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**COMMITTEE:** ENVIRONMENT AND TRANSPORTATION

**TESTIMONY ON:** HOUSE BILL 1414: BUILDING ENERGY PERFORMANCE STANDARDS - PUBLIC SAFETY, EMERGENCY, AND PUBLIC UTILITY BUILDINGS - EXCLUSION (SAFE SOLUTIONS NOW ACT OF 2025)

#### **POSITION: SUPPORT**

**HEARING DATE:** WEDNESDAY, MARCH  $5^{\text{TH}}$  at 1:00 p.m.

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT IN **SUPPORT** of HOUSE BILL 1414 (HB 1414)

#### **Background**

The Climate Solutions Now Act of 2022 required the Maryland Department of the Environment (MDE) to develop Building Energy Performance Standards (BEPS) for commercial, multifamily residential, and State-owned buildings in Maryland that have gross floor area larger than 35,000 square feet. The BEPS regulations that have been promulgated set forth aggressive targets for reducing greenhouse gas (GHG) emissions from the commercial buildings sector by 2040 and presupposes electrification as the sole viable pathway for covered buildings to reduce their emissions and achieve the energy efficiency targets specified. Covered buildings that do not fully electrify in time would be subject to increasingly costly alternative compliance fees. House Bill 1414 seeks to exempt public safety, emergency, and public utility buildings from BEPS compliance.

#### **Position**

Washington Gas is committed to helping the State reduce its GHG emissions while continuing to provide its customers in the State with affordable, reliable, safe, and secure energy and is supportive of exempting public safety, emergency, and public utility buildings from being covered by BEPS. The costs for public safety, emergency, and public utility buildings to comply with BEPS will increase costs to residential customers throughout the State.

The total upfront cost per square foot for an electrification retrofit in Maryland is estimated by Lawrence Berkeley National Laboratory (LBNL) and Pacific Northwest National Laboratory (PNNL) to be \$14.45/sf for a commercial building and \$14.00/sf for a residential (multifamily) building.<sup>1</sup> For comparison, a New York study performed by Rosen Consulting Group (RCG) for the New York State Association of Realtors also estimated the costs associated with building electrification for multifamily and commercial office buildings in New York.<sup>2</sup> For commercial office buildings, RCG finds the all-in electrification costs range from \$12/sf to \$21/sf (midpoint of \$16.50/sq ft), which is somewhat higher than the \$14.45/sf used by LBNL. These costs purport

<sup>&</sup>lt;sup>1</sup> LBNL and PNNL. <u>Maryland Building Energy Performance Standards Impact Analysis</u> (Aug. 21, 2023). Page 20, Table 5

<sup>&</sup>lt;sup>2</sup> Rosen Consulting Group. <u>New York Building Electrification and Decarbonization Costs</u> (June 2022).

to include site electrical infrastructure upgrades necessary for full electrification retrofitting, including electrical heavy-up. The LBNL and PNNL figures appear to exclude such costs.

In addition to high upfront costs of electrification, electricity rates are increasing in Maryland with the latest capacity auction by PJM Interconnection resulting in an 800% price increase, potentially raising customer bills by up to 29% starting in mid-2025.<sup>3</sup> The rising cost of electricity will further burden the buildings covered by BEPS as they are forced to electrify. The increased costs seen by public safety, emergency, and public utility buildings will be passed through to Marylanders, 18% of who are classified as energy burdened, spending more than 6% of their income on energy bills.<sup>4</sup> Exempting these buildings from BEPS will alleviate the financial burden by BEPS compliance and ensure these buildings can utilize the State's natural gas infrastructure to cost-effectively reduce GHG emissions in support of the State's climate goals.

# **Conclusion**

At Washington Gas Light Company, our core values are safety, collaboration, integrity, inclusion, and learning. The Company is committed to working with stakeholders to help achieve Maryland's GHG emissions reduction targets. Electrification is not the sole solution to climate change in Maryland and should not be treated as such. There is a role for existing and future technology innovation to support diverse pathways to decarbonizing Maryland. The Company supports HB 1414 as it allows for more buildings to leverage the State's existing gas infrastructure to preserve affordability, reliability, safety, and security of energy delivery.

# ADDENDUM: PROPOSED AMENDMENTS

Insert definition of Public Utility Building

• **Insert:** 2–1601 (e)(3) "Public Utility Building" means a building that is owned, operated, or utilized by a public service company in Maryland

# Add additional exemptions

- **Insert:** 2–1601 (e)(2)
  - (VII) A university building; or
  - (VIII) A building that is owned by the federal, State, or local government
- **Remove:** 2-1601 (e)(1)(i)(2) Is owned by the State; and

Amend definition of "Direct greenhouse gas emissions" to include emissions from electricity generation

<sup>&</sup>lt;sup>3</sup> Integrity Energy. <u>2025-2026 PJM Capacity Auction & Its Consumer Impact</u>

<sup>&</sup>lt;sup>4</sup> WJLA. <u>Lawmakers and BGE clash over infrastructure costs as residents face soaring energy bills</u> (Feb. 6, 2025).

• Amend: 2–1601 (f) "Direct greenhouse gas emissions" means greenhouse gas emissions produced on-site by covered buildings or produced from the electricity generated to meet the covered buildings electricity demand. The Department shall develop a calculation methodology to determine greenhouse gas emissions from electricity consumption within 6 months from the effective date of this Act.

### About Washington Gas Light

Washington Gas Light Company provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. Washington Gas has been providing energy to residential, commercial, government, and industrial customers for more than 176 years, and currently serves more than 500,000 Maryland customers in Montgomery, Prince George's, Charles, St. Mary's, Frederick, and Calvert Counties. The Company employs over 400 people within Maryland, including contractors, plumbers, union workers, and other skilled tradespeople. We strive to improve the quality of life in our communities by maintaining a diverse workforce, working with suppliers that represent and reflect the communities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.<sup>5</sup>

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<sup>&</sup>lt;sup>5</sup> DOE. <u>Energy Conservation Program for Consumer Products: Representative Average Unit Costs of Energy</u> (Aug. 28, 2023).