

**BEFORE THE  
MARYLAND PUBLIC SERVICE COMMISSION**

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RELOCATION OF NATURAL  
GAS SERVICE REGULATORS IN  
THE BGE SERVICE TERRITORY

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Case No. 9711

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**SUPPLEMENTAL COMMENTS OF THE  
MARYLAND OFFICE OF PEOPLE’S COUNSEL**

The Office of People’s Counsel submits the following supplemental comments in response to the Commission’s July 7, 2023 Notice Initiating Proceeding to Consider the Relocation of Residential Natural Gas Service Regulators in the BGE Service Territory.

BGE has estimated that the additional cost of installing a service regulator outside, as opposed to inside, is \$1,500 per service, or approximately \$5 million annually, an amount that BGE characterizes as “negligible.”<sup>1</sup> While \$5 million is a small amount relative to the \$483.2 million that the Company is spending on gas capital investments in 2023 it is essential to recognize that these regulator relocation expenses constitute just one part of significant capital expenditures that BGE makes to renew and replace customer gas services.

As part of its gas main replacement work, BGE renews or replaces the services connected to the main or, if a service is made of modern plastic or coated steel material, it might be transferred from the retired main to the newly installed main. The Company also proactively replaces services independent of a main replacement project as part of its ongoing infrastructure replacement programs. According to BGE, when a service is replaced, the installation of a regulator is an inherent part of this work. The service replacement work also includes the installation of a new meter and, when possible, at the same time the Company notes it prefers to relocate any interior meters to the outside.<sup>2</sup>

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<sup>1</sup> BGE Response to OPC DR 1-12.

<sup>2</sup> BGE Response to OPC DR 1-6.

OPC also understands that the same regulator and meter relocation activities may occur when a service is transferred.

Accordingly, BGE’s work to replace, renew, and transfer service lines through its infrastructure replacement programs includes at least three different streams of capital work: service work, meter work, and service regulator work. The costs of these three streams of capital work are tracked separately by the Company using the Uniform System of Accounts prescribed for natural gas companies by the Federal Energy Regulatory Commission (FERC) in accounts 380 (Services), 381 (Meters), and 382 (Meter Installations), and 383 (House Regulators). Definitions for these service-related accounts and the other non-service related accounts that infrastructure replacement costs are booked to are provided in the table below.

*Table 1: FERC Gas Chart of Accounts Main and Service Plant-in Service Account Definitions*

Account Number	Account Name	Definition
376	Mains	A. This account shall include the cost installed of distribution system mains. B. The records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.
378	Measuring and regulating station equipment—General	This account shall include the cost installed of meters, gauges and other equipment used in measuring and regulating gas in connection with distribution system operations other than the measurement of gas deliveries to customers.
379	Measuring and regulating station equipment—City gate	This account shall include the cost installed of meters, gauges, and other equipment used in measuring and regulating the receipt of gas at entry points to distribution systems.
380	Services	A. This account shall include the cost installed of service pipes and accessories leading to the customers’ premises. B. A complete service begins with the connection on the main and extends to but does not include the connection with the customer’s meter. A stub service extends from the main to the property line, or the curb stop. C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for reuse, and, in any event, shall be retired by the end of the second year following that during which the service became inactive unless reused in the interim.
381	Meters	A. This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring gas delivered to users, whether actually in service or held in reserve. B. When a meter is permanently retired from service, the installed cost included herein shall be credited to this account. C. The records of meters shall be so kept that the utility can furnish information as

		to the number of meters of each type and capacity in service and in reserve as well as the location of each meter.
382	Meter installations	A. This account shall include the cost of labor and materials used, and expenses incurred in connection with the original installation of customer meters. B. When a meter installation is permanently retired from service, the cost thereof shall be credited to this account.
383	House regulators	A. This account shall include the cost installed of house regulators whether actually in service or held in reserve. B. When a house regulator is permanently retired from service, the installed cost thereof shall be credited to this account.
384	House regulators installations	A. This account shall include the cost of labor and materials used and expenses incurred in connection with the original installation of house regulators. B. When a house regulator installation is permanently retired from service, the cost thereof shall be credited to this account.

Source: [CFR-2012-title18-vol1-part201.pdf \(govinfo.gov\)](http://www.govinfo.gov/cfr-2012-title18-vol1-part201.pdf)

The total investments that BGE makes in these service-related accounts annually are anything but negligible. The table below shows that the additions to plant-in-service for accounts 380 (Services), 381 (Meters), 382 (Meter Installations), and 383 (House Regulators) have been over \$120 million over each of the previous three years. These amounts represent around one-third of all investments in distribution plant only over these three years. While some of these additions are presumably related to new customers, most of the expenditure is likely on replacement, renewal, and transfer projects.

Table 2: Recent Annual Service-related Additions

ACCOUNT	2020		2021		2022	
	Additions (\$M)	% of Dist. Additions	Additions (\$M)	% of Dist. Additions	Additions (\$M)	% of Dist. Additions
SERVICES	41.95	12.46%	56.96	14.17%	52.18	13.08%
METERS	10.59	3.15%	6.38	1.59%	9.03	2.26%
METER INSTALLATIONS	59.31	17.62%	41.44	10.31%	35.86	8.99%
HOUSE REGULATORS	28.86	8.58%	17.25	4.29%	36.33	9.11%
<b>TOTALS</b>	<b>140.71</b>	<b>41.81%</b>	<b>122.02</b>	<b>30.37%</b>	<b>133.40</b>	<b>33.43%</b>

Moreover, in 2022, the first full year of the new service regulator policy, BGE’s expenditures on house regulators exceeded meter installation costs, representing 27% of the entire additions in the service-related accounts—up from 20% in 2020 and 14% in 2021. These figures enable us to put into perspective the incremental \$5 million in additional costs associated with exterior regulator installation. Had BGE’s exterior installation policy been in place in 2020 or 2021, the \$5 million incremental amount added to the investments in house regulators would have increased the expenditures by 17% in 2020 and 29% in 2021.<sup>3</sup>

OPC’s concern with BGE’s investment in services, meters, and regulators is that BGE is conducting this work without apparent consideration of the long-term viability of the investment, in light of policy and market trends toward electrification that will continually diminish the role of gas. The flaw in BGE’s approach is that it neglects the reality that services and the related meter and regulator components are installed for the specific purpose of serving individual gas customers (or multiple gas customers if the service feeds a multi-family or commercial property). In other words, each service replacement is a discrete investment in an individual or group of customers’ specific energy needs.

When considering the service-related work from this customer investment perspective, it is helpful to understand the cost range of the investments being made per service. In response to data requests from OPC, BGE provided project costs by plant-in-service account for replacement projects completed between January 1, 2021, to June 30, 2023. The costs incurred in each service-related account were divided by the number of services replaced or transferred through the project to derive unit costs. The table below provides the unit costs across all projects and a sample of individual projects. Because the Company only started tracking the number of regulators installed inside or outside in 2021, there is insufficient data to be able to compare the cost of projects with and without

<sup>3</sup> 2020: \$28.86M spend on house regulators + \$5M = \$33.86M / \$28.6M - 100% = 117%;  
 2021: \$17.25M spend on house regulators + \$5M = \$22.25M / \$17.25M - 100% = 127%;

regulator relocations, but the average unit costs for projects started after June 2021 does show a marginal increase in the unit cost around the time the new policy went into effect.

*Table 3: Service-related unit costs from recent replacement projects*

<b>PROJECT</b>	<b>SERVICES (\$ / SERVICE)</b>	<b>METERS &amp; METER INSTALLATIONS (\$ / SERVICE)</b>	<b>HOUSE REGULATORS (\$ / SERVICE)</b>	<b>TOTAL COSTS (\$ / SERVICE)</b>
<b>ALL PROJECTS</b>	1,681	2,166	2,273	6,120
<b>PROJECTS, START POST JUNE 2021</b>	2,703	1,494	2,146	6,343
<b>HAVRE DE GRACE PHASE 4</b>	953	2,691	1,234	4,878
<b>BOLTON HILL PHASE 1</b>	516	1,319	5,449	7,284
<b>MORRELL PARK PHASE 1</b>	5,077	-	3,096	8,173
<b>CROSS COUNTRY PHASE 2</b>	3,683	6,739	1,130	11,551
<b>YELLOW BRICK RD OPTIMAIN</b>	2,811	25,421	2,500	30,732

What the unit costs above show is that every time a service is replaced or transferred the Company makes an investment that is on average \$6,343 and could be upwards of \$11,000 to \$30,000 per service. These costs are intended to be recovered over the duration of the life of the equipment, which is anywhere from 35 years for meters and regulators to 50 years for services. The problem is that the Company is making these investments without any outreach to individual customers or assessment of long-term customer demand, which could be used to evaluate if the new services will actually be needed for the next five to ten years, let alone 35 to 50 years.

A typical BGE residential gas customer uses 55 therms of gas per month or 660 therms per year. The annual base distribution bill for this typical customer at the prevailing 2023 base rates, including the STRIDE surcharge, is \$655.54. This means that the \$6,343 per service average cost for the post-June 2021 projects represents about 10 years of the typical customer’s current base distribution charges. For more complex projects where the service-related costs are higher, such as the Cross Country Phase 2 and Yellow Brick Rd projects in the table above, the cost per service represents 18 to 46 years of base distribution charges. It should also be noted that these simplistic cost calculations only consider the direct cost per customer. In practice, these investments would be recovered through the depreciation, property taxes, and a return-on-investment components of the revenue requirement used to set base rates. Over the 50-year life of each service the total revenue recovered from customers would be around three to four times the initial cost.

BGE’s approach to implementing these projects is short-sighted and imprudent. It assumes customers will remain on its gas system—consuming similar amounts of gas as they consume today—for many decades to come, and it risks potentially stranding

hundreds of millions of investments in services, regulators, and meters that will serve no purpose long before their costs are fully depreciated. It is imperative that the Commission require the Company change its practices to account for the long-term cost implications of the regulator relocation activities and the other corresponding service-related activities being conducted through replacement projects.

Respectfully submitted,

DAVID S. LAPP  
PEOPLE'S COUNSEL

Michael F. Sammartino  
Assistant People's Counsel

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Mark Szybist  
Assistant People's Counsel  
Maryland Office of People's Counsel  
6 Saint Paul Street, Suite 2102  
Baltimore, MD 21202

## CERTIFICATE OF SERVICE

I hereby certify that on this 29<sup>th</sup> day of August, 2023, a copy of the Comments of the Office of People's Counsel was emailed to all parties of record to this proceeding.

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Mark Szybist

Assistant People's Counsel