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PUBLIC SERVICE COMMISSION

March 30, 2021

Chair Delores Kelley
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: HB 890 – INFORMATION – Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans

Dear Chair Kelley and Committee Members:

I have reviewed House Bill 890 and provide the information below for the Committee's consideration. SB 8/HB 89 ("STRIDE," 2013) allowed gas companies to recover costs for infrastructure replacement projects through a separate surcharge on customer bills, with a cap of \$2.00 per month. Subsequently, three gas companies filed plans with the Maryland Public Service Commission for approval, Baltimore Gas and Electric Company, Washington Gas Light Company, and Columbia Gas of Maryland. Since the passage of this legislation, the Commission has approved two five-year plans for each utility; the second plans are ongoing.¹

In 2020, BGE filed the first Multi-Year Rate Plan as the pilot utility under the Commission's Alternative Forms of Ratemaking proceeding. In this case, the Commission had its first opportunity to consider the interaction of Maryland's laws governing STRIDE and alternative forms of regulation. The MRP Pilot Order contains a mandatory stay-out provision, which provides that any utility that files an MRP will be prohibited from filing another base rate case for the three-year duration of the plan. The Commission contemplated whether the intent of the STRIDE law was for the STRIDE surcharge to be a form of alternative ratemaking since historical test years were still the basis of most rate cases at the time the legislation was passed. Proposals in the case included several various approaches to shifting STRIDE spending during the five-year plan into rate base, including only at the beginning and end of the three-year rate plan, continuously throughout the plan, or only through base rates.

In interpreting the relevant statutes, the Commission authorized the shifting of STRIDE spending through the end of 2020 into rate base but left the STRIDE statute to continue controlling the existing filed spending plan that lasts for a total of five years. In doing this, the Commission respected STRIDE's statutory cap on recovery and the statutory requirement that spending can only be transferred to rate base during a full rate proceeding.² The Commission

¹ On March 2, 2021, Elkton Gas Company filed its first STRIDE application for approval.

² Order 89678, Paragraph 57, p. 27; *Public Utility Article*, § 4-210(g)(1)(ii)(2).

stated, “It is not clear that the General Assembly intended that a utility could put an unlimited amount of gas infrastructure costs on ratepayers through a forecasted, alternative ratemaking mechanism. Ultimately, when the General Assembly crafted such a mechanism—with STRIDE—it imposed a strict surcharge cap.”³ The Commission further found that the proposal to place STRIDE costs in the MRP could impact the transparency that the General Assembly required by making the surcharge visible to customers. HB 890 will provide clarity that costs from a five-year STRIDE plan can be shifted on an annual basis during a multi-year rate case, thereby reducing regulatory lag.

Thank you for the opportunity to provide informational testimony regarding HB 890. Please contact my Director of Legislative Affairs, Lisa Smith, at 410-336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman

³ *Ibid.*, para. 58.