

Oppose  
Economic Matters  
Environment and Transportation  
2/29/2024

### **House Bill 516 Climate Crisis and Environmental Justice Act of 2024**

Baltimore Gas and Electric Company (BGE) opposes *House Bill 516 - Climate Crisis and Environmental Justice Act*. *House Bill 516* establishes the phase in of greenhouse gas pollution fees ranging from \$25 to \$52/ton on transportation fossil fuels and \$25 to \$75/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. 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 a supplier of natural gas to nearly 700,000 customers and electricity to 1.3 million customers in Central Maryland. BGE is aggressively addressing our internal greenhouse gas operational emissions and is supportive of policy efforts to address climate change, where we see ourselves as a critical partner. However, the goals and mechanisms as currently outlined in *House Bill 516* 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 drive residents and businesses to leave Maryland boundaries, in lieu of making energy use choice changes that reduce emissions.

BGE strongly opposes this legislation for multiple reasons. To start, the fees could ultimately be paid twice on the same molecules of natural gas. Under this legislation, the fee is paid on natural gas when it is transported into the State as well as on the natural gas delivered to our customers. Further, the legislation prohibits on passing the pollution fee to end-users of fossil fuels and customers of gas companies. 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 Commission.

BGE, headquartered in Baltimore, is Maryland’s largest gas and electric utility, delivering power to more than 1.3 million electric customers and more than 700,000 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 largest energy delivery company.

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While BGE appreciates and shares concerns about the cost of the energy transition on the most vulnerable in Maryland, BGE is equally concerned about affordability for all of our customers. There are various sources of energy assistance funding for low-income utility customers and the Commission is also currently examining different options for new rate mechanisms to further support these customers in Public Conference 59 (PC 59). Navigating the challenges of affordability for those most in need requires creative thinking and given the current PC 59 proceeding, it is best to allow the Commission to determine limited income rate mechanisms more broadly before the General Assembly takes further action which would impact affordability for all customers.

For these reasons, BGE requests an unfavorable report on *House Bill 516*.

BGE, headquartered in Baltimore, is Maryland's largest gas and electric utility, delivering power to more than 1.3 million electric customers and more than 700,000 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 largest energy delivery company.

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