Columbia Gas of Maryland
A NiSource Company

OPPOSE – Senate Bill 256
Building Energy Performance Standards – Compliance and Reporting
Senate Education, Energy and the Environment Committee

Columbia Gas of Maryland, Inc. (Columbia) opposes Senate Bill 256, which creates an alternative compliance fee for building owners covered by the Maryland Department of the Environment's (MDE's) Building Energy Performance Standards (BEPS) regulations that became effective on December 23, 2024. The legislation also creates an annual data reporting fee on covered building owners who are mandated by MDE and the BEPS to submit energy use data for their buildings.

Columbia's opposition to Senate Bill 256 is driven by the fact the legislation permits MDE to determine the alternative compliance and annual data reporting fees without limits outlined by the Maryland General Assembly in statute.

Since May of 2023, Columbia has been significantly engaged on and concerned with the financial impact of the BEPS regulations to our customers who own or operate buildings that are 35,000 square feet or larger in Maryland. The estimated costs are staggering.

The BEPS regulations will effectively prohibit the use of natural gas or fossil fuel equipment and force covered building owners to incur major costs to replace such appliances with electric alternatives. On a statewide basis, electrification retrofits are expected to cost covered Maryland building owners billions of dollars.

The MDE's own estimate of economic impact in the final regulations calculate covered building owners will spend more than $5.7 billion on efficiency and electrification measures to achieve $1.2 billion in energy cost savings without an Energy Use Intensity (EUI) standard. Those estimates climb to more than $15 billion spent on efficiency and electrification measures to provide approximately $9 billion in energy savings with the addition of EUI standards.

These significant costs will ultimately be paid for by all Marylanders, such as residential rental tenants, small business owners who rent space, college students and parents, medical patients at hospitals and offices, parents with children enrolled in pre-school or daycare facilities, senior citizens in a senior living community or care facility, owners of condominium units and Marylanders who buy groceries – just to name some of those impacted by the billions of dollars in new costs that will be incurred due to the BEPS.

During an October 9, 2024, public hearing on the BEPS regulations a condominium organization testified it would cost their association an estimated $5 million to $8 million just to replace gas stoves currently in use. Another condominium organization estimated it would cost their association $54 million in order to attempt to comply, and that even if they complete these renovations, there is no guarantee they will meet the strict compliance targets set by the BEPS.

Furthermore, MDE's economic impact study was done prior to the July 30, 2024, PJM Interconnection power market auction, which produced a $269.92/MW-day price for most of the PJM footprint, compared to $28.92/MW-day for the prior auction (a more than 800% increase).

We are confident the energy costs savings estimates will be even less with increasing electricity costs, and the public and Maryland General Assembly should be aware of the new economic impact to building owners.

While the December finalized regulations removed several EUI references and the site EUI Standards pursuant to the legislative amendment in Maryland's FY 2025 budget bill, we continue to point out the Climate Solutions Now Act (CSNA) does not mandate EUI standards/provisions to be included in regulations. We continue to be concerned MDE will implement the EUI standard in the future, again, driving up costs to building owners.

Columbia is troubled the proposed alternative compliance fee in Senate Bill 256 is to be placed in the Maryland Strategic Energy Investment Fund, but the bill does not outline how such fees may assist building owners on compliance with the BEPS regulations in the future, or whether all types of building owners will be able to gain assistance from the fund.

In addition, under the legislation, the annual reporting fee is alleged to be a fee to cover administrative costs. There are no definitions of what such administrative costs might be in the legislation.

The annual reporting fee also adds "insult to injury" to building owners who will need to spend money to collect and report their building's energy use data -- an MDE unfunded mandate under the regulations -- as well as potentially millions of dollars to come into compliance with the BEPS regulations. MDE should allocate the costs to implement and run the BEPS regulations with current budget dollars and not place an additional "tax" on Maryland building owners for a self-induced, burdensome regulatory program.

Columbia understands Maryland's ambitious goals to reduce greenhouse gas emissions and the requirements of the CSNA. However, the final BEPS regulations represent major changes to the state's building and energy standards, while adversely affecting many Marylanders with the imposition of serious financial burdens.

Columbia further understands there have been discussions surrounding possible amendments to Senate Bill 256. Columbia could support amendments to ease and reduce the reporting and financial burdens large Maryland building owners will experience with the BEPS regulations.

Columbia continues to believe the BEPS regulations significantly exceed what is authorized by the CSNA, and are not justified, feasible or economically realistic. Columbia believes the current BEPS regulations should be withdrawn. More practical and lawful BEPS regulations -- that reduce greenhouse gas emissions using an "all-of-the-above" energy approach, use new and emerging technologies, and limit the financial costs to Marylanders -- should be created.

Consequently, on behalf of our building owner customers, Columbia cannot support Senate Bill 256 as appropriately crafted policy in its current form and therefore urges an unfavorable report.

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