

UNFAVORABLE – Senate Bill 807
Environment – Local Building Energy Performance Standards – Authorization
Senate Education, Energy and the Environment Committee

Columbia Gas of Maryland, Inc. (Columbia) opposes Senate Bill 807, which authorizes counties to adopt and enforce local Building Energy Performance Standards (BEPS) regulations that are at least as stringent as the Maryland Department of the Environment's (MDE's) BEPS standards.

Since May of 2023, Columbia has been significantly engaged on and concerned with the financial impact of the MDE's 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.

MDE's BEPS regulations 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.

It should be noted, the federal Energy Policy and Conservation Act (EPCA) preempts state regulations or laws that effectively ban EPCA-regulated products from accessing necessary energy sources. See, e.g., 42 U.S.C. § 6297(c). BEPS regulations are expressly intended to reduce greenhouse gas emissions by mandating electric only buildings and preventing the use of fossil fuel appliances. In most buildings, appliances like natural gas furnaces and water heaters are "covered products" under EPCA and EPCA preempts efforts by states and local governments to establish "energy conservation standards" relevant to these products, particularly where state/local legislation functionally ban the use of the products. Accordingly, Columbia Gas believes this legislation and local BEPS regulations are preempted by federal law.

Authorizing county governments to implement up to 24 different and possibly more onerous BEPS regulations will increase costs on all Marylanders, cause significant confusion for building owners and operators including those trying to provide affordable housing, and create MORE regulatory and financial burdens on building owners creating additional disincentives to invest in Maryland. This legislation does not protect Maryland families from rising costs, nor does it avoid an average family seeing increased prices in everything.

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 a statewide BEPS regulation. If you add additional local BEPS regulations that can be more onerous, the costs will only increase.

The MDE's own estimate of economic impact in the final state 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 to be spent on efficiency and electrification measures to provide approximately \$9 billion in energy savings with the addition of EUI standards.

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 MDE energy costs savings estimates are now overstated as a result of these increasing electricity costs, and the public and Maryland General Assembly should be aware of the new economic impact to building owners.

Columbia continues to believe the state BEPS regulations significantly exceed what is authorized by the CSNA, and are not justified, feasible or economically realistic. We do not believe additional county BEPS regulations are justified, feasible or economically realistic either.

Consequently, on behalf of our building owner customers, Columbia cannot support Senate Bill 807 as appropriately crafted policy and therefore urges an unfavorable report.

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Contact:
Carville Collins
(410) 332-8627
carville.collins@saul.com

Contact:
Scott Waitleverch
(724) 888-9774
swaitleverch@nisource.com