Dylan Behler
Legislative District 30A
Anne Arundel County

Environment and Transportation Committee

Subcommittees

Agriculture and Aquaculture

Energy

Environment

THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

The Maryland House of Delegates
6 Bladen Street, Room 154
Annapolis, Maryland 21401
410-841-3045
800-492-7122 *Ext.* 3045
Dylan.Behler@house.maryland.gov

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Testimony in Favor of HB1253
Gas Companies - Infrastructure Investments - Cost Recovery and Customer Notifications
(Break STRIDE ACT)

Dear Chair Korman, Vice-Chair Guyton, and Members of the Environment and Transportation Committee:

I respectfully request a favorable report of House Bill 1253 which, if passed, has the potential to save ratepayers a tremendous amount of money. It would save our ratepayers money by:

1. Repealing the STRIDE law in its entirety.
2. Explicitly prohibiting a utility from recovering the costs of gas infrastructure replacements through alternative forms of regulation such as multi-year rate plans and forecasted rates.
3. Maintaining the requirements for customer notification, safety, and cost effectiveness, and alternatives assessments related to gas infrastructure improvements that were passed in the Next Generation Energy Act last year.

We've heard a lot about the Strategic Infrastructure Development and Enhancement Plan (STRIDE) this session and last session, but as a quick reminder, STRIDE was originally passed in 2013 as a mechanism to provide our utilities with accelerated cost recovery for gas infrastructure projects. Since its passage, we have seen utilities spend more than $2 billion with projections of spending nearly $8 billion dollars total – which in turn would lead to a $40+ billion dollar cost to ratepayers.

It is also important to remember our conversations in the various briefings throughout the beginning of this session related to utility spending and utility profits. The vast majority of utility profit is driven by distribution-level spending including infrastructure spending *and not related to* the actual supply costs of gas and electricity. The STRIDE law increases utility profits by giving utilities accelerated cost recovery of such infrastructure spending. **It has allowed and will continue to allow our utilities to see profits at an accelerated rate.**

If we pass this bill, this is what we would be saying:

1. **STRIDE and accelerated recovery of gas infrastructure spending has driven up customer rates while allowing our investor-owned utilities to receive exorbitant profits on the backs of ratepayers and we can't allow it to continue.**

2. **With energy bills at unaffordable levels, ratepayers should not be subject to unnecessary mechanisms to give utilities faster cost recovery that just leads to faster increases in rates and energy bills.**
   Under STRIDE, accelerated cost recovery is granted *prior to or concurrently with* ongoing work – historically, that would have been incorporated into rate setting proceedings after the work is completed. Because of this reverse structure, we, the ratepayers, are taking on greater risks of this investment. It should not operate that way, and when we take on the risk, and provide a guaranteed accelerated return, the utilities are far more likely to make unnecessary and unneeded investments further perpetuating a cycle of ever-increasing rates.

3. **We are solving this problem now, before it becomes exponentially worse.**
   According to analysis from the Office of the People's Counsel, without intervention, and if gas commodity rates reflect the current 5-year average, the average BGE gas customer will see their winter gas bill increase 67% by 2035 and double by 2050. For Washington Gas, we can expect bills to increase 32% by 2035 and 76% by 2050. For example a customer who paid a $400 winter bill this year would be paying $800 to BGE or $700 to WGL by 2050.

In testimony I usually don't reference what a bill doesn't do – but with what you will hear from utilities, I think it is very important to be clear as to what this bill doesn't do.

1. **This legislation does not go against the reforms to STRIDE last year in the Next Generation Energy Act – but rather it builds off of those reforms.**
   Last session we made progress on reigning in STRIDE through the Next Generation Energy Act. In that bill, we required gas utility companies to prioritize replacement based on risk, use alternatives to replacement where less costly, and provide notice to customers should customers want to electrify to avoid costs of infrastructure replacement.

   Those provisions went into effect in June 2025, and since then our utilities have argued before the Public Service Commission (PSC) that they do not have to comply with the law or that the law does apply to them until they file a new STRIDE program or rate case.

   This bill would build off of that legislation by fully repealing the STRIDE law and surcharge, since it is clear that our utilities do not want to operate under the rules of the road that we passed last year. Additionally, this legislation would maintain the protections for nonpipeline alternatives and notification requirements we passed last year.

2. **This legislation does not prevent investor-owned utilities from making necessary investments for safety and reliability.**
   We need to be incredibly clear that nothing in this bill prevents a utility from making necessary investments for safety related reasons – it is a core, legal obligation of theirs to do just that. But what this bill is saying is that they should not receive an accelerated return on that infrastructure spending, and in turn an accelerated profit.

   If this bill were to pass, we would go back to typical historic rate setting procedures where utilities attract investors and spend on infrastructure, come to the PSC and present that information, and then receive the approval to increase rates and earn a return appropriately.

3. **This legislation does not make it harder for investor-owned utilities to meet United States Pipeline and Hazardous Materials Safety Administration (PHMSA) requirements.**
   Nothing in this law changes the utilities' state and federal legal obligations on safety; in fact it makes them stronger. All it does is return to a well-tested form of financing for infrastructure projects. The utilities can still replace pipes, get their costs recovered, and earn a profit. They can also comply with PHMSA's requirements using methods other than replacing pipes.

Additionally, you will likely hear that there is a $2 surcharge cap for STRIDE cost-recovery per month – while that is true, it does not meaningfully work in practice as the surcharge is reset in each rate with the prior surcharge costs added to the utilities' rate base. The $2 surcharge, which Washington Gas still uses, amounts to a small downpayment on a much larger bill. In other words, the utility can reset the surcharge with the prior costs being moved into base rates whenever it wants. Columbia Gas reset the STRIDE surcharge every year for 9 straight years by filing a rate case each year. Columbia Gas' rates have grown from 30 cents/therm in 2013 to $1.24 in 2025–a fourfold increase over 12 years.

For BGE, all STRIDE spending has been moved to their mult-year rate plan, which functions in a similar way. I want to also recognize the amendment that was offered by the Speaker during her bill hearing which would prevent the use of a *forecasted test year* as an alternate form of regulation. That means that rates cannot be set based on utilities' projected costs Instead rates are set based on historical *or actual* spending. The STRIDE program operates the same as a forecasted test year, just one that's limited to gas infrastructure replacement. Without STRIDE, gas replacement work will continue, but be recovered in rates based on historic, actual spending on work completed. Returning to this standard ratemaking strengthens scrutiny on spending and reduces the incentive to overspend. Future, or projected spending, on the other hand, as provided through STRIDE and multi-year rate plans, increases the incentive to spend excessively and wastefully, driving up spending, rates, and profits.

That amendment goes hand in hand with this legislation because under this bill, all gas utility capital spending would go back to typical rate setting processes.

With all of this in mind, the Break STRIDE Act, has the opportunity to greatly reduce the ever-increasing costs that our ratepayers are experiencing and I would respectfully request a favorable report of House Bill 1253.