UPGRADE MARYLAND

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Administrative Docket RM 92
Revisions to COMAR 20.55.03 and 20.55.4
Wednesday, January 14th, 2026

Comments on the Proposed Regulations to End Line Extension Allowances

Chair Barve and Public Service Commissioners:

Thank you for taking action to end gas line extension allowances (LEAs), aligning Maryland with nearly a dozen other jurisdictions in the process of phasing out this outdated practice.

Each year, Maryland gas utilities spend hundreds of millions of dollars connecting new Maryland homes and businesses to methane gas pipelines. Gas utilities charge existing customers for these expenses, profiting up to $3 for every $1 they spend hooking up new homes to gas. For decades, this practice has driven up customer bills and shareholder profits.

The Maryland Office of People's Counsel estimates that ending LEAs will save Baltimore Gas & Electric Company (BGE) and Washington Gas Light Company (WGL) ratepayers an estimated $150 million annually, and nearly a billion dollars through 2035. For BGE customers, gas delivery rates have tripled from 2010 to 2023, far outpacing inflation due in large part to BGE's spending on gas line extensions, pipe replacements and other capital projects. Ending LEAs is an essential part of reducing ratepayers' burden by ensuring customers spending is returning commensurate benefits.

In the Commission's words, it is unjust and unreasonable to force existing gas ratepayers to bear the costs of other private customers' decision to connect to the gas system. Under Order No. 91683 and Staff's proposed regulations, new gas customers can still choose to connect to the gas system, but will be responsible for paying the cost of doing so.

When a utility is in a growth and expansion phase, subsidizing the addition of new customers can make economic sense and benefit existing customers. However, this is no longer the case with Maryland's gas system. Gas line extension allowances increase gas customer costs and exacerbate the risk of stranded assets while undermining state climate goals.

The undersigned organizations appreciate this opportunity to comment in support of regulations to terminate gas line extension incentives in Maryland. We urge the Commission to move quickly to finalize the regulations and implement the technical changes described below.

The Commission Should Approve Staff's Proposal to Terminate Gas Line Extension Allowances

Aligning policy with economics

As the Commission explains in Order No. 91683, line extension allowances "mask the true cost of extending gas service to a new customer, even though such an extension may not be economically justified over the life of the new facilities."

It is no longer reasonable to assume the continual and ongoing growth of gas utilities. That means the costs to existing customers of subsidizing gas line extensions outweigh the benefits, as the Commission notes in its order. Advances in highly efficient electric heat pumps make them an increasingly attractive choice for consumers that want a safer, healthier option to heat their homes, which will lead to a reduction in gas customers. In fact, heat pumps sales already outpace sales for gas furnaces in the U.S.

As some gas customers adopt more efficient appliances and partially or fully electrify their homes, gas utilities will have fewer customers using less gas. That means the costs of the gas system will be shared by fewer customers, and will cost more per customer. In this circumstance, public policy should support *lowering* the overall cost of the gas system, not raising it, as gas line subsidies do. In this regard, these regulations will help protect gas customers from rapidly rising rates.

Placing existing gas customers on the hook for financing new gas pipelines will likely increase gas delivery rates, which is especially a risk for lower-income ratepayers. BGE gas customers are already paying $2 in gas delivery for every $1 they spend on gas to heat their homes. The Maryland Office of People's Counsel estimates $952 million in savings for existing Washington Gas and BGE gas customers over the next ten years if gas line extension allowances are terminated .

Aligning with state policy

Maryland has adopted a number of policies which aim to reduce pollution from fossil fuels like methane gas. The Commission correctly recognized Maryland's "policy of reducing dependence on fossil fuels, and focusing on renewable energy."[1] In line with this, subsidies for new gas lines "are inconsistent with the goals set by CSNA" and that the lines could easily become stranded assets.[2]

Reducing the risk of stranded assets

Ending LEAs will also significantly reduce the risks to ratepayers in coming years as Maryland transitions away from methane gas service delivery as directed by CNSA, and now under consideration in the Future of Gas proceedings. Even absent the the Future of Gas proceeding, Maryland utilities already project a reduction in sales and customers through 2045 as decarbonization continues.[3] As that decline materializes, lower-income ratepayers—including those living in the "cost-sensitive communities" referenced in the Apartment and Office Building Association of Metropolitan Washington's comments—will be especially burdened by the costs of these stranded assets.

A balanced approach

The elimination of LEAs appropriately aligns costs and incentives with fundamental economics and fairness. As noted by the Commission in Order No. 91683, ending line extension allowances "is a neutral stance, neither subsidizing nor discouraging new gas extensions."[4]

Conclusion

The Commission Staff's proposed regulations terminating line extension allowances are consistent with Maryland climate law and the directives and purposes underlying Order No. 91683. These regulations should accordingly be approved, with two clarifications:

1. The PSC should ensure the line extensions cover new extensions, not just new customers.

2. The regulations should specify that they cover industrial customers.

Thank you for the opportunity to comment and for your service to Maryland.

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[1] Pub. Serv. Comm'n Order No. 91683 at 7-8 (June 2025).
[2] Order No. 91683 at 8-9.
[3] *See, e.g.,* Energy + Environmental Economics (2022) BGE Integrated Decarbonization Study
[4] Order No. 91683 at 9.

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