March 11, 2020 **112 West Street**
Annapolis, MD 21401

WRITTEN TESTIMONY OF EXELON COMPANY – SB 912
Opposed - Before the Maryland Senate Budget and Taxation Committee

Exelon Corporation (Exelon) appreciates the opportunity to provide written comments in response to Senate Bill 912. Exelon supports the concept of carbon pricing as an efficient means to achieve greenhouse gas reductions and has long supported many approaches to carbon pricing, including economy-wide fees. Carbon pricing, whether through a fee or a market-based cap, offers an opportunity to leverage the power of markets to begin reducing emissions quickly and affordably. Exelon has supported the Regional Greenhouse Gas Initiative (RGGI), of which Maryland is a member, since its inception and remains a key stakeholder. Exelon is also involved in RGGI's nascent companion, the Transportation & Climate Initiative (TCI), which the company supported just last week here in Annapolis. At the national level, we have supported a variety of sector-specific and economy-wide approaches. Exelon is founding members of both the Climate Leadership Council and the CEO Climate Dialogue. Both seek national, economy-wide GHG mitigation approaches.

While Senate Bill 912 includes meaningful economy-wide reduction targets and mechanisms, and promotion of electric transit and school buses and electric vehicle infrastructure, the proposal must be improved with regard to how the fee is assessed on generation and distribution of electricity and the distribution of natural gas. Our concerns include, but are not limited, to the following:

- the potential for customers to be double charged;
- the lack of differentiation on fee level if customers have already chosen to procure clean electricity, presumably at an elevated cost;
- the lack of clarity with respect to Maryland Public Service Commission (PSC) oversight authority; and
- the distinction between electric suppliers and generation in Maryland.

First, in order to avoid double-charging Maryland's customers, electric and natural gas suppliers should not be responsible for collecting the fee. If electric and gas suppliers are responsible for collecting the fee, Maryland customer's will be charged twice for generation from in-state fossil-fired generation – which would be assessed a fee both when that generation is consumed as well as when it is combusted for electricity. In Maryland – an electricity supplier is not a generator and vice versa. Accordingly, the bill must properly assign responsibilities regarding generation versus distribution of electricity in a restructured state like Maryland where electric suppliers do not generate electricity, and therefore do not have direct control over emissions or RGGI responsibility. Similarly, for gas customers, the bill must ensure fees are not charged both at import as well as distribution for the same unit of gas; Exelon recommends the fee be charged at the point of import to capture more emissions for less administrative burden.

Second, Exelon recommends that the bill offer a path for electric suppliers to avoid charging consumers an emissions fee when that supplier can procure emissions-free electricity less expensively. As we read the current draft, electric suppliers calculate the fee based upon the regional electric grid mix, rather than in a manner that would incentivize procuring cleaner electricity when is can be done at a lower financial cost. Thus, the fee as written appears to function more as a consumption tax rather than as a driver of emissions reductions.

Lastly, the electric and gas distribution companies should have express authority to recover fees properly collected on behalf of customers. The PSC is the appropriate party to oversee and support electric utilities' choice to pay the fee or procure additional emissions-free electricity.

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