

FAVORABLE – House Bill 1415
Environment – Building Energy Performance Standards and
Energy Use Intensity Targets – Exemptions
House Environment and Transportation Committee

Columbia Gas of Maryland, Inc. (Columbia) supports House Bill 1415. The legislation exempts covered buildings that received a use and occupancy permit before June 1, 2022, from compliance with building energy performance standards (BEPS) and energy use intensity (EUI) targets until it becomes necessary to replace lighting, heating, ventilating and air conditioning (HVAC) systems or other major components of the covered building due to the failure of those components or as a result of the end of life of those components.

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 Maryland Department of the Environment's (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, and perhaps most importantly, the economic impact study MDE continues to use to base projections and provide their analysis of “energy savings” was completed 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 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. These added financial burdens are coming hard at Marylanders during challenging economic times, and regular Marylanders genuinely cannot afford additional regulatory burdens that will not achieve savings or provide additional efficiencies. Lawmakers should take this opportunity to lift this burden and spare our overloaded residents.

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 proposed.

Columbia believes the provisions of House Bill 1415 are appropriately and reasonably crafted policies to reduce the significant costs to covered building owners related to the BEPS regulations until a building's equipment needs to be changed at the end of its useful life. We request a favorable report on House Bill 1415.

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