Ratepayer Protection Act
(HB 419)

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Enacted in 2013, the Strategic Infrastructure Development and Enhancement Plan (STRIDE) law allows gas utilities accelerated financial recovery when they spend on gas infrastructure replacement projects. Through a surcharge on customer bills, gas utilities recover the estimated costs of projects while the company is carrying them out. This gives the utility an easier and faster method of recovering the costs of gas infrastructure spending from customers than conventional utility cost recovery does.

To date, Maryland's gas utilities have spent more than **$2.1 billion** on new gas infrastructure—including the large gas pipelines known as "mains," customer service pipes, meters, and regulators, and other infrastructure—under STRIDE. By 2043, they are projected to spend another **$7.2 billion**, and ratepayers will have paid about **$11.3 billion**—including the utilities' return. As of today, customers have paid only about three percent of what STRIDE will ultimately cost them. If the spending continues unchecked, ratepayers will be expected to pay more than **$31.3 billion** by 2100 for STRIDE alone.

Utility profits are directly tied to their spending on capital assets such as pipes and other gas infrastructure. Utilities finance the spending and collect the costs—plus profit—from customers over many decades. The more money the utilities spend on capital assets, the more profit they stand to earn. Because utilities profit by spending more, the gas companies have a powerful profit motive to maintain the status quo of accelerated spending on gas

The modest changes in the **Ratepayer Protection Act**—recommended by both the Maryland Commission on Climate Change and the Building Energy Transition Implementation Task Force—seek to modernize STRIDE, reduce customer costs, and align STRIDE with technological advances and state climate policy.

	CURRENT STRIDE LAW	MODIFIED STRIDE LAW
Cost recovery	Gives utilities accelerated cost recovery for qualifying gas infrastructure replacement investments	Continues to allow utilities to receive accelerated cost recovery for qualifying investments
Safety	Adds nothing to the utilities' core obligation to provide safe and reliable service	Requires utilities to prioritize replacement of aging pipes based on their risk to the public
Alternatives to replacement	Fails to require utilities to consider less-costly alternatives to replacement and incentivizes replacement over repair	Requires evaluation of alternatives to replacement, including leak detection and non-pipeline alternatives
Climate policy	Requires only that a qualifying project has the "potential" to reduce GHG emissions	Aligns long-term gas infrastructure management with federal and State climate policy
Ratepayer costs	Drives spending that causes excessive rate increases and risks stranding billions of dollars on obsolete infrastructure	Reduces customer rates by requiring less-costly alternatives; lowers the risk of spending on assets likely to become uneconomic

5 Myths about STRIDE Reform

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1 **MYTH:** Modifying the STRIDE statute will compromise safety.

TRUTH: The Ratepayer Protection Act would *enhance* safety requirements by prioritizing replacement of aging pipes most at risk to the public. **The current STRIDE law does NOT add any safety requirements.** Utility services are provided by companies that enjoy an exclusive, government-granted franchise to provide service in a particular area, which comes with extensive regulation, including a core obligation to provide safe and reliable service.

2 **MYTH:** STRIDE "leverages" the existing gas system to meet State climate goals.

TRUTH: Under STRIDE, the utilities are not "leveraging" their existing gas systems but rather *completely replacing* them, and overall, they still have about two-thirds of the replacement work to go. **They won't finish that work until 2043, when fossil fuel use in Maryland needs to decrease substantially**—by some estimates more than 90 percent.

3 **MYTH:** Pipes installed under STRIDE can be repurposed for lower carbon fuels.

TRUTH: Hydrogen, biomethane, and other forms of non-fossil gas are **scarce, much more expensive than fossil gas, and have significant challenges related to emissions, safety, and compatibility with existing pipes and appliances.**

4 **MYTH:** The gas system must be maintained as a backup for electric heat pumps.

TRUTH: Heat pump technology has vastly improved in recent years, with more improvements on the way. As the Maryland Department of the Environment's recent Climate Pollution Reduction Plan confirmed, **"[m]odern heat pumps are more than capable of meeting 100% of the heating demand of Maryland buildings."** No backup is needed.

5 **MYTH:** Gas is needed because electrification will break the distribution grid.

TRUTH: **Without gas, electric reliability can be comfortably maintained with competent performance by Maryland's electric utilities**. According to the data—including data in the electrification study recently published by the Public Service Commission—even with high electrification, peak energy demand will grow gradually, and growth will be less than Maryland electric systems have seen in past decades.

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