

INFORMAL COMMENTS OF THE LARGE CUSTOMER GROUPS

To: The Pennsylvania Public Utility Commission

Re: Petition to Initiate a Proceeding to Consider Issuance of a Policy Statement on Electric Utility Rate Design for Electric Vehicles (P-2022-3030743)

The Large Customer Groups appreciate the opportunity to provide informal comments as part of the stakeholder working group initiated by the Pennsylvania Public Utility Commission ("PUC" or "Commission") in the above-referenced proceeding. The Large Customer Groups are comprised of the Pennsylvania Energy Consumer Alliance ("PECA"), the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), the PP&L Industrial Customer Alliance ("PPLICA"), and the West Penn Power Industrial Intervenors ("WPPII"). The Large Customer Groups are providing the following recommendations to the Bureau of Technical Utility Services ("TUS") and the PUC's Law Bureau for purposes of developing a policy statement on Electric Vehicle ("EV") Rate Design.

1. **Electric vehicle rates should be designed based upon the PUC's polestar of cost-based ratemaking, which should ensure just, reasonable, and non-discriminatory rates that avoid both intra- and inter-class subsidization.**

Discussion: Because cost-based ratemaking is the PUC's polestar, any policy statement on EV rate design should require Electric Distribution Companies ("EDCs") to develop proposed EV rates based on their cost to serve. Utilizing cost-based rate design will not only follow required PUC precedent but will also assist in avoiding any interclass or intraclass subsidies. The Large Customer Groups also recognize that the provision of EV service may differ between rate schedules, as a residential customer utilizing a single EV for personal use may differ from a large commercial or industrial customer utilizing a fleet of EVs. As such, a policy statement addressing proposed EV rate design should recognize the differing uses among an EDC's rate classes to ensure cost-based rates that avoid inter-class and intra-class subsidization. In addition, a policy statement should also recognize that EV rate design should be EDC specific in order to account for the differences among the EDCs and their costs to serve their individual customer bases.

2. As part of any policy statement, the PUC should require EDCs to address EV rate design as part of a base rate proceeding, as a separate tariff filing may inadvertently result in single-issue ratemaking.

Discussion: As part of the stakeholder group discussions, the issue has arisen as to how EDCs should implement EV tariff provisions. As noted above, setting EV rates based on the cost to serve should be the primary factor for EV rate design. In order to ensure cost-based rates that avoid subsidization within and among the various customer classes, initial implementation of such rates as part of an EDC's base rate proceeding would provide the most reasonable means by which to have an overview of all of the costs at issue.¹ Conversely, filing an EV tariff schedule through a separate tariff filing could result in single-issue rate making that would run afoul of long-established PUC policy. With that said, the Large Customer Groups recognize that some EDCs have implemented, and other EDCs may seek to implement, pilot EV programs. While the Large Customer Groups do not oppose the implementation of pilot EV programs, the Large Customer Groups would recommend that any pilot program proposal occur as part of an EDC's base rate proceeding. As such, any policy statement should require that EV rate design be addressed as part of an EDC's base rate proceeding rather than allowing for a single-issue tariff filing, as such a filing could inadvertently result in inter-class or intra-class subsidization.

3. While the costs for customer education and outreach strategies should be borne by the entities seeking to expand and benefit from the use of EVs in Pennsylvania, if the PUC determines that the costs of such education should be borne by customers, the allocation of these budget dollars should be rate class specific in order to account for the differing levels of outreach and education that will be required for each customer class.

Discussion: In ChargeEVC-PA's updated proposed policy statement, ChargeEVC-PA suggests that the PUC policy statement should require EDCs to provide for certain items in an EV tariff proposal filing, including

¹ The Large Customer Groups assume that the EV policy statement will only focus on rate design and not impact the determination of an EDC's rate base. If, however, the policy statement is more expansive, the Large Customer Groups would note two issues of concern. First, in terms of subsidization, the Large Customer Groups would seek to ensure that, if any EDC were to construct its own EV charging infrastructure, customers would not be required to subsidize this infrastructure through the EDC's rate base. Second, the Large Customer Groups would have concerns that, if an EDC were to sell electricity to EV customers through such infrastructure, the EDC would effectively own generation contrary to the provisions of the Electricity Generation Customer Choice and Competition Act.

"customer education and outreach strategies and budgets for different use cases that clarify eligibility and promote effective enrollment to take advantage of EV-specific rates." ² While outreach and education may be an important part of EV usage, ChargeEVC-PA's proposed policy statement does not address from where the budget for such education and outreach will be obtained. The Large Customer Groups submit that the most reasonable source for funding EV education and outreach would be those entities either seeking to expand EV use in Pennsylvania or those entities that would benefit from increased EV use in Pennsylvania.

If the PUC instead finds that customers themselves should bear the costs of their own education and outreach, then the Large Customer Groups would submit that each rate customer class is unique with its own usage characteristics and understanding regarding the energy market. As a result, some customer classes may require additional education on EV rates (*e.g.*, understanding off/on peak rates) while other customer classes may be more familiar with those concepts. In order to ensure that no inter-class subsidization occurs with respect to allocating and collecting the costs for the specific education and outreach required for each customer class, the Large Customer Groups submit that the individual rate classes (*e.g.*, residential, commercial, and industrial) should have separate budgets (with any education and outreach efforts tailored to the needs of each such class) to be collected only from the customers within that class.

4. Prior to finalizing any policy statement, the Pennsylvania Public Utility Commission should coordinate with other state agencies to develop a comprehensive approach to EV rate design.

Discussion: Throughout the course of this proceeding, several parties have encouraged engagement and coordination by the PUC with other agencies in developing EV rate design. Several state agencies may have a vested interest in and understanding of EVs, which could assist the PUC in developing its policy statement. For example, the Pennsylvania Department of Environmental Protection ("DEP") and the Pennsylvania Department of Transportation ("PennDOT") filed Joint Comments in this proceeding describing both agencies' collective efforts that may support and/or complement the efforts being

² ChargeEVC-PA's updated policy proposal at 3.

undertaken by the PUC to develop a policy statement on EV rate design.³ One of the efforts noted in the Joint Comments that can be helpful in developing an EV rate design policy statement is the pending *EV Electricity Rate Design Report*, which the agencies represent will provide an overview of the current state of electric rates in Pennsylvania as it relates to EV charging, identify best practices for EV rate designs from around the country, and make recommendations for the design and implementation of rates in Pennsylvania.⁴ This report may prove beneficial in the context of this proceeding by providing invaluable information as it relates to EV rate design. As such, the Large Customer Groups support the sentiments presented by other stakeholders throughout this proceeding, that the PUC should consider engaging with other agencies, such as DEP or, to provide assistance for purposes of developing an EV policy statement on rate design.

Collaborating with other agencies and the EV working group members can facilitate development of a comprehensive policy statement that addresses EV rate design structure in a manner that is suitable for residential, commercial, and large commercial users. The PUC should take all reasonable measures to ensure that the preparation of a potential policy statement on EV rate design allows for diligent collaboration with DEP, PennDOT, and other interested agencies.

³ Comments of the Pennsylvania Department of Environmental Protection and Department of Transportation at 1.

⁴ Comments of the Pennsylvania Department of Environmental Protection and Department of Transportation at 2.