

UNFAVORABLE – Senate Bill 998
Changes To The Strategic Infrastructure Development and Enhancement Act of 2013
Senate Education, Energy and the Environment Committee

Columbia Gas of Maryland, Inc. opposes Senate Bill 998, which alters what is commonly referred to as the Strategic Infrastructure Development and Enhancement Act, or STRIDE Act of 2013 for natural gas utility companies.

In 2012, in the wake of several serious pipeline incidents in the United States, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) issued "A Call to Action" for all pipeline stakeholders, including the natural gas companies and their regulators, to identify pipeline risks and accelerate the replacement of the highest risk infrastructure. At that time, individual states like Maryland examined the need to accelerate the replacement of high-risk pipe to ensure public safety and the reliability of our critical pipeline infrastructure into the future.

In 2013, the Maryland General Assembly passed and Governor Martin J. O'Malley signed the STRIDE law to encourage gas utilities to accelerate replacement of certain aging gas infrastructure by allowing for partial recovery of infrastructure investment costs through a forward looking recovery mechanism. The STRIDE legislation is explicitly intended to spur utility investment to replace aging infrastructure to improve reliability of Maryland's gas systems and maintain safety.

PHMSA's call to action that culminated in Maryland with the STRIDE law should not be forgotten or ignored. Since the inception of the program in 2013, the gas companies have designed their STRIDE programs specifically around increasing safety and reliability, seeking to recover costs associated with replacing or improving "eligible infrastructure", which the statute defines as: infrastructure that is replaced or improved after June 1, 2013; **is designed to improve public safety or infrastructure reliability**; does not increase the revenue of a gas company by connecting an improvement directly to new customers; **reduces or has the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks**; and is not included in the current rate base of the gas company as determined in the gas company's most recent base rate proceeding.

Gas company STRIDE programs have been reviewed and approved by the Public Service Commission (PSC) and have benefited the environment by reducing the number of methane leaks due to the eligible infrastructure that has been replaced, and future STRIDE programs will likewise further reduce methane leaks to the benefit of the environment.

Any assertion that Maryland gas utilities should change their planning processes for infrastructure replacement given unresolved energy policies is not based in fact, is contrary to federal policy from PHMSA and potentially adversely affects gas company efforts to provide safe and reliable gas service to our customers and to communities where they reside.

Just a few weeks ago, because of STRIDE and other company-wide efforts to improve the reliability and operations of our gas system, Columbia Gas customers were kept warm and safe during a period of significant cold weather during the week of January 20th. With some areas of our service territory experiencing single digit daily high temperatures and temperatures as cold as -9 degrees at night our customers were provided the energy they needed when they needed it.

Advocates of amending STRIDE claim gas companies have a shrinking customer base. That is not the case. Columbia Gas, in fact, has added and continues to add new customers year over year. And over the last two years, according to American Gas Association statistics, all Maryland gas utilities have added more than 17,500 natural gas customers to their systems. On a statewide basis, natural gas local distribution companies serve approximately half of the Maryland residential space heating market, providing more thermal heat to customers than electricity, oil, or propane.

Moreover, since STRIDE encourages the acceleration of pipeline replacement, the gas companies are achieving material greenhouse gas emission reductions through leak reduction and prevention under STRIDE, an environmental benefit supporters of changing STRIDE seek to undermine with such efforts.

Advocates for changing STRIDE do not have specific expertise in pipeline safety, specific knowledge of individual company systems, nor do they have engineering expertise to determine what pipes should be replaced and when. In this regard, **Columbia notes the provision of Senate Bill 998 requiring two years of advance notice to customers of STRIDE projects (p. 3, lines 14-16) is wholly unworkable and unrealistic, as explained below.**

In order to preserve and protect public safety, projects recovered through STRIDE are approved by the PSC on an annual basis. Notification of projects two years in advance would require companies to notify customers of projects not yet approved by the PSC. Further, gas companies repair pipelines on the basis of the highest risk pipe, and a two-year notification requirement jeopardizes a gas company's ability to replace the highest risk pipe on its system given the dynamic nature of pipeline replacement. A two-year notice requirement calls for gas companies to "crystal ball" projects instead of choosing projects based on the necessity of replacement to achieve both leak and risk reduction and maximize public safety.

Neither the Climate Solutions Now Act nor any of the ongoing greenhouse gas (GHG) policy decisions have altered gas companies' continuing obligation to provide safe and reliable service to Maryland residents located in our service territories. Therefore, Columbia remains committed to fulfilling its obligation to provide natural gas delivery service to those customers that request to initiate or wish to continue to receive natural gas delivery service. In addition, most recently the leaders of the House and Senate have stated that Maryland needs an "all of the above energy approach". Legislation such as Senate Bill 998 runs counter to that philosophy.

Consequently, Columbia cannot support Senate Bill 998 as appropriately crafted policy on pipeline safety and therefore urges an unfavorable report.

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