

Dear Montgomery County Council,

Thank you for your time. I'd like to speak regarding the Building Energy Performance Standard legislation (Bill 16-21). As the President of Spectrum Energy LLC and a licensed Professional Engineer, I have extensive experience regarding every aspect of Bill 16-21. My company currently supports clients in Washington DC, which are working on compliance with the DOEE BEPS Program in DC.

I'd like to first state that anyone expressing concerns that this program will stymie growth and cause undue cost to building owners and developers, simply aren't realizing the opportunities.

My company has an array of clients located in Montgomery County, which range from building owners, developers, property management companies, architects, engineers and utility providers (PEPCO and Washington Gas). I am extremely successful in Montgomery County due to the programs the council and other entities have developed to assist in executing energy efficient measures.

The Montgomery County BEPS bill will help stimulate development and economic growth in MoCo, while aligning with the counties commitment to Greenhouse Gas (GHG) emission reductions. Please allow me to elaborate on how this will unfold.

Once implemented, BEPS will establish building requirements. All buildings covered by BEPS will be required to benchmark their assets, which will generate jobs within the county. Once buildings obtain benchmarking results, non-compliant builds will reach out to companies to obtain energy audits, which will identify energy conservation measures (ECMs) that will bring the building into compliance. The energy audits will develop another set of technical jobs with higher pay to the county. After the ECMs are identified, building owners will hire contractors to install energy efficiency equipment and/or building automation systems, etc... The additional work generated for contractors (general, mechanical, electrical, etc...) will create new jobs in the trades industry, again bringing higher wage jobs to the county. After improvements are completed, a post round of benchmarking will be conducted to verify compliance, assuring the retention of benchmarking jobs.

This sounds great for those executing the work, but I'm sure building owners and property managers will approach you with major concerns around the cost of these measures. They will tell you this is huge burden on their businesses and could close their doors, please don't believe this argument. I'm sure you're thinking I'm being bold in my statement, so please let me explain.

To start, when building owners invest in upgrades to a property, the asset value of the property increases. Next, investments in energy efficiency result in lower annual utility costs and new equipment required less maintenance, which reduces a buildings annual operating costs. Buildings are typically rated on a value called CAP Rate. The higher the CAP Rate, the more attractive the asset is to a potential investor when considering selling. When an assets value increases and operating cost decrease, the CAP Rate increases. In addition, a newly upgraded building is in a better position to increase rents.

Let's continue to peel this onion! Montgomery County Maryland is positioned better than any other county in the county to execute the BEPS program, due to the current energy efficiency programs: Utility Incentives, Maryland state programs, MoCo Green Loans, Local Tax Programs and Federal Tax Programs. Washington Gas and PEPCO provide utility incentives for nearly any energy efficiency measure, I would know, because my company processes the most applications for both utilities. Montgomery County GreenBank offers several loans for energy efficiency



measures, which are designed to provide 100% funding for upgrades with attractive payment term periods (12-25 yrs). Federal programs are available which enable accelerated or bonus depreciation, enabling owners to write down costs and reduce federal tax burden faster than typical. The opportunities in MoCo are so good, I ask building owners why would they want to wait!

Lastly, I'd like to touch base on fines for non-compliance. I am aware of the challenge ahead to assign and execute fines to non-compliant building owners, which is why I recommend elevating this issue to the state level to make the required changes. Currently, the Washington DC BEPS program fines roughly \$10/GSF of building, which I feel is a good starting point. A large enough fine is important to persuade compliance, rather than enable a small payoff for non-compliance.

I would recommend however, that all fines be retained in the BEPS program to assist other building owners who desire to be in compliance. This provides a Carrot and Stick approach, which I feel is fair and balanced.

Thank you again for your time and consideration! If you would like to discuss this further, please reach out to me.

Sincerely,

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President

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