Maryland PIRG

Chesapeake Climate Action Network

HB1253: Gas Companies - Infrastructure Investments - Cost Recovery and Customer Notification (Break STRIDE Act)
Environment and Transportation
March 10th, 2026
Emily Scarr, Maryland PIRG
Favorable

Maryland PIRG is a state based, small donor funded public interest advocacy organization with grassroots members across the state. We work to find common ground around common sense solutions that will help ensure a healthier, safer, more secure future.

Maryland PIRG, along with more than a dozen organizations, supports the Break STRIDE Act (HB1253).

The STRIDE law was passed with the intent of providing financial incentives for gas utilities to more proactively fix their aging gas infrastructure; unfortunately, it lacked critical safeguards on spending, exacerbating an existing incentive to overinvest in new infrastructure. To make matters worse, the law also lacked language requiring spending to prioritize safety. For over a decade, gas companies have used the STRIDE law to pursue expensive projects that do not appear to prioritize safety and may be delaying the work to address the riskiest pipes, collecting excessive profits along the way.

Maryland gas utilities have already spent over two billion dollars to replace gas pipes and equipment.

Without intervention, Maryland gas utilities are expected to spend nearly $8 billion on STRIDE related projects and charge customers a projected $41.5 billion to pay it back, driven in large part by utility profits.

HB1253 fully repeals the STRIDE law and surcharge and:

- Requires utilities to pay for all gas capital spending through investor dollars or debt and then justify the prudency of the spending through a rate case to be eligible for cost-recovery.
- Prohibits advanced recovery of gas capital spending through multi-year rate plans or other forms of forecasted rates.
- Requires gas utilities to prioritize safety, demonstrate cost effectiveness, consider alternatives to replacement, and provide notice of gas infrastructure work, as already required by the ratepayer protection act.

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Gas utilities are, and have always been, legally required to maintain the safety of the system, including making necessary repairs and replacement without additional profits or financial incentives. For the reasons alone, the financial incentives within the STRIDE law should be repealed. While they may argue that removing these financial incentives will make it difficult to raise sufficient funds to do the work, there is no evidence to back up this claim, and in fact evidence suggests that it is not true. As explained by economist Mark Ellis in testimony to the Arizona Corporate Commission, the average expected long-term aggregate market return is 6.06%[1]. This is 38% lower than the 9.74% average return on equity (ROE) authorized for regulated utilities across the country - even though utilities are one of the least risky industries. Existing, or substantially lower returns are enough to drive investment for utility capital costs, and suggest that the state could repeal STRIDE and bring ROE down by several points and still be able to attract investors.

In 2025, the General Assembly passed the Ratepayer Protection Act as part of the Next Generation Energy Act. That law went into effect in June 2025, and required gas utilities to prioritize safety and demonstrate cost effectiveness for gas capital work. Since the law went into effect, Washington Gas, and BGE have both argued at 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. Both have proposed "business as usual" gas pipeline replacement plans for 2026 and the PSC has been unwilling to stop the 2026 project work for either utility.

The Next Generation Energy Act went into effect on June 1, 2025.

1. In October, 4 months after the law went into effect, the PSC directed Washington Gas to justify how its current STRIDE 3 plan complies with the NGEA. Washington Gas's response was to argue that nothing should change with their 3 year STRIDE plan, and did not submit documentation demonstrating risk analysis or cost effectiveness for their proposed work in 2026 or beyond. The PSC affirmed that they have the authority to review current plans, but chose to allow all "active projects" to move forward in 2026, even if the project has not broken ground.
2. BGE submitted their 2026 project list in January, 7 months after the law went into effect. The PSC has yet to direct BGE to submit any justification on the project list, or to put out an order adjusting the program list in light of the law. For its part; however, BGE has argued that the law does not apply to them until the company files a new rate case.
3. In February, the PSC put out an order allowing WGL to continue its 2026 STRIDE work and directing staff to draft regulations for the law within 120 days, meaning a draft will be available a full year after the law went into effect.

Given the utilities' unwillingness to comply with the law, and the PSC's delay in requiring them to do so, it is important that the legislature stop financial incentives for gas pipeline work that are encouraging wasteful spending, HB1253 repeals the surcharge for gas capital spending (which is currently being used by WGL) and prohibits the use of MYRPs, forecasted rates and other forms of "advance recovery" for gas

[1] Testimony of Mark Ellis before the Arizona Corporate Commission , Feb. 2026, Page 31 line 28.

capital work (which is being used by BGE). To be clear: Maryland PIRG also supports ending these additional financial incentives for ALL capital spending, not just gas, as has been proposed as an amendment to HB1532.

2026 is the final year of BGE's 2023 MYRP which included gas capital spending plans. The company has confirmed that it plans to come in for a rate case in the first half of 2026. However, it recently asked for a waiver to delay their March 7th filing deadline. This means it is unclear if PSC will have made its decision on BGE rates before the next legislative session. The PSC has full authority to reject wasteful gas capital spending, as they did in their December order on BGE's reconciliation request. However, unless the legislature strengthens the law, BGE will continue to argue for the allowance of this spending, wasting valuable staff time of the PSC and OPC, and the company could ultimately prevail with a business as usual scenario.

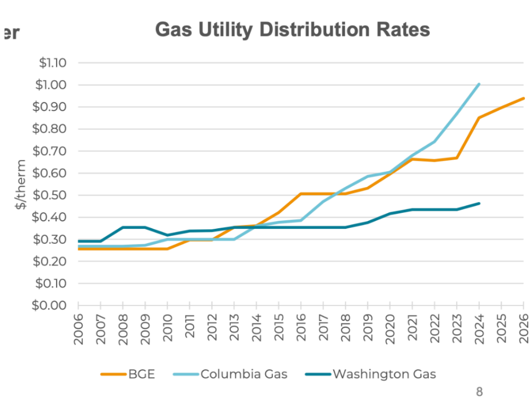
Now is the time for the MGA to strengthen policy direction to the PSC to avoid wasted time and resources, and firmly protect ratepayers.

A gas pipeline program that properly prioritizes gas leaks will cost less, meaning smaller bill increases, while also making our communities safer. Our gas utilities need to fulfill their obligation to provide safe and affordable energy to Maryland homes, without expecting additional financial incentives from customers.

These reforms will enable the PSC to more effectively reign in excessive gas capital spending that is driving up heating bills.

STRIDE and utility profits

Gas utilities make their highest profits from capital investments, including installing new pipes and equipment. Increased capital spending also leads to increases in customer delivery rates.



This leads to risk of overspending, often referred to as "gold plating," where utilities invest in ways that boost their profits and customer rates but do not deliver proportional benefit to their customers. Traditional utility regulation has checks in place to counteract the incentive to overinvest, including but not limited to oversight by the PSC. STRIDE, multiyear ratemaking, and forecast rates weaken these checks.

STRIDE effectively increases the incentive to overinvest - driving up our rates and utility profits, but without improving utility service in any proportion. **And this is obviously what is going on: spending, rates, and profits are all climbing.**

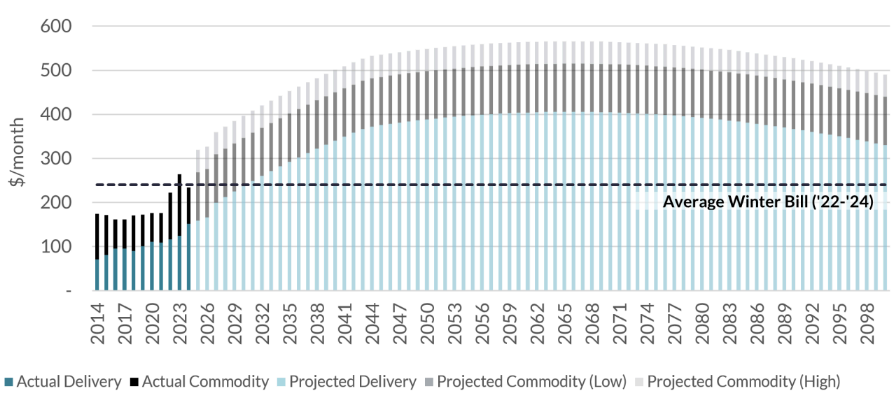
The legislature should repeal STRIDE to remove this unnecessary incentive.

Operation Pipeline gold plating

BGE's STRIDE work is called Operation Pipeline. The program replaces gas pipelines and conducts a broad and expensive system-wide pressure conversion. Columbia Gas has mostly completed their program and Washington Gas is underway, but slower to move their program.

Maryland PIRG Foundation recently released an [analysis of BGE's 2025 Operation Pipeline work] which finds that the utility has emphasized costly pressure conversions over replacing the riskiest pipe, lacks documented project-selection procedures, and has already committed billions in spending that customers will ultimately repay—an estimated $19.5 billion over time.

BGE gas customers have already seen their delivery rates triple since 2010. Today, BGE gas customers pay BGE nearly $2 in delivery charges for every $1 they spend on gas to heat their home. If BGE's spending on Operation Pipeline continues, the Office of the People's Counsel projects that BGE bills will double again by 2050.



OPC's chart shows that the typical BGE residential customer's winter bill will grow from an average of $240 in 2022-2024 to $402, a 67 percent increase, by 2035 and $498, a 107 percent increase, by 2050. This estimate assumes commodity prices stay around the five-year averages and that gas sales do not decline.

The average WGL typical residential customer's bill will grow from an average of $194 in 2022-2024 to $256, a 32 percent increase, by 2035 and $340, a 76 percent increase, by 2050.

Courtesy of the Office of the People's Counsel, [Gas Utility Spending, 2025]

BGE's 2025 Operation Pipeline project list indicates that BGE's 2025 work to convert its system from low to medium pressure appears to drive project selection decisions more than risk scores do. The pressure conversion strategy requires the replacement of non-at risk materials. In 2025, 15% of the mains and more than 40% of the service lines being replaced were lower risk materials like plastic. The 2026 plan is much the same. Because of this added work, and having to target cast iron by geographic location instead of risk, BGE's Operation Pipeline pressure conversion work may be slowing BGE's work to repair or replace cast iron and bare steel throughout the company's service territory.

BGE is also under [investigation at the PSC] for failures of the gas pipeline safety inspection program.

Despite new consumer protections under the Next Generation Energy Act which require gas pipeline spending to prioritize safety and be cost-effective, BGE's 2026 Operation Pipeline project list, released February 3, 2026, does not include cost-effectiveness analysis nor does it demonstrate prioritization of safety. Further, the project list outlines BGE's plan to increase spending on the program. In 2025, BGE spent over $130 million on Operation Pipeline and in 2026, they plan to spend over $142 million.

This infrastructure spending drives up delivery rates and BGE profits. BGE's delivery rates have tripled since 2010 while their profits have almost quadrupled, reaching a record high of $578 million in 2025, a $50 million increase over 2024. If BGE completes its proposed $4 billion in STRIDE-related spending, the Office of the People's Counsel projects that customers will repay a total of $19.5 billion over time, including interest and utility profits.

Without taking action, BGE's profits will continue to rise at the expense of ratepayers and other gas utilities will follow suit.

Washington Gas customers have yet to experience the massive rate increase felt by BGE gas customers, but the state needs to act to prevent these hikes. In December, Washington Gas filed for a [$82.5 million rate increase](). If the total increase is approved, residential heating customers will receive an increase of 8.5% to their total bill or $7.87 on a monthly basis. According to OPC, if WGL completes its proposed $3.9 billion in gas pipeline spending, it could cost customers $22 billion to pay back, due in large part to substantial profits.

We respectfully request a favorable report

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* CCAN Action Fund * Center for Progressive Reform * Clean Water Action *
Climate Communications Coalition * Climate Law & Policy Project *
* Environmental Justice Ministry - Cedar Lane Unitarian Universalist Congregation *
HoCoClimateAction * Indivisible HoCoMD * Maryland Legislative Coalition - Climate Justice Wing
* Maryland Sierra Club * National Consumer Law Center *
No Boundaries Coalition * Progressive Maryland