

Maryland PIRG

SB548: Natural Gas - Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)

Education, Energy, and the Environment

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Favorable

Maryland PIRG is a state based, small donor funded public interest advocacy organization with grassroots members across the state. We work to find common ground around common sense solutions that will help ensure a healthier, safer, more secure future.

Maryland PIRG enthusiastically supports the Ratepayer Protection Act ([SB548/HB73](#)). This bill is one of Maryland PIRG's top priorities for 2024, and we thank Sen. Sydnor for his leadership on the issue.

This bill codifies recommendations from the [Maryland Climate Commission](#) and the [Building Energy Transition Implementation Task Force](#) to modify the STRIDE program to prioritize highest risk pipes and to consider less costly alternatives to replacement. The bill requires gas utilities to:

- Use modern leak detection technology when cost effective (that wasn't available a decade ago);
- Use a "fix it first" approach to gas infrastructure instead of replacement when cost effective;
- Give gas customers 2 years notice before work in their home so they have time to plan; and,
- Generally ensure gas infrastructure spending is cost effective.

This commonsense reform is an important step in ensuring ratepayer dollars are spent prudently and will enable state regulators to more effectively watchdog the utilities' spending plans.

BACKGROUND

There are thousands of miles of underground gas pipelines, some of which are more than 100 years old in places like Baltimore City, that provide heat and power to just under half of Maryland homes.

Marylanders are all too familiar with the risks of gas leaks and explosions. Worried about the need to maintain this aging system, the state legislature enacted the [Strategic Infrastructure Development and Enhancement Plan \(STRIDE\) law in 2013](#). That law allows the gas utilities to charge customers more every month so they can ensure the safety of our gas system. STRIDE enabled spending is driving up utility bills short and long term. Under STRIDE, the utilities are allowed to add an additional \$2 surcharge on top of monthly utility bills, but this only covers a small portion of the cost. Ratepayers will be on the hook to pay for the utilities'

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billion dollar pipe replacement program for decades to come. **And because of the law's existence, regulators have been hesitant to rein in some of this spending.**

Much of the impact on ratepayers from the current STRIDE law has to do with the utility's choice to perform a broad overhaul of the gas system instead of strategically addressing the riskiest pipes for replacement. Putting in new pipes is more profitable for the utilities than making repairs.

- The utilities install new pipes and equipment, and customers pay for all that spending plus a hefty return, including profits, of about 9% after taxes for the lifetime of the equipment.
- Functionally, these projects are like taking out mortgages with high interest rates that gas customers have no choice but to pay for.
- Our \$2 a month is just a small fraction of the costs that are locked into charges for decades to come.

For example, this summer BGE threatened to turn off gas for customers who refused new external gas regulators. The work to install the external regulators is [more expensive](#) than replacing the internal regulators, and the [PSC later ruled that customers should have the option of internal or external.](#)

The Cost of STRIDE

According to the Office of the People's Counsel, Maryland gas utilities have spent more than two billion dollars on new gas infrastructure under the STRIDE program since 2014, and will spend nearly 10 billion total to complete the program.

The utilities expect ratepayers to pay for this spending plus additional profits for utilities over many decades, adding more than 40 billion dollars to their utility bills over the life of the program.

Environmental Concerns

Marylanders need gas utilities to maintain the safety of the system while we still need it, but overspending on new infrastructure doesn't make sense for our climate goals or for ratepayers.

Maryland's [Climate Solutions Now Act of 2022](#) directs the state to shift away from the use of fossil fuels to power our homes. While the shift won't happen overnight, we should be especially thoughtful about our approach to new gas infrastructure.

We didn't intend to give the utilities a blank check. We could be investing that money on cleaner, safer energy to heat our homes.

We urge you to go back to the original plan and make these common sense modifications.

We respectfully request a favorable report.