

FAVORABLE – House Bill 958
Natural Gas – Connection and Line Extension – Discounts and Payment Plans
Environment and Transportation Committee

Columbia Gas of Maryland, Inc. (Columbia) supports House Bill 958. The legislation prohibits the Maryland Public Service Commission (PSC) from adopting or enforcing a regulation or order that prohibits a public service company from offering a discount or payment plan for the connection or extension of a natural gas line to a customer's property.

On February 9, 2023, the Maryland Office of People's Counsel (OPC) filed a petition with the PSC concerning near-term "priority actions" and comprehensive long-term planning for Maryland's natural gas companies. This effort is generally referred to as the "Future of Gas" proceeding or docket.

As part of the "Future of Gas" proceeding, the PSC issued Order No. 91683 in June 2025, directing its staff to draft regulations that would force applicants for natural gas service to pay the entire cost of the mainline extension (and service line) to their homes or businesses upfront, which abandons traditional ratemaking principles in Maryland and throughout the United States that recognize that the customer will pay for all, or a portion of, those costs through rates over time.

The amount of the cost paid through rates over time is often called a "line extension allowance" or LEA and can be based on a specified length in feet of the extension or on a case-by-case economic analysis. LEA's are used throughout the United States and traditionally, the PSC has supported LEAs for both gas and electric utilities. The PSC now seeks to single out gas utility customers by denying them the ability to pay for extensions through their rates and frames this action as "elimination of line extension allowances".

For decades, Maryland utilities have used long-standing and cost-effective practices to extend service to new homes, businesses, and communities, which is a vital part of economic development in Maryland. These initiatives are critically important in communities where the upfront cost of natural gas infrastructure would otherwise put energy access and choice out of reach for consumers.

Eliminating this long-standing approach significantly impacts energy choice, housing affordability, and local economic development across the State. At a time when affordability is a top concern for Maryland families, this new regulation intentionally creates artificial barriers to access natural gas, making basic energy access more costly and less attainable. While not an outright gas ban, the proposed regulation will have the effect of severely hampering Marylanders' abilities to obtain gas service, especially for low- and moderate-income families.

For example, in Columbia's service territory, a recent development that included 72 new homes required no upfront investment from the developer due to the outcome of the LEA economic analysis. Without the LEA, the developer would have had to make an upfront payment of approximately \$683,000.

Similarly, a customer that required a 40-foot extension to take gas service from Columbia required no upfront investment due to the outcome of the LEA economic analysis but would be required to pay approximately \$13,465 if the PSC eliminates LEAs for gas companies.

The PSC is clearly seeking to place its thumb on the scale in favor of electrification by allowing LEAs for electricity service to continue unchanged, which violates its duties to supervise and regulate utilities in the state without unjust discrimination.

Further, the PSC refuses to recognize that ending gas LEAs will result in unjust and uneconomic gas service because it will force new customers to subsidize existing customers.

LEAs are intended to distribute the costs and benefits of line extensions as a whole over the utility's entire customer base. The addition of new customers benefits existing customers by allowing the cost of service to be spread over a larger customer base. Without LEAs, new customers will be effectively subsidizing the service of existing customers, paying more than their fair share of the system costs. Additionally, without the allowances, or a reasonable economic test which includes revenues paid through rates, new customers must pay in full and upfront for their service connections, while existing customers continue to pay for system costs over decades, thereby disadvantaging new customers.

Finally, and perhaps most concerning, the PSC's order was based on conclusory assumptions about Maryland's energy future, rather than a fact-driven analysis. Without any consideration of the impacts of this policy change, the PSC directed its staff to engage in a predetermined rulemaking that must result in ending gas LEAs. But Maryland will continue to rely on gas as an energy source for many years to come, and there is growing evidence that an electrification-only approach would still entail significant emissions, and is otherwise unpopular, expensive, and unfeasible at this time due to serious and widely acknowledged challenges facing the electric grid.

Ultimately, Maryland should pursue an "all-of-the-above" approach to energy as stated by Governor Moore and Senate President Ferguson. This will ensure that affordability and reliability are considered, while prioritizing a customer's ability to choose the type of energy they wish to use.

Columbia believes House Bill 958 is an appropriately and reasonably crafted policy to ensure Marylanders have energy choice with affordable access to the energy they choose. We request a favorable report on House Bill 958.

February 27, 2026

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