



AN EXELON COMPANY

Position Statement

OPPOSE
Economic Matters
3/10/2022

House Bill 171 - Climate Crisis and Environmental Justice Act

Baltimore Gas and Electric Company (BGE) opposes *House Bill 171 - Climate Crisis and Environmental Justice Act*. House Bill 171 would require the State to reduce statewide greenhouse gas emissions by 60% by 2030 and 100% by 2040. It would also establish the phase in of greenhouse house pollution fees ranging from \$10 to \$32/ton on transportation fossil fuels and \$15 to \$60/ton on non-transportation fossil fuels, collected at the fuels first point of sale by the entity transporting the fossil fuel into the state as well as by a gas utility for all natural gas that the utility distributes for combustion in the state. Statewide, these fees will cost \$200 million in 2023 and rise to over \$1 billion annually by 2027. The fees will fund a new “Benefit Fund” which will be used to protect low-income households and energy intensive, trade exposed employers.

Baltimore Gas and Electric Company (BGE) is aggressively addressing our internal greenhouse gas operational emissions and is supportive of policy efforts to address climate change where we see ourselves, the largest combination natural gas and electric utility in the state, as a critical partner. However, the goals and mechanisms as currently outlined in Senate Bill 135 are likely to disadvantage Maryland economically while potentially not achieving the avoidance of climate change impacts that it seeks. Most specifically, the fee elements contained in the bill will not provide the needed incentives to broadly shift energy users permanently to lower emissions solutions and could have unintended consequences that drive residents and businesses to leave Maryland boundaries, in lieu of making energy use choice changes that reduce emissions.

BGE is a supplier of natural gas to nearly 700,000 customers and electricity to 1.3 million customers in Central Maryland. As we procure these commodities under the watchful oversight of the Maryland Public Service Commission, we follow state and federal mandated requirements which incorporate environmental and reliability concerns. We have limited additional influence on how the electricity is generated or how the natural gas is sourced, as we are currently directed to ensure lowest costs supplies for our customers. Generally, we cannot pass along a pollution fee cost to the emission generator who would respond to the economic incentive of a carbon price to reduce emissions. Separate state programs including the Regional Greenhouse Gas Initiative and the Renewable Portfolio standard do influence a sub-set of electric generation sources within state boundaries, but not all energy supply comes from within the state.

Another element of the bill that has a particular concern for BGE is the prohibition on passing through the pollution fee to customers. The fee is intended to provide a price signal to reduce consumption, but without providing a clear price signal to consumers, the result is unlikely to be realized. Even though the bill provides that BGE ‘may’ be able to pass it along if the Public Service Commission approves the fee as a prudently incurred cost of distribution, we object to any restriction. A state-imposed fee over which a utility has no choice to pay – similar to a tax – is by

definition a prudently incurred cost and recovery should not be subject to the discretion of any particular interpretation of “prudently incurred’ taken by the PSC.

For these reasons, BGE requests an unfavorable report on House Bill 171.

BGE, headquartered in Baltimore, is Maryland’s largest gas and electric utility, delivering power to more than 1.2 million electric customers and more than 655,000 natural gas customers in central Maryland. The company’s approximately 3,400 employees are committed to the safe and reliable delivery of gas and electricity, as well as enhanced energy management, conservation, environmental stewardship and community assistance. BGE is a subsidiary of Exelon Corporation (NYSE: EXC), the nation’s leading competitive energy provider.