STATEMENT FOR THE HEARING RECORD

Strengthening American Energy: A Review of Pipeline Safety Policy.

Subcommittee on Energy United States House of Representatives

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Witness: Jim Moriarty

On behalf of Chesapeake Utilities Corporation ("Chesapeake Utilities" or the "Company"), I am pleased to provide background and context for the U.S. House Subcommittee on Energy (Representative Rob Latta, Chairman) hearing on *"Strengthening American Energy: A Review of Pipeline Safety Policy."* Chesapeake Utilities and the many natural gas local distribution companies ("LDCs") across the nation share the same goals as safety advocates, the public, pipeline sector industry partners and Congress: ensuring America's pipeline system remains the safest, most secure and most reliable in the world. We look forward to working with the Committee in the 119th Congress to help secure pipeline safety reauthorization through the legislative process and into law.

Chesapeake Utilities Corporation is a diversified energy delivery company headquartered in Dover, Delaware, that offers energy solutions through natural gas gathering, transmission and distribution, electricity generation and distribution, mobile compressed natural gas utility services, propane distribution, and related energy solutions through its many divisions and subsidiaries. Operating for more than 160 years, today the Company owns and operates facilities in Delaware, Florida, Georgia, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina and Virginia, serving over 440,000 customers and with over 1,200 employees. Our natural gas distribution companies facilitate the service of natural gas to more than 333,000 customers through nearly 9,300 miles of

pipeline infrastructure. We also own and operate over 700 miles of transmission lines, virtual pipelines, renewable natural gas shipping and liquified natural gas ("LNG") storage.

Chesapeake Utilities is one of more than 1,650 local energy companies that deliver natural gas throughout the United States. Today, natural gas meets more than one-third of the energy needs of the U.S. As such, natural gas pipeline and distribution are an essential part of the backbone of the nation's infrastructure for the delivery of energy. Indeed, natural gas is safely delivered to customers through approximately 2.7 million miles of underground pipelines, including 2.3 million miles of local utility distribution pipelines, 100,000 miles of gathering lines and 300,000 miles of transmission pipelines, all providing service to more than 189 million Americans.

Distribution pipelines are operated by natural gas local distribution companies, or LDCs. Natural gas utility distribution pipes are the final, critical link in the natural gas delivery chain that brings natural gas from the wellhead to the burner tip. LDCs, like Chesapeake Utilities, could be considered the face of the natural gas industry, anchored in the communities they serve, and interacting daily with customers and the state regulators who oversee pipeline safety locally. The natural gas distribution industry takes very seriously the responsibility of delivering affordable natural gas to our families, neighbors and business partners as safely, reliably and responsibly as possible. The industry is committed to providing life-sustaining energy to thousands of communities in our country, every second of every day of every year.

To ensure consumers have access to critical energy services like natural gas, more than 27 states, including Alabama, Arizona, Florida, Kentucky, Texas, Tennessee, Georgia, Iowa, North Dakota and Ohio, have passed legislation to protect consumers' right to choose their source of energy and to ensure they can continue to choose natural gas. These forward-looking policies are the foundation for a more resilient and accessible energy system that supports families, small businesses, and industry. In Florida, for example, the preemption statutes that ensure statewide

consistency in protecting natural gas choice have empowered the natural gas industry to invest in infrastructure with confidence and prioritize long-term safety and reliability. Stable regulatory environments align with a state's future energy needs, economic development and employment growth.

Energy policy challenges, however, are not confined to one region. Across the country, varying local mandates on fuel sources and appliance standards have created a complex regulatory landscape. This patchwork of rules complicates planning, creates delays and increases costs, which ultimately affects customers and communities relying on natural gas. A unified federal approach to energy policy would provide clarity and consistency; prevent regulatory fragmentation while promoting consumer choice, safety and infrastructure investment; and ensure that safe, reliable and affordable domestic energy remains accessible to American families and businesses.

Our Number One Priority: Pipeline Safety

The domestic shale revolution has resulted in an abundant supply of natural gas. This robust supply has translated into stable natural gas prices and an increasing number of utility customers who choose to use and rely on this resource for residential and commercial applications like cooking, space heating, water heating and manufacturing. Last year alone, natural gas utilities added 730,000 customers and 20,700 miles of pipeline to serve these new customers. Chesapeake Utilities invested $356 million of capital throughout 2024, with approximately 90% of that spent on regulated transmission and distribution systems, and upgraded technology. In our Delmarva Peninsula operations, Chesapeake Utilities experienced strong growth in 2024 — adding 4,480 new customers, delivering an additional 430,000 Dth of natural gas above 2023 levels and expanding our transportation infrastructure by 65 miles to serve industrial growth. In our Florida operations, above-average customer growth and demand for natural gas enabled us to expand distribution and add 6,700 new customers throughout 2024, including 227 commercial and industrial customers, and initiate 12 infrastructure projects to deliver energy to new residential

communities across the state.

Alongside this increasing demand for affordable, resilient and domestic energy stands the commitment to operate safe and reliable pipeline infrastructure to support dependable natural gas delivery to homes, businesses and essential facilities like hospitals. Safety is always at the forefront of who we are and what we do. At Chesapeake Utilities, we have been particularly focused on enhancing a culture of operational safety and risk mitigation, and on implementing systems that collect, assess and promptly address safety concerns.

Chesapeake Utilities has a 24/7 control center that operates and monitors critical natural gas infrastructure across all of the Company's entities. This facility, along with the applicable field devices, sits on a dedicated SCADA network that is segmented from the IT network with a DMZ between both environments. We implement a high level of cyber security best practices in order to protect the integrity of the SCADA network and ensure the utmost safety of the communities in which we operate.

At the start of 2024, we implemented a safety data management system, which includes incident reporting workflow and near-miss reporting capabilities. This system combines monthly educational programming with interactive safety challenges designed to improve all teammates' understanding of, and focus on, personal and operational safety. In 2024 alone, we performed 349 third-party excavator trainings; 14,193 monthly safety meeting attendance hours; 662 locate audits; 1,467 on-site excavation visits; 1,146 hours on standby; and 2,268 hours patrolling pipelines.

Every year the natural gas utility industry invests $33 billion on the safety of pipeline systems. Chesapeake Utilities alone will invest upwards of $460 million this year modernizing our gas systems to enhance safety and reliability. Our two Florida natural gas distribution subsidiaries are actively implementing infrastructure improvement programs to enhance safety, reliability,

accessibility and environmental performance by replacing leak-prone pipes. Overall, our distribution system has been modernized, and we plan to completely eliminate cast iron and bare steel pipe from our distribution system by the end of 2026. Across our company's gathering system in Ohio, we conduct consistent leak detection through pipeline inspections utilizing hand held devices for advanced multi-gas detection, remote monitoring, and methane-specific sensors. From 2020 to 2024, leak detection controls and our commitment to operational excellence have led to 52,000 feet of pipeline replacements throughout our gathering pipeline system.

Unquestionably, pipeline safety is our industry's number one priority, and through critical partnerships with state and federal regulators, elected representatives and other stakeholders, Chesapeake Utilities and other natural gas LDCs are continually working to enhance pipeline safety, integrity and system resiliency.

Pipeline Safety Reauthorization Priorities

Chesapeake Utilities supports fact-based, reasonable, flexible and practicable enhancements to pipeline safety regulations. We look forward to continuously improving the regulatory structure to build upon lessons learned and reflect ongoing improvements to pipeline safety and related programs and technology. In that spirit, I would like to highlight a few of our Company's priorities as the reauthorization process moves forward.

Streamline processes to ensure regional energy demands are met in a timely manner.

Navigating a complex mix of federal, state and local regulations can hinder or limit the delivery of energy and pipeline infrastructure expansion. Delays and costs associated with complex regulations that arise from a non-uniform, patchwork approach severely hinder the industry's ability to meet the growing needs of critical infrastructure sectors. Streamlined regulatory processes, timely Pipeline and Hazardous Materials Safety Administration (PSHMA) application approvals and efficient permitting of pipeline infrastructure, are essential to expanding natural gas distribution and meeting the growing energy demand nationwide. Across our service territories, we are seeing

a rising demand and critical need for expanded natural gas pipeline infrastructure to support residential growth, enhance grid security, alleviate pipeline capacity constraints, support the AI revolution and data center growth and advance space exploration. Natural gas infrastructure plays an integral role in the national security and economic sovereignty of our country, and the demand for this domestic resource will only increase in the coming years.

Chesapeake Utilities is actively working to construct new pipeline infrastructure to transport energy to meet these growing residential, commercial, industrial and power demands, as well as serving new market growth and customer demands for LNG. Chesapeake Utilities is constructing an LNG storage facility in southern Maryland to provide critical natural gas service to customers during the peak winter heating season. To meet the growing energy demand of data centers, our Ohio subsidiary, Aspire Energy Express, LLC, has entered into an agreement to construct and operate a new intrastate pipeline in central Ohio to support on-site electric power generation at a new fuel cell facility serving a data center. As a natural gas provider for Florida's Space Coast, we see firsthand how natural gas is now playing a critical role in space exploration servicing commercial space, Space Force and NASA's operations and launches. With the vital role natural gas has today, it is critically important that the upcoming PHMSA reauthorization reflects the growing need for natural gas and the crucial role natural gas pipeline infrastructure plays in our strong economy and national security.

Support Limiting Pipeline Excavation Damage Incidents. Across the natural gas utility industry, excavation damage is the primary cause of distribution pipeline incidents. From 2020 to 2024, Chesapeake Utilities alone experienced 2,942 damage incidents from excavation activity. Approximately 53.4**%** of these damages were due to the excavator not calling the 811 One Call program. Another 13.9**%** of damages were due to excavators failing to maintain clearance after verifying marks, and 11.9**%** were caused by excavators digging prior to verifying marks. According to PHMSA data, in the past 20 years, excavation damage incidents on natural gas pipelines have resulted in 57 deaths, 254 injuries and over $300 million in property damage. These serious

incidents are preventable. States that have strong excavation damage prevention and enforcement programs typically experience lower rates of damage to pipelines. Congress should urge states to strengthen excavation damage prevention and enforcement programs. Our Company, along with the American Gas Association ("AGA"), supports One Call programs that work to prevent excavation damage to underground facilities. Our Company and our industry are confident such programs will reduce damage and save lives.

Support Pipeline Technology Alternatives. Modern pipeline safety technologies, many of which were not envisioned when current pipeline safety regulations were first implemented, have the potential to meet the intent of existing regulations while improving the overall safety of natural gas, hazardous liquid, underground storage and LNG infrastructure. For example, advanced pipeline leak detection technologies can be used to comply with leak detection regulations and should be recognized in codes and PSHMA-led processes. Chesapeake Utilities has implemented advanced leak detection across our service territories, including piloting new technologies that have deployed satellite technology for methane detection and finding leaks and monitoring devices at two above-ground facilities in Ohio and Delaware. Additionally, we are also integrating two new advanced mobile leak detection ("AMLD") vehicles across our service territories. We anticipate this AMLD technology to further support our emission reduction efforts by pinpointing leak emission sources in minutes. One of our Florida subsidiaries, Florida City Gas ("FCG"), has also harnessed the power of cutting-edge software platforms that use artificial intelligence and machine learning to help prevent damage to assets, enhance safety and reduce operation risks. The platforms yielded more than a 30% reduction in damages for FCG operations and are being evaluated for use Companywide. We are committed to seeking innovative ways to identify leaks and our industry supports a PHMSA-led process to identify technology alternatives that, if utilized, will meet the intent of existing pipeline safety regulations while providing an equal or greater level of pipeline safety.

Strengthen Criminal Penalties for Intentional Damage to Pipelines. Chesapeake Utilities

supports strengthening criminal penalties for intentionally damaging pipeline infrastructure. Natural gas utilities across the nation are experiencing an increase in criminal attacks on their property, equipment and facilities. These activities range from gunshots targeting pipelines to improvised explosive devices (IEDs) placed on natural gas delivery equipment, and the damaging of facilities and equipment necessary for safe natural gas delivery. These activities not only are hazardous to the safety and property of the public and LDC employees, but they also threaten an LDC's ability to deliver natural gas to thousands of homes, hospitals, schools, government and military facilities and other critical infrastructure and human needs customers. We support increased criminal penalties on bad actors who intentionally damage, destroy or impair pipelines and pipeline facilities, including those under construction.

Hydrogen-Natural Gas Blending R&D Study. Hydrogen is emerging as a solution for achieving natural gas LDC energy storage and decarbonization goals. Natural gas projects in North America and worldwide demonstrate successful blending of hydrogen into the existing natural gas distribution network or utilizing natural gas that has a naturally occurring higher hydrogen content. At Chesapeake Utilities, we have successfully utilized a natural gas-hydrogen blend of 5% co-firing on our combined heat and power unit, demonstrating hydrogen is a viable option for our industrial gas users. Other natural gas utilities, such as Hawaii Gas, have used hydrogen blending of 15% for decades, and many systems overseas are operating at approximately a 20% blend. It is important to understand how companies operating natural gas distribution systems with a higher hydrogen content are using these systems safely.

We are also an active participant in the MACH2 mid-Atlantic hydrogen hub where our role involves promoting safety and workforce development through awareness, training and education at our state-of-the-art Safety Town facility in Dover, Delaware. Chesapeake Utilities continues to engage and partner with higher education institutions in multiple service territories to advance hydrogen R&D initiatives, including utilizing our Safety Town facilities to test hydrogen on Company assets, such as pipes, meters and valves, to develop a greater understanding and plan for expansion of

hydrogen use. As such, we recommend the Government Accountability Office ("GAO") conduct a review of natural gas distribution systems worldwide that utilize hydrogen-natural gas blending applications or utilize gas with a naturally occurring higher hydrogen content, to identify processes, materials and standards the operators have implemented to operate safely. The results of this study will help ensure and advance the safety of ongoing domestic hydrogen R&D and blending operations.

5-Year Reauthorization for PHMSA's Pipeline Safety Program. PHMSA's Pipeline Safety program was reauthorized most recently under the PIPES Act of 2016 and PIPES Act of 2020. As PHMSA's Pipeline Safety program expired again in 2023, the frequency of reauthorization has been reduced to just three years. This interval is inadequate given the significant time it takes to conduct studies, publish reports, move reauthorization priorities from legislation to Proposed Rulemaking, address comments and develop feasible, reasonable, cost effective, and practical rulemaking (incorporating stakeholder input). Accordingly, and in keeping with reauthorization intervals that preceded the PIPES Act of 2016 (1996, 2002, 2006, 2011), Congress should reauthorize PHMSA's Pipeline Safety program for not less than five years. A reauthorization interval of at least five years also would align with other legislative reauthorizations such as the Farm Bill and Surface Transportation reauthorizations and allow regulations to be implemented and evaluated for effectiveness and provide industry certainty, before new provisions are proposed or enacted.

Conclusion

America's natural gas utilities' commitment to pipeline safety relies on sound engineering principles and best-in-class technology, a trained professional workforce, effective community relationships and a strong partnership with state pipeline safety authorities and PHMSA. Chesapeake Utilities Corporation continues to prioritize safety while investing in and advancing our infrastructure's reliability and energy conservation programs to serve our natural gas distribution customers. We

remain focused on providing safe, reliable and affordable domestic natural gas service while keeping our customers, communities and employees safe.

As pipeline safety reauthorization legislation is drafted this year, Chesapeake Utilities and our partners, including the American Gas Association and Interstate Natural Gas Association of America ("INGAA"), encourage Congress to work in a bipartisan fashion to advance reasonable and consensus changes to pipeline safety law and regulation, support PHMSA's primary role as pipeline safety regulator and recognize the great strides in pipeline safety engineering and operating practices that pipeline companies are putting into practice across the country. We remain focused on delivering excellence for all stakeholders in a manner that will continue to meet the needs of our customers and the communities we proudly serve by delivering safe, affordable and reliable domestic energy, so that no one is left behind. We stand ready to assist in this process with real world operations, engineering and safety data and experience. We welcome the opportunity to serve as a resource on this important effort.