

Prepared Testimony of
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Introduction

Good morning Chairman Taylor, Chairman Keller, and members of the House Transportation Committee. I am Gladys Brown, Chairman of the Public Utility Commission (Commission). I am here today, on behalf of the Commission, to offer testimony concerning House Bill 1446 (HB 1446). This Bill requires the Governor to determine a statewide goal to increase electric vehicle (EV) adoption and identify opportunities for the increased utilization of natural gas vehicles (NGVs). Further, HB 1446 requires certain electric distribution companies (EDCs) to develop, for the Commission's review, plans intended to support achievement of the Governor's newly established EV goal.

The Commission has a neutral position on HB 1446. The following testimony will summarize our interpretation of the bill and our rationale for a neutral position.

Status of Electric Vehicles in the State and the Public Utility Commission's Current Role

According to the Pennsylvania Department of Transportation's (PennDOT's) 2016 Report of Registrations, 3,599 EVs have been registered in Pennsylvania. While this only represents 0.03% of the 10.7 million vehicles registered in the state, sales are increasing, with 2016 figures representing a 30% year over year increase from 2015 EV registrations. Also, according to the Department of Energy's Clean Cities Initiative there are 741 EV charging stations in the state. These are relatively small figures. However, EV technologies, particularly batteries, have advanced steadily in recent years making purchase economics more practical while diminishing range anxiety.

The Commission does not presently mandate or regulate any specific electric vehicle programs operated by the 11 EDCs in the state. The Commission has authority to establish distribution rates for specific customer-class distribution services, such as service to EV charging companies or service to homes with EV charging equipment. To date, the Commission has not established any specific distribution rates for EV charging within any EDC service territory.

Recently the Commission began a review of EDC tariffs and how they apply to third-party EV charging business models. EDCs across the state may have differing restrictions on what types of rates third-party EV charging stations may levy on

customers. It is the Commission's intent in this proceeding to provide more uniformity and clarity as to any tariff rules regarding third-party EV charging, to the extent necessary. The Commission issued a Secretarial Letter on June 15th 2017 and received a number of comments in response.¹ We are currently reviewing those comments to determine the necessity for potential future policy directives on this issue.

Additionally, the Commission continues to actively participate in the Department of Environmental Protection's (DEP's) EV Drive Electric PA Coalition. This group, comprised of utilities, non-government entities, EV manufacturers, universities, EV charging station manufacturers, and other interested parties, is working to establish a roadmap for Pennsylvania to increase adoption of EVs and the requisite buildout of EV infrastructure. The venture is timely given the recent settlement agreement between Volkswagen and the Federal Department of Justice.² In addition to the \$118 million allocated specifically to Pennsylvania to reduce emissions statewide, this settlement provides the opportunity to apply for funding from a pool of \$1.2 billion dollars intended to support the infrastructure for and promotion of zero emissions vehicle technologies.

House Bill 1446

HB 1446 directs the Governor or his/her designee to establish a statewide goal for the expansion of transportation electrification in the Commonwealth. The Governor may also establish regional goals for counties or groups of counties determined to be priority alternative transportation infrastructure counties (priority counties). There are 21 priority counties applicable under design of HB 1446. These counties encapsulate the six major metropolitan areas of the state; Philadelphia, Pittsburgh, Lehigh Valley, Scranton/Wilkes-Barre, Harrisburg/Hershey, and Lancaster.

EDCs serving one or more priority counties must develop a transportation electrification infrastructure regional framework (regional framework) for those counties. This process must include representatives from PennDOT, the DEP, county and municipal governments of the priority counties served by the EDC, and public transit organizations. The regional framework consists of the following;

¹ Third Party Electric Vehicle Charging – Resale/Redistribution of Utility Service, Docket No. M-2017-2604382.

² United States of America vs Volkswagen AG, Docket No. 16-CR-20394.

- existing and projected adoption of EVs,
- existing nonroad transportation electrification, and
- additional infrastructure necessary to achieve the goals set by the Governor.

Further, EDCs serving one or more priority counties must also formulate a transportation electrification infrastructure development plan (development plan) for submission to the Commission. The development plan consists of the following;

- a description of the EDC's proposal to meet the goals established by the Governor,
- strategies to optimize utilization of the electric grid such as time-of-use rates,
- proposals to utilize EV charging stations owned by an EDC or by a third-party,
- customer incentives and education measures related to installation or utilization of EV charging stations.

The Commission has 180 days to approve or disapprove a development plan.

HB 1446 provides EDCs the ability to recover the cost of development plan implementation within base rates. The bill states that EDCs shall be permitted to recover all reasonable and prudent costs incurred for the following;

- regional framework,
- development plan,
- EV infrastructure, and
- educational measures.

EDCs are not subject to any penalties for failure to meet any goals established by the Governor.

HB 1446 also directs the Governor, or his/her designee, to complete a statewide assessment of NGV usage and infrastructure. The assessment must identify opportunities and goals for the expansion of NGV adoption and associated infrastructure.

Commission Position on HB 1446

The Commission is neutral on HB 1446. We believe it is valuable to consider policies that can prudently foster the state's EV and NGV markets. In the age of advanced meters and increased investment in distributed generation by end-use electricity customers, EVs are an appropriate and complimentary consideration for policy-

makers. Likewise, increasing production of competitively priced natural gas in the Commonwealth makes NGVs a worthwhile arena for policy-maker consideration.

However, from the Commission's perspective, while we are supportive of alternative fuel transportation adoption, we are intently focused on what the role of utilities should be in these developing markets. In effort to constructively advise the General Assembly, the Commission offers the following observations on HB 1446, with a focus on the bill's EV component.

180-day Review Timeframe

The 180-day review timeline will prove challenging for the Commission. It may not afford the Commission the ability to thoroughly review and consider development plans while also affording all interested stakeholders proper due process. The Commission respectfully requests the consideration of a 270-day review period. Also, the assembly should consider empowering the Commission to extend these deadlines to the extent necessary to provide a thorough review of a plan, along with any amendments to these plans as they are modified during the course of a proceeding.

Voluntary Development Plans

The Commission believes it is prudent to provide those EDCs, who are not otherwise required to file a development plan under HB 1446, the ability to voluntarily file plans for Commission review. Such provisions will maximize participation from utilities who may choose to be proactive in this EV landscape even though they do not serve a priority county.

Utilization of Time-of-Use Rates

The Commission commends the General Assembly for including utilization of time-of-use (TOU) rates in an effort to appropriately incent EV charging. This can help to reduce or offset peak-demand while also increasing distribution system capacity utilization. For distribution rates, time-of-use offerings can be designed solely by the EDC. However, for generation rates, the EDCs must contract with a third-party wholesale generator or permit an electric generation supplier (EGS) to provide that component. This is the case since EDCs no longer can own generation, consistent with Chapter 28 of the Public Utility Code. Determining the appropriate design for statutorily required time-of-use rates is a challenge for the generation component of electric service. The General Assembly may want to consider the utilization of EGSs, through a competitive bid process, for this role while having EDCs provide this service as the default TOU supplier if no EGSs participate.

Utility Ownership of EV Charging Stations

Presently, EDCs only own and operate charging stations necessary to serve their own vehicle fleets. Some of these stations allow public access, but this access is provided as an incidental benefit. HB 1446 would permit EDCs to own and operate public charging stations as an exclusive business venture. This deviates from Pennsylvania's current marketplace design, which leaves investment, ownership, and operation of public access EV charging stations in the hands of unregulated private enterprises (i.e. third-party charging stations).

The Commission recognizes that the proposed language also permits third-party charging ownership of charging stations. Nonetheless, the bill does not mandate this. Therefore, it may be prudent to consider limiting the number of stations/market share an EDC may own and operate in effort to sustain continued investment from unregulated private enterprises.

Alternatively, or in combination, another consideration for utility ownership, to sustain competitive equity, would be to ensure that any value-added services related to charging station development would be priced at the full cost of service. This would mean that those customers that do not use the value-added service, do not pay for it. Further, under basic rate making principles, utilities should only be given an "opportunity" to recover their costs, not a guarantee to recover costs. This again, places competitive service providers and utility service at competitive equity, and provides stronger incentives for utilities to invest wisely.

Cost/Benefit Test

The bill permits EDCs to recover all reasonable and prudent costs incurred for the regional roadmap, development plan, infrastructure, and education. Requiring a reasonableness test is a positive customer protection, particularly when it comes to the regional roadmap, development plan, and education costs. However, the Commission notes that a more stringent cost/benefit test should be considered for infrastructure investments, especially those made for a charging station. A cost/benefit test such as the total resource cost test may be an option for evaluating development plans. From a strictly economic view, such a test will help to protect utility ratepayers from incurring uneconomic costs that would later result in stranded costs. Additionally, such a test would provide a metric for use during Commission review of each EDC's development plans, ensuring consistency across EDCs.

Ratepayer Equity

As written, HB 1446 does not detail if costs incurred are to be recovered from all utility rate-classes. For instance, are the costs only to be borne by residential customers, or, are they to be borne by all customer classes including commercial and industrial customers? Given the wide applicability of alternative fuel vehicle infrastructure investments, the Commission believes the interest of equity may be best served by permitting recovery of costs from all rate-classes that receive benefits from the development plans.

Further, there are geographic equity issues to which the Commission wishes to draw attention. Utilities such as PECO Energy Company and Duquesne Light Company serve predominantly urban territories (i.e. priority counties). Therefore, any costs rolled into rates by these utilities under HB 1446 will also provide all their customers some form of value through increased access to charging stations, education, or other potential deemed benefits.

However, there may be a lack of equity if traditional socialized rate design is used for utilities which serve heterogenous territories (i.e. serve counties qualifying as priority under HB 1446 and counties that do not). For instance, PPL Electric Utilities and Metropolitan Edison Company both serve urban counties and rural counties. Therefore, customers in rural counties who may receive minimal benefits, or even no benefits, could end up paying for the costs. The Commission believes it may be prudent for the General Assembly to consider novel ratemaking concepts to avoid this inequity. For instance, permitting the use of a rider based on customer locations in relation to priority counties, or, a subclass of distribution rates could be considered.

There may also be rate-payer equity issues related to the customer's choice of fuel. If the full cost of service for charging services are not fully recovered thorough charging service rates, HB 1446 would cause customers choosing to use gasoline or diesel driven cars, regardless of their efficiency, to subsidize EV or NGV drivers.

Conclusion

In conclusion, the Commission is thankful for this opportunity to testify in front of the Transportation Committee. We are available to assist you in any way as you consider ways and means to increase adoption of EVs and NGVs across the state. This is an effort clearly worthy of discussion as Pennsylvania's utility and

transportation marketplaces evolve. The Commission hopes you find this testimony insightful, and I am happy to answer any questions you may have today.