UPGRADE MARYLAND

SAFE AND HEALTHY ENERGY FOR EVERY HOME

Energy Oversight Briefing
Environment and Transportation Committee
September 15, 2026
Comments from Upgrade Maryland

The Upgrade Maryland Campaign is a diverse group of businesses, community groups, consumer advocates, environmental organizations, and faith groups working to upgrade Maryland homes and buildings to be more efficient, pollution free, and run on energy that is clean, renewable, and safe. We want to protect residents from unnecessary rate hikes to pay for methane gas equipment and jumpstart an equitable transition to clean heat.

Chair Korman, Vice Chair Guyton, and Committee members,

Thank you for the opportunity to submit pre-hearing written comments regarding implementation of the Utility RELIEF Act and other issues. We appreciate the work of the Governor, legislature and state agencies to support the transition to a clean energy future and protect consumers through the Next Generation Energy Act, Utility RELIEF Act, and other proceedings, regulations, and Executive Actions.

The focus of our comments is to update you on the implementation of reforms to the STRIDE program (passed within the Next Generation Energy Act) and changes to ratemaking policies (from both the Next Generation Energy Act and Utility RELIEF Act).

For both of these issues, we have concerns that electric and/or gas utilities are evading the law or laws' intent. And in some instances, such as addressing the maintenance of the gas system, we are concerned that the Public Service Commission is not adequately enforcing the law and may need more direction from the legislature. We are also sharing an update on the PSC's Future of Gas Proceeding.

Next Generation Act - implementation of changes to Public Utilities Article.
AKA Implementation of STRIDE Reform and the Ratepayer Protection Act

The Next Generation Act went into effect on June 1, 2025 and included changes to PUA § 4-210 (commonly known as the STRIDE law) and § 4-214 to require gas utilities to prioritize safety and demonstrate that gas pipeline spending is cost-effective.

The struggle to implement the law reinforces the need to take more decisive action. It's time for the legislature to seriously consider repealing the STRIDE law, while maintaining these safety and financial safeguards. The gas utilities are legally obligated to maintain the safety of their gas systems without additional financial incentives provided by STRIDE and other forms of forecast ratemaking. These surcharges and incentives should end.

Utility non-compliance and regulatory delay

Since the passage of the NGEA, BGE and WGL have proceeded with planned 2026 gas pipeline replacement programs without making any changes to project plans or demonstrating compliance with the law. After pushback from the Office of the People's Counsel and other stakeholders on WGL's 2026 project plans under STRIDE (case no. 9708), the Commission issued a February order beginning a rulemaking process, directing staff to file draft regulations by the end of June. In July, the Office of People's Counsel filed a legal appeal against the PSC for failure to enforce the law.

The failure to implement the Next Generation Energy Act and apply its legal standards to active and planned gas infrastructure projects is troubling for a variety of reasons.

First, as noted, the Next Generation Energy Act is a self-actuating law that has been in effect since June 1, 2025. The PSC has never issued regulations to implement STRIDE since the program's creation in 2013. Gas utilities that have been able to operate under STRIDE for a decade are now requesting regulations before complying with changes to the law that require documentation to confirm safety prioritization and cost controls. The PSC's June order approving the WGL project list and silence on the BGE 2026 project list is delaying implementation of an active law. This delay could be adding unnecessary costs to customer bills and increasing safety risk of the gas system.

Second, although Upgrade Maryland questions the need for regulations to implement the relevant provisions of NGEA, we and other stakeholders have participated in the process in good faith. That being said, we are concerned that the process may not result in regulations that fully implement the letter of the law and the spirit of the legislature's intent. We are also concerned that the delay in implementation has already caused harm to ratepayers.

Specifically, in creating regulations in rulemaking 95 (RM95), there have already been multiple delays. Staff filed draft regulations in August which mirrored, almost in entirety, draft regulations submitted by Washington Gas. The draft does not meet the requirements in the law and may cause more harm than good. Since then, Staff have made additional changes, submitting yet another draft, but serious problems persist, and a delayed rulemaking hearing isn't scheduled until the end of October. This date is so late that we are seriously concerned the regulations cannot be finalized in time to apply to the 2027 project lists, and that the regulations will not be finalized until mid 2027.

This delay in regulations, of course, should not absolve gas utilities from having to comply with the law, but past behavior suggests the PSC may not require them to do so.

Growing evidence suggests pipe replacement programs are critically flawed

The draft regulations were submitted at the same time as new research shows that gas utilities' pipe replacement programs are failing to deliver safety improvements and evidence suggests aggressive replacement programs are themselves a source of safety risk.

This builds on 2025 research from Maryland PIRG Foundation on BGE's 2025 gas pipeline work which found that the company is not adequately prioritizing safety. If BGE completes its $4 billion in STRIDE-related spending without intervention, the Office of People's Counsel projects customers will

repay $19.5 billion over time, including interest and utility profits. Washington Gas has also proposed $3.9 billion in gas pipeline spending, which could cost customers $22 billion to pay back.

Due to BGE's aggressive spending, its rates have shot up. The average BGE customer has seen their gas delivery charges more than triple from 2010 to 2024, while BGE profits have more than doubled from $211 million in 2014 to $578 million in 2025. BGE gas customers now pay BGE $2 for delivery for every $1 they pay for the gas itself. While WGL customers have yet to see this level of rate increases, they risk experiencing a similar fate if spending continues as planned.

In order to move forward, the Commission must enforce consumer protections on safety and cost effectiveness, including considerations of non-pipeline alternatives. We'd also encourage the Commission to use its regulatory authority to deny STRIDE plans altogether.

It's time for a more sensible approach to gas system safety management. One that prioritizes safety, supports the gas system we need, protects consumers from wasteful spending, and smooths instead of hinders the transition to a clean energy future.

Forecast Ratemaking and the Reconciliation Process

Through the Next Generation Energy Act and the Utility RELIEF Act the legislature made changes to state ratemaking policies including what types of costs are recoverable. One key change was prohibiting the use of a "reconciliation" process where the utility company, when operating under a multiyear rate plan or other form of forecast rates using a "future test year," overspends projections and returns to the Commission asking for additional revenue via a rate increase or temporary rider.

In 2026, under the Utility RELIEF Act, the legislature also instituted a one year moratorium on the PSC granting a rate increase based on forecast rates and directing the PSC to submit a study on the use of multi-year rate plans and forecast rates due in April 2027.

There are four updates since this legislation passed that are worth highlighting.

1. Although final comments were collected in September, 2025, the PSC has still not issued an order in response to its lessons learned proceeding evaluating the BGE multi-year rate plan pilot. According to Exelon's recent report to shareholders (p.10- or see below), the results of the proceeding and the April 2027 report to the MGA could result in $1.8 billion in rate base growth for the company through 2029.

2. Thanks to the Utility Relief Act, PEPCO quickly rescinded a portion of its proposed rate increase that was based on forecasts. And in its August order on the rate case, the Commission rejected spending that was based on forecasts including, "projected expectations of inflation, labor, and capital spend." This experience demonstrated that utilities are able to share plans for future projects and spending without being granted advanced approval or reduced financial oversight on spending enabled by forecast test year ratemaking.

3. In July, BGE filed an $156 million electric rate case increase using a historic test year of April 1, 2025, through March 31, 2026. There are several concerns from consumer groups on the rate case, including:
    i. BGE claims that this request is a bare bones approach. But, the request is 40% higher than their last electric rate hike request in 2023. BGE electric delivery rates have nearly doubled since 2010, increasing at about twice the rate of inflation. BGE gas delivery rates have tripled.
    ii. BGE is proposing to recoup storm costs more quickly to reduce the company's financial risk for storm management and ensure profits;
    iii. BGE is pushing to increase its profit rate from 9.45% to 10.4%;
    iv. BGE is proposing a so-called "flex play" program which would weaken termination protections for participants, enabling BGE to more quickly shut off service.
    v. While BGE has not filed a rate case for its gas customers, the company has still projected over $2 billion in gas capital spending to Exelon shareholders in the upcoming years (page 42). This means that the company is likely to ask for a rate increase at some point down the road to cover current spending.
    vi. BGE argues that its high profit numbers (which are on track to break another record in 2026) are somehow less relevant because they "reinvest" 95% of profits. But reinvestment isn't a donation to customers, it is simply turning profits into more profits due to the company's high return and low risk.

4. BGE and Delmarva Power are refusing to return $32 million to customers that the companies overcollected. On August 31st, the OPC filed a complaint on the issue with the PSC, asking the Commission to hold a hearing on the matter.

The Future of Gas Proceeding

First requested in 2023 by OPC as a petition for review of "Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland's Gas Companies," the future of gas proceeding (Case No. 9707) is underway this fall. Key dates include:

- Evidentiary hearings are October 5th - 9th;
- A virtual public hearing at 6pm on October 13th;
- Stakeholder comments, including comments from the public and elected officials, are due November 12;
- The Special Master's Report to the Commission will be filed on January 29th; and
- All interested parties can submit comments on the Special Master's Report until February 15th.

Upgrade Maryland has been engaged with this proceeding since 2024 and we appreciate the OPC, MEA and PSC's thoughtful approach to addressing both near and long term ramifications of the cost and emissions impact of Maryland's gas utilities infrastructure planning, as well as the role of electrification in future planning.

The Commission may issue orders to implement the findings and recommendations of this proceeding. We encourage the legislature to engage in the process and review the January 29th special master report and Feb.15th comments from stakeholders. Upgrade Maryland recommends that this committee

plan to schedule a similar convening of PSC, OPC, and MEA, to evaluate the recommendations of the Special Master in February of 2026.

Upgrade Maryland would like to flag an example of where the future of gas proceeding has hit a snag. In evaluating near-term priorities for gas infrastructure, the Commission ordered a rulemaking (Order No. 91683) to end a policy that forces existing customers to pay the cost of building pipelines for new customers, a move which is projected to save gas customers $1 billion over the next decade.

Line extension allowance (LEAs) allow gas companies, like Washington Gas and BGE, to charge existing customers for some or all of the costs to extend methane gas pipelines to new customers, driving up gas delivery charges, and adding to utility profits over a decades long payback period. In 2025 alone, BGE planned to spend $103.5 million on gas pipeline expansion, costing customers $397 million, while Washington Gas planned to spend $56.25 million, costing customers $238 million.

Under the draft regulations, filed earlier this year, new customers would still be able to choose to connect to the gas system, but will be responsible for the cost of doing so. Existing customers will no longer be on the hook to cover the cost of system expansion.

However, in a rulemaking hearing In May, the Commission decided to delay moving forward with the regulations and directed Staff to revisit the draft regulation. Since that date, no public communication has been taken to advance LEA policy change.

We hope the legislature can work with the Commission to bring policy recommendations, such as ending LEA's, over the finish line through a combination of legislative and regulatory action. Doing so requires a balance of thoughtful review and expedient action required to protect ratepayers from stranded assets and support state clean energy goals.

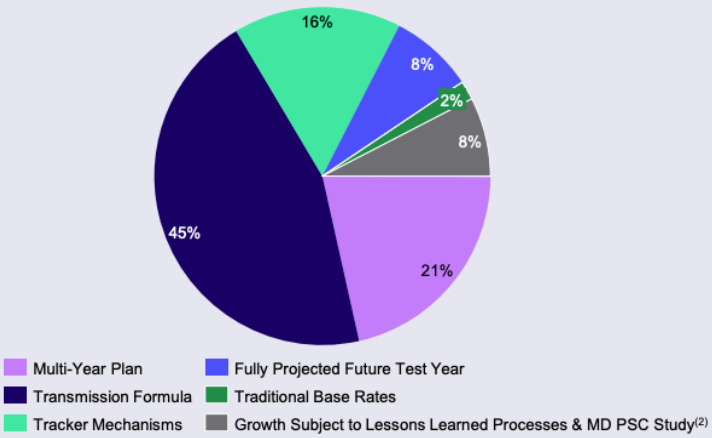
Thank you for your attention to these matters and your service to Maryland, Upgrade Maryland looks forward to the opportunity to provide follow up through post-hearing comments, and support the members of the Environment and Transportation Committee however we are able.

Sincerely,

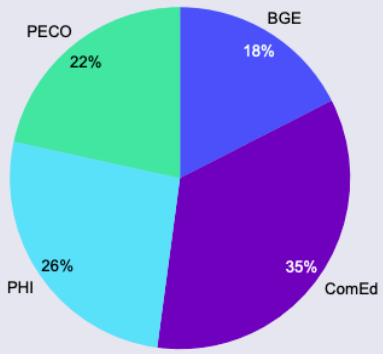
Emily Scarr, Maryland PIRG
Bryan Dunning, Center for Progressive Reform
Brittany Baker, CCAN Action Fund
Cedar Lane Unitarian Universalist Environmental Justice Ministry
Jeff Mauk, Ceres
Jennifer Kunze, Clean Water Action
Susan Miller, Earthjustice
HoCo Climate Action
Laurel Peltier, Maryland Energy Advocates Coalition
Dave Arndt, Maryland Legislative Coalition-Climate Justice Wing
Max Socol, Progressive Maryland
Third Act Maryland

Alternative Regulatory Mechanisms Across Variety of Jurisdictions

Estimated Rate Base Growth through 2029 of $22.8B[1]



2025 Rate Base Composition



91% of expected rate base growth over 2026 to 2029 is expected to be recovered through established alternative recovery mechanisms

(1) Reflects expected rate base growth for 2026E-2029E as of Q1 2026 disclosure dated May 6, 2026.
(2) See Additional Disclosures slide 30 for additional detail.

exelon

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