Title 20
PUBLIC SERIVCE COMMISSION
Subtitle 55 SERVICE SUPPLED BY GAS COMPANIES

Notice of Proposed Action

The Public Service Commission proposes to adopt new Chapter 11, GAS INFRASTRUCTURE CONSTRUCTION OR REPLACEMENT, under COMAR 20.55 Service Supplied by Gas Companies. This action implements the directives of the Commission in Order No. 92207 in Case No. 9708 and will implement the requirements of Sections 4-210 and 4-214 of the Public Utilities Article as amended by the Next Generation Energy Act ("NGEA").

Statement of Purpose

The purpose of this action is to establish standards governing compliance with the requirements of Sections 4-210 and 4-214 of the Public Utilities Article for Strategic Infrastructure Development and Enhancement ("STRIDE") plans.

Chapter 11 GAS INFRASTRUCTURE CONSTRUCTION OR REPLACEMENT

.01 Application of the Regulations

A. Application. This chapter applies to a gas company within the State that is under the jurisdiction of the Public Service Commission.

B. Purpose. The purpose of this Chapter is to allow for the appropriate acceleration of gas infrastructure improvements in the State when:

(1) necessary to ensure safety, after consideration of alternatives to replacement, and improve reliability;

(2) consistent with State policy, including all state laws, regulations, executive orders, and Commission decisions pertaining to greenhouse gas emissions. In seeking recovery under this section, a gas company must:

(i) document all the state climate and electrification policies that will affect the future of the gas system, and (ii) explain why any proposed infrastructure projects are "consistent" with all of these policies.~~; and~~

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~~(3) Required under federal regulations as indicated by an operator's compliant integrity management program (e.g., DIMP and/or TIMP) plan.~~

C. Nothing in this section may be construed to alter a gas company's obligation under this division to make improvements to a gas system that are necessary to ensure public safety.

D. Exception. This Chapter does not apply to a gas cooperative.

.02 Definitions

A. Terms Defined. The instant words or phrases have the prescribed meaning:

(1) "Gas Company" has the meaning stated in § 101(m) of the Public Utilities Article.

(2) "Eligible infrastructure project" has the meaning stated in § 4-210(a)(3) of the Public Utilities Article.

(3) "Leak Detection and Repair" refers to "gas leak surveys" and "leak repairs" as stated in COMAR 20.55.09.04, 20.55.09.05, and 20.55.02.02, which incorporate by reference 49 CFR Part 192 and the "leak management program," therein.

(4) "Alternatives to replacement" means available all ~~cost-effective~~ options to defer, reduce, or remove the need to replace, construct, or upgrade components of the gas company's distribution infrastructure, including but not limited to leak detection, ~~and~~ repair, electrification, energy efficiency and demand response measures, proactive abandonments, pipe lining, and cast-iron joint rehabilitation techniques. ~~The cost-effective option must support the State's greenhouse gas emissions policies in a manner that does not reduce the safety or reliability of the gas system.~~

(5) "STRIDE" refers to Strategic Infrastructure Development and Enhancement that allows a gas utility to recover the revenue requirement of eligible infrastructure projects through a surcharge under a multi-year plan, that includes forecasted eligible infrastructure projects, approved by the Commission.

(6) "Cost effectiveness" means the alternative or plan with the best or most reasonable cost to perform the work, based on the full lifetime customer costs of projects, including retirement costs, utility returns and taxes, and ongoing operations and management; and a consideration of stranded asset risk.

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(7) “Stranded assets” refers to a risk that gas infrastructure will cease to be used and useful prior to the end of its useful life, as a result of greenhouse gas emission reduction policies, reductions in the size of the gas customer base, or other factors.

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.03 STRIDE Plans

A. The requirements of a STRIDE plan apply to all gas company accelerated infrastructure replacement and construction.

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B. A gas company may file with the Commission:

(1) A STRIDE-plan to invest in eligible infrastructure projects; and

(2) In accordance with § 4-210 of the Public Utilities Article, a cost-recovery schedule associated with the STRIDE plan that includes a fixed annual surcharge on customer bills to recover costs of proposed eligible infrastructure projects.

C. A STRIDE plan under this subsection shall include:

(1) A description of each STRIDE-eligible infrastructure project, including the project’s expected useful life. For purposes of structuring a STRIDE Plan, a gas company may identify groups or “programs” of similar STRIDE-eligible infrastructure projects, in which case the gas company shall provide descriptions of the characteristics defining projects within these groups or programs in its STRIDE Plan;

(a) A project’s expected useful life must ~~may~~ be based upon a depreciation study that takes into account Maryland’s greenhouse gas emission policies, and the resulting risk of stranded assets. Other factors may inform the calculation of expected useful life, including but not limited to~~,~~ applicable material standards, the manufacturer’s specifications, engineering analysis, or the gas company’s design basis for this demonstration.

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(2) A timeline for the completion of each STRIDE-eligible infrastructure project;

(3) The estimated cost of each STRIDE-eligible infrastructure project;

(4) A description of customer benefits under the STRIDE plan;

(a) The gas company may demonstrate customer benefits of the replacement or improvement of eligible infrastructure benefits by showing (1) improved public safety or infrastructure reliability, including but not limited to, projects selected as consistent with federal and state pipeline safety guidance, and (2) a reduction ~~or potential reduction~~ in greenhouse gas emissions through a reduction in natural gas system leaks.

(b) The gas company must assess the customer benefits associated with pursuing alternatives to infrastructure replacement projects, including cost savings to ratepayers from avoiding the projects in question; the avoidance of the potential risks of infrastructure replacement projects, including any nuisance and safety concerns associated with the project; and any other non-energy benefits, societal benefits, and environmental benefits associated with alternatives.

(5) A demonstration that the gas company has selected and given priority to STRIDE-eligible infrastructure projects based on risk to the public and cost-effectiveness;

(a) Natural gas system leaks (i.e., system failures) ~~or potential leaks and reliability issues~~ present a risk to the public. Infrastructure that is identified as limiting the ability to promptly respond to a leak, ignition, explosion or other emergency situation is also considered to present a risk to the public.

(b) “Risk to the public~~,~~” refers to

(1) ~~consistent with federal transmission, distribution and storage integrity management plan requirements (such as DIMP and TIMP), as applicable~~, ~~refers to~~ T~~t~~he gas company’s evaluation of the risks associated with its pipeline and the gas company’s associated risk management program, as required by 49 CFR Part 192 and COMAR 20.55.02, as reflected in the Company’s relevant federally required integrity management plans. ~~Pipeline infrastructure with known integrity risks identified by the Pipeline and Hazardous Materials Safety Administration in advisories, notices or guidance are recognized as presenting a higher risk to the public.~~

(2) Safety risks associated with the usage of gas infrastructure, including the residual risks of leaks or explosions after pipeline replacements, risks of indoor air pollution, and climate pollution associated with gas usage; in contrast with alternatives.

(3) Stranded asset risks associated with constructing new pipeline infrastructure.

(c) A gas company should develop a transparent risk assessment methodology that:

(1) Distinguishes among types of pipe and identifies those that are particularly risky, such as cast iron and bare steel.

(2) Involves the transparent provision of data and models such that third parties can independently replicate and validate the analysis performed by utilities and their vendors), formalize and document project selection and sequencing decision making processes, and demonstrate that chosen mitigations are cost-effective; and

(3) Demonstrates that any pressure conversion work is prudent and reasonable, especially in light of overall risk and safety.

(c) A gas company shall ~~may~~ demonstrate by selecting projects based on risk to the public and cost-effectiveness by evaluating projects and prioritizing:

(i) Projects with the estimated amount of risk reduction by the estimated cost.

(ii) Cost effectiveness shown by the use of economies of scale, combining work, eliminating stranded assets and certain assets that require additional maintenance, or other comparable justification.

~~(iii) If risk is expressed in estimated cost, a comparison of reduced risk to the cost of a project is not required.~~

(6) An analysis that compares the costs of proposed STRIDE-eligible infrastructure projects with alternatives to replacement;

(a) A gas company shall provide an analysis for all proposed STRIDE eligible infrastructure projects demonstrating the results of a review of the pipeline replacement alternatives that were utilized by the Company when selecting the STRIDE eligible infrastructure projects.

(b) The Company must consider the specific alternatives listed in Section .02(4) and provide a reasonable explanation as to whether these alternatives are feasible or not.

(c~~b~~) For alternatives to replacement determined by the gas company to be fit for the purpose of a STRIDE eligible infrastructure project, the Company may consider these alternatives to replacement at the scale of groups of individual projects~~programmatic level~~ such that their application is systematic and scalable. The requirement to present supporting analysis can be met with a description of (1) the relevant alternatives to replacement characteristics; and

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(2) an explanation detailing the applicability of the alternatives to replacement at this scale~~e programmatic level~~. ~~In this context, "programmatic level" means capital system planning, which considers industry best practices, regulatory and compliance obligations to ensure system safety and reliability, as well as system efficiency efforts.~~

(d~~e~~) If determined to be viable on the scale of groups of projects~~a programmatic level~~, the gas company may develop common applicability criteria based on costs and risk reduction. ~~Alternatives to replacement that may be fit for purpose for inclusion in a STRIDE Plan include, but are not limited to proactive abandonments, pipe lining, and cast-iron joint rehabilitation techniques.~~

(d) Any infrastructure replacements or alternatives must support the State's greenhouse gas emissions policies~~ in a manner that does not reduce the safety or reliability of the gas system~~.

(7) A plan for notifying customers affected by proposed STRIDE-eligible infrastructure replacement projects at least 6 months in advance of construction.

D. Customer Notification Plan.

(1) Initial Notice. The gas company shall notify customers using first class mail or email of potential disruptions of gas service in connection with infrastructure construction at least 2~~1~~ years prior to commencement of construction. The utility company's initial notification shall include the following:

(a) The utility company's internal project number.

(b) Instructions on how the customer can access Public Service Commission filings related to the project.

(c) The utility's proposed timeline for construction and all dates relating to disruptions in gas service for the customer.

(d) Relevant utility contacts and company website location where a customer can receive additional information about the project including information regarding the project cost, the STRIDE surcharge, and details regarding the surcharge on the customer's bill.

(e) Expected benefits from the proposed project.

(f) Stranded asset risks associated with the proposed project.

(g~~f~~) Information regarding how the customer at their option may terminate their gas service, including detailed information about any alternatives those customers can pursue,

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and any incentives offered by the gas utility, electric utilities, or state agencies for pursuing those alternatives to continued usage of the gas system.~~.~~

(h~~g~~) Any additional information required by the Commission.

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(2) Second and Third Notifications.

(a) The gas utility shall use first class mail or email notify customers that have the potential to be disrupted or impacted by infrastructure plan construction 6~~2~~ months prior to the start of construction, containing the same information as in the initial notification.

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(b) The gas utility shall use first class mail or email notify customers that have the potential to be disrupted or impacted by infrastructure plan construction 2 weeks prior to the start of construction, containing the same information as in the initial notification. The gas company shall provide notices left at the customer's residence.

.04 Annual STRIDE Filings

A. STRIDE Eligible Infrastructure Project List and Current Factor Filing.

(1) Project List. At least 60 days prior to the beginning of a plan year, a gas company with an Approved STRIDE Plan shall file with the Commission a Project List for the upcoming plan year as established in the Company's approved STRIDE plan. The Project List will include all new projected expenditures submitted for approval in the coming plan year.

(a) The Project List shall include a separate list identifying each individual service that was categorized as "various" in its STRIDE filings. For each service, the list shall include a description of the work, the associated cost, the location, and the current work status.

(b) The Project List as approved by the Commission shall go into effect at the start of the next Plan year.

(2) Alternatives to replacement evaluation shall be filed with the Project List showing the comparison of the STRIDE projects with alternatives to replacement.

(3) Current Factor Filing. With the Project List, a Current Factor Filing will also be made at least 60 days prior to the beginning of a plan year. The Current Factor will represent the recovery of expected STRIDE costs in the coming plan year. The new Current Factor will become effective in the first billing cycle of the upcoming plan year after approval by the Commission. The Current Factor Filing will not contain a Reconciliation Factor.

B. Reconciliation Factor Filing.

(1) The Reconciliation Factor Filing shall be made no later than 75 days following the conclusion of each plan year. The Reconciliation Factor Filing will be based on actual results for the 12-month plan year and will include a schedule that combines the Current Factor and the Reconciliation Factor to create a new factor for the final eight-month period of each plan year.

(2) The Reconciliation Factor Filing will include actual data for the 12 months of the plan year. The Reconciliation Factor will be added or subtracted from the Current Factor so that the new combined factor approved by the Commission will become effective with the first billing cycle month following approval. The Reconciliation Factor charge or credit will be billed for the final eight months of each plan year.

C. Annual STRIDE Reporting

(1) Annual and Semi-Annual STRIDE Cost Variance report for completed STRIDE-eligible infrastructure replacement projects, the gas company shall report:

(a) Variances for completed projects equal to or greater than 10 percent of the original estimate accompanied by a brief explanation as to why the variance occurred;

(b) Variances of 50 percent or more on a completed project where the estimated cost was at least $25,000 and completed projects larger than the lesser of 1 percent of a STRIDE Utility's approved annual STRIDE spend or $250,000 with a variance equal to or greater than 20 percent from the original estimated cost accompanied by a summary of actual charges incurred by cost categories for completed projects.

(2) STRIDE Cost Metrics. The gas company shall develop metrics appropriate for its gas system to be reported annually to provide a year-over-year comparison. Each metric shall represent a fully loaded cost, including materials, supervision, inspection, engineering, support services (maps and records, for example), design, construction labor, fringe benefits, permits, transportation, restoration costs, equipment costs, environmental controls, and abandonment costs related to gas mains (for example, cutting, purging and capping abandoned line).

D. If a gas company fails to include any of the information listed above, or otherwise fails to comply with Sections 4-210 or 4-214 of the Public Utilities Article, or any other state laws, policies or regulations, the Commission shall dismiss the filing and/or deny recovery of associated costs.

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