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112 West Street
Annapolis, MD 21401

Support – House Bill 1404 – Public Utilities - Energy Generation and Transmission

Potomac Electric Power Company (Pepco), and Delmarva Power & Light Company (Delmarva Power) support **House Bill 1404 – Public Utilities - Energy Generation and Transmission**. House Bill 1404 authorizes investor-owned electric companies and electricity suppliers in the state to construct, acquire, or lease, and operate, their own generating facilities and construct, acquire, or lease, and operate, certain transmission facilities. It also authorizes certain investor-owned electric companies to recover certain investments and costs.

Maryland is operating in a supply deficit as in-state demand exceeds generation supply. Many Maryland generation plants have retired and have not been replaced, leading to increased costs and reliability risks. Maryland relies on generation plants located in other states like Pennsylvania to transfer energy via transmission lines to the state. Transferring energy from other PJM states is increasingly risky as the grid operator is facing a widening gap between rising electricity demand and lagging generation supply.

Maryland must secure its own energy future. During peak days, PJM will have less margin for error, that includes the possibility of system failures for generation plants or transmission outages due to failure or maintenance work. The more Maryland relies on out of state generation and transmission to meet its peak capacity needs, the more risk exists to grid vulnerabilities. The state must act now to stabilize energy costs, reduce dependence on out-of-state power, and protect reliability during extreme weather - while staying on track to meet clean energy goals.

Maryland's current energy rules prevent regulated utilities from building power generation to meet surging demand, even though utilities are responsible for keeping the lights on. A relatively small number of private power plant companies control much of the available power supply and benefit financially when capacity is tight.

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Exelon (Nasdaq: EXC) is a Fortune 200 company and the nation's largest utility company, serving more than 10.5 million customers through six fully regulated transmission and distribution utilities — Atlantic City Electric, BGE, ComEd, Delmarva Power, PECO, and Pepco. Exelon's 20,000 employees dedicate their time and expertise to supporting our communities through reliable, affordable and efficient energy delivery, workforce development, equity, economic development and volunteerism.

Capacity prices in the regional PJM market have increased nearly 600%, reflecting tightening power supply and driving up customer bills. Rising energy supply costs and falling reserve margins in PJM have sparked concerns about customer affordability and reliability. High price signals have not led to adequate generation plant construction to increase supply even in the face of rapid load growth.

As solutions are explored, the need for better planning and for customer-accountable entities to overcome market uncertainty has led to consideration of expanding utility-owned generation in PJM. Despite record-high prices, PJM's most recent auction still failed to procure enough power to meet reliability targets, leaving the system more than 6,600 megawatts short, about the equivalent of six nuclear plants. Maryland now imports roughly 40% of its energy, often at the highest regional prices, exposing customers to volatility they cannot control and puts them at risk for frequent extended outages.

This legislation is not a unique concept. Thirty other states, including Virginia, already allow regulated utilities to build generation alongside competitive markets. PJM currently operates, and always has operated, in states with varying regulatory environments for generation. In some states, only IPPs develop new resources. In other states, vertically integrated utilities do so in parallel to IPPs.

House Bill 1404 will allow for more in-state supply, which can help reduce price spikes caused by power shortages and dependence on out-of-state generators. House Bill 1404 will mean greater stability in energy bills by increasing reliable power supply. It also will reduce the risk of outages during heat waves and winter storms. This increased protection will help provide additional safeguards for seniors, medically vulnerable residents, schools, and essential services.

Maryland's energy affordability and reliability challenges are solvable. House Bill 1404 provides a proven, accountable framework to increase power supply, moderate prices, and protect customers while supporting the state's clean energy goals.

Pepco and Delmarva Power know higher energy costs are hard for families and businesses to manage, which is why finding solutions to lower costs is a top priority. We are working every day to provide meaningful assistance, protect customers from unfair cost impacts, and push for long-term solutions that help keep costs as low as possible. Pepco and Delmarva Power remain committed to partnering with all members of the General Assembly to find solutions to address high energy costs and respectfully request a favorable report on House Bill 1404.