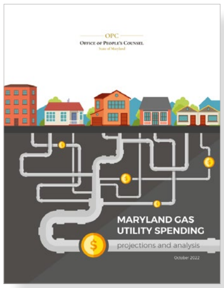
OPC
Office of People's Counsel
State of Maryland

KEY FINDINGS OF

MARYLAND GAS UTILITY SPENDING: PROJECTIONS AND ANALYSIS

OPC's new report, prepared by the consulting firm DHInfrastructure, provides critical information on current and future spending to maintain and expand the gas delivery system—the pipes, concrete, computers, and other infrastructure that make up the local distribution system. It also provides important information about future gas bills in the absence of changes to current practices.



The data relied on is publicly available information from utility reports and regulatory filings. While actual utility rates depend on many decisions yet to be made, the report provides numerous data and general projections that reflect business continuing as usual, without significant deviations in State policy, customer behavior, or utility practices. Topics covered in the report include those listed below.

Overall gas utility capital spending projections

- Through year 2100, Maryland's three largest gas utilities are projected to spend $34.5 billion on capital investments. Based on current regulatory treatment, the utilities' **customers would be on the hook for $125 billion for this spending.**
- Maryland's three largest utilities are, collectively, less than a third of the way through their Strategic Infrastructure Development and Enhancement (STRIDE) programs, which allow them to receive accelerated payments for delivery system spending. Customers, however, have paid less than 3 percent of projected STRIDE costs, meaning **97 percent of costs have yet to appear in customers' bills.**
- Spending under the STRIDE law makes up less than half of Baltimore Gas & Electric's (BGE) gas capital spending, but it is by far the utility's **biggest category of gas spending.**
- BGE's STRIDE program will not be complete until 2043, and its **costs will not be fully recovered until about year 2100.**

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Current gas infrastructure spending

- BGE, the State's largest gas utility, this year is **spending at a rate of more than $1.2 million per day** on new capital infrastructure.
- BGE has been spending aggressively for years, but the steady increase in gas delivery fees has been masked on customer bills by—until recently—a period of low costs for the gas itself, known as gas commodity cost. **BGE's cost of delivering gas today is double what it was in 2009.**
- The spending goes beyond promoting the reliability and safety of the system for existing customers. In 2022, BGE is spending $78 million and Washington Gas Light (WGL) $53 million to connect new customers and expand their gas distribution systems.
- BGE's program for wholesale replacement of portions of its system through the STRIDE program currently represents 39% of its capital spending, with **capacity expansion and new business comprising 18%**.

Residential customer utility bills

The report shows that the utilities' current spending path leads to substantial increases in the typical residential gas customer's 2035 winter bill, relative to average February bills over 2020-2022:

> For BGE customers, a 56% bill increase, up from $192/month to $299/month.
>
> For WGL customers, a 40% bill increase, up from $160/month to $224/month.
>
> For Columbia Gas of Maryland (CMD) customers, a 45% bill increase, up from $186/month to $270/month.

At September 2022 gas commodity prices, the typical residential customer's winter bill in 2035 will be much higher: $390/month in 2035 for BGE; $326/month for WGL; and $353/month for CMD.

REPORT ASSUMPTIONS

The report's findings likely understate—perhaps significantly—utility spending levels, revenue requirements, and the resulting impacts on customer bills, for three reasons:

- Some degree of electrification appears inevitable—customers are already replacing gas systems with electric heat pumps and replacing other gas appliances. The report assumes that the number of customers and amount of sales remain constant. Since gas utility spending will likely be recovered from fewer customers and sales, rates for remaining gas customers likely will increase more than reflected in the report.
- Although the pace of gas investments has accelerated in recent years, we modelled slower (straight-line) growth because we do not think the current compound annual growth rate for such investments can be sustained over the long term. If the utilities maintain their current rates of growth, bill impacts will be substantially higher.
- The report's bill impact projections use, for the price of gas, the average February gas commodity price over the last five years. That price is less than $0.50/therm for each utility—substantially less than September 2022 prices (for BGE $1.05/therm; for WGL $1.13/therm; and for CMD $0.95/therm). Unless gas prices decline by at least 50%, the report's projected bill impacts will be understated.

OPC's report and the report's executive summary are available on **OPC's website**.

OPC's FAQs provide further information about the State's infrastructure replacement program (called STRIDE), including its relationship to gas distribution safety.