August 11, 2026

Ms. Kim Coble, Co-Chair
Mr. Michael Powell, Co-Chair
Mitigation Working Group
Maryland Commission on Climate Change
C/O The Maryland Department of the Environment
1800 Washington Blvd.
Baltimore, MD 21230

VIA Electronic Mail - jared.williams@maryland.gov

RE: Recommendation for Ending All Forms of Accelerated Cost Recovery for Gas Infrastructure Investments

Dear Chair Coble, Chair Powell and Mitigation Working Group Members:

Columbia Gas of Maryland, Inc., Chesapeake Utilities Corporation and Washington Gas (the Utilities) have reviewed the proposed recommendation from Maryland Commission on Climate Change Member David Lapp that the Maryland General Assembly should "end all forms of accelerated cost recovery for utility gas infrastructure investments." We have serious concerns with its inclusion as one of the four Mitigation Working Group (MWG) recommendations to the full Maryland Commission on Climate Change (MCCC) for possible inclusion in its 2026 Annual Report.

As an initial matter, it is important to understand what a STRIDE surcharge is – and what it is not. A STRIDE surcharge is not designed as a "pass-through" to allow a gas company to recover (dollar-for-dollar) the costs it incurs while installing the proposed reliability projects.[1] Rather, it simply allows the utility to begin to depreciate and earn a return on the assets *contemporaneous* with their installation – instead of waiting until after its next rate case as typically occurs

[1] The Commission typically permits a utility to recover its investment in utility assets in increments over the course of the asset's useful life. The investment is recovered over the life of the plant through depreciation, and investors are entitled to earn a reasonable return on the undepreciated plant. For example, if a particular asset costs utility investors a certain amount and has a useful life of 30 years, the utility recovers its investment in that asset in increments (*i.e.*, 1/30th each year) over 30 years. The STRIDE law does not change this recovery timeframe (gas companies continue to recover their investments over the useful life to the assets).

under traditional ratemaking. Moreover, STRIDE-like cost recovery mechanisms are not limited only to gas companies and have a proven track-record of encouraging incremental investments in reliability projects.[2] The Utilities believe that in the course of public debate facts matter.

The Utilities believe Mr. Lapp's recommendation is inappropriate and misguided for the following reasons:

Since 2013, the Maryland STRIDE[3] law has provided a mechanism for natural gas utilities to have access to contemporaneous cost recovery related to approved gas infrastructure investments. **<u>This allows accelerated pipe replacement to reduce leakage and methane emissions within local gas distribution systems</u>**. On June 1, 2025, the Next Generation Energy Act ("NGEA") went into effect in Maryland and included modifications to STRIDE requiring natural gas utilities to submit additional information on proposed infrastructure replacement plans to the Maryland Public Service Commission ("PSC" or "Commission").

As a result of the Maryland General Assembly already addressing this issue, there is a rulemaking proceeding now before the PSC to determine how natural gas utilities can satisfy the requirements of NGEA within the framework of STRIDE plans.[4] The PSC Office of Staff Counsel filed its Petition for Rulemaking in RM 95 on July 31, 2026, with a Rulemaking Session scheduled by the PSC for September 2, 2026. The Maryland Office of People's Counsel ("OPC") – where Mr. Lapp serves as People's Counsel – is an active party in this proceeding.

In the most recent STRIDE proceeding in Maryland, initiated by Washington Gas, the Commission approved the company's 2026 project list and related surcharges for contemporaneous recovery on infrastructure investments, but expressly found a need for further analysis, consideration of the "overlapping proceeding" in Case No. 9707,[5] and the outcome of the RM 95 rulemaking proceeding establishing STRIDE plan NGEA compliance standards before reaching a final determination on their STRIDE plan.[6] On July 8, 2026, OPC

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[2] For example, the Commission has approved cost recovery mechanisms similar to STRIDE for electric companies. *See* Commission Order No. 85724 (July 12, 2013) (approving a Grid Resiliency Surcharge for the Potomac Electric Power Company).
[3] Strategic Infrastructure Development and Enhancement Plan, PUA § 4-210.

[4] Implementing STRIDE Plan NGEA Compliance Standards, RM 95.
[5] Petition for Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland's Gas Companies. Case No. 9707.

[6] Washington Gas Light Company's Application for Approval of a New Gas System Strategic Infrastructure Development and Enhancement Plan and Accompanying Cost Recovery, Case No. 9708, Order No. 92466.

appealed the decision by the PSC in Case No. 9708 and the matter is now pending before the Circuit Court for Baltimore City. [7]

In addition, Case No. 9707 (the "Future of Gas" proceeding) was initiated by OPC on June 14, 2023. In that litigated matter, OPC has argued that Maryland gas companies' capital spending programs are inconsistent with a purported projected large reduction in gas consumption – claiming that electricity will replace fossil-fuel based heating systems and appliances – and that STRIDE plan investments in light of the purported large reductions in gas sales are imprudent. The Future of Gas proceeding is set for hearing October 5-9,2026.

As the MWG can see, OPC has several active matters before the PSC on this topic (of course, the PSC is the independent State agency expert in utility regulation matters). Instead of allowing the PSC to conclude its rulemaking in RM 95 and for a decision to be issued in the Future of Gas proceeding, OPC is forum shopping for an avenue to undermine any forthcoming guidance or standards issued by the PSC only 14 months after NGEA was enacted. This proposed recommendation attempts to position the MCCC as an advocate for the opinion advanced by OPC in litigated proceedings at the PSC without a full articulation of competing evidence and positions of all parties to the members of the MWG or the MCCC.

The Utilities have an obligation to provide safe and reliable gas service to our customers. The Utilities' pipeline replacement programs drive down both leakage and methane emissions in response to the Climate Solutions Now Act. We would hope such greenhouse gas reduction efforts in Maryland would be supported by the MWG.

Simply ending all forms of contemporaneous cost recovery for utility gas infrastructure investments as proposed by Mr. Lapp would foreclose an important tool for natural gas utilities to reduce greenhouse gas emissions while also meeting their obligation to provide safe and reliable gas service to customers.

The PSC is charged with ensuring safe, reliable, and economic public utility service to the citizens of Maryland.[8] This includes consideration of the economic, environmental, climate, and labor impacts of all matters before the Commission. These goals are achieved through the adoption and enforcement of regulations that are in the public interest and ensuring that public service companies comply with established regulations.

Finally, the Utilities remind the MWG that STRIDE was enacted to replace vintage gas infrastructure nationally recognized as leak-prone and higher-risk by

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[7] *In the Matter of Maryland Office of People's Counsel*, Circuit Court for Baltimore City, Case No. C-24-CV-26-004706.

[8] https://psc.maryland.gov/about/mission/

the United States Pipeline and Hazardous Materials Safety Administration (PHMSA) during the Obama Administration. The need to address the risks posed by aging infrastructure has remained a consistent federal priority ever since. Continued investment in replacement programs is critical to reducing both the likelihood of failures and the potential consequences should those failures occur. Discontinuing contemporaneous cost recovery for STRIDE replacements would brand Maryland as an outlier in the national effort to enhance pipeline safety.

Regulatory uncertainty of the type created by this proposal from Mr. Lapp is detrimental to the mission of the PSC and discourages investment in pipeline replacement programs that reduce leakage and methane emissions. The proposal ignores the service, safety, and reliability obligations of natural gas utilities in Maryland, and undermines the current proceedings before the PSC that are designed to address the full scope of issues associated with cost recovery for infrastructure investments.

Accordingly, the Utilities respectfully request that the recommendation of Mr. Lapp not be advanced to the full MCCC. Thank you for your consideration of our request.

Sincerely,

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Chesapeake Utilities

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