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February 29, 2024

112 West Street
Annapolis, MD 21401

Oppose - House Bill 516: Climate Crisis and Environmental Justice Act of 2024

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **House Bill 516 Climate Crisis and Environmental Justice Act of 2024**. House Bill 516 focuses on the concept of carbon pricing and fees as an efficient means to achieve greenhouse gas (GHG) reductions. However, it is well understood that carbon pricing methodology serves to decrease emissions most effectively if it is part of a multi-state structure. Single jurisdiction carbon pricing can be expected to lead to emissions leakage, significantly reducing the effectiveness of the methodology and unnecessarily increasing costs to customers.

As a company with significant assets and critical energy infrastructure in Maryland, and as a major employer, Pepco and Delmarva Power have a responsibility to address our own greenhouse gas footprint while working to provide customers with safe, reliable, affordable and sustainable energy through innovative and inclusive solutions. Pepco and Delmarva Power support efforts to decarbonize in a meaningful and affordable manner.

A carbon tax is typically applied at the point of generation so that energy producers have an incentive to use less carbon-intensive goals. House Bill 516 imposes the GHG fee on all fossil fuels brought into the state for combustion and electricity used in the state that is generated by fossil fuels. In addition, House Bill 516 requires a gas distribution company to pay the fee on behalf of all customers and prohibits the fee from being passed through as a direct cost to an end user of a fossil fuel or a customer of a distribution company, effectively imposing a penalty to gas distribution companies that is not applied at the point of generation. Because it is important that distribution companies have express authority to recover fees collected on behalf of customers, Pepco and Delmarva Power oppose House Bill 516 and respectfully request an unfavorable committee report.

Contact:
Anne Klase
Senior Manager, State Affairs
240-472-6641
Anne.klase@exeloncorp.com

Katie Lanzarotto
Manager, State Affairs
410-935-3790
Kathryn.lanzarotto@exeloncorp.com

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Robertson Testimony 2020

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.