Maryland PIRG

SB998: Natural Gas - Strategic Infrastructure Development and Enhancement (Ratepayer Protection Act)
Education, Energy, and the Environment Committee
March 13, 2025
Emily Scarr, Maryland PIRG
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, along with twenty organizations, supports the Ratepayer Protection Act (SB998) which is our top priority for 2025. We thank Sen. Washington for her leadership on the issue, as well as Committee members Sen. Brooks and Sen. Attar for cosponsoring the legislation.

While the STRIDE law was passed with the intent of incentivising gas utilities to more proactively fix their aging gas infrastructure, it lacked critical safeguards on spending, exacerbating an existing incentive to overinvest in new infrastructure. To make matters worse, the law also lacks language requiring spending to prioritize safety. And thus, STRIDE has not delivered on promises of increased safety. For example, according to federal data, BGE's hazardous leaks per year have increased in the last decade, escalating from 3,000 in 2014 to over 4,000 in 2023. despite having spent $1.4 billion on their pipeline replacement project.

A gas pipeline program that properly prioritizes gas leaks will cost less, meaning smaller bill increases, while also making our communities safer. Our gas utilities need to fulfill their obligation to provide safe and affordable energy to Maryland homes, without expecting additional financial incentives from customers.

Gas utilities are legally required to maintain the safety of the system, so fundamentally, we think the STRIDE law of 2013 should be repealed in its entirety. **Short of that, we strongly support adding safeguards to the law as laid out in the Ratepayer Protection Act to control costs and to focus on fixing leaks through pipe repair or replacement.**

The bill requires gas utilities to:

- Prioritize safety: Use modern leak detection technology when cost effective;
- Reduce costs: Generally ensure gas infrastructure spending is cost effective and use a "fix it first" approach to gas infrastructure instead of replacement when cost effective; and,
- Provide notice: Give gas customers notice before work in their home so they have time to plan.

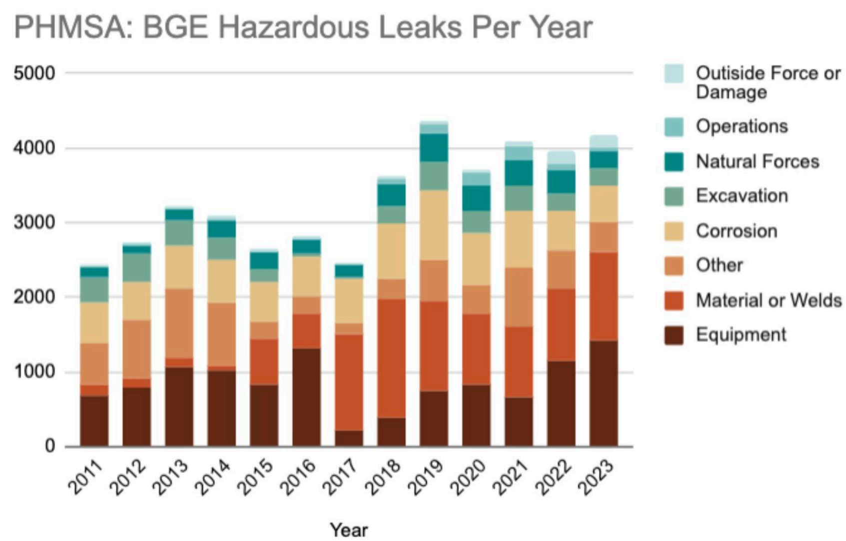
This commonsense reform is an important step in ensuring customer dollars are spent prudently and will enable the PSC to more effectively reign in excessive gas capital spending that is driving up heating bills.

GAS PIPELINE SAFETY

Maryland has hundreds of miles of iron pipes running through our neighborhoods. Gas utilities have a legal obligation to maintain the safety of these pipes. Leaks from gas pipes put our communities at risk and emit toxic pollution that harms our health and planet.

The gas utilities should be doing everything they can to identify and fix gas leaks. Old iron pipes can be fixed or repaired, with options including [re-lining] and replacement.

While fixing leaks should be a priority, STRIDE has not delivered on promises of increased safety. According to federal data, BGE's hazardous leaks per year have increased in the last decade, escalating from 2,400 in 2011 to over 4,000 in 2023. The 1.4 billion BGE has spent on the program has largely gone to system expansion, not identifying and fixing hazardous leaks.

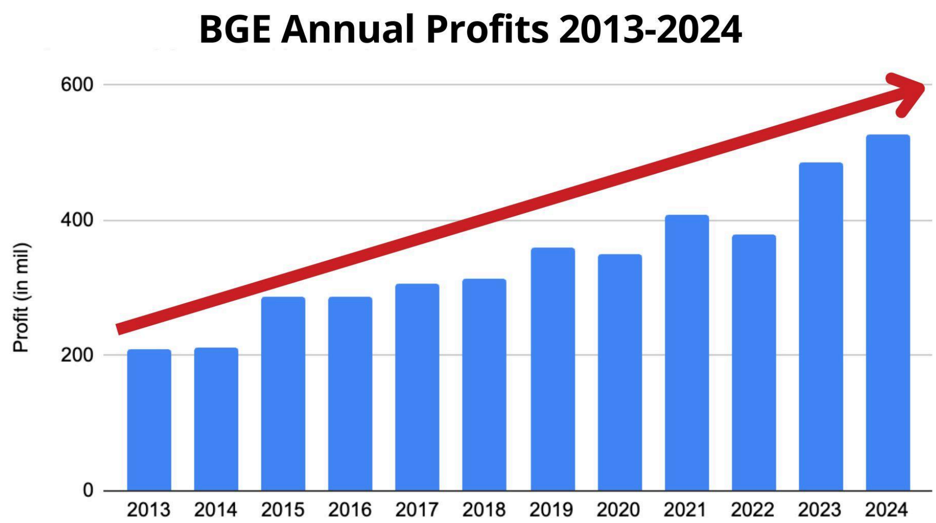


STRIDE AND UTILITY PROFITS

Gas utilities make their highest profits off of capital investments, including installing new pipes and equipment. Increased capital spending also leads to increases in customer delivery rates.

This leads to risk of overspending, often referred to as "gold plating," where utilities invest in ways that boost their profits and customer rates but do not deliver proportional benefit to their customers. Traditional utility regulation has checks in place to counteract the incentive to overinvest, including but not limited to oversight by the PSC. STRIDE weakens these checks.

As written, STRIDE effectively increases the incentive to overinvest - driving up our rates and utility profits, but without improving utility service in any proportion. **And this is obviously what is going on: spending, rates, and profits are all climbing.**



The legislature should repeal STRIDE to remove this unnecessary extra incentive. Short of that, the very least the legislature should do is to implement some basic consumer safeguards.

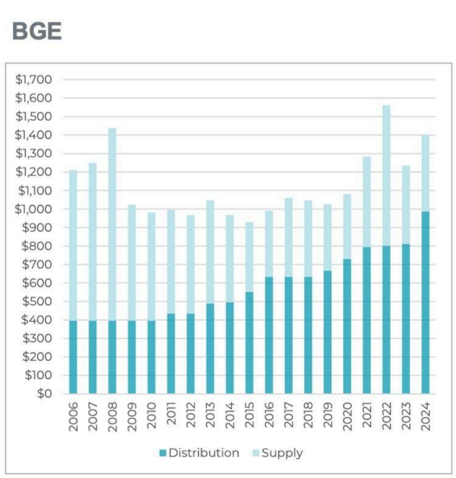
To be clear, these safeguards will not entirely fix the problem, but they create more of an opportunity for regulators to rein in the wasteful gas utility spending that is driving up rates for your constituents.

UNAFFORDABLE GAS BILLS

Gas utility bill increases are making it increasingly unaffordable for customers and businesses to heat their homes and buildings.

BGE gas customers have seen their gas delivery rates increase by 50% since 2020. Rates have tripled since 2010, along with BGE profits which have jumped from $147 million in 2010 to $527 million in 2024. Columbia Gas customers have seen similar increases. With quick intervention, you have an opportunity to prevent Washington Gas customers from experiencing the worst of this rate pain.

BGE gas delivery and commodity costs 2010-2024



BGE gas delivery rates have more than tripled since 2010, but were masked by lower commodity prices. Since 2021, however, rising commodity rates combined with escalating gas deliver rates are making it increasingly unaffordable for Marylanders to heat their homes.

Calculations are based on gas usage of 940 therms per year.

Charts from the Office of the People's Counsel 2024 report "Maryland Utilities Rates and Charges."

“Operation Pipeline”

Utility bill increases are due in large part to increased capital spending by BGE over the last decade to fund their multi-billion dollar “Operation Pipeline” pipe-replacement program. Columbia Gas and Washington Gas have since launched similar programs.

While the STRIDE law specifically outlines the manner and maximum size of a monthly surcharge, the real customer costs come due later. The surcharge serves as a downpayment on the overall cost of the program, which customers pay back for the projected usable life of the equipment, plus interest and utility profits. Here’s how it works:

- The utilities install new pipes and equipment, and customers pay for all that spending plus a hefty return 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.
- The $2 surcharge is just a small fraction of the costs that are locked into charges for decades to come.

For example, according to the Office of the People’s Counsel, the up front work to upgrade one home with new pipes, meters, and regulators is about $24,000 in Washington Gas territory, but after accounting for the payback and utility profits it will cost customers $75,000 to pay off.

Multiply this across the entire gas customer base and we’re looking at charging customers upwards of $40 billion for a new gas pipeline system if we don’t intervene now.

We respectfully request a favorable report.

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350 Montgomery County
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Baltimore Jewish Council
Environment Maryland
Indivisible HoCoMD
Cedar Lane Unitarian Universalist Environmental Justice Ministry
Center for Progressive Reform
Chesapeake Climate Action Network
Economic Action Maryland Fund
Elders Climate Action Maryland
Indivisible HoCoMD Environmental Action
League of Women Voters of Maryland
Maryland League of Conservation Voters
Maryland Legislation Coalition
Maryland Legislative Coalition – Climate Justice Wing
Maryland PIRG
Progressive Maryland
Sierra Club Maryland Chapter
Third Act Maryland
Unitarian Universalist Legislative Ministry of Maryland

Appendix

BGE Hazardous Leaks as reported to PHMSA

	Cause								
Year	Corrosion	Natural Forces	Excavation	Outiside Force or Damage	Material or Welds	Equipment	Operations	Other	Total Hazardous Leaks
2011	537	125	346	15	140	692	20	554	2429
2012	504	103	394	27	135	783	19	780	2745
2013	575	155	327	37	114	1070	11	942	3231
2014	576	236	300	38	74	1021	11	830	3086
2015	517	231	180	34	606	836	6	238	2648
2016	**514**	178	57	46	471	1320	1	235	2822
2017	595	152	21	24	1299	219	10	145	2465
2018	727	294	233	35	1591	390	77	276	3623
2019	939	386	376	42	1202	748	122	554	4369
2020	693	338	315	45	955	836	154	368	3704
2021	773	340	326	52	954	670	201	764	4080
2022	537	332	224	159	975	1150	80	497	3954
2023	477	228	244	160	1175	1427	51	411	4173