE) is a financial instrument that provides an incentive to gas utilities to replace pipes subject to certain goals. The current goal of STRIDE is to accelerate replacement of infrastructure that is considered problematic from a safety/reliability and leak perspective. HB 731 amends the goal of STRIDE to align both improving safety and meeting the State's climate goals. In addition to safety and State climate policy, the Commission must also consider the availability of natural gas alternatives when approving a STRIDE plan. HB 731 also requires additional analysis within a proposed STRIDE plan, such as consideration of alternatives to replacement of pipe and retirement/abandonment of the gas system in conjunction with electrification. Taken together these modifications may reduce the infrastructure eligible for the STRIDE financial incentive. If a gas utility views implementation of a STRIDE program under this law as burdensome, they can choose to not use STRIDE and do the work without the financial benefit afforded by STRIDE.

There are two sub parts within HB 731 that the legislature should consider if it is appropriate to incorporate into STRIDE at this time. These are related to electrification (PUA 4-210 (d)(VI)2. & (VVI)) and alternative fuels (PUA 4-210(e)(v)).

The legislature should consider if STRIDE is the appropriate venue to begin to integrate the promotion of electrification into gas utility planning. HB 731 requires a utility STRIDE plan to provide analysis that considers retirement or replacement of portions of the gas system in conjunction with electrification and requires the gas utilities to give customers two-years notice of proposed projects to give customers an opportunity to electrify. Most of the gas utilities in Maryland are investor owned and do not have an electric business; it is not in their business interest to promote their competition. Additionally, it is unclear how a gas only utility would

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have the appropriate information to develop and estimate the cost of an electrification plan with accuracy. This may require the coordination of information between the utilities by the Commission or for the electric company to volunteer this information. The Commission has an active docket, Case No. 9707, where these ideas can be explored before legislation is enacted on this or other areas impacting the future of natural gas utilities.

The two-year notice period for customers to consider electrification may be operationally problematic for utilities. The legislation should consider if a shorter period would still afford customers an appropriate amount of time to consider and implement electrification measures while also allowing the utilities to conduct their work.

Finally, HB731 adds a new requirement for the Commission to find that the STRIDE plan is consistent with the availability and cost-effectiveness of natural gas alternatives. STRIDE is an infrastructure program, not a supply program. If customers continue to use natural gas, regardless of alternatives, then some form of the gas system will still have to exist. Also, this requirement may be duplicative since the Commission must consider the State's climate policy when approving a STRIDE plan. Like electrification, it may be appropriate to holistically consider natural gas alternatives as a policy for meeting the State's climate goals separate from a STRIDE plan.

The Public Service Commission appreciates the opportunity to provide informational testimony for HB 731. We look forward to working with the sponsor on any recommended changes. Please contact Christina Ochoa, Director of Legislative Affairs a christina.ochoa1@maryland.gov if you have any questions.

Sincerely,



Frederick H. Hoover, Chair
Maryland Public Service Commission