W. Mason Emnett
Senior Vice President,
Regulatory Policy & Analysis

101 Constitution Avenue, NW Ste 400 East
Washington, DC 20001
Mason.Emnett@exeloncorp.com

April 23, 2021

Transportation & Climate Initiative
Facilitated by the Georgetown Climate Center
Comments submitted via TCI portal

Introduction

In the absence of robust and timely federal action addressing the climate crisis, states have long led the clean energy transformation. The Transportation and Climate Initiative Program (TCI-P) is a strong next step in this history of climate action leadership. Exelon Corporation (Exelon) appreciates the opportunity to submit comments in support of the TCI-P Draft Model Rule and encourages additional participant states to join this year. We particularly commend Massachusetts, Connecticut, Rhode Island, and the District of Columbia for leading by example and launching TCI-P.

A Fortune 100 company, Exelon does business in 48 states, the District of Columbia, and Canada. Exelon is the nation's largest utility by customer count and the largest producer of emissions-free electricity. Exelon subsidiary Exelon Generation Company is one of the largest competitive power generators in the U.S., with approximately 31,000 megawatts of owned capacity comprising one of the nation's cleanest and lowest-cost power generation fleets. Through our Constellation business unit, Exelon provides energy products and services to more than 2.5 million residential, public sector, and business customers, including more than two-thirds of the Fortune 100. Exelon's six utilities—Atlantic City Electric Company, Baltimore Gas and Electric Company, Commonwealth Edison Company, Delmarva Power & Light Company, PECO Energy Company, and Potomac Electric Power Company—deliver electricity and natural gas to 10.4 million customers representing over 25 million people in communities throughout Delaware, Illinois, Maryland, New Jersey, Pennsylvania and the District of Columbia. Transportation is currently the largest source of CO_2 emissions in the US and particularly in our service territories.[1]

Exelon Supports Decarbonizing Transportation

Exelon's utilities will electrify 30 percent of their vehicle fleets by 2025, increasing to 50 percent by 2030. Further by 2025, all the fleet's light duty vehicles (LDVs) reaching the end of their life cycle will be replaced with an electric vehicle, with all LDVs being electrified by 2030. This commitment demonstrates Exelon's continued leadership in helping customers and communities reduce harmful carbon and air pollution and save energy and money. Programs such as TCI-P will provide a regulatory foundation and create financial incentives to facilitate further transportation decarbonization.

TCI-P Will Reduce Harmful Emissions While Promoting Investments in Our Communities

Exelon has long been at the forefront of implementing clean energy solutions to comprehensively address climate change. As a long-time proponent of market-based emission-reduction programs, Exelon has submitted several comments, alone and with other companies, in support of this effort and commends TCI states, their staffs, and their partners at the Georgetown Climate Center for achieving this milestone of completing the draft model rule. We share TCI's goal of finding market-based methods to lower greenhouse gas (GHG) emissions from the transportation sector while reducing air pollution effects, particularly for

[1] EIA. *U.S. Energy-Related Carbon Dioxide Emissions, 2019,* Table ES-3 (Sept. 2020).

overburdened communities. Because electrified mobility is an essential strategy in lowering emissions from the transportation sector, we have a vital interest in the TCI-P and we welcome the opportunity to help implement the cap-and-invest policy. We are accustomed to working collaboratively with other utility companies in the region, and we see regional solutions as a positive step forward.

Exelon and our peer companies have long participated in market-based emissions abatement programs, and our decades of participation in these programs inform our support for TCI-P even as we recognize that market-based approaches to climate mitigation such as cap-and-invest programs must be designed to include environmental justice considerations and to ensure all communities share in the benefits of such programs.

Affected Fuels and Cap Levels

We agree that the regulation of the fossil fuel components of motor gasoline and on-road diesel fuel is the correct point of regulation and will optimize the program by reflecting the majority of transportation emissions, raising meaningful revenue for investment, and sending consistent market signals. We also agree that the proposed emissions budgets are appropriate to begin decarbonizing the transportation sector.

Market Stability Mechanisms

We have experience with the cost containment measures included in the Draft TCI-P as they are drawn from the parallel Regional Greenhouse Gas Initiative (RGGI), in which we have participated for over a decade. They include a Cost Containment Reserve (CCR) that can be introduced or added to the budgeted annual allowance supply for sale if emissions reduction costs are above projections or exceed an agreed upon annual price limit. They also include the proposed Emissions Containment Reserve (ECR), by which allowances might be subtracted or withheld from the supply if GHG emissions reduction costs are lower than projected, thereby helping to ensure the emissions integrity and investment signals of the program.

Similarly, the model rule appropriately includes compliance flexibility provisions that maintain the environmental stringency and investment potential of the program while minimizing price fluctuations and impacts on consumers. These provisions, such as three-year compliance averaging as well as banking, help balance important considerations. We applaud TCI-P for incorporating these provisions into the draft model rule.

Equity Considerations Inform Our Support for the TCI-P

We applaud the emphasis on equity and environmental justice considerations in the TCI-P Model Rule through the commitments contained in Section 3 of the MOU, Investment, Equity and Complementary Policies and in Section 1.1 of the draft model rule. We agree that TCI-P investments, with the proposed equity investment commitments, will help to expand low-carbon and clean mobility options in urban, suburban, and rural communities, particularly those disproportionately harmed by climate change and transportation pollution and underserved by the current transportation system. Signatory jurisdictions, which we hope will expand to include all TCI participating states this year, will have the opportunity to invest auction proceeds, establish equity advisory bodies at the jurisdiction level, and carry out periodic equity reviews and reporting, as described in greater detail in Section 3 of the draft model rule.

Electrification of the transportation sector, an important element of decarbonizing the sector and the full economy, offers not only important environmental, health, and climate benefits but can create jobs, advance equity, and help keep electricity rates low even as we decarbonize and expand the grid. Electric vehicles can help overburdened communities by reducing exposure to diesel exhaust and other transportation emissions.

Electric utilities have an important role to play in supporting the infrastructure required for electrification of transportation. As such, Exelon has supported a variety of efforts to decarbonize electricity generation and in support of electrifying transportation, including participating in the National Coalition for Advanced Transportation (NCAT) and supporting the Regional Greenhouse Gas Initiative (RGGI).

Conclusion

We applaud the TCI-P states and urge other TCI Participating States to join this year and in time for the reporting year of 2022.

Contact Information

For any questions or further information, please contact:

W. Mason Emnett
Senior Vice President, Regulatory Policy & Analysis
Exelon Corporation