January 14, 2026

VIA ELECTRONIC FILING

Andrew S. Johnston
Executive Secretary
Maryland Public Service Commission
6 Saint Paul Street, 16th Floor
Baltimore, Maryland 21202-6806

Re: *Revisions to COMAR 20.55.03 and 20.55.04,* Administrative Docket RM 92

Dear Mr. Johnston:

Attached for filing in the above-referenced case, please find Joint Comments from Sierra Club, Chesapeake Climate Action Network, and the Center for Progressive Reform on the Public Service Commission's proposed regulations in Administrative Docket RM 92, *Revisions to COMAR 20.55.03 and 20.55.04.*

Please contact me if you have any questions. Thank you for your attention to this matter.

Sincerely,

Sari Amiel

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BEFORE THE MARYLAND PUBLIC SERVICE COMMISSION

REVISIONS TO COMAR 20.55.03 AND 20.55.04	Administrative Docket RM 92

JOINT COMMENTS ON PROPOSED REGULATIONS

I. Introduction

Sierra Club, Chesapeake Climate Action Network, and the Center for Progressive Reform (the "Joint Commenters") applaud the Maryland Public Service Commission ("Commission")'s action on line extension allowances, aligning Maryland with nearly a dozen other jurisdictions phasing out the practice. The Commission's decision is a firm recognition that the range of gas companies' infrastructure practices must be uniformly consistent with Maryland's binding climate laws. With Maryland on a legally-binding path to reduce its greenhouse gas emissions 60% by 2031 and reach carbon neutrality by 2045—now just under 20 years away—gas companies should no longer be subsidizing and incentivizing new connections to the gas system, especially from the wallets of existing ratepayers. As the Commission itself suggests, it is unjust and unreasonable to force existing gas ratepayers to bear the costs of other private customers' decisions to connect to the gas system—a system that is hurtling toward obsolescence.

Placing existing gas customers on the hook for subsidizing new gas pipelines that could become stranded assets is likely to increase gas bills, which is especially a risk for lower-income ratepayers. The Maryland Office of People's Counsel ("OPC") estimated enormous improvements in affordability for existing gas ratepayers once they are no longer required to subsidize new interconnections. OPC's analysis reflects a $1.05 billion reduction in Baltimore Gas & Electric Company ("BGE")'s capital spending from 2026-2035 as a result of the termination of line extension allowances, and about a $562.5 million reduction in Washington Gas Light Company

("WGL")'s capital expenditures over that time horizon—translating into $952 million in savings for both gas companies' ratepayers over the next ten years.[1] Going forward, customers that will face the prospect of unsubsidized gas line extensions are not required to bear these costs; they will have an opportunity to alter course by pursuing electrification instead. The utilities themselves project a significant decline in total gas usage throughout the next 20 years, with BGE stating in its 2022 multi-year rate case that gas sales are projected to decrease "between 54% and 70% in 2045 relative to 2020," and "[f]ocusing just on all gas delivered via BGE's pipeline, gas throughput declines [will be] 60%-78% in 2045 relative to today."[2] As that decline materializes, the high costs of maintaining the gas system will fall on a dwindling pool of ratepayers. Lower-income ratepayers—including those living in the "cost-sensitive communities" referenced in the Apartment and Office Building Association of Metropolitan Washington's comments on these proposed regulations—will be particularly burdened by the costs of these stranded assets, as they are less able to afford the upfront costs of electrification.

The Joint Commenters appreciate this opportunity to comment in support of regulations that would terminate gas line extension subsidies in Maryland. We urge the Commission to implement the changes described below in order to strengthen these regulations and better achieve the aims of the future-of-gas docket and Maryland's climate laws.

II. The Commission Should Terminate Gas Line Extension Subsidies, as Staff Proposes.

The Joint Commenters wholeheartedly agree with the Public Service Commission's decision in Order No. 91683 that correctly pointed out that line extension allowances "mask the

[1] *See* Maryland Office of People's Counsel, *The PSC FOG Docket*, https://opc.maryland.gov/Consumer-Learning/Future-of-Gas/The-PSC-FOG-Docket#:~:text=The%20PSC%20has%20held%20a%20public%20comment,$952%20million%20over%20the%20next%20ten%20years.

[2] Case No. 9692, *In the Matter of Baltimore Gas and Electric Company's Application for an Electric and Gas Multi-Year Plan*, OPC Ex. 1, *BGE Integrated Decarbonization Strategy Report* at 25 (Oct. 2022), https://www.ethree.com/wp-content/uploads/2022/10/BGE-Integrated-Decarbonization-White-Paper_2022-11- 04.pdf.

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," especially in light of Maryland's "policy of reducing dependence on fossil fuels, and focusing on renewable energy."[3] The Climate Solutions Now Act ("CSNA") requires Maryland to reduce its greenhouse gas ("GHG") emissions by 60% below 2006 levels by 2031 and reach net-zero greenhouse gas emissions by 2045.[4] The first deadline is only years away; the second is only 19 years away. The Commission correctly recognized that subsidies for new gas lines "are inconsistent with the goals set by CSNA" and those gas lines could easily become stranded assets.[5]

The elimination of line extension allowances appropriately aligns costs and incentives with fundamental economics and fairness, given Maryland's transition away from fossil fuels. As noted by the Commission in Order No. 91683, ending line extension allowances "is a neutral stance, neither subsidizing nor discouraging new gas extensions. Moreover, a change in the extension policy at this time is consistent with traditional ratemaking principles. Basic cost causation principles dictate that to the degree possible, the entity causing the cost should be the entity that bears the cost."[6]

In Massachusetts' future-of-gas proceeding, the Department of Public Utilities ("DPU") has similarly recognized the importance of reconsidering line extension allowances, which total roughly $160 million for gas ratepayers in Massachusetts each year.[7] In proceedings in that docket, consistent with comments made by Sierra Club, the Environmental Defense Fund, and the Conservation Law Foundation, the DPU noted that its current "line extension policy [ ] locks in

[3] Md. Pub. Serv. Comm'n Order No. 91683 at 7–8 (June 2025).
[4] MD. CODE ANN., ENVIR. §§ 2–1204.1, 2–1204.2.
[5] Order No. 91683 at 8–9.
[6] *Id*. at 9.
[7] *See* Acadia Center, *Advocacy Win: DPU Halts Gas Line Extension Subsidies, Saving Customers Millions* (Aug. 26, 2025), https://acadiacenter.org/advocacy-win-dpu-halts-gas-line-extension-subsidies-saving-customers-millions/.

continued growth in the natural gas distribution system that is contrary both to the Commonwealth's climate goals and to the minimization of potentially stranded costs."[8] Notably, the DPU also emphasized that terminating subsidies for line extension allowances is key to maintaining affordability, and is protective of low- and moderate-income ratepayers during the state's "equitable energy transition."[9]

The Maryland Commission Staff's proposed regulations terminating line extension subsidies are consistent with the state's climate laws and the directives and purposes underlying Order No. 91683. These regulations should accordingly be approved, with several modifications that would strengthen them.

III. <u>The Commission Should Make Several Modifications to Staff's Proposed Regulations.</u>

In approving Staff's proposed regulations, there are a number of improvements the Commission should make to ensure they more effectively implement Maryland's climate policies.

A. The Commission should ensure the proposed regulations cover new line extensions, not just new customers.

Under their Statement of Purpose, the proposed regulations provide: "The purpose of this action is to eliminate subsidies for the extension of gas mains and service lines to <u>*new customers*</u>," yet Section 20.55.04.13(A) employs stronger language, providing that the scope covers "a request for a <u>*new gas service extension*</u>" from customers (emphases added). The Commission should

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[8] Mass. Dep't of Pub. Util., *Interlocutory Order On Policies And Practices For Line Extension Allowances And Contributions In Aid Of Construction For Gas Local Distribution Companies* [hereinafter "Interlocutory Order"] at 15 (Aug. 8, 2025), https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file/aeeihejhj?uRXzsILsjxK5GZlirOGyh/Qhs/2b91Ji2Ak1vuq3aS6PcSxI+blU344Khxm+qpOeg0hKFj9M9l/xQR8+/8GqPvdGgrFe6XR6ngIfa80wd3rxFD8G4j981M2Rna9aVTXA; *see also* Mass. Dep't of Pub. Util. Docket No. 20-80, *Comments of Conservation Law Foundation, Environmental Defense Fund, and Sierra Club regarding the Department's Draft Line Extension Allowance Policy* (Apr. 3, 2025), https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//iiddfddj?q5YFsRNWYJY49YH5wm7MEGFJ0ioKRMXdZYr4j7j/42qk9v9pxUxyG6LkaCeWBSjqbmMlNqhcSkxPf0qUr1gASPKrYE1qejvebf677PtCVStUdHoHpEGELGLGjR+ZpYgt.

[9] Interlocutory Order at 15–16.

clarify that the regulation covers <u>all new line extension requests</u>, including those from existing customers, and not only those from new customers. There are, for example, scenarios where an existing gas customer may seek an expansion of an existing gas line or the construction of an additional gas line to their building. New gas line extensions should not be exempt from compliance with this regulation—and the costs of these line extensions should not be borne by other ratepayers—simply because they are being made by an existing gas customer.

B. Section 20.55.04.13(B)(1) should clarify that gas companies may not pay for customers' line extensions.

The Commission should clarify language in Section 20.55.04.13(B)(1) of the proposed regulations, which currently states: "A utility may not subsidize the extension of a gas main or service line." To the extent there is any dispute from the utilities about the definition of the term "subsidize," the Commission should include a definition for the term "subsidize" that clarifies that the full costs of gas line extensions would be covered, with no exceptions.

Likewise, the Commission should clarify that it will not be providing subsidies in its "regular rates for service." Section 20.55.03.01(B)(1) states that this new regulation covers scenarios where "the installation of extensions of main and service lines" is "in excess of those included in the regular rates for service." It should be clear that the term "regular rates of service" does not include requiring gas companies' customers to subsidize the costs of other customers' gas line extensions.

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

It is important that the Commission clarify that these regulations fully apply to both "residential and non-residential customers" to avoid any ambiguity about the need to regulate gas usage from industrial customers. Maryland has many industrial gas customers; records indicate over 50 industrial boilers are used in chemical manufacturing processes, over 40 boilers are used in food manufacturing, and around 120 boilers are used in sectors including transportation equipment, plastics and rubber, and petroleum and coal products manufacturing.[10] Many of these industrial customers are operating in environmental justice communities.[11] Although utilities may place both "commercial and industrial" customers under the same class of service rate schedules, it is important to foreclose any semantic argument in the application of these regulations, and to confirm that industrial gas customers will no longer be required to subsidize other customers' gas service extensions.

Section 20.55.04.13(D)(2) of the proposed regulations does include broad language pertaining to both "residential" and "non-residential" customers, which clearly reflects the inclusion of industrial gas users (emphasis added). However, there is somewhat contradictory language in Section 20.55.04.13(A), which states: "This regulation applies to a request for a new gas service extension from a residential or commercial customer to a gas utility or combination gas and electric utility" (emphasis added). To correct this inconsistency and ensure ratepayer fairness, the Commission should amend this provision to read: "This regulation applies to a request for a new gas service extension from a residential or non-residential customer to a gas utility or combination gas and electric utility."

D. The Commission should impose limits on customers' ability to "grandfather" line extension subsidies for existing projects.

The Joint Commenters do not contend that existing, late-stage projects should be subject to the elimination of the line extension allowances and, thus, subject to a revised cost allocation for customers. For example, changing the fundamental cost allocation for a line extension project that

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[10] Carto, *National Map of Industrial Boilers (2020 Emissions Data)*, https://clausa.app.carto.com/map/07d7be74-69f7-4a7f-9cd7-bb92a84b5db3?lat=39.793382&lng=-79.292132&zoom=6&widget_bfb40e7b-dc2f-4051-b09a-ba624644450a=Maryland&widget_92d24b43-6b54-4095-aacf-7f450658cea6=Chemical+Manufacturing%2CFood+Manufacturing.

[11] *Id.*; ACEEE, *Small Industrial Boilers and Ozone Pollution Across the United States* (Feb. 6, 2025), https://www.aceee.org/small-industrial-boilers-and-ozone-pollution-across-united-states.

has already substantially begun physical construction would be logistically difficult. However, there should be a cut-off point, such that customers who are simply contemplating or requesting line extensions at the time of the regulations' passage are not exempt from compliance. Without establishing a bright line rule for grandfathering existing projects, the Commission could create a large loophole where a project could be exempt from these important regulations just because it technically starts to be "planned" now, takes a decade to construct in total, and may include substantial gas applications requiring line extensions and infrastructure in the future. Without closing this loophole, the intent of Commission Order No. 91683 and the implementing regulations would be frustrated. Accordingly, the Commission should include a provision such as: "These regulations shall apply to all of a utility's extensions or expansions of new gas service, except for those extensions or expansions that have already substantially begun physical construction at the time this provision takes effect." If the Commission is already contemplating how to grandfather projects that have begun physical construction in the context of other regulatory proceedings, such as its proceedings dedicated to reforming the Strategic Infrastructure Development and Enhancement Plan ("STRIDE") program, that may provide a blueprint for language that can be used in this regulation.

IV. Conclusion

Thank you for providing the Joint Commenters the opportunity to comment and for considering the above recommendations for strengthening Staff's proposed regulations governing line extension allowances.

[Signatures continued on next page]

Respectfully submitted,

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APPENDIX A:
RECOMMENDED EDITS ON PROPOSED REGULATIONS

Title 20 PUBLIC SERVICE COMMISSION

Subtitle 55 SERVICE SUPPLIED BY GAS COMPANIES

Notice of Proposed Action

The Public Service Commission proposes to amend Regulation .01(B)(1) under COMAR 20.55.03 Records and Reports and to adopt new Regulation 20.55.04.13 under COMAR 20.55.04 Customer Relations. This action is being taken to implement the directives of the Commission in Order No. 91683 (Jun. 13, 2025) of Case No. 9707.

Statement of Purpose

The purpose of this action is to eliminate subsidies for the extension of gas mains and service lines to ~~new~~ all customers. The action will require persons who request new or expanded service to pay the full cost of extending or expanding service, ensuring that the costs of new gas infrastructure are borne by the customers who cause them, thereby minimizing the risk of future stranded costs for all ratepayers. This aligns with the State of Maryland's energy policies and traditional cost-causation principles.

20.55.03 Records and Reports

Authority: Public Utilities Article, §§2-112, 2-113, 4-102, and 4-201, Annotated Code of Maryland.

.01 Tariff.

A. (text unchanged)

B. Rules. The utility's rules, or terms and conditions, describing the utility's policies and practices in rendering service. These rules shall include:

(1) Extension Plan.

The utility's plan for the installation of extensions and expansions of main and service lines where these facilities are in excess of those included in the regular rates for service and for which the customer shall be required to pay all of the cost. The customers' payment under this plan shall be compliant with 20.55.04.13. [The customer's payment under this plan should be related to the ~~investment that the utility prudently can make in consideration of the probable revenue.~~]

(2) — (8) (text unchanged)

20.55.04. Customer Relations

.13 Extension of Gas Mains and Service Lines.

A. Scope. This regulation applies to a request for a new gas service extension or expansion of service from a residential or ~~commercial~~ non-residential customer to a gas utility or combination gas and electric utility.

B. General Requirement.

(1) A utility shall require a person requesting new service to pay the full cost of an extension required to provide service.

(2) A utility may not subsidize the extension of a gas main or service line.

(3) A utility may not include in its rate base the capital costs of an extension or expansion funded by a customer under this regulation.

C. Calculation of Extension Cost.

(1) A utility shall file a tariff for Commission acceptance that details its methodology for calculating the full cost of an extension.

(2) The extension tariff shall state that the utility will use one of the following methodologies:

(a) A case-by-case determination based on the itemized cost projected for the specific extension; or

(b) A formula-based schedule of charges that uses the utility's current, actual construction and material costs to determine a cost-per-foot or similar unit charge.

(3) A utility shall include in its calculation of full cost all of the following expenses incurred for the extension:

(a) Labor;

(b) Materials;

(c) Engineering;

(d) Permitting;

(e) Associated overheads;

(f) Any tax gross-ups required for contributions in aid of construction; and

(g) Any other foreseeable costs.

D. Payment Terms.

(1) A utility's tariff shall state that a new residential customer shall pay the full cost of an extension by one of the following methods:

(a) Payment in full before commencement of construction; or

(b) A payment plan over a reasonably short time period.

(2) A utility shall require a non-residential customer or developer to pay the full estimated cost of an extension before commencement of construction unless otherwise directed by the Commission.

E. Applicability to Existing Projects.

(1) These regulations shall apply to all of a utility’s extensions or expansions of new gas service, except for those extensions or expansions that have already substantially begun physical construction at the time this provision takes effect.

F~~E~~. Customer Appeal Process.

(1) A utility shall provide a person requesting new service with a written, itemized estimate of the cost of any main or service line extension necessary to provide service.

(2) If a person requesting new service disputes that the assessed cost is consistent with the utility's approved tariff and this regulation, the person may file a complaint with the Commission.