BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

Petition of the Office of People's Counsel for Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland's Gas Companies	Case No. 9707

COMMENTS OF THE OFFICE OF PEOPLE'S COUNSEL

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INTRODUCTION

The Office of People's Counsel files these comments to renew and update its recommendations concerning the structure and implementation of the Commission's "Future of Gas" docket as it proceeds, particularly in light of the General Assembly's passage of House Bill 1035, the "Next Generation Energy Act" ("the Act" or "HB 1035") and the Governor's potential signing of that legislation. After discussing recent developments that highlight the importance of forward movement in this docket, we outline our key recommendations regarding the two-track structure for this proceeding that we proposed in our original petition.

OPC filed its petition for long-term gas planning and near-term priority actions over two years ago, in February 2023. To date, the proceedings in this docket have consisted of a public comment period in October 2023 and a two-day legislative-style hearing in July 2024. At least six developments over the last two years impact this proceeding and the future of gas in Maryland and highlight the urgency of forward progress in this docket.

First, Maryland's gas companies have spent more than a billion dollars on new capital investments in gas infrastructure, both through their Strategic Infrastructure Development and Enhancement Act ("STRIDE") plans and outside of STRIDE. Baltimore Gas and Electric Company ("BGE"), Washington Gas Light ("WGL"), and Columbia Gas of Maryland ("Columbia") collectively have spent upwards of $1.4 billion since October 2022.[1] These levels of spending will continue absent action by the Commission. The most recent update of OPC's gas company spending report, *Maryland Gas Utility Spending: Projections and Analysis of Future Capital Investments*, projects that, without a change of course, BGE, WGL, and Columbia will spend $49.3 billion on capital investments between now and 2100, both through and outside of STRIDE programs.[2] The combined STRIDE and non-STRIDE investments projected for these three companies would result in a combined *annual* capital revenue requirement of more

[1] OPC, *Maryland Gas Utility Spending: Projections and Analysis of Future Capital Investments*, (Feb. 2025) at 30-32, https://opc.maryland.gov/Publications/Reports.
[2] *Id*. at 7.

than $2.33 billion dollars in 2044—2.8 times the combined $849 million customers paid through rates in 2024.[3]

Second, the Next Generation Energy Act modified the STRIDE statute to clarify the General Assembly's legislative intent to allow for accelerated gas infrastructure improvements only when a project is consistent with State policy and to give the Commission ample authority to deny or modify STRIDE plans that are not "required to improve the safety of the gas system after consideration of alternatives to replacement."[4] These changes, which Governor Moore is expected to sign into law,[5] come in the wake of conflicting decisions in which the Commission perceived a lack of options in its review of STRIDE-eligible natural gas infrastructure investments without further instruction from the General Assembly[6] as well as the Commission's apparent intent to require gas utilities to consider cost-effective non-pipeline alternatives to prudently justify their system safety and reliability spending in the future.[7] The General Assembly has provided clarity on this point and identified a number of additional factors for the Commission to consider when reviewing STRIDE plans.[8]

Third, the last two years have shown that Maryland's gas companies are pursuing and promoting a decarbonization pathway for Maryland's buildings that is starkly different from—and would be more costly than—the electrification pathway endorsed by several State studies. Those studies include the Building Energy Transition Plan,

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[3] *Id*. at 8.
[4] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210(b)(2), (f)(3)(iii) (Md. 2025).
[5] Senate President Bill Ferguson said he is "very confident" that Governor Wes Moore will sign the Next Generation Energy Act into law. *See* Christine Condon, *Lawmakers approve energy reform bills aimed at cutting rates, boosting in-state generation*, Maryland Matters (Apr. 7, 2025), https://marylandmatters.org/2025/04/07/energy-package-sine-die-passage/.
[6] In WGL's most recent STRIDE case, the Commission refused to deny STRIDE plans for failure to evaluate cost-effective non-pipeline alternatives and future declines in gas demand and explained that "[u]ntil the General Assembly enacts changes to the STRIDE statute to further refine the allowable investments in the natural gas infrastructure in light of the potential for diminished gas service, the Commission is limited in available options regarding proposed plans." Memorandum on Decision on STRIDE Appeals, ML #307037, Case No. 9708 (Jan 10, 2024) at 12.
[7] In the Commission's order on WGL's most recent rate case, the Commission stated "WGL—and all Maryland gas companies—must consider the likely contraction in gas consumption in all capital expenditure plans intended to maintain required levels of system safety. Gas utilities must consider all cost-effective non-pipeline alternative options available to defer, reduce, or remove the need to construct or upgrade components of their natural gas systems, and not solely pursue infrastructure replacement, in order to prudently justify their system safety and reliability spending in the future. Future remaining customers on the system should not be burdened with excessive costs and stranded assets due to hasty and unwise decisions made today." Order No. 90943, Case No. 9704 (Dec. 14, 2023) at 135.
[8] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210 (Md. 2025).

prepared for the Maryland Commission on Climate Change ("MCCC").[9] The MCCC determined that Maryland's lowest-cost decarbonization pathway is the MWG Policy Scenario, which modeled high electrification in the residential sector and modest electrification in the commercial sector.[10] In this scenario, most buildings, including nearly all residential buildings, are fully electrified and gas distribution systems are scaled down.[11] But the gas companies continue to promote and pursue the continued growth of their gas systems and accelerated infrastructure spending. Utilities defend their strategies based on misinformation, such as the alleged inability of heat pumps to work in Maryland without gas back-up and the alleged future availability of lower-carbon fuels.[12] The Commission was presented with extensive analysis and argument on this subject in BGE's most recent multi-year rate case, but it did not address the subject in its decision.[13]

Fourth, BGE's installation of new gas service regulators on customer properties, in connection with its replacement of low-pressure pipelines with higher-pressure lines, has called attention to the need for customer notice in advance of gas line replacement work. Prior to Commission Order No. 90868 in Case No. 9711 and Order No. 91168 in Case No. 9708, gas companies had been providing customers with virtually no advance notice of infrastructure replacement projects, hampering customers' ability to plan for and complete the electrification of their properties. The Next Generation Energy Act also includes provisions that require such notice in advance of proposed STRIDE project construction.[14]

Fifth, the Commission deferred electric and gas utility coordination in the Distribution System Planning ("DSP") docket (Case No. 9665) until decisions are made in this docket.[15] After reviewing the DSP work group's April 30, 2024, report,[16] the Commission issued an order that initially addressed this non-consensus issue to require

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[9] Md. Comm'n on Climate Change, *Building Energy Transition Plan*, (Nov. 2021), https://mde.maryland.gov/programs/air/ClimateChange/MCCC/Commission/Building%20Energy%20Transition%20Plan%20-%20MCCC%20approved.pdf.
[10] *Id*. at 10, 12.
[11] *Id*. at 10-14.
[12] Gas utilities promote "gas-as-backup" approaches to decarbonization. *Id*. at 13. ML #305799, Case No. 9707 (Oct. 24, 2023) at 4; ML #305797, Case No. 9707 (Oct. 24, 2023) at 29.
[13] Initial Post-Hearing Brief of BGE, ML #305508, Case No. 9692 (Oct. 10, 2023) at 19-20; Initial Post-Hearing Brief of OPC, ML #305510, Case No. 9692 (Oct. 10, 2023) at 18-21; Order No. 90948, Case No. 9692 (Dec. 14, 2023).
[14] *See* HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210(e)(2)(vii) (Md. 2025).
[15] Order No. 91490, Case No. 9665 (Jan. 21, 2025) at 5-6.
[16] ML #309337, Case No. 9665 (Apr. 30, 2024).

any distribution system plans to include gas and electric planning coordination.[17] When the DSP work group resumed, the parties were unable to recommend action on electric and gas utility coordination "[g]iven the short timeframe . . . , the complexity of the issue, and the current workload of Stakeholders, as well as the Utilities' request for more specific guidance."[18] As a result, the Commission agreed to defer electric and gas utility coordination to a future DSP phase pending decisions made in this docket.[19]

Sixth, as this past winter made abundantly clear, high utility rates are driving crisis conditions for residential energy customers. While growing electric rates are part of the problem, escalating gas rates are unquestionably a major driver of the massive energy bills customers have experienced this past winter. Escalating utility bills—especially for heating—bring greater clarity to the fundamental question of whether Maryland customers should be financing long-term massive utility infrastructure spending on two competing energy systems when, in the long-term, a single system may provide heating and other services without the need for duplicative systems, and when there is a serious risk that continued massive spending on the gas system will lead to significant stranded costs.

These six developments—which are not an exhaustive list—highlight the need for clarity, guidance, and immediate Commission action regarding the future of gas in the State.

SUMMARY OF RECOMMENDATIONS

Consistent with OPC's petition and comments filed by other parties,[20] the Commission should establish both a priority track and a long-term transition track in this proceeding. **(Part I)**

In the priority track, the Commission should:

- Review existing STRIDE plans for compliance with HB 1035 and direct changes to those plans and the future projects they include to

[17] Order No. 91256, Case No. 9665 (July 30, 2024) at 12 (stating that "an integrated [distribution system plan] shall include gas and electric planning coordination, to ensure synchronized infrastructure development due to the impacts of electrification and decarbonization on both gas and electric systems").
[18] ML #313631, Case No. 9665 (Nov. 15, 2024) at 22.
[19] Order No. 91490, Case No. 9665 (Jan. 21, 2025) at 5-6.
[20] OPC, Petition for Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland's Gas Companies, ML# 301247, Case No. 9707 (February 9, 2023); ML# 301374, ML# 301247, ML# 301247, ML# 305755, ML# 305788, ML# 311069, and Hearing Transcript (July 25, 2024) at 239.

ensure compliance. **(Part II.A)**

- Require gas companies to analyze the net present value of proposed replacement projects, provide system risk reports, and consider adopting a Commission-approved template for reporting on the alternatives to replacement. **(Part II.B)**

- Direct the gas companies to show cause why gas line extension subsidies should not be immediately eliminated and invite comments from interested parties. **(Part II.C)**

- Initiate a comprehensive review of gas company communications and Commission regulations and policies governing those communications. **(Part II.D)**

Also as part of the priority track, the Commission should initiate investigations and make findings to support new requirements regarding:

- The efficacy of customer notices that the Commission has required in Case Nos. 9711 and 9708 to inform the implementation of HB 1035's notice requirements and to standardize notice procedures for gas service replacements under STRIDE and outside of STRIDE. **(Part II.E)**

- Practices and procedures that place unnecessary burdens on the electrification of customers' homes and businesses to facilitate customer disconnection from the gas system. **(Part II.F)**

- The viability and cost-effectiveness of "gas-as-backup" approaches to gas planning and gas system investments. **(Part II.G)**

- The alignment of gas companies' current pipeline capacity procurement processes with the current and anticipated demand for gas in their service territories. **(Part II.H)**

With respect to actionable items in the long-term planning track, the Commission should direct gas companies to provide, on a continuing basis, information that the Commission needs to make long-term planning decisions. **(Part III)**. The transition track should be a proactive and comprehensive investigation that leads to the adoption of regulations that direct gas utility transition plans and govern the Commission's oversight

of those plans. Once these regulations are adopted, the utilities would file their individual transition plans for public comment. The Commission would then review and issue orders on these plans and oversee their implementation for each gas utility. In this filing, we highlight the informational reporting requirements that the Commission should require to advance the long-term planning track.

COMMENTS

I. The Commission should establish both a priority track and a long-term transition track for this proceeding.

OPC's 2023 petition requested that the Commission establish a "future of gas" proceeding with two tracks: a "priority track" dedicated to issues that do not require extensive investigation and fact-finding and are ripe for Commission action now, and a longer-term "transition track" for issues (including those set forth in Appendix A of OPC's petition) that warrant more extensive investigation and fact-finding.

A two-track structure remains appropriate for this proceeding. Other stakeholders have voiced their support for a two-track structure including the Non-Profit Organizations, Montgomery County, the Center for Progressive Reform, ACQ Climate, the Maryland Energy Administration ("MEA"), Sierra Club, and RMI.[21] Since OPC's petition was filed, proceedings in other Commission dockets have both highlighted the need for urgent Commission action on priority track issues and created a record that the Commission can draw upon now in addressing those issues.

The gas companies oppose OPC's two-track structure but have failed to offer a coherent and viable alternative. WGL criticizes OPC's request for priority track actions as inconsistent with "reasoned decision-making" but fails to acknowledge that the issues to be addressed on that track have already been subject to extensive investigation in other proceedings, such that additional in-depth fact-finding would be unnecessary and unreasonably delay these proceedings. BGE's proposal that the Commission appoint a senior advisor or public utility law judge to lead a work group that would "begin discussing these issues" lacks any definite structure and will needlessly delay gas system planning in the near-term.[22] While a work group process may be appropriate to address long-term transition issues, the Commission should not send any priority items to a work group because, based on the record created in this case to date, it is clear that the parties are unlikely to arrive at consensus recommendations for the Commission.

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[21] See ML #301374, ML #301247, ML #301247, ML #305755, ML #305788, ML #311069, and Hearing Transcript (July 25, 2024) at 239.
[22] ML #305799 at 2.

Staff does not explicitly oppose OPC's two-track approach but suggests that the Commission establish a proceeding based on electricity deregulation proceedings in the 1990s. In those proceedings, the Commission held a generic proceeding, conducted fact finding, and issued an order delineating a comprehensive restructuring of the Maryland electricity market *before* the General Assembly codified electricity restructuring. [23] Staff recommends this approach on the grounds that the "future of gas" and electricity sector restructuring are issues "of similar magnitude,"[24] and that "it may be possible, and even desirable," for the Commission to act on some utility policies or practices in the near term, before the General Assembly has explicitly chosen a pathway to achieve its greenhouse gas reduction goals.[25] At the same time, Staff cautions the Commission against acting before the General Assembly provides more direction regarding how it would like the State's climate goals to be implemented. OPC supports using a structure based on the electric restructuring proceedings for the longer-term transition track issues that warrant more extensive fact-finding and believes that the Commission has the authority under existing policies to act on identified priority issues in the near-term.

For all these reasons, OPC renews its proposal that the Commission establish a two-track structure for this proceeding and recommends that the Commission initiate action on priority track items, outlined below, by June 1, 2025.

II. Priority Track Recommendations: To guide the future of gas in the State and provide clarity to stakeholders, the Commission should act on eight priority track items.

A. The Commission should promptly review existing infrastructure replacement plans for compliance with the Next Generation Energy Act and direct any steps needed to ensure compliance.

To ensure future gas utility spending reflects necessary cost-effective investments in gas infrastructure, the Commission should review existing infrastructure replacement plans and ensure future project costs or investments are "required to improve the safety of the gas system after consideration of alternatives to replacement" as required by HB

[23] ML #305800 at 30.
[24] *Id*. at 5.
[25] *Id*. at 6.

1035.[26] HB 1035 adds the quoted language to PUA § 4-210(e)(3)[27]—under which the Commission reviews plans for prudency—and clarifies the Commission's authority to deny gas company plans that are not required to improve safety after consideration of replacement alternatives. The Commission may review a previously approved plan under PUA § 4-210(j) and has the option to (1) reduce future base rates or surcharges or (2) alter or rescind approval for part of a plan if the Commission determines that a project investment no longer meets the requirements of PUA § 4-210(e)(3).[28]

In its review of previously approved plans, the Commission should also require gas companies to update existing plans to comply with HB 1035. These updated plans should include:

> (1) a description of each eligible infrastructure replacement project, including the project's useful life;
> (2) a demonstration that the gas company has selected and given priority to projects based on risk to the public and cost effectiveness;
> (3) an analysis that compares the costs of the proposed replacement projects with alternatives to replacement, including leak detection and repair; and
> (4) a plan for notifying customers affected by proposed projects at least 6 months in advance of construction.[29]

The Commission may require further evaluation of planned projects, as doing so would not impact costs already incurred by the utility and would only affect plans going forward. Applying HB 1035's requirements to projects that have yet to begin but are proposed within existing STRIDE plans would not impair a gas company's prior rights

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[26] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210(f)(3)(iii) (Md. 2025). The Commission should include in its review any replacement work BGE conducts under its "Operation Pipeline." We continue to believe it is unlawful for BGE to receive accelerated cost recovery for gas replacement work in its multi-year rate plan given the fact that the legislature enacted specific legislation governing accelerated cost recovery for replacement of gas distribution infrastructure and created specific consumer protection guardrails in doing so. *See* OPC's Request for Rehearing of Commission Order No. 90948, ML #307121, Case No. 9692 (Jan. 16, 2024) at 31-32.

[27] PUA § 4-210(e)(3) provides that the "Commission may approve a plan if it finds that the investments and estimated costs of eligible infrastructure replacement projects are: (i) reasonable and prudent; and (ii) designed to improve public safety or infrastructure reliability over the short term and long term."

[28] PUA § 4-210(j); HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210(l) (Md. 2025) (to be re-codified at PUA § 4-210(l)).

[29] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210(e)(2) (Md. 2025).

and should not implicate costs the utility has reasonably incurred or rates already collected.[30]

B. The Commission should adopt requirements for net present value analyses, require risk analyses, and evaluate the utility of a Commission-developed reporting template.

To comply with HB 1035, gas companies will have to satisfy additional requirements regarding proposed infrastructure replacement projects within the STRIDE plans they are required to submit to the Commission.[31] To recover costs associated with eligible projects, gas company plans must demonstrate customer benefits, evidence that the company has analyzed cost-effective alternatives to replacement, and "any other requirements established by the Commission."[32]

In this subpart, we present three "other requirements" that the Commission should include in its evaluation of STRIDE eligible infrastructure investment plans going forward. The Commission should (1) require gas companies to analyze the net present value of proposed replacement projects, (2) require utilities to provide system risk analyses, and (3) evaluate the utility of a Commission-developed template for gas companies to use when reporting on these requirements.

1. *Net present value of planned projects.* Gas companies should conduct and provide a net present value analysis of any STRIDE projects they pursue. The analysis will allow the Commission to effectively evaluate whether the costs associated with a proposed project make economic sense over time. Gas companies use similar economic tests for gas main and service-line extension requests to determine whether the costs of extending service to a new customer will be paid off by future revenues, and, if not, how much customer contribution is necessary to make the extension economical. Gas companies should be able to provide a similar analysis before carrying out neighborhood-scale pipe replacement. Doing so will provide critical insight into the assumptions regarding usage and cost recovery that are integral to long-lived capital spending.

Requiring gas utilities to incorporate net present value analysis into proposed STRIDE investment plans will also aid the Commission's evaluation of whether proposed

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[30] Impermissible retroactive rules attach new legal consequences to events that occurred before the rule's enactment, improperly impair rights a party possessed when the party acted, or impose new duties with respect to transactions already completed. *Landgraf v. USI Film Products*, 511 U.S. 244, 270, 280 (1994).
[31] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210 (Md. 2025).
[32] *Id*. at § 4-210(e)(6).

projects will result in "customer benefits," as required by HB 1035.[33] This analysis will show to what extent other customers on the system will be required to subsidize those receiving replacements. If the net present value is positive, it will demonstrate that the net financial benefit of the program outweighs the costs, and vice versa.

2. *System risk analyses.* To effectively determine whether proposed investments are necessary to improve safety and reliability and consistent with State policy,[34] gas companies should provide detailed explanations of their risk modeling. In recent proceedings, utilities have not used information regarding asset risk to achieve the most safety benefits possible.[35] Requiring utilities to provide risk models in proposed STRIDE plans will allow the Commission to better understand the range of risk throughout the company's gas system, determine where proposed STRIDE projects fall along that range, and evaluate whether it is appropriate for project costs to be recovered through STRIDE.

For example, BGE considers twelve factors when identifying projects under Operation Pipeline.[36] BGE's 2025 investment plan identifies fourteen proposed projects and indicates which of the twelve criteria factored into the company's decision to select each project.[37] The amount of weight BGE gives to each factor is ambiguous.[38] For example, "municipal coordination" is one factor that could significantly impact the company's project-selection decision because municipalities frequently place moratoriums on any pipeline work after roads are repaved. While it may be reasonable to work on sections of pipe that may not be accessible in the future, these project costs need not—and should not—be recovered on an accelerated basis through STRIDE. With reporting of system risk analyses—showing how utilities identify proposed STRIDE projects and the weight placed on selection criteria—the Commission will be able to determine whether a project was "required to improve the safety of the gas system after consideration of alternatives to replacement."[39]

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[33] *Id*. at § 4-210(e)(6)(i).
[34] *Id*. at § 4-210(b).
[35] Post-Hearing Initial Brief of OPC, ML #305510, Case No. 9692 (Oct. 10, 2023) at 26.
[36] BGE, 2025 Capital and O&M Project Lists and Operation Pipeline Project Lists, ML #315328, Case No. 9692 (Jan. 31, 2025) at 180-207. The twelve factors include: risk scores, leak history, break history, recent leak or break history, high density paving, poor supply or pressure, pressure system, replacement continuity, replacement clean-up in region, multiple main replacement program jobs, municipal coordination, geographic location. *Id*.
[37] *Id*.
[38] Some projects do not indicate that risk score or leak history were among the relevant criteria relied on when the company identified the project. *Id*. at 200-207.
[39] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-210(f)(3)(iii) (Md. 2025).

3. *A Commission-developed template for alternatives analysis.* The Commission should evaluate the potential value of a template that would standardize how companies analyze alternatives to gas infrastructure replacements and report on their analyses. The Commission could periodically update the template to adjust economic and environmental assumptions and to include technological developments, such as new alternatives to replacement, that the Commission would like gas utilities to analyze.[40] A template will provide guidance to the gas companies, standardize how the companies conduct and report on these analyses, and allow the Commission to make periodic adjustments to the assumptions and technologies evaluated.

C. The Commission should direct the gas companies to show cause why gas line extension subsidies should not be immediately removed from their tariffs.

Gas company line extension subsidies, often called "allowances," are entirely a matter of Commission policy, as they are not governed by any Maryland statute or regulation. The allowances that the State's gas companies offer today are Commission created and approved gas company tariffs. The Commission should—as signaled in its prior decisions[41] concerning gas line extension allowances in BGE's and WGL's most recent rate cases and consistent with HB 1035[42]—immediately direct gas companies to justify their line extension allowances in this proceeding. Specifically, the Commission should require gas companies to demonstrate that subsidized extensions are in the public interest after taking net present value and State greenhouse gas reduction goals into account.

Consistent with its decisions in Order Nos. 90943 and 90948 and the evidence in those cases, the Commission should immediately direct the gas companies to show cause as to why they should not be required to eliminate their gas line extension subsidies in their entirety and, if not eliminated, what the eligibility criteria for those allowances

[40] This template could be akin to the Renewable Portfolio Standard Annual Report that the Commission updates annually.

[41] Order No. 90948, Case No. 9692 (Dec. 14, 2023) at 286 (finding that decisions regarding the elimination of line extension allowances "should be made on a statewide basis, with full participation of all stakeholders" and noting that OPC may raise the issue in this proceeding); Order No. 90943, Case No. 9704 (Dec. 14, 2023) at 133-34 (noting that line extension policies need to be addressed but are "out-of-scope" in the context of WGL's rate case and that the Commission has initiated Case No. 9707 to address these issues).

[42] In HB 1035, the General Assembly expressed its intent that gas infrastructure investments demonstrate customer benefits and that gas utilities analyze cost-effective options to "defer, reduce, or eliminate the need to replace, upgrade, or construct new components." HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-214(c) (Md. 2025).

should be.[43] Where a gas company requests changes to its gas-line extension tariff and the Commission considers those changes at an administrative meeting, the Commission should consider directing the company to show cause in that context.[44] The recent BGE and WGL rate cases have already generated a substantial record concerning gas line extension allowances, and the Commission could adopt procedures for other gas utilities, as it deems appropriate.

For guidance, the Commission should look to numerous states that have taken a critical look at their line extension allowance policies, including California, Colorado, Washington, Oregon, Minnesota, and Massachusetts.[45] All of these states considered or adopted proposals to reduce or eliminate gas line extension allowances.

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[43] A show cause order is appropriate, in part, based on the studies showing that in the absence of subsidies, all-electric new construction costs less than new combined gas and electric construction. *See, e.g.*, Md. Comm'n on Climate Change, *Building Energy Transition Plan* (Nov. 2021) at 7, https://mde.maryland.gov/programs/air/ClimateChange/MCCC/Commission/Building%20Energy%20Transition%20Plan%20-%20MCCC%20approved.pdf; Lacey Tan et al., *The Economics of Electrifying Buildings: Residential New Construction*, (Dec. 2022) at 4, https://rmi.org/insight/the-economics-of-electrifying-buildings-residential-new-construction/.

[44] For example, BGE recently filed a revision to certain residential gas service extension charges requesting an increase in the per foot charge customers must pay for gas service extensions beyond 150 feet. BGE does not charge for gas service extensions up to 150 feet where no main extension is needed based on its claim that the cost of these extensions is less than the associated revenue under its "economic test." BGE's filing shows that the average per-project cost for single meter projects under 150 feet actually *exceeds* the expected revenue over the measuring period and has exceeded the expected revenue for the past *three years.* BGE asserts the allowance should remain based on revenue projections that combine single and multiple meter projects. *See* ML #313844. BGE's single meter project allowance illustrates why the Commission should consider directing the company to show cause within the context of a request to change its gas line extension tariff.

[45] *See* Advanced Energy United, Case Studies: Gas Line Extension Allowances, (Dec. 2023), https://advancedenergyunited.org/hubfs/2023 Reports/Gas Line Extension Allowances 1.23.pdf. California and Colorado are the only two states that have fully eliminated gas line extension allowances. California Public Utilities Commission, *Order Instituting Rulemaking Regarding Building Decarbonization*, Docket No. 19-01-011, (Sept. 15, 2022); S. 23-291, 74th Gen. Assemb., Reg. Sess., (Co. 2023). Regulators in Washington required two utilities—Avista and Puget Sound Energy—to completely eliminate gas line extension allowances, and regulators in Oregon public have required Avista and NW Natural to phase out line extension allowances by 2027. Laura Feinstein, *Ending Subsidies for New Gas Hook-Ups Can Save Cascadians Millions,* (Feb. 11, 2025), https://www.sightline.org/2025/02/11. Regulators in Massachusetts recently invited comment on their proposal to remove line extension allowances. Memorandum from Jennifer Cargill, Mass. Dep't of Pub. Util., on Procedural Notice and Request for Comments Regarding Policies and Practices for Proposed Line Extension Allowances and Contributions in Aid of Construction for Gas Local Distribution Companies (Feb. 5, 2025).

D. The Commission should initiate a docket to review gas company communications and ensure that all ratepayer funding for such communications is in the public interest.

The record developed in this case and the examples below illustrate that gas companies engage in communications that promote gas use and gas appliances, including by making representations about the economic and environmental attributes of natural gas appliances in relation to electric appliances. Such representations are often misleading and, in any event, may be inconsistent with the public interest because they can lead customers to make costly, long-term investments based on incomplete information.[46] The Commission should use its broad authority to regulate ratepayer-funded "informational" communications and to prohibit deceptive communications to open a docket and conduct a comprehensive review of informational and non-informational communications.[47] In this docket, the Commission should establish specific reporting requirements for gas utilities to disclose how they classify and recover the costs of public-facing communications and determine whether additional regulations are necessary to prohibit deceptive communications and prohibit ratepayers from funding promotional communications.[48]

1. Gas companies promote gas use and gas appliances in a manner contrary to the public interest.

Gas companies promote gas and gas appliances in various ways, including messaging on customer bills, social media posts, website communications, and paid advertisements. These promotions—some of which utilities do not even consider "marketing"—are often misleading with respect to potential cost-savings and the

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[46] The Supreme Court of Maryland has explained that "the public interest is important to nearly everything a utility does," but that in a regulatory context the public interest "is not a broad license to promote the general public welfare. Rather, the words take meaning from the purposes of the regulatory legislation." *Maryland Off. of People's Couns., et al., v. Maryland Pub. Serv. Comm'n, et al.*, 461 Md. 380, 405 (Aug. 29, 2018). The Commission must ensure public service companies operate in the interest of the public, and it has significant discretion to decide whether issues are consistent with the public interest. *See In the Matter of Maryland Off. of People's Couns., et al.*, 260 Md. App. 16, 54 (Dec. 20, 2023).

[47] COMAR 20.07.04.08E(2) defines "informational" to mean "directed toward informing customers of charges and conditions of service, safety precautions, energy conservation, temporary or emergency conditions, employment opportunities, rate cases, annual reports, legal and financial matters." The Commission's review should include non-informational communications including those classified as promotional, community affairs, or institutional under COMAR 20.07.04.08D-E.

[48] The Commission's investigation into these communications may require action beyond the context of gas companies if the Commission determines it is appropriate to extend this investigation to electric utilities as well.

environmental impacts of natural gas and are thus contrary to the public interest. Examples of such promotional messaging include:

- A Washington Gas campaign, currently delivered through messaging on the company's vehicles, states "Natural Gas. Efficient by Nature" alongside a nature image. The image and statement were a part of the marketing message that Washington Gas distributed nearly 4 million times to its customers on their bills over a four-year period, in conjunction with the marketing statements that a public utility law judge recently found deceptive in Case No. 9673.[49]

- A social media post from "DMV Energy Partners," an account owned or controlled by WGL, which states, "[u]nlike electric appliances, natural gas appliances offer cost savings and convenience," and claims that "[n]atural gas appliances can help you cook meals for about ONE-HALF THE PRICE." The post identifies Washington Gas as a "trusted partner" and includes the phrase, "Source: Department of Energy."[50]

- An image on BGE's MyAccount with the heading, "Switch and Save with Natural Gas," which states, "Did you know you can save hundreds of dollars a year by converting from electric, oil, or propane to natural gas? What are you waiting for? Make the switch and start saving today!"[51]

In addition, the gas companies' websites feature communication materials that are ostensibly informational but effectively promote gas. Despite the fact that an analysis by the Maryland Building Energy Transition Implementation Task Force found that 98 percent of homes in the State would have lower costs by upgrading their heating systems to heat pumps, rather than high-efficiency furnaces and air conditioners,[52] the gas companies' websites offer heating cost comparison "tools" that (1) obscure the capacity of heat pumps to save customers money on their combined heating and cooling costs, including by replacing their air conditioners with heat pumps, and (2) limit customers'

[49] OPC's Presentation Slides from July 25, 2024, Hearing, ML# 311442, Case No. 9707 (Aug. 5, 2024) at 60.
[50] *Id*. It is unclear whether "Department of Energy" refers to the United States DOE or some other department of energy, nor is it clear what information in the post is being attributed to the "Department of Energy."
[51] *Id*. at 61. BGE explains that this image "was simply a tile on both the web and App version of BGE's MyAccount" and therefore "was not part of any marketing campaign." *Id*.
[52] The Building Energy Transition Implementation Task Force Final Report, (Jan. 24, 2024) at 13, https://mde.maryland.gov/programs/air/ClimateChange/BEPS/Final%20Report%20of%20the%20Building%20Energy%20Transition%20Implementation%20Task%20Force.pdf.

ability to accurately compare the efficiencies of heat pumps and air conditioners. Examples of how these tools obscure the cost-saving capacity of heat pumps and limit customers' ability to compare include:

- WGL's online "Therms (TH) to Kilowatt Hours (KwH) Comparison" assumes both electric and gas appliances require the same energy input to provide a certain level of heating services, even though new heat pumps can provide efficiencies of between 250 and 400 percent,[53] while the most efficient gas furnaces will always have efficiencies below 100 percent,[54] therefore suggesting that gas heating is invariably lower-cost than electric heating.

- BGE's online "heating comparison calculator"[55] only allows customers to choose a numerical efficiency rating for some current fossil fuel equipment, e.g., a fuel oil furnace, but does not allow customers to (1) choose an efficiency rating for a current heat pump,[56] (2) select gas furnaces and boilers as a "current equipment" option, or (3) enter efficiency ratings for replacement equipment.

- Columbia's online "heating cost calculator" also does not allow customers to choose numerical efficiency ratings for heat pumps[57] but does allow customers to choose efficiency ratings for fossil fuel equipment and maintains a default setting that displays a heat pump with the lowest possible efficiency and a default bar chart that displays a gas furnace as the lowest-cost heating choice.[58]

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[53] *Id*. at 10. This means that for every 1 unit of energy input, a heat pump can produce between 2.5 and 4 times more heat energy output because it pumps additional heat from a heat source into wherever the heat is needed rather than simply converting work to heat. *See* Thermal Engineering, *What is Coefficient of Performance—COP—Heat Pump—Definition*, https://www.thermal-engineering.org/what-is-coefficient-of-performance-cop-heat-pump-definition/ (last accessed Mar. 31, 2025).
[54] WGL, Conversion Calculator, https://www.washingtongas.com/billing-and-payment/billing/factors-impacting-gas-cost/conversion-calculator (last visited Mar. 3, 2025).
[55] BGE, Heat Comparison Calculator, https://www.bge.com/ways-to-save/tools-resources/gas-savings-calculators/heating-comparison. Notably, the tool includes the question, "Ready to convert to natural gas?" along with a link to BGE's "Natural Gas Connection" webpage, but not the question "ready to convert to all-electric?" *Id*.
[56] Customers can only select a point between "older less efficient" and "newer more efficient." *Id*.
[57] Columbia Gas of Maryland, *Compare your savings with natural gas heating costs to electric, propane and oil*, (last updated Jan. 2025) https://www.columbiagasmd.com/services/add-or-convert-to-gas/calculate-your-savings.
[58] *Id*.

Taken together, these examples show that the gas companies are promoting gas usage and gas appliances to current and potential customers—and in many cases using deceptive techniques or assumptions that misrepresent electric appliance capabilities to do so.

2. The Commission has authority to regulate ratepayer-funded "informational" communications and to prohibit deceptive communications however they are funded.

The examples highlighted in the previous section show that gas utilities use their cost comparison tools to support customer connections to gas service. The Commission should conduct a comprehensive evaluation of how gas utilities categorize and fund these tools as well as other communications. With respect to informational communications, the Commission may look to FERC Account 909, which governs informational and instructional advertising expenses, as a model.[59] It requires utilities to, among other things, provide "supporting documents that identify the specific advertising message."[60] A similar approach that specifies what information and supporting documentation gas companies must provide is appropriate in this context to ensure utilities are properly documenting the costs they incur to educate customers and justifying recovery of these costs.

The Commission should open a docket to conduct a comprehensive review of gas company communications and may do so under its general authority to regulate public service companies.[61] The Commission may also rely on its authority to regulate both "informational" gas company communications funded by ratepayers and "promotional" communications funded by shareholders that it finds are misleading.[62] During this review, the Commission should ensure gas company communications are in the financial interest of customers given increasing gas infrastructure spending, rates, and the possibility of significantly reduced future gas sales; evaluate which gas company

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[59] 18 C.F.R § 367.9090 (2025).
[60] *Id*. at § 367.9090(e).
[61] *See* PUA § 2-113(a)(1)-(2) (giving the Commission the authority to supervise and regulate public service companies to, among other things, ensure they operate in the public interest and requiring the Commission to consider the State's climate commitments in doing so).
[62] Under COMAR 20.07.04.08(C), utilities may not recover expenditures for advertising and promotion other than that classified as informational unless the utility demonstrates to the Commission "that the expense is of direct benefit to the rate payer and in the public interest," however, informational advertising "is presumed to be in the public interest unless otherwise demonstrated in a subsequent rate proceeding." Public service companies are required to divide advertising expenses into four categories (promotional, informational, community affairs, and institutional) for purposes of determining whether "these expenses shall be borne by the rate payer or stockholders." COMAR 20.07.04.08(D).

communications are properly characterized as informational;[63] and consider State policy, including State climate policies and mandates.[64]

Based on its evaluation of the gas utilities' informational and non-informational communications, the Commission should determine whether additional regulations are necessary to prohibit deceptive communications and prohibit ratepayers from funding promotional communications. Given the partial exemption of public service companies from the Maryland Consumer Protection Act, the Commission should consider developing rules or processes that address promotional communications that have "the capacity, tendency, or effect of deceiving or misleading consumers."[65]

E. To implement HB 1035's notice requirements, the Commission should evaluate and standardize existing notice procedures.

In HB 1035, the General Assembly amended the STRIDE law to require a gas utility's STRIDE investment plan to include a "customer notification plan."[66] These plans must notify customers of planned construction "in a manner determined by the Commission" and communicate a complete and accurate description of project activities as well as "any other information the Commission considers necessary to evaluate the plan."[67]

To implement the modifications to the STRIDE law in HB 1035, the Commission need not start from scratch. In Case Nos. 9711[68] and 9708,[69] the

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[63] The Commission's authority to deny cost recovery for communications claimed to be informational necessarily implies the power to determine what types of communications can be characterized as informational. *Id*.

[64] PUA § 2-113(a)(1)-(2).

[65] MD. COM. LAW § 13-301(1). The Commission may rely on its broad authority under PUA § 2-113 and the standards of service requirements under PUA § 5-303 to prohibit deceptive communications regarding the economic and environmental attributes of gas and gas appliances. In a recent decision, a public utility law judge found that WGL violated PUA § 5-303 by making misleading statements in language included in customer bills that characterized natural gas as "clean" and "efficient" without additional context, specificity, or qualification. ML #316905, Case No. 9673 (Mar. 20, 2025) at 22.

[66] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-214(e)(3) (Md. 2025).

[67] *Id*. at § 4-214(e)(3)(i)-(iii).

[68] Pursuant to the Commission's Order on BGE's Request for Expedited Approval of Proposed Customer Notifications, BGE was required to (1) notify customers a gas regulator would be installed at their properties, (2) give customers 30 days from the notice date to complete the form indicating their desire to disconnect from the gas system, and (3) allow customers at least 180 days from the notice date to complete the electrification process. Order No. 90868, Case No. 9711 (Oct. 31, 2023) at Ex. A, p. 2.

[69] In the Commission's Order on STRIDE Customer Notification, the Commission required WGL to: (1) provide notice to customers regarding planned service line replacements; (2) allow customers 30 days from the date of notice to inform WGL of their intent to electrify and desire to be disconnected from the gas system; (3) allow customers who timely notify the company of their desire to disconnect and whose services are being replaced in conjunction with a main replacement to have 180 days from the notice date

Commission established limited notice requirements for certain gas infrastructure replacement work being performed by BGE and WGL, respectively. In Case No. 9711, the Commission required BGE to provide written notice to customers informing them that a gas regulator would be installed no less than 180 days from the date the notice was received.

As part of the priority track, the Commission should investigate and make findings regarding the sufficiency of the information of its existing notice requirements and the amount of time customers have to make long-term decisions regarding their energy needs. Evaluating the effectiveness of existing notice procedures will help the Commission develop enhanced procedures that will reduce investment in unnecessary infrastructure and costs to customers with respect to both STRIDE and non-STRIDE investments. Based on the findings of this investigation, the Commission should (1) determine the appropriate manner, substance, and timing of customer notifications under HB 1035 and (2) standardize such notifications for service replacements outside of STRIDE, as well as under STRIDE.

With regards to the substance of customer notifications under HB 1035, the Commission should require gas utilities to inform customers of the option to electrify and not receive a new service line and regulator, available electrification incentives, and State policy goals that encourage decarbonization. Electrification information will help customers make informed decisions about their long-term energy needs. The substance of customer notices under HB 1035 should go beyond merely informing customers that pipe replacement work will be performed. Notices should equip customers with all information "necessary to evaluate the plan."[70] The Commission should also rely on stakeholder input and the findings of its investigation into established notice procedures to determine what "other information" customers need to understand how STRIDE construction plans will affect them.[71]

With respect to the timing of customer notifications, the Commission should re-assess how much time customers need to fully electrify their buildings based on the actual experiences of BGE and WGL customers to date. HB 1035 requires gas companies to notify customers "*at least* 6 months in advance of construction;" therefore, the Commission could require gas companies to provide more than six months advanced notice to customers.[72] Two years ago, in Case No. 9711, OPC warned that six months' notice is not sufficient for most customers seeking to electrify, and anecdotal evidence

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to complete the electrification process; and (4) remove any time limit for customers whose services are being replaced as part of WGL's service-only replacement program to complete the electrification process. Order No. 91168, Case No. 9708 (May 28, 2024) at 3, 6.

[70] HB 1035, 447th Gen. Assemb., Reg. Sess., § 4-214(e)(3)(iii)(2) (Md. 2025).

[71] *Id*.

[72] *Id*. at § 4-210(e)(2)(vii) (Md. 2025) (emphasis added).

bears that out. The Commission's findings regarding the efficacy of prior notice procedures will—in addition to stakeholder input—be critical to its determination regarding the appropriate manner and timing of notice requirements.

The Commission's investigation should culminate in standardized gas utility notice procedures for service replacements outside of STRIDE, as well as under STRIDE. Customer advance notice should not depend on the service territory in which a customer resides.[73] Standardized mechanisms, on the other hand, will promote customer awareness, streamline informational requirements, and enhance administrative efficiency.

F. The Commission should ensure that gas companies facilitate—and do not obstruct—customer efforts to electrify and disconnect from the gas system.

The Commission should ensure that gas companies do not impose unnecessary burdens on customers who wish to electrify—whether those burdens are intentional or inadvertent. Currently, the gas companies do not provide standardized, simple processes for customers who want to disconnect from the gas system. For example, when dual-service customers log into their BGE accounts online, the company provides the option to "stop service" but does not provide these customers with the option to only stop their gas service. Among other issues, WGL's "Service Abandonment/Demolition Request" form presents customers trying to disconnect their gas service with a daunting requirement that they certify "that removing [gas] service will not endanger human health or life or cause property damage to the listed site address."[74] OPC has detailed the inadequacies of WGL's process in various filings in Case No. 9708.[75]

Customers who wish to electrify for whatever reason—health, economic, climate, or otherwise—should be able to easily understand how to disconnect their gas service and to do so without unnecessary hurdles. The Commission should investigate current gas company practices and procedures related to customer electrification and ensure that companies provide customers seeking to electrify with a process that is accessible, transparent, and unencumbered by needless hurdles.

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[73] As used here, the term "gas service" describes the service line that runs from the gas main to a person's house, the house's gas meter, and the gas service regulator that steps down the gas pressure for use by in-house appliances.

[74] *See* WGL, Gas Service Abandonment/Demolition Request Form, available at https://www.washingtongas.com/services/current-customers/service-abandonments (last visited Jan. 3, 2024) at 3.

[75] *See* OPC Letter re WGL Service Abandonment Process, ML #309055, Case No. 9708 (Apr. 18, 2024) at 1-2; OPC Letter on WGL STRIDE Customer Notice, ML #313491, Case No. 9708 (Nov. 8, 2024) at 3-4.

G. The Commission should determine whether decarbonization pathways that rely on "gas-as-backup" or "alternative fuels" are viable economic solutions for long-term gas infrastructure investments for residential customers.

To move forward efficiently with long-term gas system planning, the Commission should make a threshold determination as to whether the "gas-as-backup" rationale for gas system planning and investment are compatible with a viable, cost-effective, and safe future for gas customers and utilities.[76] State policy documents and planned regulations lay out a future in which almost all buildings fully transition to zero-emissions heating equipment such as heat pumps.[77] The Maryland Department of the Environment identified a need for the Commission to "oversee the development and implementation of gas system planning to achieve a structured transition to a net-zero emissions economy in Maryland."[78] Maryland's gas utilities have not yet taken the implications of these State policies to heart.

In BGE's most recent rate case, BGE relied on a study the company commissioned and co-designed with E3[79] to argue that a "gas-as-backup" approach would be the most cost-effective way to support the State's greenhouse gas reduction goals.[80] For that study, BGE specifically tasked E3 with identifying how BGE's gas system could play a "supporting role" in the State's decarbonization efforts.[81] Under the "gas-as-backup" approach supported by BGE and other gas utilities,[82] customers would have both an electric heat pump and a natural gas furnace, and the latter would serve as a back-up heating source on particularly cold days. In the rate case, a BGE witness testified that

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[76] Utilities variably describe such approaches as "hybrid" or "integrated," but it is more accurate to describe them based on their factual premises—using the gas system for relatively few very cold days a year or delivering fuels other than fossil gas.

[77] These include building performance standards, zero emission heating equipment standards, and clean heat standards. MDE's building energy performance standards are in effect and require owners of buildings that are 35,0000 square feet or larger to annually report their energy use and emissions. Md. Dept. of the Environment., *Building Energy Performance Standards*, https://mde.maryland.gov/programs/air/ClimateChange/Pages/BEPS.aspx. MDE is developing a Clean Heat Standard and Zero-Emission Heating Equipment Standard—collectively the Clean Heat Rules—to improve public health and lower energy costs and support the transition to efficient heating solutions such as heat pumps. Md. Dept. of the Envi., Clean Heat Rules, https://mde.maryland.gov/programs/air/Climate-in-md/Pages/Clean-Heat-Rules.aspx.

[78] Maryland Dept. of the Envi., *Maryland's Climate Pollution Reduction Plan*, (Dec. 28, 2023) at 41, https://mde.maryland.gov/programs/air/ClimateChange/Maryland Climate Reduction Plan/Maryland%27s Climate Pollution Reduction Plan - Final - Dec 28 2023.pdf.

[79] Tory Clark et al., *BGE Integrated Decarbonization Strategy* (Oct. 2022) at 5, https://www.ethree.com/wp-content/uploads/2022/10/BGE-Integrated-Decarbonization-White-Paper_2022-11-04.pdf.

[80] Initial Post-Hearing Brief of BGE, ML #305508, Case No. 9692 (Oct. 10, 2023) at 19-20.

[81] Tory Clark et al., *BGE Integrated Decarbonization Strategy* (Oct. 2022) at 11.

[82] WGL's Comments on OPC Gas Planning Petition, ML #305797, Case No. 9707 (Oct. 24, 2023) at 29.

customers who maintain gas service as back-up heating may use the gas system only ten days per year on extreme weather days.[83] Thus, the "gas-as-backup" approach would require maintaining the entire gas distribution system—and its associated costs to customers—for a mere ten days per year when temperatures would—the utilities contend—be "too low" for electric heat pumps to effectively heat people's homes. This strategy is both inefficient and costly, and it is based on the false presumption that heat pumps cannot adequately serve Maryland customers' heating needs without a back-up gas heating source.[84]

The gas companies have promoted "gas-as-backup" decarbonization pathways that involve electrification with traditional natural gas and lower-carbon fuels such as renewable natural gas ("RNG"), green hydrogen, or hydrogen blending to back-up heat pumps.[85] A "gas-as-backup" approach—regardless of whether it relies on traditional natural gas, alternative fuels, or a combination of the two—is not a viable long-term solution for residential gas system planning in Maryland.

The Commission should make a finding that a "gas-as-backup" hybrid approach is not a viable solution for residential gas system planning in Maryland. Through briefs and expert testimony in the BGE rate case, OPC showed that BGE's E3 study was flawed and that the lowest-cost decarbonization pathway is not a "gas-as-backup" decarbonization approach.[86] In fact, an earlier study performed by E3 for the MCCC concluded that the

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[83] Pub. Serv. Comm'n of Maryland, Case No. 9692, Proceedings–Sept. 5, 2023, Transcript at 810, 1079, 1090.

[84] OPC, *Climate Policy for Maryland's Gas Utilities: Financial Implications*, at 6-7 (Nov. 2022), https://opc.maryland.gov/Portals/0/Files/Publications/Reports/MDFutureGasReport FINAL.pdf?ver=IKcLN0p_148NtsVsj2A0Og%3d%3d. Technological advances have made electric heat pumps an effective, low-carbon heating solution in both mild and cold-weather climates. National Renewable Energy Laboratory, *Decarbonizing Building Thermal Systems: A How-to Guide for Heat Pump Systems and Beyond*, at 9 (Sept. 2024), https://www.nrel.gov/docs/fy24osti/87812.pdf (noting that heat pumps are efficient and readily available for space heating, space cooling, and water heating and that air-source heat pumps are capable of providing the sole course of heat in cold climates due to significant technological improvements over the last 15 years); RMI, *Heat Pumps: A Practical Solution for Cold Climates,* (Dec. 10, 2020), https://rmi.org/heat-pumps-a-practical-solution-for-cold-climates/ (explaining that advances in variable speed inverter-driven compressor technology has been a key feature allowing heat pumps to perform well in sub-freezing temperatures).

[85] In their 2024 comments, all of the gas companies expressed support for "integrated" or "hybrid" decarbonization approaches that entail the installation of heat pumps for space heating along with the continued use of gas appliances to "back up" heat pumps and, in turn, continued dependence on gas distribution systems. *See* Baltimore Gas and Electric Company Comments on OPC Petition, ML #305799, Case No. 9707, (Oct. 24, 2023) at 4; Washington Gas Light Company Comments on OPC Petition, ML #305797, Case No. 9707, (Oct. 24, 2023) at 29, and Joint Comments of Chesapeake Utilities Corporation and Columbia Gas of Maryland, ML #305783, Case No. 9707 (Oct. 24, 2023) at 2.

[86] Post-Hearing Initial Brief of OPC, ML # 305510, Case No. 9692 (Oct. 10, 2023) at 18-20. E3's BGE analysis assumed the same size and cost of BGE's gas system in the "limited gas" scenario—which relies heavily on electrification without gas back-up heating—and the hybrid scenarios that rely more on gas or

most cost-effective decarbonization pathway was one in which almost all residential homes were fully electrified by 2045.[87] Although the Commission did not address the merits of either approach in BGE's rate case,[88] the Commission should answer this path-determinative question in this proceeding to guide long-term gas system planning for the State. In answering this question, the Commission should look to the order issued by the Massachusetts Department of Public Utilities ("DPU") in its future of gas proceeding where it found that a broad "gas-as-backup" heating strategy that would require maintaining the entire natural gas system to support back-up heating was an impractical long-term solution in Massachusetts's climate.[89]

In addition, the Commission should conclude that the large-scale usage of alternative gaseous fuels such as RNG and hydrogen is not a viable or cost-effective alternative to large-scale natural gas use. Recent studies show that a green hydrogen heating system would be "two to three times more expensive" than one relying on electric heat pumps,[90] and hydrogen poses significant difficulties for integration into existing gas

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gas alternatives. OPC's expert recreated BGE's analysis using corrected transmission and distribution cost figures and heat pump performance data. Once the errors in BGE's study were identified and corrected, E3's BGE study yielded the same results as E3's MCCC study and confirmed that the lowest cost decarbonization pathway is the scenario that would replace almost all fossil fuel heaters in existing homes with heat pumps by 2045. *Id*. at 20.

[87] E3, *Maryland Building Decarbonization Study Final Report*, at 55 (Oct. 20, 2021) https://mde.maryland.gov/programs/Air/ClimateChange/MCCC/Commission/E3 Maryland Building Decarbonization Study - Final Report.pdf. The lowest cost scenario modeled by MCCC's E3 study assumed almost residential buildings switched to air-source or ground-source heat pumps with electricity supplying heat throughout the year, and existing commercial buildings would retain fossil fuel-powered backup heating, but new commercial construction would be all-electric. *Id*. at 6, 43. In addition, MDE's Climate Pathway Report makes clear that as the State approaches net-zero, "there will come a point where natural gas distribution infrastructure, particularly for residential buildings, becomes physically and/or financially unsustainable." Kathleen M. Kennedy et al., *Maryland's Climate Pathway* (June 2023) at 56 (citing Claudia Kemfert et al., *The Expansion of Natural Gas Infrastructure Puts Energy Transitions At Risk*, Nat. Energy 7, 582-87 (2022), https://www.nature.com/articles/s41560-022-01060-3.

[88] Order No. 90948.

[89] Mass. Dept. Pub. Util., Order on Regulatory Principles and Framework, D.P.U. 20-80-B at 55, 81 (Dec. 6, 2023). The DPU noted that "cold-climate heat pumps generally will eliminate the need for backup heating systems" given improvements in technology and announced it would not approve using ratepayer dollars for hybrid heating system pilots. Instead, the DPU required local distribution companies to focus on targeted electrification and networked geothermal projects to meet Massachusetts's long-term climate targets. *Id*. at 2, 55, 81, 87. This decision represents a necessary, common-sense approach to aligning rate design with state climate objectives and can serve as a helpful model here since Maryland typically experiences much milder winters than Massachusetts.

[90] Josh Gabbatiss, *"Green" Hydrogen, Made By Splitting Water With Low-Carbon Electricity, Is Unlikely To Emerge As A Cheap Replacement For Gas Boilers In Homes Across Europe, According To A New Study*, CarbonBrief (Feb. 23, 2023), https://www.carbonbrief.org/heat-pumps-up-to-three-times-cheaper-than-green-hydrogen-in-europe-study-finds/ (citing Till Weidner & Gonzalo Guillen-Gosalbez, *Planetary Boundaries Assessment Of Deep Decarbonization Options For Building Heating In The European Union*, (Feb. 15, 2023) https://www.sciencedirect.com/science/article/pii/S0196890422013802#b0130.

infrastructure.[91] Moreover, significant questions remain regarding the cost and feasibility of producing, distributing, and storing hydrogen.

While there may be niche roles for hydrogen in the future,[92] modern air-source heat pumps can provide reliable, affordable, and efficient energy to residential homes today.[93] Furthermore, replacing traditional natural gas with RNG for heating is prohibitively expensive, and substantial evidence shows that RNG cannot be produced at the scale necessary to heat people's homes without continued use of traditional natural gas.[94] Rather than allowing continued massive investments in the gas system that may not even be compatible with RNG and hydrogen fuels, the Commission should encourage targeted electrification that relies on electric heat pumps that are proven effective and more affordable.[95]

By making threshold determinations regarding the potential—or lack thereof—of (i) alternative gaseous fuels to replace fossil gas on a significant scale, and (ii) the viability of a gas-as-backup strategy for decarbonization, the Commission will save significant time and resources. Without such findings, these two issues are likely to block progress and consume significant time and energy for the Commission and stakeholders.

H. The Commission should investigate and make findings concerning the alignment of gas companies' current pipeline capacity procurement processes with the current and anticipated demand.

The Commission should examine current gas company procurement practices and assumptions because they do not sufficiently plan for reductions in gas demand. Each

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[91] *See* OPC, *Climate Policy for Maryland's Gas Utilities: Financial Implications*, at 9 (Nov. 2022) https://opc.maryland.gov/Portals/0/Files/Publications/Reports/MDFutureGasReport FINAL.pdf?ver=IKcLN0p_148NtsVsj2A0Og%3d%3d.

[92] Jan Rosenow, *Is Heating Homes with Hydrogen All but a Pipe Dream? An Evidence Review,* (Oct. 19, 2022), https://www.cell.com/joule/fulltext/S2542-4351(22)00416-0 (concluding, based on a review of 32 on the use of hydrogen for space and water heating, that hydrogen for heating is associated with higher energy system costs, consumer heating costs, and environmental impacts).

[93] Leah Louis-Prescott, et al., *Heat Pumps Can Lower Energy Bills in Maryland Today*, (June 4, 2024), https://rmi.org/heat-pumps-can-lower-energy-bills-in-maryland-today/ (noting that heat pumps are 2-4 times more energy efficient than traditional technologies like gas furnaces); *see also* Sanem Sergici et al., *An Assessment of Electrification Impacts on the Maryland Electric Grid*, at 2-3 (Dec. 19, 2023), https://www.psc.state.md.us/wp-content/uploads/Corrected-MDPSC-Electrification-Study-Report-2.pdf (explaining that increasingly available cold-climate heat pumps can operate without fossil fuel backup and remain efficient at very low temperatures).

[94] Nicholas Cunningham, *Are Hydrogen Blending and RNG Climate Solutions?*, (Mar. 21, 2023), https://gasoutlook.com/analysis/are-hydrogen-blending-rng-really-climate-solutions/; *See* OPC, *Climate Policy for Maryland's Gas Utilities: Financial Implications*, at 9 (Nov. 2022)

[95] *See* Mass. Dept. Pub. Util., Order on Regulatory Principles and Framework, D.P.U. 20-80-B at 68-72 (Dec. 6, 2023) (discussing concerns regarding costs, availability, and treatment of renewable fuels as carbon neutral).

year under PUA § 4-402(d), the gas companies document current procurement practices for gas supply and pipeline capacity through "purchased gas adjustment" filings with the Commission, and the Commission reviews those filings. The companies determine how much gas supply and pipeline capacity to procure based on econometric analysis to estimate how customer growth, weather, and other drivers have historically impacted demand and project values for those drivers to forecast demand in the future. At these annual proceedings, however, the Commission does not analyze the assumptions gas utilities rely on to estimate peak demand—those assumptions are set forth in capacity plans that are not subject to annual Commission approval.[96] At present, gas companies continue to commit to long-term contracts based on models that assume steady or growing gas consumption, despite advances in electric appliance technologies, the State's emissions reductions goals, and State policy that encourages reductions in gas consumption.[97]

The Commission should review current procurement assumptions, as documented in gas companies' annual capacity filings,[98] in the near-term priority track to require that gas companies align their procurement strategies with the CSNA and the reality that gas sales will decline. This review should closely evaluate the assumptions gas utilities rely on to estimate peak demand and confirm that historical peak demand has aligned with the utilities' projections. The Commission should also investigate whether utilities should update their projection practices to account for changes in weather due to climate change and potential reductions in gas demand.[99]

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[96] At annual purchase gas adjustment proceedings, the Commission's review focuses on whether gas company charges were based solely on the increased costs of gas, whether the gas company has followed competitive practices in procuring gas, and whether the company's practices in procuring gas were reasonable. PUA § 4-402(c). The Commission does not review and approve the assumptions gas companies rely on when estimating peak demand. *See Re Interstate Sale and Transportation of Gas*, 77 Md.P.S.C. 531, 1986 WL 215084 (Dec. 23, 1986) at 13 (requiring BGE, WGL, and Columbia, to file gas purchasing plans annually); *Re Baltimore Gas and Electric Company*, 92 Md.P.S.C. 381, 2001 WL 1887204 (July 6, 2001) at 5 (providing that, as part of the stipulation and settlement agreement in Case No. 8860, "BGE will file its Capacity Plan with the Commission and will respond to a reasonable number of questions relating to the Capacity Plan" but "the Capacity Plan should not be subject to approval prior to its implementation"); Case No. 8951 Stipulation and Settlement Agreement, ML #98835 (Sept. 20, 2005) (stating that WGL "agrees to offer to meet with representatives of Staff and OPC to discuss the general content and format of the gas system portfolio plan for the upcoming winter heating season" with no indication that the plan will be subject to Commission approval).

[97] *See, e.g.,* BGE 2024 Gas Capacity Plan, ML# 313264, Case No. 8950 (Oct. 31. 2024) at 10-14 (including contracts that expire as late as 2039).

[98] *Id.*; *Columbia Gas of Maryland 2025-2029 Strategic Gas Supply Plan*, ML# 312903 (Oct. 15, 2024); *WGL 2025-2029 Gas Portfolio Plan*, ML# 313599 (Nov. 14, 2024).

[99] Massachusetts may also serve as a helpful reference in this context. There, local distribution companies ("LDCs") must submit long-range forecast and supply plans that are reviewed and approved by the DPU. Mass. Gen. Laws Ch. 164, § 69I. Recently, the DPU required LDCs to explain how they will take temperature, humidity, precipitation, and extreme weather due to climate change into account when developing their forecasts and address whether relying on 20 years of historical data should be adjusted to

While complex capacity planning certainly warrants consideration in the long-term transition track of this proceeding, the recommendations above can take place in the near-term based on existing information already provided to the Commission on an annual basis.

III. To inform the scope and structure of the long-term transition track of this proceeding, the Commission should direct the gas companies to make initial and continuing informational filings.

Initial and continuing informational filings will enable the Commission to better evaluate gas companies' planned infrastructure investments and any claims regarding the State's decarbonization goals. Such filings are essential to properly guide long-term gas system planning and ensure robust fact-finding. This information will also help identify where non-pipeline alternatives could be suitable in place of traditional pipeline investments. At the July 2024 hearing in this proceeding, OPC suggested that the Commission direct the gas utilities to file certain key information, to the extent not already provided regarding:

1. Historical and projected gas infrastructure expenditures,
2. Detailed information on pipeline infrastructure,
3. Demand forecasts and assumptions, and
4. Fuel supply portfolios.

With assistance from Synapse Energy Economics, we have added more specificity to the broad informational categories above. Below we provide further breakdowns in the types of information the Commission should require each utility to disclose for each of the four categories above. For any data submission the Commission requires, gas utilities should be directed to provide accompanying documentation that clearly defines the structure and contents of the dataset. For the data proposed below, this might include:

1. A data dictionary listing each column/field name, a plain-language description, the data type (e.g., string, integer, float, date), and allowable or expected values;
2. A legend or lookup table for any coded values;
3. A brief explanation of table relationships if multiple files are submitted;
4. The coordinate reference system (CRS) used in any geospatial data.

include a trended analysis that places more weight on the most recent data. Mass. Dept. Pub. Util., Order on Petition of The Berkshire Gas Company to the Dept. of Pub. Util. pursuant to G.L. c. 164, § 69I, for Review and Approval of its Long-Range Forecast and Supply Plan for the five-year forecast period Nov. 1, 2022, through Oct. 31, 2027., D.P.U. 22-148 at 8 (Dec. 6, 2023).

In addition, data should be submitted in a machine-readable format that is widely used and compatible with Microsoft Office or open-source data platforms.[100]

A. Regarding historical and projected gas infrastructure spending, the Commission should instruct gas utilities to disclose:

1. Historical spend annually for the last ten years broken down by project type (i.e., STRIDE, reliability, new customers connections, etc.);

2. Annual projected spend for the next five years broken down by projected pipeline replacement or STRIDE investments, projected spend on reliability projects, and projected spend on load growth projects;

3. Depreciation assumptions such as depreciable life per category;

4. Average unit cost of pipe replacement in dollars per service and dollars per foot of main;

5. Regarding gas line extensions and customer contributions in aid of construction ("CIAC") for new customers:

    i. The company's default line extension allowance for new gas applicants (the length of pipe that the company will provide to the applicants without requiring a CIAC), or other relevant company policy for attaching new customers;
    ii. Method for calculating CIACs, including formulas and assumptions about anticipated throughput, revenues, and length of time a customer will stay connected to the gas system, annual operation and maintenance expenses, taxes, depreciation schedule of assets, weighted average cost of capital, and any other factors used in determining customer contributions;
    iii. A description of the costs for which new customers are responsible when receiving a new gas connection;
    iv. Number of line extensions performed annually by customer class, and number of line extensions performed annually where customers did not pay a CIAC for the last ten years;
    v. Total and average annual expenditure on new customer connections, by customer class for the last ten years;

[100] Acceptable formats include: CSV (.csv); Parquet (.parquet) or Feather (.feather) for large datasets; relational database format (e.g., SQLite, PostgreSQL dump, or MS Access); and Excel (.xlsx) may be used if split across multiple files or sheets to avoid size limitations.

vi. Total and average annual CIACs, by customer class for the last ten years;

6. Historical annual cost per foot of main and service for new customer connections, by customer class for the last ten years.

B. Regarding pipeline infrastructure details and location, the Commission should instruct gas utilities to disclose:

1. Miles of pipe by materials, size of pipe, age, and pipeline category (e.g., service lines, distribution main, feeder mains, etc.);

2. A tabular report of all terminal branch or dead-end segments in the distribution system,[101] and, for each terminal branch/dead-end, disclose:

   i. The unique branch identifier;
   ii. List of connected segment IDs that make up the branch (from branching point to end);
   iii. Total branch length (feet or miles) by material type,
   iv. Range of pipe diameters within the branch (minimum and maximum, in inches);
   v. Number of service lines connected to the entire branch,
   vi. Total number of customers served by the branch;
   vii. Customer types served (e.g., number of residential, commercial, industrial customers);
   viii. Highest risk score or risk classification for any segment in the branch;
   ix. Leak history for the entire branch (total number of leaks in past five years);
   x. Flag indication whether hydraulic modeling has been conducted to determine if this branch could be decommissioned without affecting system reliability;
   xi. Flag indication result of hydraulic modeling (i.e., Yes or True if the branch could be decommissioned without affecting system reliability);

[101] For this request, "terminal branch" or "dead-end" refers to pipeline segments where gas flows only in one direction to serve end customers, without continuing to other parts of the network. This includes not just the final segment, but all consecutive segments that connect together back to the nearest branching point or loop in the main network. Terminal branches are potentially hydraulically feasible for gas decommissioning because they represent pipeline segments where gas flows only in one direction to serve end customers without continuing to other parts of the network, meaning their removal would not strand downstream customers or impact system pressure elsewhere.

3. A Distribution Main GIS Shapefile (or equivalent geospatial dataset) of all distribution gas mains in its service territory.[102] For each pipeline segment, the shapefile should include:
    i. Unique segment identifier;
    ii. Geometry of the pipeline segment (polyline format);
    iii. Length;
    iv. Diameter;
    v. Material;
    vi. Installation year or age;
    vii. Operating pressure category or tier (e.g., low-pressure distribution, high-pressure distribution).

4. A segment-level dataset with one record per distribution main segment. Each record should include the following attributes:

    i. Unique segment identifier (matching the GIS shapefile);
    ii. Depreciated and undepreciated balance (or book value and accumulated depreciation);
    iii. Pipe length (feet or miles);
    iv. Pipe diameter (inches);
    v. Material type;
    vi. Operating pressure (e.g., inches water column, psi);
    vii. Installation year (or calculated age);
    viii. Number of connected service lines;
    ix. Total number of customers served;
    x. Customer types served (e.g., number of residential, commercial, industrial customers);
    xi. Number of downstream customers and services (if determinable);
    xii. Risk score or risk classification (e.g., DIMP score);
    xiii. Leak history, including number of recorded leaks and leak type/grade (e.g., Grade 1, 2A, 2, 3);
    xiv. Scheduled replacement date (if applicable);
    xv. Estimated replacement cost (if available);
    xvi. Flag indicating if the segment is part of a STRIDE-funded or other accelerated replacement program;

[102] To address infrastructure security and privacy concerns, the Commission should clarify that GIS data need only be provided at street centerline-level precision—sufficient to identify the street or block where a pipeline runs, but not its precise location within the right-of-way. The utility may generalize or mask high-resolution spatial accuracy so long as the data remain usable for network analysis.

xvii. Indicator of whether the segment is located within an Environmental Justice (EJ) community (based on state-defined criteria or tools);[103]
xviii. Geographic location (municipality/town and county);
xix. Functional classification (the designation of each gas pipeline segment according to its operational role within the overall distribution network);[104]
xx. Flag indicating whether the segment is part of a redundant flow path (e.g., whether the segment is located in a looped or grid configuration such that gas can be delivered to connected customers via alternative routes).

5. A service line dataset with one record per service. Each record should include the following attributes:

i. Unique service line identifier (e.g., service ID or facility ID);
ii. Main segment identifier to which the service is connected (must correspond to a valid ID from the main segment dataset);
iii. Depreciated and undepreciated balance (or book value and accumulated depreciation);
iv. Pipe length (feet);
v. Pipe diameter (inches);
vi. Material type;
vii. Operating pressure (e.g., inches water column, psi);
viii. Installation year (or calculated age);
ix. Installation method (e.g., direct bury, insertion, directional bore, trenchless);
x. Total number of customers served;
xi. Customer types served (e.g., number of residential, commercial, industrial customers);
xii. Number of meters served by the service line;
xiii. Meter location (inside, outside, both);
xiv. Risk score or risk classification (e.g., DIMP score);
xv. Leak history, including number of recorded leaks and leak type/grade (e.g., Grade 1, 2A, 2, 3);

[103] At present, MDE's Environmental Justice Screening Tool is disabled due to disruptions in the federal online data availability. Public Environmental Data Partners currently hosts an unofficial copy of EJScreen at this link: https://pedp-ejscreen.azurewebsites.net/.
[104] Examples of possible functional classifications of pipe segments include: terminal, dead-end, radial, loop, feeder, trunk, tie-in, interconnect, etc. We assume utilities will already have their own unique internal classification system. Corresponding to this requirement the Commission should require that utilities provide clear and complete definitions of each category use in the respective classification system.

xvi. Scheduled replacement date (if applicable);
xvii. Estimated replacement cost (if available);
xviii. Flag indicating if the segment is part of a STRIDE-funded or other accelerated replacement program;
xix. Indicator of whether the segment is located within an Environmental Justice (EJ) community (based on state-defined criteria or tools);
xx. Geographic location (municipality/town and county).

C. Regarding demand forecasts and assumptions, the Commission should require gas utilities to provide:

1. Historical (for the past ten years) and projected (through 2043) annual throughput per customer class;

2. Historical and projected number of customers per customer class for the past ten years and out through 2043;

3. If planning to use alternative fuels, projected throughput by fuel type annually for the next ten years;

4. Assumptions supporting forecast including:

    i. Annual customer growth per customer class that breaks down residential data by single-family and multi-family homes;
    ii. Annual gas consumption per customer class, broken down by single-family and multi-family homes;
    iii. Assumptions underlying design day calculations for weather conditions and gas usage;
    iv. Assumptions used in evaluating the economics of new customer connections including, but not limited to, gas consumption per customer type per year, expected number of years of revenue/gas offtake per customer type, length of new service line provided at no cost to the new customer, method to calculate customer contributions in aid of construction; and
    v. Annual gas price and electric price forecasts.

D. Regarding fuel supply portfolios, the Commission should require utilities to provide:

1. Supply portfolio makeup including commodity contracts, transportation contracts, and storage contracts, including the contract length and quantity/volume committed;

2. Supply from RNG, hydrogen, certified/responsibly sourced gas (RSG), including contract length and quantity/volume committed;

3. Assumptions including:

    i. infrastructure investments required to support delivery of supply (e.g., transmission line, storage facilities),
    ii. availability of RNG, hydrogen and RSG separately for in-state and out-of-state sources,
    iii. projected annual fuel price for each fuel type.

CONCLUSION

Since OPC filed its original petition in February 2023, developments beyond this docket have only heightened the need and further fortified the Commission's authority and obligation to consider regulatory changes necessary to ensure gas utilities are operating in the public interest in light of the future of gas in the State.

The Commission should initiate a two-track proceeding by first acting on the priority track recommendations outlined in this petition. By doing so, the Commission will be responsive to the General Assembly's directives in HB 1035 and ensure gas company practices—such as line extension policies, public-facing communications, and home electrification procedures—are economical, in the public interest, and accommodative of customers trying to electrify their homes. The Commission will ensure gas companies plan and invest in a way that prioritizes affordability for customers, is responsive to expected reductions in gas demand, and is consistent with State policy goals by evaluating gas-as-backup hybrid approaches versus high electrification approaches to building decarbonization and investigating gas company capacity procurement practices.

To inform the long-term transition track, the Commission should direct gas companies to make the outlined informational disclosures on a continuing basis. Those disclosures will allow the Commission to guide the future of gas to mitigate stranded costs, while ensuring gas companies operate in the interest of the public and at just and reasonable rates.

[Continued for signatures]

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 6th day of May 2025, the following Comments of the Maryland Office of People's Counsel was hereby e-mailed to all parties of record in this proceeding.

/electronic signature/
Pauline G. Raisis
Assistant People's Counsel