



February 27, 2024

**Testimony of Bryan Dunning
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**Before the Maryland House of Representatives' Economic Matters Committee
Regarding House Bill 0731: Natural Gas – Strategic Infrastructure Development and
Enhancement (Ratepayer Protection Act)**

Dear Chair and Members of the House Economic Matters Committee:

Thank you for the opportunity to testify today on behalf of the Center for Progressive Reform (the Center) in support of HB0731 (HB 731). The Center is a nonprofit research and advocacy organization that is focused on addressing our most pressing societal challenges, including advancing the concerns of historically marginalized communities by centering racial and economic justice in climate policy. For the reasons discussed in the testimony below, the Center requests that this committee issue a **favorable** report on HB 731.

Enacted in 2013, the Strategic Infrastructure Development and Enhancement (STRIDE) program is designed to promote the safety and reliability of natural gas infrastructure in the state of Maryland. To achieve this, STRIDE allows natural gas utility companies to construct system upgrades with an accelerated repayment plan, allowing surcharges of up to two dollars monthly on residential ratepayers' bills, and upgrades are subject to subsequent rate base proceedings.

Although designed to ensure public safety and system reliability, utility companies have used the STRIDE program, rather than a manner directed at critical safety issues, to widely replace aging pipeline infrastructure. The result being ballooning capital expenditure costs for the utilities that will have to be repaid over the projected lifespan of the newly installed pipeline. The lifespan of a new pipeline can exceed 50 years. Additionally, since the 2013 implementation of STRIDE, several important factors underlying the implementation of the program have changed, including the development of cost-effective leak detection and repair technology, and the assumption of a constant rate of gas consumption of natural gas by ratepayers has been replaced with a projected decline in gas consumption.

The above discussed issues represent three critical concerns with STRIDE as currently implemented.

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First, that the scope of line replacement has, in practice, expanded beyond the goal of reducing public risk from, and ensuring reliability of natural gas infrastructure.

Second, in many instances, emergent technologies provide a functional and more cost-effective alternative to address safety and reliability concerns than the replacement of aging gas lines.

Third, natural gas consumption rates are projected to diminish over the coming decades as both new technologies (e.g. energy efficient electric heat pumps), and a necessary reduction of reliance on natural gas to meet legislatively mandated greenhouse gas (GHG) emissions reductions disincentivize continued use of natural gas by ratepayers.

Taken in aggregate, these three issues with STRIDE as currently implemented represent a serious risk to ratepayers who will be required to pay for new pipelines installed under the STRIDE program. These payments will be made, not just as a two dollar a month surcharge, but as rate payments over the course of the pipeline's lifespan. As noted, natural gas consumption is projected to decline over the coming decades, particularly approaching 2045, the date mandated for the state to achieve carbon neutrality by the Climate Solutions Now Act of 2022 (CSNA).¹ As individual ratepayers discontinue natural gas consumption, the overall cost to *all* ratepayers still taking natural gas delivery remains the same, meaning that utility rates for remaining users of natural gas will increase. This is of particular concern for low – and middle – income residents who may not be able to rapidly transition away from gas, and as result, these most vulnerable communities will bear the burden of extreme increases in utility prices to pay for line replacements conducted under the STRIDE program as it currently exists.

HB 731 addresses many of the issues with the STRIDE program, while leaving in place the core purpose of STRIDE to allow utilities to meaningfully address public risks from aging natural gas assets. The bill contains the following important changes to the STRIDE law, requiring plans submitted to the Public Service Commission (PSC) by a utility seeking to begin a STRIDE project include:

- The useful lifetime of the upgrade.
- A demonstration that the project has been selected and prioritized based on public safety and cost-effectiveness considerations.
- Analysis of alternatives to replacement including leak detection and repair and the targeted retirement or abandonment of sections of the pipeline in conjunction with electrification.
- A plan to provide at least two years notice for impacted customers, prior to construction, to give customers the opportunity to electrify.

HB 731 also requires that the PSC may approve a plan if it finds that:

- The proposed plan is required to improve the safety of the gas system after considering alternatives to line replacement.
- The proposed plan is consistent with the need to reduce the use of natural gas in line with state climate policy.

¹ As discussed, reduction in gas consumption in Maryland is not, and will not be driven purely by climate policy goals, as new technologies such as the most recent generation of energy efficient electric heat pumps provide purely economic reasons for ratepayers to discontinue natural gas use.

- The proposed plan is consistent with the projected availability and cost-effectiveness of natural gas alternatives.

Broadly, HB 731 brings the STRIDE program in line with its main purpose – ensuring the safety and reliability of natural gas infrastructure in the state. It requires utilities to demonstrate that a line replacement is a priority for public safety, and to consider more cost-effective alternatives to replacement. This requires that projects protect public safety generally, and protect ratepayers, both current and those who will bear the costs of long-term project repayment as the trend away from natural gas consumption continues. It also provides a meaningful two-year period for directly affected ratepayers to make the election to switch to electrification, potentially obviating the need for line replacements (and long-term future costs) to the homes of individuals who plan to disconnect from the gas system.

HB 731 also serves to align the STRIDE program with Maryland’s GHG reduction targets as mandated under the CSNA. It requires the PSC to consider the state’s climate policy in issuing approvals, and broadly acknowledges that utilities and the PSC must be judicious in installing new pipelines that must be paid for over their 50 year plus lifespans. This point is especially salient given that the state has a dedicated target of carbon neutrality in 2045, only 21 years from now that requires significant reduction on the reliance upon natural gas in the state. Notably, HB 731’s amendment to STRIDE largely align with recommendations from the Maryland Commission on Climate Change, an agency providing guidance on adopting the state’s climate goals.²

Conclusion

HB 731 creates meaningful improvements to the STRIDE program, focusing its purpose on necessary public safety line replacements, protecting current and future rate payers from expanding costs, and giving effect to Maryland’s climate policies. The Center respectfully requests that the Committee issue a favorable report on HB 731.

² [2023 Annual Report of the Maryland Commission on Climate Change, at p. 14](#)