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February 29, 2024

TO: The Honorable C.T. Wilson
Chair, Economic Matters Committee

FROM: Tiffany Johnson Clark
Chief Counsel, Legislative Affairs, Office of the Attorney General

RE: House Bill 731 – Natural Gas – Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act) - **Support**

The Office of the Attorney General supports House Bill 731, sponsored by Delegate Embry. House Bill 731 will help protect Maryland’s gas utility consumers and align gas infrastructure replacement with the State’s climate goals.

House Bill 731 would modify the Strategic Infrastructure Development and Enhancement (“STRIDE”) law to require that Maryland’s gas utilities prioritize program spending based on risk to the public and to consider cost-effective alternatives to pipe replacement, including leak detection and repair and targeted abandonment in connection with electrification. The bill would also require gas companies to provide advance notice to customers so that customers who want to electrify have time to do so before costly work is done to replace the gas equipment serving their buildings. These requirements, which are not in the existing law, are modest but important improvements to the STRIDE statute that will benefit Maryland utility customers and help advance State policy.

The General Assembly enacted the STRIDE law in 2013 with the purpose of providing gas utilities financial incentives to accelerate their infrastructure replacement programs. The 2013 STRIDE law presumed that it made sense for the gas utilities to replace their entire legacy gas distribution systems with brand new systems that would be less likely to leak, providing safer service and reducing greenhouse gas emissions. Since that time, the State’s major gas utilities have

This bill letter is a statement of the Office of Attorney General’s policy position on the referenced pending legislation. For a legal or constitutional analysis of the bill, Members of the House and Senate should consult with the Counsel to the General Assembly, Sandy Brantley. She can be reached at 410-946-5600 or sbrantley@oag.state.md.us.

completed about one-third of their STRIDE work. While the full costs of that work will be recovered over many decades through customer rates, gas customers already have seen substantial increases in the distribution portion of their gas bills in recent years, much of it driven by spending under the STRIDE program.

While maintaining safe gas service and reducing gas leaks remain priorities, it makes sense to update the STRIDE law to ensure that future STRIDE spending accomplishes the state's goals while minimizing its impact on utility customers. With roughly two-thirds of the utilities' gas distribution systems still to be replaced, at a cost of billions of dollars, the evaluation of cost-effective alternatives could result in substantial bill savings for utility customers over the coming years. Further, evaluation of alternatives to replacement could help avoid infrastructure investments that become obsolete long before they are fully paid for. That potential for obsolescence adds additional risks for utility customers.

It also makes sense to modify the STRIDE statute to ensure its consistency with State climate goals. The Maryland Department of Environment's recently released Climate Pollution Reduction Plan commits to "transition[ing] the state from the fossil fuel era of the past to a clean energy future." It recommends requiring gas utilities to "plan their gas system investments and operations for a net-zero emissions future" and calls on the state to accelerate the transition to electric appliances for heating buildings and water and for cooking. Consistent with MDE's report, the Maryland Commission on Climate Change recommended modifications to the STRIDE statute to align gas utility spending with State climate policy.

House Bill 731 simply codifies the modest recommendations of the climate commission. It would continue to allow gas utilities to receive accelerated cost recovery for gas replacement work when it is cost effective, while prioritizing public safety. The bill thus advances important state objectives and protects utility customers from unnecessary costs while balancing the purposes of the original STRIDE law.

For the foregoing reasons, the Office of the Attorney General respectfully requests a favorable report on House Bill 731.

cc: The Honorable Elizabeth Embry
Economic Matters Committee Members