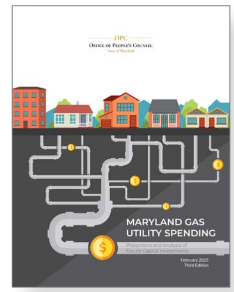
OPC
OFFICE OF PEOPLE'S COUNSEL
State of Maryland

KEY FINDINGS OF

MARYLAND GAS UTILITY SPENDING: PROJECTIONS AND ANALYSIS

February 2025 (Third Edition)



OPC's updated report,* prepared by DHInfrastructure, provides critical information on current and future gas company spending on the infrastructure that makes up the companies' distribution systems—and on the impact of that spending on customer rates.

The report relies on publicly available information from utility reports and Public Service Commission proceedings. While actual utility rates depend on future decisions, the updated spending and cost projections in this report reflect the continuation of "business as usual," without significant deviations in State policy or utility practices. The report also shows how future costs and customer bills would be impacted by customer departures from the gas system, which are likely to occur in response to increasingly competitive electric technologies and climate policies that promote building electrification.

Overall gas utility capital spending projections

- Maryland's three largest gas companies continue to pursue massive annual capital investment programs and are projected to spend $49.3 billion on capital investments between now and 2100. This represents a 49 percent increase in projected spending from our 2022 report.
- Since our last report, the cost, scope, and duration of accelerated gas replacement programs under the Strategic Infrastructure Development and Enhancement (STRIDE) programs have increased. We include as STRIDE Baltimore Gas & Electric's (BGE) pipe replacement program under its multi-year rate plan. Under a business-as-usual scenario, Washington Gas Light (WGL) is unlikely to complete its STRIDE work until 2043, eight years later than planned. Columbia Gas of Maryland (Columbia) does not have a current STRIDE plan, but its most recent proposal could have extended its STRIDE program by 20 years. BGE and WGL combined will spend about $7.2 billion more on their STRIDE programs over the next 20 years.
- As of February 2025, only 3% of STRIDE program spending has been recovered, meaning Maryland customers are only at the very early stages of paying for this spending. Assuming business as usual, Maryland customers will be paying for the remaining 97% of STRIDE costs until 2094.
- While STRIDE programs are one of the largest categories of gas infrastructure spending, they overall represent just one-quarter of BGE's total gas infrastructure spending. Other large categories of spending include system performance, new business, and corporate expenses.

This marks the third edition of this report, with prior editions being published in October 2022 and November 2023. Earlier editions are available on OPC's website at https://opc.maryland.gov/Publications/Reports.

Current pace of gas infrastructure spending

- If the pace of capital investment continues, the capital component of the revenue requirements that customers pay will more than double over the next 25 years.
- If STRIDE plans continue as currently constituted, by 2044 Maryland customers could be paying upwards of three times more for STRIDE investments per year than they paid in 2024.
- The STRIDE and non-STRIDE capital additions we project through 2100 would result in annual capital revenue requirements for Maryland's three largest utilities exceeding $2.33 billion dollars by 2044, or 2.8 times the combined $849 million customers paid through rates in 2024. This means that customers today are paying less than half of the capital investment-related costs that customers will be responsible for in 2044.

Residential customer utility bills

We evaluated how the capital investments will affect the typical customer's monthly winter bill, assuming business as usual—without accounting for any migration of gas customers to electric service.

> **BGE:** Winter bills will grow from an average of $240 in 2022-2024 to $402 by 2035, and $498 by 2050. If gas prices spike to 2022 levels, another $51 per month would be added to the typical winter bill.
>
> **WGL:** Winter bills will grow from an average $194 in 2022-2024 to $256 by 2035, and $340 by 2050. This could be an additional $50 per month if gas prices spike to 2022 levels.
>
> **Columbia:** Winter bills will grow from an average $229 in 2022-2024 to $337 by 2035, and $365 by 2050. This could be an additional $88 per month if gas prices spike to 2022 levels.

Given that highly efficient electric appliances are outcompeting gas appliances nationally, and climate policies promote building electrification, some customers will migrate away from gas service. We analyzed the rate implications of potential customer migrations through three reduction scenarios—10, 30, and 70 percent. By 2035, the typical customer's winter bill:

> **for BGE**, increases to $491/month with a 10% reduction, to $595/month with a 30% reduction, and to $1,219 with a 70% reduction.
>
> **for Columbia**, increases to $457/month with a 10% reduction, to $549/month with a 30% reduction, and to $1,102 with a 70% reduction.
>
> **for WGL**, increases to $324/month with a 10% reduction, to $377/month with a 30% reduction, and to $696 with a 70% reduction.

In testimony at the Public Service Commission, BGE acknowledged that meeting the State climate objectives requires substantial reductions in gas usage—"75, 80 percent reductions in gas volumes"—but argued that customers will still need some gas service for about 10 days each year.

In response to anticipated substantial reductions in gas volumes, the company suggested the possibility of switching from volume-based cost recovery—the way most costs are now recovered—to "subscription based" cost recovery. The report shows that the annual subscription fee in 2035, with a 10 percent reduction in BGE's gas customers, would be $1,353. Stated otherwise, with just a 10 percent reduction in customers on the system by 2035, the remaining customers would have to pay $1,353 to use gas for about 10 days each year, in addition to the costs of maintaining (and potentially replacing) their gas equipment.

Report Assumptions

- To calculate the annual revenue requirement, we used assumptions concerning depreciation, retirements, cost of capital, property taxes, and the gross-conversion factor based on the best publicly available information that rely on filings from the companies' most recent base rate cases and annual reports.
- For rate projections, we developed assumptions for the level of operating costs included in the annual revenue requirement based on operating cost estimates for the projection period derived from each company's 2023 base rate proceeding. We adopted the same operating cost assumptions for each year in the evaluation period and did not calculate a markup for inflation. The revenue requirements are in nominal 2022 dollars. STRIDE investment assumptions, however, include inflation to the degree that the companies' cost projections include inflation.
- Given Columbia's recent withdrawal of its second proposed STRIDE 3 plan, we did not include any estimates for the company's future STRIDE activities. Instead, we developed projections for Columbia's non-STRIDE capital spending based on the company's spending in 2024, when it did not have a STRIDE plan but did have a $10.68 million budget for its "Age and Condition" program--the capital work category that the company's STRIDE work falls under.

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

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