

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF MARYLAND**

**IN THE MATTER OF COLUMBIA GAS  
OF MARYLAND, INC'S )  
APPLICATION FOR AUTHORITY TO )  
ADOPT A NEW INFRASTRUCTURE )  
REPLACEMENT AND )  
IMPROVEMENT PLAN AND )  
SURCHARGE MECHANISM )**

**Case No. 9751**

**POST-HEARING BRIEF**

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November 27, 2024

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## TABLE OF CONTENTS

	<b>Page</b>
INTRODUCTION .....	1
BACKGROUND .....	4
1. Columbia’s past and proposed STRIDE programs .....	4
A. Overview of the STRIDE 1 and 2 plans .....	4
B. Columbia’s increased use of non-priority pipe in STRIDE 2.....	5
C. Columbia’s expansion of the definition of ‘priority pipe’ and eligible infrastructure in STRIDE 3 .....	5
D. The lack of details on Columbia’s pre-1982 plastic pipe and risk assessment process .....	6
E. The bill impacts of Columbia’s STRIDE program.....	7
2. Evolving climate policies and electric technologies .....	8
GOVERNING LAW AND COMMISSION REGULATIONS .....	8
ARGUMENT.....	11
I. The Commission should reject Columbia’s proposed STRIDE 3 plan as imprudent.....	11
A. Columbia’s expanded definition of eligible infrastructure is imprudent and unsupported by the evidence.....	11
B. The evidence does not support including pre-1982 plastic as eligible infrastructure.....	12
C. Including ILI, POD/regulator stations, and telemetry as eligible infrastructure is neither supported by evidence nor within the intent of the STRIDE law.....	14
D. Columbia’s risk analysis is fundamentally flawed.....	15

E.	Columbia’s STRIDE plan imprudently fails to account for potential reduced gas usage due to electrification technologies and State climate policies .....	18
II.	Rejection of Columbia’s proposed STRIDE 3 plan will not result in an unsafe gas system.....	20
III.	If the Commission approves Columbia’s STRIDE 3 plan, it should require modifications to make it consistent with State policy and consumer interests. ....	21
A.	Given Columbia’s failure to justify the addition of pre-1982 plastic, ILI, POD/regulator stations, and telemetry as eligible infrastructure, any approved STRIDE 3 plan should be limited to replacing bare steel.....	21
B.	The Commission should order Columbia to thoroughly review and reform its risk model and processes as a condition of approving its STRIDE 3 plan. ....	22
C.	The Commission should require Columbia to meet metrics to hold the company accountable. ....	23
D.	No contingent pipe should be recoverable through the STRIDE surcharge. ....	24
E.	Customers should be notified at least two years in advance of a planned service replacement under STRIDE. ....	24
	CONCLUSION .....	26

## TABLE OF AUTHORITIES

	<b>Page(s)</b>
<b>Maryland Cases</b>	
<i>Balt. Police Dept. v. Open Justice Balt.</i> , 485 Md. 605 (2023).....	10
<b>Maryland Statutes</b>	
2022 Md. Laws. Ch. 38 § 10(a)(1) .....	8
MD. CODE ANN., ENVIRONMENT ARTICLE § 2-1301 .....	8
Public Utilities Article § 2-113(a)(2)(v).....	10, 19
Public Utilities Article § 2-113(a)(2)(vi).....	10, 19
Public Utilities Article § 4-210(b).....	9
Public Utilities Article § 4-210(a)(3)(i)-(iv).....	9, 15
Public Utilities Article § 4-210(d)(4)(i) .....	9
Public Utilities Article § 4-210(e)(3) .....	9, 18
Public Utilities Article § 5-303.....	3, 20
<b>Maryland Public Service Commission Decisions</b>	
Order No. 86553, In the Matter of the Application of Columbia Gas of Maryland Inc. for Authority to Adopt an Infrastructure Replacement Surcharge Mechanism (Case No. 9332, Aug. 18, 2014) .....	4, 5, 11
Order No. 88714, In the Matter of the Application of Baltimore Gas and Electric Company for Approval of a New Gas System Strategic Infrastructure Development and Enhancement Plan and Accompanying Cost Recovery Mechanism (Case No. 9468, May 30, 2018) .....	7, 11

Order No. 90868, In the Matter of the Relocation of Natural Gas Service Regulators in the BGE Service Territory  
(Case No. 9711, October, 31, 2023) ..... 25

Order No. 91416, In the Matter of Washington Gas Light Company’s Application for Approval of a New Gas System Strategic Infrastructure Development and Enhancement Plan and Accompanying Cost Recovery Mechanism  
(Case No. 9708, November 15, 2024) ..... 25

## INTRODUCTION

Columbia Gas of Maryland, Inc.’s (“Columbia” or “the company”) second attempt at a third Strategic Infrastructure Development and Enhancement (“STRIDE 3”) plan is another bid to expand the company’s STRIDE program, masked by the thin veneer of flawed claims of “risk reduction.” Columbia has nearly completed the work originally envisioned by the STRIDE program—replacing cast iron and bare steel pipes. Only scattered bits of bare steel remain on its system.<sup>1</sup> Columbia’s customers have paid for the accelerated replacement of high-risk pipe, initially through a bill surcharge and then through skyrocketing gas distribution rates as the costs of that infrastructure are “rolled” year after year out of the surcharge and into their utility rates. Before beginning its STRIDE program in 2014, Columbia’s volumetric charge was \$0.36/therm and its customer charge was \$13.00/month; today those charges are \$1.00/therm and \$16.25/month respectively.<sup>2</sup>

But instead of winding down its STRIDE program to its natural conclusion, Columbia asks to significantly expand its scope, all while purposefully ignoring Maryland’s climate policies and rapidly evolving electrification technologies. The company has altogether failed to consider the declines in gas throughput and gas customers that are likely to result from highly efficient electric appliance technologies as well as Maryland’s climate policies, which encourage building electrification.<sup>3</sup> The

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<sup>1</sup> Columbia Ex. 8 (Brumley Direct) at 14:20-22.

<sup>2</sup> OPC Report on Maryland’s Utility Rates and Charges at 53-57 (June 2024)  
<https://opc.maryland.gov/Portals/0/Files/Publications/Reports/Utility%20Rates%20Report%20from%20OPC%206-24-24.pdf?ver=U9sComXeJkKSt6TlexiwFA%3d%3d>.

<sup>3</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 11-13.

company has not considered whether it is reasonable and prudent to spend another \$85 million over five years to further accelerate gas infrastructure replacements despite likely declines in gas use.<sup>4</sup> But the Commission must consider the reasonableness and prudence of Columbia's proposal.

Columbia claims to be basing its STRIDE 3 plan solely on risk reduction, but in reality, Columbia's risk analysis and project selection processes are opaque and fundamentally flawed. Columbia's risk analysis suffers from numerous infirmities, including the misguided use of the Consequence of Failure ("COF") metric and the lack of specific information regarding Columbia's own system. Even if its risk analysis was sound, Columbia's project selection process largely ignores its own risk scoring; projects appear instead to be selected entirely at the arbitrary discretion of Columbia's own staff.<sup>5</sup> Moreover, the company's requested budget has no relation to optimizing risk reduction. Instead, as the company itself states, the STRIDE 3 budget was developed solely to hit the \$2 per month STRIDE surcharge cap.<sup>6</sup> While OPC agrees with the company that any future STRIDE plan should be focused on risk, the risk assessment and selection processes underpinning Columbia's STRIDE 3 plan are critically flawed, requiring a thorough overhaul.

Columbia already has a statutory responsibility under Maryland law to ensure its

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<sup>4</sup> See OPC Ex. 1 (Larkin-Connolly Direct) at 13-14.

<sup>5</sup> See Hearing Tr. at 74:2-75:7.

<sup>6</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 40:14-17.

system is safe and reliable, even without accelerated pipe replacement.<sup>7</sup> Under STRIDE, therefore, Columbia proposed spend is not aimed at transforming an unsafe system to a safe one.<sup>8</sup> Instead, it is aimed at providing only incremental safety and reliability gains, at an unacceptably high cost to customers and with significant risk of stranding investments. For all of these reasons, the Commission should reject Columbia's plan as imprudent.

Alternatively, if the Commission decides to approve Columbia's STRIDE 3 plan in some form, the Commission should significantly modify the plan. As explained in OPC's testimony and in more detail below, Columbia's proposal to expand the definition of eligible infrastructure to include first-generation plastic mains installed prior to 1982 ("pre-1982 plastic"), In Line Inspection ("ILI"), point of delivery ("POD")/regulator stations, and telemetry would constitute a major and unjustified expansion of Columbia's STRIDE program, and Columbia's risk assessment model is riddled with errors. If it approves Columbia's STRIDE 3 plan, the Commission therefore should modify Columbia's proposal to (1) reject the addition of pre-1982 plastic, ILI, POD/regulator stations, and telemetry; (2) limit STRIDE 3 to the three years needed to replace the remaining bare steel pipe; (3) require Columbia to engage in a thorough review of its Synergi risk model; (4) require a level of accountability by implementing program metrics Columbia must meet; (5) reject accelerated cost recovery of any contingent (non-

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<sup>7</sup> See e.g., PUA § 5-303; COMAR 20.55.02.01.

<sup>8</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 58:12-59:4.

priority) pipe replaced; and (6) provide at least two years' notice to customers of an impending STRIDE service replacement. These changes would better align an approved STRIDE 3 plan with Maryland's climate policies and reduce customer rate impacts.

## **BACKGROUND**

### **1. Columbia's past and proposed STRIDE programs**

#### **A. Overview of the STRIDE 1 and 2 plans**

The STRIDE statute was signed into law in 2013, primarily aimed at accelerating the replacement of cast iron, wrought iron, and bare steel pipes.<sup>9</sup> Columbia's STRIDE 1 plan intended to replace approximately 7.56 miles of priority pipe (bare steel and cast iron) per year and set a goal to replace all priority pipe by 2026.<sup>10</sup> Columbia's approved STRIDE 2 plan, reached by settlement, targeted the same categories of priority pipe as its STRIDE 1 plan and set a replacement rate of 8 miles per year.<sup>11</sup> As of December 31, 2023, the company has eliminated all cast and wrought iron on the system, and it has reduced bare steel to 19.1 miles of main and 904 services.<sup>12</sup> Columbia's 8 miles per year replacement rate put the company on track to eliminate the remaining bare steel from the system by mid-2026.<sup>13</sup>

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<sup>9</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 8:14-10:18.

<sup>10</sup> Case No. 9332, Order 86553 at 4 (Aug. 18, 2014).

<sup>11</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 16:10-17.

<sup>12</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 20:17-21:2.

<sup>13</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 21:3-7.

**B. Columbia’s increased use of non-priority pipe in STRIDE 2**

Priority pipe is pipe that has been specifically targeted for replacement in an approved STRIDE plan.<sup>14</sup> Columbia’s approved STRIDE 1 and 2 plans only included bare steel, cast iron, and wrought iron as priority pipe.<sup>15</sup> Other non-priority pipe materials replaced during STRIDE projects may be referred to as “contingent,” “non-priority,” or “non-STRIDE” replacements. Over the course of STRIDE 2, the percentage of contingent pipe being replaced in Columbia’s STRIDE projects has been increasing, to the point that Columbia has been replacing more incidental pipe than priority pipe.<sup>16</sup>

**C. Columbia’s expansion of the definition of ‘priority pipe’ and eligible infrastructure in STRIDE 3**

Columbia’s STRIDE 3 plan proposes a budget of \$85 million over five years.<sup>17</sup> The plan seeks to continue replacing bare steel mains and services as in STRIDE 1 and 2.<sup>18</sup> However, for the first time, the company also proposes to add pre-1982 plastic to the category of “priority pipe.”<sup>19</sup> Columbia further proposes to expand the definition of eligible infrastructure to include work to enable ILI tools,<sup>20</sup> the replacement of

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<sup>14</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 18:1-3.

<sup>15</sup> See Order 86553 at 13; OPC Ex. 1 (Larkin-Connolly Direct) at 30:4-6.

<sup>16</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 18:11-14; OPC Ex. 3 (Shipley Direct) at 19, Table 1.

<sup>17</sup> Columbia Ex. 2 (Proposed STRIDE Plan for 2025-2029) at 9.

<sup>18</sup> Columbia Ex. 2 (Proposed STRIDE Plan for 2025-2029) at 7.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

POD/regulator stations,<sup>21</sup> and the replacement of telemetry tools,<sup>22</sup> into its STRIDE 3 plan.

**D. The lack of details on Columbia’s pre-1982 plastic pipe and risk assessment process**

The Aldyl-A pipe material, which the company refers to in discussing pre-1982 plastic, is a category of several vintages of plastic pipes made by DuPont from the 1960s through the 1990s.<sup>23</sup> The Pipeline and Hazardous Materials Safety Administration’s (“PHMSA”), advisory notices on Aldyl-A pipe have asked operators to focus on monitoring the performance of pre-1973 Aldyl-A plastic pipe, rather than on broadly replacing it.<sup>24</sup> The risks presented by Aldyl-A pipe vary. They depend on factors such as soil conditions, rock impingement, operating pressure, temperature, ground stability, and squeeze off points.<sup>25</sup> Columbia has not specifically identified if it has any Aldyl-A pipe on the system, and it has no records of manufacturers or manufacturing dates for the pre-1982 plastic on its system.<sup>26</sup> Columbia did not initially provide historical leak data on its pre-1982 plastic mains, claiming it did not track leaks in such a manner,<sup>27</sup> but later the company admitted did have leak data for pre-1982 plastic.<sup>28</sup> The leak data provided

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<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 32:12-14.

<sup>24</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 32:9-16.

<sup>25</sup> OPC Ex. 3 (Shipley Direct) at 24:12-14.

<sup>26</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 32-34.

<sup>27</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 34:5-7.

<sup>28</sup> Columbia response to Bench Data Request 3-3.

indicates that since 2016, [BEGIN CONFIDENTIAL] [REDACTED]

[END CONFIDENTIAL] Baltimore Gas and Electric’s (“BGE”) STRIDE plans<sup>30</sup> have not included pre-1982 plastic mains as STRIDE priority pipe, nor have Washington Gas Light Company’s (“WGL”) STRIDE plans.<sup>31</sup>

Columbia proposes to select main replacement projects for STRIDE 3 using a “systematic approach to determine the property to be replaced based on the age, condition, geographical proximity, leak history, and capacity needs of the area.”<sup>32</sup> Columbia uses Synergi, a software system, to help select projects based on risk.<sup>33</sup> However, the company also considers other factors in selecting projects, including input from its operations staff, the results of its Active Corrosion meetings, and the timing of municipal projects such as street paving.<sup>34</sup> On Columbia’s 2025 proposed project list, out of 282 proposed segments, none are ranked in the top 50 highest risk segments, only three were in the top 100, and only 20 (7 percent) were in the top 1000.<sup>35</sup>

#### **E. The bill impacts of Columbia’s STRIDE program**

Columbia’s STRIDE capital expenditures have impacted customer bills via both

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<sup>29</sup> Columbia response to Bench Data Request 3-3, Confidential Attachment A; OPC Ex. 3 (Shiple Direct) Confidential Attachment DCS-2 at 320 (Staff DR 7-013).

<sup>30</sup> See Order 88714 at 2, Case 9468 (May 30, 2018).

<sup>31</sup> See Case 9708, WGL STRIDE 3 Application at 3, Maillog (“ML”) 303553 (Jun. 16, 2023).

<sup>32</sup> Columbia Ex. 2 (Proposed STRIDE Plan for 2025-2029) at 19.

<sup>33</sup> Columbia Ex. 6 (Alexander Direct) at 7.

<sup>34</sup> Columbia Ex. 6 (Alexander Direct) at 9.

<sup>35</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 53.

the STRIDE surcharge itself and the rapid acceleration of base rates due to Columbia filing yearly rate cases to roll STRIDE costs into base rates.<sup>36</sup> Since the start of Columbia’s STRIDE program, the monthly bill for an average Columbia customer using 60 therms has increased from \$34.58 in 2014 to \$76.48 in 2024, an increase of \$41.90, or 121 percent—an increase 3.74 times greater than inflation over that period.<sup>37</sup>

## **2. Evolving climate policies and electric technologies**

Since 2013, Maryland has updated its GHG emissions reduction goals three times,<sup>38</sup> including in the Climate Solutions Now Act (“CSNA”) of 2022, where the legislature committed to reducing Maryland’s GHG emissions by 60 percent from 2006 levels by 2031 and reaching net zero emissions by 2045.<sup>39</sup> Also, the Maryland Commission on Climate Change (“MCCC”), which was created by statute in 2015,<sup>40</sup> recommended in its 2021 Building Energy Transition Plan that the Commission plan for a gas utility transition which includes a 60 percent to 95 percent reduction in gas customer base and throughput.<sup>41</sup>

## **GOVERNING LAW AND COMMISSION REGULATIONS**

The STRIDE law’s purpose is “to accelerate gas infrastructure improvements in the State by establishing a mechanism for gas companies to promptly recover reasonable

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<sup>36</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 26:5-12.

<sup>37</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 26:13-27:3.

<sup>38</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 11:21-12:5.

<sup>39</sup> 2022 Md. Laws. Ch. 38 § 10(a)(1).

<sup>40</sup> MD. CODE ANN., ENVIRONMENT ARTICLE § 2-1301.

<sup>41</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 12:6-10.

and prudent costs of investments in eligible infrastructure replacement projects separate from base rate proceedings.”<sup>42</sup> The statute defines an “eligible infrastructure replacement” as a project “designed to improve public safety or infrastructure reliability” that “reduces or has the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks” and that must not “increase the revenue of a gas company by connecting an improvement directly to new customers.”<sup>43</sup>

The “mechanism” is “a fixed annual surcharge that ... may not exceed \$2 each month on each residential customer account.”<sup>44</sup> The Commission “may approve a plan if it finds that the investments and estimated costs of eligible infrastructure replacement projects” are “reasonable and prudent,” and “designed to improve public safety or infrastructure reliability over the short term and long term.”<sup>45</sup> No provision of the STRIDE law requires the Commission to approve a plan.

Prudency is a question determined by looking at all information available at the time a decision is made, including future expectations on how policy and regulatory changes may shift system needs.<sup>46</sup> In this case, the STRIDE 3 plan must demonstrate how it aligns with and adapts to emerging competition from highly efficient electric technologies and the State’s evolving environmental and climate policies.

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<sup>42</sup> PUA § 4-210(b).

<sup>43</sup> PUA § 4-210 (a)(3)(i)-(iv).

<sup>44</sup> PUA § 4-210(d)(4)(i).

<sup>45</sup> PUA § 4-210(e)(3)(i).

<sup>46</sup> *See* OPC Ex. 1 (Larkin-Connolly Direct) at 11:4-8.

In regulating utilities, the Commission must consider “the preservation of environmental quality, including protection of the global climate from continued short-term and long-term warming based on the best available scientific information recognized by the Intergovernmental Panel on Climate Change.”<sup>47</sup> The Commission must also consider “achievement of the State’s climate commitments for reducing statewide greenhouse gas emissions, including those specified in Title 2, Subtitle 12 of the Environment Article.”<sup>48</sup>

Statutory provisions are not read in a vacuum, but instead “the plain language must be viewed within the context of the statutory scheme to which it belongs, considering the purpose, aim, or policy of the legislature in enacting the statute.”<sup>49</sup> The provisions of the STRIDE law and the rest of the PUA must be read coherently with one another, presuming that “the Legislature intends its enactments to operate together as a consistent and harmonious body of law,” to avoid a reading that is “unreasonable, illogical, or inconsistent with common sense.”<sup>50</sup>

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<sup>47</sup> PUA § 2-113(a)(2)(v).

<sup>48</sup> PUA § 2-113(a)(2)(vi).

<sup>49</sup> *Balt. Police Dept. v. Open Justice Balt.*, 485 Md. 605, 647 (2023) (quoting *Lockshin v. Semsker*, 412 Md. 257, 276 (2010)).

<sup>50</sup> *Id.* (quoting *Mayor v. Town Council of Oakland*, 392 Md. 301, 316 (2006)).

## ARGUMENT

### **I. The Commission should reject Columbia’s proposed STRIDE 3 plan as imprudent.**

#### **A. Columbia’s expanded definition of eligible infrastructure is imprudent and unsupported by the evidence.**

Columbia’s STRIDE 3 plan should be rejected because it is a drastic and imprudent expansion of the original STRIDE program that Columbia has nearly completed. The original goal of the STRIDE program was to accelerate the replacement of cast iron, wrought iron, and bare steel pipes. This intent is made clear by the fact that these were the only eligible pipe materials in Columbia’s first two STRIDE plans<sup>51</sup> and in both BGE’s<sup>52</sup> and WGL’s<sup>53</sup> respective STRIDE programs. Columbia has a limited amount bare steel left on its system—at the company’s STRIDE 2 replacement rate of 8 miles per year, all of the remaining bare steel could be eliminated within three years.<sup>54</sup> But instead of winding the program down, Columbia hopes to expand the definition of eligible infrastructure to include pre-1982 plastic, ILI, POD/regulator stations, and telemetry, thereby extending the duration of its STRIDE program indefinitely into the future. Columbia’s customers have seen their monthly bills increase by 121 percent over the decade since the beginning of the STRIDE program.<sup>55</sup> Customers should not be asked

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<sup>51</sup> See Order 86553 at 13; OPC Ex. 1 (Larkin-Connolly Direct) at 30:4-6.

<sup>52</sup> See Order 88714 at 2, Case 9468 (May 30, 2018).

<sup>53</sup> See Case 9708, WGL STRIDE 3 Application at 3, Maillog (“ML”) 303553 (Jun. 16, 2023).

<sup>54</sup> See OPC Ex. 1 (Larkin-Connolly Direct) at 21:3-7.

<sup>55</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 26:13-27:3.

to continue to pay for an unnecessary plan so that Columbia's investors can continue to ride on the STRIDE gravy train, and Columbia can choose to perform any necessary work outside of STRIDE.

In addition, Columbia has provided no evidence justifying the inclusion of pre-1982 plastic, ILI, POD/regulator stations, or telemetry as eligible infrastructure.

**B. The evidence does not support including pre-1982 plastic as eligible infrastructure.**

Columbia has provided insufficient evidence to justify the inclusion of pre-1982 plastic as eligible infrastructure under STRIDE. The actual risky pre-1982 plastic pipe identified by PHMSA is a specific subset of plastic pipe: those pipes manufactured by DuPont and Uponor between the 1960s and 1990s known as Aldyl-A.<sup>56</sup> The company does not have information regarding the manufacturers and manufacturing years of its plastic pipe,<sup>57</sup> nor has it conducted any studies to gain information on this front.<sup>58</sup> Therefore, the company does not know whether or how many of its pre-1982 plastic pipes are actually the ones identified as risky by PHMSA. Additionally, the likelihood that an Aldyl-A pipe is a significant risk depends on a variety of factors specific to the actual conditions experienced by the pipes Columbia has in the ground, such as soil conditions, rock impingement, operating pressure, temperature, ground stability, and

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<sup>56</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 32:12-14.

<sup>57</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 32-34.

<sup>58</sup> Hearing Tr. at 37:5-13.

squeeze off points.<sup>59</sup> However, Columbia has not analyzed or accounted for these factors. Instead, Columbia is largely using default values for squeeze off points, rock impingement, and other factors in its risk model, which do not accurately reflect the actual risk of the company's pre-1982 pipes based on real-world conditions.<sup>60</sup> It is imprudent to simply assume that every pipe in the system is a higher risk Aldyl-A pipe without any survey into how many such pipes might be in Columbia's system, or any investigation into whether Columbia's pipes are experiencing the risk factors that make these pipes more leak-prone. In fact, the only evidence we do have as to the state of these pipes is the leak data Columbia provided only in response to Bench Data Request 3-1, which indicates that, contrary to the company's assertions, pre-1982 plastic does not present a significant risk to the system. That leak data indicates that since 2016, **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** which the company has not tried to add to eligible infrastructure in this plan, presumably due to its rejection in Columbia's last STRIDE 3 attempted plan. If pre-1982 plastic presented such a significant leak risk to the system, one would expect to see such a trend in the leak data. But there is no such trend. The addition of pre-1982 plastic as eligible infrastructure is

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<sup>59</sup> OPC Ex. 3 (Shiple Direct) at 12-13.

<sup>60</sup> OPC Ex. 5 (Shiple Surrebuttal) at 10; Hearing Tr. at 63:1-64:5.

<sup>61</sup> Columbia response to Bench Data Request 3-3, Confidential Attachment A; OPC Ex. 3 (Shiple Direct) Confidential Attachment DCS-2 at 320 (Staff DR 7-013).

imprudent and should be denied.

**C. Including ILI, POD/regulator stations, and telemetry as eligible infrastructure is neither supported by evidence nor within the intent of the STRIDE law.**

Columbia's proposal to include ILI, POD/regulator stations, and telemetry in the STRIDE program seeks to shoehorn infrastructure work unrelated to the original goals of STRIDE into the STRIDE surcharge. None of these projects are proper STRIDE investments. ILI is a tool—one of several possible methods—for inspecting Columbia's transmission pipe, which involves putting equipment into the pipe to survey for leaks.<sup>62</sup> The company already monitors its transmission pipe for leaks via direct assessment surveys, with no issues.<sup>63</sup> ILI would do the same job, but at a cost several orders of magnitude higher than the company currently spends on direct assessments.<sup>64</sup> The company provides no evidence showing why the benefits of ILI outweigh the massive increase in costs. Similarly, the company is already required to monitor its PODs and regulator stations and has done so for years with no reported issues.<sup>65</sup> PODs are often referred to as City Gates, and are where transmission pipes transfer gas delivery to the local distribution system,<sup>66</sup> while regulator stations are points in the local distribution

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<sup>62</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 36:3-10; OPC Ex. 3 (Shiple Direct) at 15:12-17.

<sup>63</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 36:13-37:6.

<sup>64</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 36:16-37:3.

<sup>65</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 38:3-6.

<sup>66</sup> Columbia Ex. 8 (Brumley Direct) at 14:20-22.

system where gas pressure is reduced for delivery to customers.<sup>67</sup> The company has provided no evidence of leaks, and it deals with any issues related to its PODs and regulator stations in the normal course of business.<sup>68</sup> Regarding telemetry, which is a communication tool that sends data from regulator stations to Columbia's main control center,<sup>69</sup> the company has again offered no evidence of any quantifiable benefits.<sup>70</sup> Nor is telemetry the type of infrastructure intended to be replaced through the STRIDE program. Telemetry cannot "reduce or [have] the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks,"<sup>71</sup> as telemetry is only a monitoring tool that may alert the company when there is a leak or other issue, not something that will actually stop or reduce the number of leaks. ILI, POD/regulator stations, and telemetry may be justifiable investments made during the normal course of operations, but they do not fit within the STRIDE program.

**D. Columbia's risk analysis is fundamentally flawed.**

Columbia's STRIDE 3 plan claims to be focused more on risk reduction than on mileage replacement targets, departing from the previous adherence to mileage targets. At first glance, Columbia's approach may appear aligned with OPC's prior recommendations that if Columbia's STRIDE program is to continue, it should be

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<sup>67</sup> Columbia Ex. 8 (Brumley Direct) at 4:2-5.

<sup>68</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 38:9-13; OPC Ex. 5 (ShIPLEY Surrebuttal) at 16:1-18.

<sup>69</sup> Columbia Ex. 8 (Brumley Direct) at 18:4-6.

<sup>70</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 38:17-39:3; OPC Ex. 5 (ShIPLEY Surrebuttal) at 16:21-17:8.

<sup>71</sup> PUA § 4-210 (a)(3)(iv) (emphasis added).

focused on replacing the riskiest assets. However, Columbia’s approach ignores that the purpose of focusing on the riskiest assets is to reduce massive capital spending on gas infrastructure aimed at replacing the entire gas system wholesale—spending that is imprudent in the light of electrification technologies and Maryland’s climate policies, both of which presage reductions in gas use. Instead, Columbia’s proposed STRIDE 3 plan asks for \$17 million a year over five years, roughly the same amount as in STRIDE 2, while also massively expanding the scope of STRIDE. Moreover, Columbia’s actual risk analysis is rife with issues and errors. As highlighted below, at least three problems render Columbia’s analysis irredeemable without a major overhaul.

*First*, Columbia’s risk model is based on multiplying the Likelihood of Failure (“LOF”) by the Consequence of Failure (“COF”), and thereby coming out with an overall risk score.<sup>72</sup> The problem this presents is that COF can skew overall risk results. A brand-new pipe in an urban area with a very low LOF but a very high COF could have a higher risk score than an older leaking pipe in a rural area, just because the COF is high due to being in a denser urban environment.<sup>73</sup> The purpose of STRIDE is to replace older leak-prone pipes, not new pipes that have a high risk scoring due to their urban location. COF should be used to tiebreak between pipes with similar LOFs, not to dictate which pipes should be replaced under STRIDE.<sup>74</sup> Yet, Columbia’s model does exactly the latter.

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<sup>72</sup> OPC Ex. 5 (Shipley Surrebuttal) at 4:4-11.

<sup>73</sup> OPC Ex. 5 (Shipley Surrebuttal) at 4:6-15.

<sup>74</sup> OPC Ex. 5 (Shipley Surrebuttal) at 4:18-6:12.

*Second*, as previously discussed, Columbia has not sufficiently collected and assessed data regarding its system. This failure means Columbia uses a number of default variables in its Synergi risk model, which then leads to inaccurate risk results.<sup>75</sup> The flawed results can already be seen in the disconnect between Columbia’s risk model rankings and its Distribution Integrity Management Program (“DIMP”) rankings;<sup>76</sup> as well as in the inconsistencies between the company’s Synergi risk rankings of each pipe segment and the actual numerical risk values shown on the company’s proposed 2025 STRIDE project list.<sup>77</sup> As the saying goes, bad data in, bad data out. The lack of system-specific data in the company’s Synergi risk model throws Columbia’s entire risk model into question.

*Third*, Columbia’s actual project selection process is not properly selecting the riskiest pipes. Out of 282 proposed segments on the company’s proposed 2025 project list, the company’s Synergi risk rankings show that none are ranked in the top 50 highest risk segments, only 3 were in the top 100, and only 20 (7 percent) were in the top 1000.<sup>78</sup> These rankings show that factors aside from risk are heavily influencing Columbia’s actual project selection,<sup>79</sup> which renders all of the risk assessment the company has been

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<sup>75</sup> OPC Ex. 5 (Shiplely Surrebuttal) at 6:16-8:8.

<sup>76</sup> OPC Ex. 3 (Shiplely Direct) at 33-35. DIMP is a program administered by PHMSA that requires gas distribution companies to develop, write, and implement an integrity management program that evaluates and ranks risks to the system, among other items.

<sup>77</sup> Hearing Tr. at 73-75; OPC Ex. 6C (excerpt from Columbia response to OPC DR 2-10).

<sup>78</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 53.

<sup>79</sup> OPC Ex. 1 (Larkin-Connolly Direct) at 55.

touting—flawed as it is—entirely irrelevant. All of these issues are fundamental to the operation of Columbia’s STRIDE plan as a risk-based plan, meaning the Commission should ensure they are resolved before approving any STRIDE 3 plan. Therefore, the Commission should reject Columbia’s plan.

**E. Columbia’s STRIDE plan imprudently fails to account for potential reduced gas usage due to electrification technologies and State climate policies.**

Columbia’s STRIDE 3 plan comes at a time of significant change in the gas distribution utility industry, as electric technology and State policy shifts away from gas usage. Columbia’s STRIDE 3 nevertheless reflects a business-as-usual approach. The plan for massive, accelerated gas infrastructure spending fails to account for federal and State climate policies and for technological advances in electric heating and appliances that are increasingly making gas an uneconomic solution for Maryland’s buildings. The Commission should reject Columbia’s plan as failing to reflect these technological and State policy developments. The Commission’s rejection of the plan will not diminish Columbia’s obligations to provide safe and reliable service, as those obligations remain, and the utility can meet those obligations without accelerated cost recovery.

To approve a STRIDE plan, the Commission must find that the investments and estimated costs within the plan are reasonable and prudent.<sup>80</sup> Further, the rules of statutory construction require the Commission to consider the STRIDE law consistent

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<sup>80</sup> PUA § 4-210(e)(3).

with the Commission's other core responsibilities spelled out in the PUA. As the PUA requires the Commission to consider climate change<sup>81</sup> and Maryland's GHG reduction goals,<sup>82</sup> those elements must also be taken into consideration when considering the prudence of a STRIDE plan.

The Commission cannot—consistent with its statutory obligations—defer to Case No. 9707 all issues at the intersection of gas utilities and Maryland's climate change policies. It would be contrary to its statutory mandate to disregard—or defer consideration of—competition from electric technologies and its obligation to consider climate policy in this case, where it must find Columbia's STRIDE plan reasonable and prudent in order to approve it. At this moment, as the evidence demonstrates, it is reasonably certain that gas throughput and the number of gas customers will decline because of Maryland's climate goals, electrification incentives,<sup>83</sup> and advancements in electrification technologies.<sup>84</sup> A prudent STRIDE plan must account for these pending reductions in gas throughput and gas customers, as STRIDE 3 gas replacement projects could become stranded assets in the future. But Columbia's STRIDE 3 plan does not. The company did not consider Maryland's climate policies and goals, nor what impact those will have on Columbia's customer base and gas throughput in developing its STRIDE 3

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<sup>81</sup> PUA § 2-113(a)(2)(v).

<sup>82</sup> PUA § 2-113(a)(2)(vi).

<sup>83</sup> See OPC Ex. 1 (Larkin-Connolly Direct) at 11-13.

<sup>84</sup> See Case No. 9709, Larkin-Connolly Surrebuttal at 7:4-6.

plan.<sup>85</sup>

It is imprudent to commit Columbia ratepayers to pay for \$85 million of capital investments without considering the impacts of climate policy and electrification on the gas distribution industry and whether those investments will remain used and useful as gas customers swap their gas appliances with electric appliances and reduce their gas consumption. Columbia's proposal to accelerate the replacement of as many gas pipes as possible without considering the significant risk that climate policies and economics will entice customers to migrate off the gas system, stranding those new pipes, is imprudent.

## **II. Rejection of Columbia's proposed STRIDE 3 plan will not result in an unsafe gas system.**

Columbia's STRIDE 3 plan is not necessary for Columbia to meet its statutory safety and reliability obligations. Columbia has a duty under the Public Utilities Article and COMAR to maintain a safe and reliable gas system.<sup>86</sup> The Commission's rejection of this plan would not make the system less safe. Columbia has many options for maintaining the safety and reliability of its distribution system without STRIDE. For example, it can continue replacement work without the benefit of accelerated recovery that STRIDE allows; it can use leak detection technologies to identify leaks that pose safety risks; it can repair—rather than replace—identified pipes, at much lower cost to customers; and it can target replacements of the riskiest pipes in its system. These and

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<sup>85</sup> OPC Ex. 2 (Larkin-Connolly Surrebuttal) at 14-15.

<sup>86</sup> PUA § 5-303; *e.g.*, COMAR 20.55.02.01.

other options are available to keep the system safe and reliable without STRIDE.

**III. If the Commission approves Columbia's STRIDE 3 plan, it should require modifications to make it consistent with State policy and consumer interests.**

If the Commission approves Columbia's STRIDE 3 plan, the Commission should significantly modify the plan to align it with State policy, competition from electric appliances, and customer interests. Specifically, the Commission should (1) reject the proposed expansion of STRIDE-eligible infrastructure to pre-1982 plastic, ILI, POD/regulator stations, and telemetry; (2) limit STRIDE 3 to three years to replace the remaining bare steel pipe; (3) require Columbia to engage in a thorough review of its Synergi risk model; (4) require a level of accountability by implementing program metrics Columbia must meet; (5) reject cost recovery of any contingent (non-priority) pipe replaced; and (6) provide at least two years' notice to customers of an impending STRIDE service replacement.

**A. Given Columbia's failure to justify the addition of pre-1982 plastic, ILI, POD/regulator stations, and telemetry as eligible infrastructure, any approved STRIDE 3 plan should be limited to replacing bare steel.**

As previously discussed in section IA., Columbia has produced insufficient evidence to justify as eligible infrastructure the addition of pre-1982 plastic as priority pipe, ILI, POD/regulator stations, or telemetry. Rather than ending its STRIDE program in 2026 as originally planned, Columbia seeks to move the goalposts to keep STRIDE and its STRIDE surcharge going indefinitely. If the Commission approves a STRIDE 3

plan, the plan should be limited to only replacing bare steel assets over three years.<sup>87</sup>

**B. The Commission should order Columbia to thoroughly review and reform its risk model and processes as a condition of approving its STRIDE 3 plan.**

As previously discussed in section IB., Columbia's risk model has numerous problems and weaknesses. If the Commission approves a STRIDE plan, it should require (1) a thorough, third-party review of Columbia's risk model to ensure that its variables have proper values and are being used correctly, and to ensure that COF does not skew the risk rankings;<sup>88</sup> (2) if the DIMP and risk model ranking differ, an assessment of the reasons for the differences;<sup>89</sup> (3) a thorough third party review of Columbia's project selection process, with input from OPC and Staff;<sup>90</sup> (4) implementation of governance structure for its STRIDE program with checks and balances from all internal stakeholders and an accountability stream to senior leadership;<sup>91</sup> and (5) collection of lessons learned from the STRIDE program reviews and incorporation of those lessons into its Safety Management System.<sup>92</sup> These recommendations would improve Columbia's STRIDE program and help make it effective for customers.<sup>93</sup>

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<sup>87</sup> OPC Ex. 5 (Shiplely Surrebuttal) at 21:2-6.

<sup>88</sup> OPC Ex. 3 (Shiplely Direct) at 9:6-10, 10:4-10.

<sup>89</sup> OPC Ex. 3 (Shiplely Direct) at 9:11-14.

<sup>90</sup> OPC Ex. 3 (Shiplely Direct) at 9:19-10:3.

<sup>91</sup> OPC Ex. 3 (Shiplely Direct) at 9:15-18.

<sup>92</sup> OPC Ex. 3 (Shiplely Direct) at 10:16-19.

<sup>93</sup> OPC Ex. 5 (Shiplely Surrebuttal) at 19:15-17.

**C. The Commission should require Columbia to meet metrics to hold the company accountable.**

If the Commission decides to approve a STRIDE 3 plan, the Commission should require Columbia be held to certain performance metrics in order to maintain accountability. As it is, the company's proposal is asking for \$17 million per year but makes no guarantees or assurances as to how that money would be used, and there is no performance standard to which the company could be held.<sup>94</sup> If the Commission approves a STRIDE 3 plan, the Commission also needs to determine appropriate performance metrics against which to measure the company's performance. The following are some performance metrics for the Commission's consideration:

1. Main footage replaced by material: estimate vs. actual per year and program to date;
2. Services by material replaced: estimate vs. actual per year and program to date;
3. Dollars spent on main replacement by material: estimate vs. actual per year and program to date;
4. Dollars spent on service replacement by material: estimate vs. actual per year and program to date;
5. Project estimate vs. project actual;
6. Projected greenhouse gas emissions reductions vs. actual greenhouse gas emissions reductions;
7. Leaks pending by material by year;
8. Footage remaining in the system by material per year;
9. Program dollars spent: estimated vs. actual;
10. Program dollars remaining: projected vs. original forecast;
11. Cost per foot of main replacement, cost per service replacement each year.<sup>95</sup>

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<sup>94</sup> OPC Ex. 5 (Shiplely Surrebuttal) at 20:18-21:3.

<sup>95</sup> OPC Ex. 5 (Shiplely Surrebuttal) at 21-22.

**D. No contingent pipe should be recoverable through the STRIDE surcharge.**

Contingent pipe, or pipe that is replaced during a STRIDE project that is not a targeted STRIDE-eligible pipe material, should not be recovered through the STRIDE surcharge in any amount. Even a 10 percent allowance for contingency pipe, as recommended by Staff,<sup>96</sup> can have a significant compounding effect, as 10 percent a year on Columbia's proposed \$17 million a year budget would result in ratepayers paying \$8.5 million on pipe replacements that were not STRIDE-eligible and may not have even been entirely necessary.<sup>97</sup> If Columbia decides to do additional main and service replacements on non-STRIDE eligible pipes because the company is in the area for a STRIDE project, it can do so, but should do so outside of the STRIDE program and seek recovery through base rates.<sup>98</sup> The STRIDE surcharge allows for accelerated recovery when replacing risky assets. Ratepayers should not be asked to pay for pipes that have a much lower risk reduction impact on an accelerated basis.

**E. Customers should be notified at least two years in advance of a planned service replacement under STRIDE.**

Given Maryland's climate policy goals and the numerous incentives for customers to electrify, the Commission should require Columbia to notify customers at least two years in advance of a planned service replacement under STRIDE, with information

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<sup>96</sup> Staff Ex. 1 (Acosta Direct) at 27:21-23.

<sup>97</sup> OPC Ex. 4 (Shipley Rebuttal) at 7-8.

<sup>98</sup> OPC Ex. 4 (Shipley Rebuttal) at 8.

about electrification options. The Commission recently ordered customer electrification notices for BGE's Project Pipes<sup>99</sup> and WGL's STRIDE program.<sup>100</sup> While those notice requirements were shorter than two years, BGE and WGL have about two more decades of STRIDE work to replace the cast iron and bare steel pipes that Columbia is close to completing today. At least two years' time is necessary to allow customers a full opportunity to consider electrification and take action to electrify their appliances and prevent stranded costs. It can take many months or years for customers to navigate incentive programs, contact and select contractors, apply for loans or accumulate savings, and wait for the contractor to do the work. Customers should be given ample prior notice to allow them time to plan all of this out.

Insufficient notice to customers creates further risk of stranded assets. For example, imagine a current gas customer who is planning to electrify but has not yet started the process and receives 30 days' notice of a service upgrade. The customer still needs gas now, so the customer must go through with the service upgrade. But the customer electrifies two years later, rendering the service, meter, regulator, and other associated equipment useless. Providing two years' advance notice instead would give the customer time to electrify and turn down the service upgrade, rather than wasting resources on replacing a soon-to-be unused service.

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<sup>99</sup> Order No. 90868 (Nov. 1, 2023).

<sup>100</sup> Order No. 91416 (Nov. 15, 2024).

## CONCLUSION

Columbia has proposed a STRIDE 3 plan with the trappings of a plan based on risk, but with none of the substance. The company asks the Commission to require ratepayers to pay \$85 million in costs—much more when considering the company’s return—without even considering whether those assets are likely to be useful in a few years, much less decades into the future.

The company has not met its burden of proof in justifying its proposed expansion of eligible infrastructure to include pre-1982 plastic pipes, ILI, POD/regulation stations, and telemetry. The company’s risk assessment model is rife with errors, and the company’s plan fails to consider the current policy and technology context and the impact that context has on the future viability of STRIDE investments. For all of these reasons, the Commission should reject Columbia’s STRIDE 3 plan as imprudent. If the Commission does approve a STRIDE 3 plan for Columbia, that plan should be modified to (1) reject the proposed expansion of STRIDE-eligible infrastructure to pre-1982 plastic, ILI, POD/regulator stations, and telemetry; (2) limit STRIDE 3 to three years to replace the remaining bare steel pipe; (3) require Columbia to engage in a thorough review of its Synergi risk model; (4) require a level of accountability by implementing program metrics Columbia must meet; (5) reject cost recovery of any contingent (non-priority) pipe replaced; and (6) provide at least two years’ notice to customers of an impending STRIDE service replacement.

Case No. 9751 - Post-Hearing Brief

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 27th day of November, 2024, this Post-Hearing Brief of the Maryland Office of People’s Counsel was sent via electronic mail to all parties of record to this proceeding.

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