



February 27, 2026

HOUSE ENVIRONMENT & TRANSPORTATION COMMITTEE
HB 958 – Natural Gas – Connection and Line Extension – Discounts and Payment Plans

Statement in Support

Chesapeake Utilities of Maryland, Inc. (“Chesapeake”) provides natural gas local distribution service to approximately 33,000 customers across Maryland's Eastern Shore (including Cecil, Dorchester, Caroline, Wicomico, Worcester, and Somerset counties). Chesapeake strongly **SUPPORTS** HB 958 legislation that restores fairness, affordability, and energy choice for Maryland families and businesses by allowing new natural gas customers to continue paying for their line extensions through distribution rates, over a reasonable time period, rather than by cost-prohibitive upfront, lump sum payments.

HB 958 is urgently needed. In June 2023, the Maryland Public Service Commission (the “Commission”) opened a docket titled the “Future of Gas” (Case No. 9707) in response to a petition filed by the Office of People’s Counsel (“OPC”). Since that time, the Commission has accepted comments from Maryland gas utilities and other interested parties, held hearings and conducted discovery regarding the issues raised in the petition. The Commission has yet to issue any final order in Case No. 9707 and the proceeding remains pending. However, in June 2025, the Commission abruptly issued Order No. 91683, directing Commission Staff to prepare regulations that include specific provisions to effectively eliminate gas line extension allowances. In other words, the Commission’s decision to propose line extension regulations is premature and presupposes a certain outcome in Case No. 9707 and before the collection of any record evidence. At a minimum, the Commission should complete its work in Case No. 9707 before deciding whether to promulgate regulations (or take any other action).

We note that the Commission previously approved the line extension allowances currently utilized by all Maryland electric and gas utilities and only after finding such policies just and reasonable. Nevertheless (and with a stroke of the Commission’s pen), Order No. 91683 simply reversed decades of long-standing ratemaking principles that allow customers to fund these extensions gradually through utility rates. It is important to note that the actions taken by the Commission here turned the process for promulgating regulations followed by all other Maryland administrative agencies on its head. Instead of allowing interested parties to file comments before the language in the draft regulations become final; the Commission simply dictated the provisions in the regulations first - and only thereafter allowed parties to comment on the language. Although the Commission allowed parties to file comments on the draft regulations, the regulations were already a *fait-accomplie*.



For decades, Maryland’s gas and electric utilities have used line extension allowances as a cost-effective way to connect new homes, businesses, and entire communities to essential energy service. Eliminating these allowances, as directed by the PSC, would:

- Increase the up-front cost of new home construction, putting energy access out of reach for many Marylanders.
- Reduce housing affordability, as demonstrated by a 2025 National Association of Home Builders study showing that every \$1,000 increase in median new home prices pushes 2,296 Maryland households out of the market.
- Disadvantage low- and moderate-income families, who rely most on payment flexibility and cannot afford large up-front infrastructure costs.

Eliminating line extension allowances forces undue cross-subsidization between customers.

Commission-approved line extension allowances ensure that customers can access natural gas service without prohibitive, upfront lump-sum costs. Without line extension allowances, new customers are forced to subsidize existing customers by paying more than their fair share of system costs, while existing customers are able to continue paying for their extensions (and otherwise contributing to system costs) through rates over decades. HB 958 corrects this inequity, ensuring a balanced cost-sharing model that benefits *all* customers and aligns with long-standing utility practice nationwide.

Eliminating line extension allowances only for gas companies (but not other utilities) is unjustly discriminatory.

Without any basis in record evidence, the Commission criticized line extension allowances and characterized them as: (1) undue subsidies from the utility; (2) masking the true cost of extending utility facilities; (3) encouraging uneconomic extensions of service; and (4) contrary to cost-causation principles. See Order No. 91683. Notwithstanding the inaccuracy of these criticisms generally, the Commission proposed to eliminate line extension allowances for gas companies *only* – but not electric companies. There is no principled difference between line extension allowances offered by gas companies compared to electric companies. The Commission’s actions create an uneven regulatory landscape that favors electric-only utilities and contradicts the Commission’s statutory duty to regulate without unjust discrimination. HB 958 ensures fairness across energy sectors and the Commission’s statutory duty. Maryland’s energy future will require an all-of-the-above strategy. Natural gas remains essential for affordability, reliability, and customer choice and will for many years to come. An electrification-only approach is increasingly recognized as costly, unpopular, and challenged by grid limitations, especially during peak demand periods. HB 958 supports a balanced transition that honors climate goals without compromising affordability or reliability.



HB 958 is a correction. HB 958 is a thoughtful, necessary correction to an overly aggressive regulatory action that would raise energy costs, reduce housing affordability, and limit customer choice. By preventing the elimination of reasonable line extension mechanisms, this bill ensures:

- Fair treatment for new and existing customers
- Fair treatment between gas and electric utilities
- More affordable access to natural gas service
- Support for Maryland families, small businesses, and new housing development
- A balanced, reliable, and customer-focused energy future

On behalf of Chesapeake and our thousands of employees and their families, who contribute every day to the communities where they live, work, and serve, we respectfully request a favorable report on HB 958.

Chesapeake Utilities Corporation
Steve Baccino, Governmental Affairs Director
Contact: sbaccino@chpk.com