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COMMITTEE: ENVIRONMENT AND TRANSPORTATION

TESTIMONY ON: HB 1253 GAS COMPANIES - INFRASTRUCTURE INVESTMENTS - COST RECOVERY AND CUSTOMER NOTIFICATION (BREAK STRIDE ACT)

POSITION: OPPOSE

HEARING DATE: MARCH 10 AT 1:00 PM

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT IN **OPPOSITION** TO **HOUSE BILL 1253 – GAS COMPANIES - INFRASTRUCTURE INVESTMENTS - COST RECOVERY AND CUSTOMER NOTIFICATION (BREAK STRIDE ACT)**

About HB 1253

HB 1253 fundamentally changes how the Public Service Commission evaluates pipeline infrastructure by repealing the statutory framework that currently allows gas companies to file accelerated infrastructure replacement plans for PSC review while recovering related safety costs through a structured, capped surcharge. Instead, the bill requires all future pipeline investments—regular and accelerated—to be reviewed solely through traditional rate cases and prohibits the PSC from using alternative regulatory tools beginning October 1, 2026. HB 1253 also imposes a new obligation on gas companies to shift to higher risk leak repair programs rather than replacing obsolete infrastructure. This shift forces necessary safety investments into more frequent, expensive, and less predictable rate proceedings, increasing regulatory costs and creating greater volatility and financial risk for customers.

Background

In 2011, following several major pipeline incidents nationwide, the Obama Administration issued a national call to action urging states and utilities to accelerate the replacement of aging, risk-prone infrastructure. This framework was reaffirmed and strengthened under the Biden Administration, which has emphasized proactive risk reduction and leak mitigation. Washington Gas operates under a federal safety framework established by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA).

STRIDE was enacted by the Maryland General Assembly in 2013 as a statewide framework to accelerate the replacement of aging natural gas infrastructure. The legislation passed with bipartisan support. In 2013, the Senate approved the STRIDE bill (SB 8) by a vote of 34 to 13, and the House approved the companion bill (HB 89) by a vote of 119 to 17. These strong majorities

reflected a shared commitment across party lines to improve safety, modernize infrastructure, and protect Maryland communities.

In 2025, the General Assembly enacted significant reforms to STRIDE through the Next Generation Energy Act of 2025. The Commission recently issued an order announcing that it will open a rulemaking to develop standards for utilities to implement those changes. The rulemaking has not yet occurred, and utilities have not yet had the opportunity to file revised plans under the new statutory requirements. Because last year's reforms have not been implemented or evaluated, there is no factual basis for concluding that further policy change is necessary. It would be premature for the General Assembly to repeal or significantly modify STRIDE when the effects of the 2025 legislation have not yet been realized.

Federal Safety Requirements

PHMSA rules require gas companies to have a continuing surveillance, maintenance, and replacement program for pipelines that are hazardous or in unsatisfactory condition. Washington Gas has met this requirement by including the PHMSA program elements in the Company's written Distribution and Transmission Integrity Management Programs (DIMP and TIMP). Once a gas company formally adopts its DIMP and TIMP, the programs are enforceable against the operator by PHMSA or a state utility commission. PHMSA and the Commission audit DIMP and TIMP every five years to ensure that the gas utility is actually reducing risk in its system. Failure to comply with DIMP and TIMP can subject a gas utility to civil penalties. Accelerated replacement of leak-prone piping, as enabled by STRIDE, is specifically called out in the Integrity Management Programs.

Congress affirmed longstanding federal pipeline safety policy in the PIPES Act of 2020, which mandates that operators update their DIMP and TIMP plans to replace or remediate pipe based on material, design, or operational history.

Commitment to Public Safety

Washington Gas's highest priority is the safety of the Maryland communities we serve. Every aspect of our operations is centered on identifying, reducing, and eliminating risks to the public in line with PHMSA requirements. Modernizing aging infrastructure is critical to preventing incidents, reducing leaks, lowering greenhouse gas emissions, and maintaining reliable service. STRIDE has been the primary mechanism that allows this safety work to proceed in a structured, predictable manner. To date, STRIDE has enabled Washington Gas to remove 162 miles of legacy pipe and achieve a 41 percent reduction in total system leaks over the past five years, which translates into approximately 175,000 metric tons of avoided greenhouse gas emissions. Repealing STRIDE would jeopardize this progress and risk curbing hard-won safety and environmental gains.

Customer Cost Impacts

Repealing STRIDE will increase long-term costs for Maryland customers. The STRIDE surcharge is capped at two dollars per month for residential customers and is designed to levelize cost impacts over time. Without STRIDE, utilities would be forced to recover federally guided safety investments through frequent and expensive general rate cases. These proceedings impose higher regulatory and legal costs on customers and result in larger, less predictable rate adjustments. STRIDE avoids this volatility by providing a steady, measured approach to recovery that protects ratepayers while ensuring essential work continues.

Remaining Safety Critical Infrastructure

Maryland still has approximately 500 miles of STRIDE-eligible pipeline remaining in Washington Gas's territory. Roughly 300 miles are located in Montgomery County and just under 200 miles are in Prince George's County, affecting approximately 88,000 customers. These pipelines represent some of the highest risk materials in our system. Replacing this aging infrastructure also supports more than 1,000 jobs per year, helping maintain a skilled workforce dedicated to improving safety and reliability. Without STRIDE, the pace of this critical work is at risk of slowing significantly, creating greater long-term safety concerns for the communities we serve.

Public Service Commission Oversight

It is important to be clear that Washington Gas does not determine the pace, scope, or cost of STRIDE investments. The Public Service Commission exercises full oversight through five-year plans and annual reviews of proposed projects. The PSC evaluates every investment, adjusts spending levels as it finds appropriate, and determines what costs may be recovered from customers. STRIDE does not diminish or bypass Commission authority. It simply provides a transparent, structured mechanism for the PSC to manage essential safety work efficiently and consistently.

Nonpipeline Alternatives and Leak Detection and Repair Requirements

HB 1253's requirements for a nonpipeline alternatives (NPA) analysis and expanded leak detection and repair evaluation to all future planned gas infrastructure projects does not align with established federal safety practices and would not provide meaningful safety or cost benefits to Maryland customers. Leak detection and repair is, by design, a reactive program focused on identifying and resolving existing leaks on the system. HB 1253 would seem to allow for only these reactive, emergency repairs¹ without significant additional lead time, as discussed below. PHMSA guidance differentiates this approach from proactive integrity management, which requires gas utilities to identify aging, leak-prone materials such as cast iron and bare steel- and replace them on a risk-based- schedule to prevent future failures. Repairing isolated leak points on

¹ The language of HB 1253 defines "planned gas infrastructure investment" as meaning any non-emergency investment in the replacement, upgrade, or construction of a portion of a gas company's gas system.

vintage pipe does not change the underlying condition or lower the risk of the remaining asset and, in many cases, can worsen instability when the material is disturbed. By contrast, replacing leak-prone pipelines removes the long-term risk entirely and ensures compliance with national safety expectations to minimize both the likelihood and consequences of releases.

The bill's requirement to analyze NPAs at the project level is similarly impractical and unsupported by available evidence. Experience from states that have piloted NPA programs, most notably New York, shows that such analyses lead to substantial administrative effort, long delays, and minimal results. Over more than two years, utilities there evaluated hundreds of potential electrification-based alternatives but succeeded in retiring only small segments of main at very high cost, often exceeding the cost of conventional replacement. These programs require full customer participation before even a few feet of main can be removed, creating prolonged uncertainty and delaying work on assets already identified as high risk. The outcomes are even less transferable to Maryland, where Washington Gas is a gas only utility without the electric side data or infrastructure integration needed to conduct such evaluations efficiently.

Washington Gas disagrees with any focus on consideration of NPAs at the project level. Specifically, the Company believes NPAs are most applicable at the system planning stage, rather than in later project development stages. This ensures the Company considers only new and replacement infrastructure components which are needed, after consideration of the effect of demand side NPAs. When not related to safety, an analysis of cost-effective options to defer, reduce, or eliminate the need to replace, upgrade, or construct new system components and an analysis of NPAs, are existing requirements. As an example, the Company notes that it has proposed nine proactive abandonment projects (without replacement) in its 2026 STRIDE Project Plan.

HB 1253 also removes the requirement that an NPA must be cost effective, which means that Maryland gas customers will likely pay more for repairs than replacement over the remaining life of risky assets. That approach directly contravenes the energy affordability concerns expressed by the General Assembly in this session. In the rare instances in which an NPA might be considered from an engineering perspective, the analysis should consider commercial availability, cost effectiveness and affordability and, most importantly, risk reduction. Unless an NPA reduces risk by at least the same amount as replacement, it does not meet federal guidelines on mitigating risk of obsolete infrastructure.

Two-Year Customer Notice Requirement

HB 1253 also introduces a two-year customer notification requirement before any planned pipeline replacements may proceed; a provision that is inconsistent with how infrastructure planning, risk assessment, and customer behavior function in Maryland. Washington Gas's experience shows no evidence of widespread customer interest in electrifying in response to pipeline work. Customers can already choose to discontinue gas service at any time, and STRIDE work does not limit that option. Imposing a two-year waiting period would add administrative cost, delay safety critical

projects, and undermine the annual risk-based analysis the Company performs to address new leaks and evolving system conditions. In practice, this delay would force Washington Gas to rely on outdated risk assessments, disrupt coordinated construction activities, and increase the likelihood that high-risk main or service lines must either be deferred or replaced inefficiently. Additionally, customers often lack financial ability, contractor availability, or desire to electrify even with extended notice, making the proposed window unlikely to meaningfully influence electrification decisions. Washington Gas's 2025 notification process illustrates this reality: nearly 2,500 Maryland customers received written notice and the opportunity to electrify within 180 days, yet not a single customer elected to do so. The Company's 2026 notification process yielded a similar result. Washington Gas issued 1,869 notices to its Maryland customers. Only one (1) customer responded, indicating they had already electrified their home. That customer has an inactive meter and would have been skipped for purposes of STRIDE replacement work. The Commission, likewise, has observed that there is no reason to expect significant numbers of customers to abandon gas service even with extended notice. HB 1253's customer notice requirement would impose delays, cost increases, and safety risks on entire neighborhoods without delivering meaningful customer benefits and should not be adopted.

Conclusion

For these reasons, Washington Gas respectfully urges an unfavorable report on HB 1253. Thank you for your attention and for your continued commitment to the safety and wellbeing of Maryland residents.

About Washington Gas

Washington Gas Light Company provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. WGL has been providing energy to residential, commercial, government, and industrial customers for more than 177 years, and currently serves nearly 520,000 Maryland customers in Montgomery, Prince George's, Charles, St. Mary's, Frederick, and Calvert Counties. The Company employs over 600 employees in Maryland, and hundreds of outside contractors, plumbers, union workers, and other skilled tradespeople. The Company strives to improve the quality of life in our communities by maintaining a locally-based workforce, working with suppliers that represent and reflect the communities we serve, and giving back through its charitable contributions and employee volunteer activities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.

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