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Maryland PSC Orders Revisions to Gas System Connection Policies

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(BALTIMORE, MD) - The Maryland Public Service Commission today issued an order in its 'Future of Gas' proceeding that will fundamentally change the way natural gas utilities charge customers for new gas service or gas main line extensions. The Commission found that Maryland's energy policies, which call for continuing reductions in greenhouse gas emissions and greater electrification, may no longer be compatible with the status-quo for how gas line extensions are funded.

Currently, new gas customers who want to connect to an existing utility gas main can often do so free of charge or at a substantially reduced charge, depending on the utility providing service. This means that existing customers are subsidizing this expense.

In its order, the Commission noted that "to the extent that subsidies encourage more natural gas production and use, they are inconsistent with the goals set by CSNA [the Climate Solutions Now Act of 2022]. While natural gas must play a role during that transition, the Commission is persuaded that new natural gas customers should pay the full cost of extending service to them, thus minimizing any future potential for stranded costs with respect to new extensions, and reducing any subsidization of gas extensions. A customer that prefers to use natural gas should, therefore, be expected to pay the actual cost of obtaining that service without artificial incentives to do so."

The Commission notes, however, that the road toward meeting Maryland's climate goals has not been fully marked out, and the role of natural gas in that process remains unclear and may shift over time, as occurred in the 2025 legislative session, which revised numerous laws relating to gas consumption and distribution.

The Commission emphasized that it is not removing customer choice by eliminating the gas line extension subsidies and that customers may continue to elect their choice of fuel. This new direction is a neutral stance, neither subsidizing nor discouraging new gas extensions.

The Commission pointed out that this change in the extension policy is also consistent with traditional ratemaking principles, which dictate that, to the degree possible, the entity causing the cost should be the entity that bears the cost. Given the relatively short time horizon for achieving net-zero emissions status, there are legitimate issues concerning whether any investment in new gas service and main line extensions will be fully recovered through rates over the lifetime of those facilities. Under the current utility policies, ratepayers could be faced with recovery of stranded costs resulting from those extensions in the future.

By requiring new customers to pay the cost of service connection up front, ratepayers will not be responsible for stranded costs for those extensions -- those costs will be paid by the specific customers who benefit from the extension.

The Commission determined that its action was warranted "regardless of whether natural gas use declines or increases in the near- or long-term." The order stated that "should gas use decline, fixed costs of the gas system will be spread over a declining customer base, a result that can be somewhat mitigated by limiting further increases in extension costs. Conversely, should gas use increase, the elimination of subsidies for gas extensions will nevertheless send proper price signals to customers, while mitigating any future stranded cost concerns."

The order directs the Commission's Technical Staff to draft regulations for Commission consideration as necessary to implement the directives of this decision.

The Future of Gas proceeding was prompted by a petition from the Office of People's Counsel which sought near-term and long-term priority actions and planning regarding Maryland's natural gas utilities, capital spending on their systems and cost recovery from ratepayers. The Commission is currently undertaking steps to examine how short- and long-term utility planning should be structured so as to address Maryland's climate policies and goals. Today's order advances that process with respect to the issue of future gas investments to serve new customers. This proceeding is ongoing and decisions on other issues raised will be addressed in future orders.

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About the Public Service Commission:

The Maryland Public Service Commission regulates electric and gas utilities and suppliers, telephone companies (land lines), private water and sewer companies, passenger motor vehicle carriers for hire, taxicab companies in some jurisdictions and bay pilot rates. The Commission implements the energy policy of the State and also regulates the siting of energy generating facilities and high-voltage transmission lines.

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