



March 10, 2026

HOUSE ENVIRONMENT AND TRANSPORTATION COMMITTEE

HB 1253 – Gas Companies – Infrastructure Investments – Cost Recovery and Customer Notification (Break STRIDE Act)

Statement in Opposition

Chesapeake Utilities of Maryland, Inc. (“Chesapeake”) delivers natural gas to 33,000 customers throughout Maryland’s Eastern Shore, serving Cecil, Dorchester, Caroline, Wicomico, Worcester, and Somerset counties. Chesapeake respectfully opposes HB 1253, which would repeal the STRIDE statute, prohibit the Public Service Commission (the "Commission") from allowing recovery of certain gas infrastructure replacement costs through alternative regulation, change the criteria for gas companies to recover infrastructure costs, and require advance notifications to customers for planned gas projects. Together, these measures would disrupt Maryland’s established process for replacing aging gas infrastructure, including leak-prone gas lines, and could jeopardize system safety, reliability, and affordability.

The bill’s arbitrary 2-year notification requirement is unworkable and based upon a deeply flawed premise. HB 1253 would impose a new 2-year advanced customer notification requirement that in practice, would be completely unworkable. Under the bill, anytime a gas company replaces any infrastructure (including pipes, meters, compressor stations) the company would be required to provide all impacted customers at least 2 years advanced notice of the project; plus at least two subsequent notifications. It is unclear what practical benefit (if any) is provided by informing a customer that the utility may be performing work in the customer’s area 2 years from now.

In addition, a two-year notification requirement jeopardizes a gas company’s ability to replace the highest risk pipe on its system. Gas companies repair pipelines based on the highest risk pipe. A two-year notice requirement requires gas companies essentially to *guess* which projects to implement far in advance - instead of choosing projects prudently based on the need for leak elimination, risk reduction and public safety. Also, HB 1253 ignores the evolving nature of infrastructure replacement. Gas companies continuously monitor the operations of their systems and, in response, the timing of infrastructure projects may change. Given the dynamic nature of infrastructure projects, HB 1253 could lead to multiple customer notifications as projects are announced and (possibly) withdrawn – creating unnecessary customer confusion.

Advocates for HB 1253 appear to assume that gas companies are losing customers; thereby justifying the need for alternatives analyses. This is simply untrue. For the past several years, Chesapeake has added and continues to add new customers year over year. Indeed, over the past 2 years 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 1.3 million customers (half of the Maryland residential space heating market, providing more thermal heat to customers than electricity, oil, or propane.)



HB 1253 removes an important “cost-effective” analysis from current law. HB 1253 brazenly deletes the term “cost-effective” from the existing statutory provision that requires gas companies only to analyze “cost-effective” alternatives to installing new facilities or replacing old ones. By deleting this term, the bill would add needless delays to gas infrastructure replacement and expansion projects. HB 1253 also deletes language from this same section of current law that limits the requirement for an alternatives analysis only “for new investments unrelated to safety.” If adopted, this would require a gas company to prepare an analysis for all infrastructure projects – including those urgently needed for safety reasons, and regardless of the cost-effectiveness of the alternative. Forcing gas companies to prepare useless analyses of expensive alternatives to gas infrastructure is simply pointless; and would hurt customers by jeopardizing the safety of the system.

Repealing the STRIDE statute would contradict Federal policy and harm system safety and reliability. 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 state utility commissions, to identify pipeline risks and accelerate the replacement of the highest risk infrastructure. In 2013, the Legislature enacted the STRIDE law to encourage gas utilities to accelerate replacement of certain aging gas infrastructure by allowing gas companies to begin recovering a small portion of the cost to replace old (and fully-depreciated) pipe infrastructure in between rate cases.¹ The STRIDE program encourages the acceleration of pipeline replacement and achieves material greenhouse gas emission reductions through leak reduction and prevention. HB 1253 would simply eliminate these important efforts.

The Commission is best equipped for planning and oversight. The Commission has extensive experience overseeing gas system investments through reviews during annual STRIDE reconciliations and formal base rate cases. HB 1253 would undermine this expert, case-specific review by eliminating proven tools and imposing rigid, one-size-fits-all constraints on infrastructure cost recovery – with no benefit to ratepayers.

On behalf of Chesapeake and our thousands of employees and their families who contribute every day in the communities where they live, work, and serve, we respectfully oppose HB 1253.

Chesapeake Utilities Corporation
Steve Baccino, Governmental Affairs Director

¹ It is important to note that utilities do not recover the costs they incur to replace infrastructure all at once. Rather, utilities recover an equal portion of the replacement costs each year through depreciation rates based on the useful life of the asset. In other words, if an asset has a useful life of 30 years, the utility is allowed to recover 1/30th of the cost each year until the utility recovers their entire cost (*i.e.*, the asset is “fully depreciated”). Under traditional ratemaking, a utility is required to incur the full cost to replace an asset and place the asset into service. Then, the utility must file and complete a base rate case before the Commission allows the utility to begin to recover 1/30th of the cost of the asset each year going forward. Under STRIDE, the gas company is simply allowed to begin recovery of its 1/30th share of the cost of the asset in between rate cases and simultaneous with its installation of the asset (and under Commission supervision).