

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Electric Utility Rate Design for Electric)
Vehicle Charging)**

M-2023-3040755

**COMMENTS OF ALLIANCE FOR TRANSPORTATION ELECTRIFICATION
ON PROPOSED POLICY STATEMENT**

The Alliance for Transportation Electrification (“ATE” or the “Alliance”) appreciates the opportunity to provide these comments on the Pennsylvania PUC’s (hereafter “the Commission”) Proposed Policy Statement entered on November 15, 2023 related to the development of a policy on distribution system and default service generation rate design for electric vehicle charging. The Proposed Policy Statement in this Docket is a result of a petition filed by Charge-EVC-PA in 2022, in response to which the Commission ordered their Bureau of Technical Services to convene a Working Group on December 1, 2022. On May 18, 2023, the Commission issued an Order agreeing with the recommendation of the Working Group and approving Charge EVC-PA’s Petition. ATE was a participant in the Working Group.

The Alliance is a 501(c)(6) non-profit corporation established in early 2018 and is active in many state proceedings across the country. We engage with policymakers at the State and local government level to remove barriers to EV adoption and to encourage the acceleration of EV infrastructure deployment with a particular emphasis on open standards and interoperability. We currently have about 60 members that include electric utilities, auto manufacturers, EV charging and service providers.

The Alliance strongly supports the Proposed Policy Statement and believes it properly encourages jurisdictional utilities within Pennsylvania to file tariffs that will apply both to distribution services and/or default generation services provided to non-utility EV charging stations within the State. The growth of electric vehicles, both light- and medium- and heavy-duty, has continued to be strong in the Commonwealth, providing environmental, social and

economic benefits, not only to electric vehicle drivers but to all consumers within the State. The Commission should remember that increasing EV use results in reduced gasoline and diesel use, also providing clear benefits. As of the end of 2022, Pennsylvania had about 47,000 EVs registered, placing it about twelfth among all states. But of particular interest is the rate of growth – about 100 percent between 2021 and 2022. The tremendous growth in EVs on the road means they will need places to charge. And the rates paid by charging stations for the electricity they sell are a major determinant of economic decisions by potential station owners on whether and where to build. The Commission should ensure that there is a viable economic proposition for potential charging station owners and hosts to develop charging infrastructure, while at the same time of course, ensuring that non-EV owners are not unduly burdened.

In issuing the Proposed Statement, the Commission pointed to this rapidly changing utility landscape and acknowledged that absent appropriate policies, increased EV adoption will likely decrease capacity utilization and place “headwinds” on customer rates. The Commission also noted the potential for increased generation prices and decreased resource adequacy. These concerns appear to be the basis for the Commission’s actions to encourage utilities to file charging tariffs that encourage optimal and efficient use of the utility grid. We agree with the Commission that charging tariffs for both distribution and default generation services should have as their primary objective the minimization of any cost increases from market penetration of EVs and should provide fairness and equity. We also agree that to accomplish these objectives charging tariffs should reflect to the extent possible the costs of service of providing charging infrastructure and services.

Developing tariffs that minimize cost increases due to infrastructure development requires, as the Commission suggests, rate design that encourages EV owners to charge during periods when there is excess capacity on the system. There are two traditional ways in which this is typically accomplished – either through time of use rates (TOU) (or rebates) that offer lower rates during off-peak periods or through demand charges – usually applied to commercial rates – that provide charges based on the customer’s contribution to peak demand. We believe that

utilities should make available to charging customers rates based on TOU or rebates that encourage off-peak use.

The question of demand charges is a little more complicated. During these early years of EV market development, utilization of EV chargers in certain locations may be very low. When demand charges are applied to these charging stations, the resulting per kWh cost for charging vehicles can be extremely high – the demand charge is spread over few kWh sales – making the station potentially unviable economically. This is for the most part a temporary problem. As utilization increases, demand charges become a viable proposition as the demand charge is spread over increasing kWh sales. Thus, the Alliance proposes that utilities filing commercial charging tariffs, and the Commission in reviewing these proposals, consider temporary mitigation of demand charges to provide an economic basis for charging station owners to proceed with developing charging infrastructure. We do not believe that temporary mitigation of demand charges represents unreasonable cross-subsidization between customers which is the standard that the Commission suggests. The Commission should remember that increasing the market for EVs provides substantial benefits to the Commonwealth as discussed above, but requires more charging stations to give potential EV owners comfort that charging will be available when they need it. Secondly, any cross subsidy from mitigating demand charges will be only temporary. The benefits received by all Pennsylvanians will clearly outweigh any short-term cross subsidies that could result.

Finally, we concur with the Commission that customer education is focused on the efficient and effective use of charging and available rates. In this regard, we strongly encourage the Commission to consider cost recovery for programs proposed by utilities that provide such customer education.

In summary, we agree with the Commission that utilities within its jurisdiction should file tariffs for distribution and default generation services for the purpose of implementing rates specifically for EV charging customers. Given growth in EV usage, such tariffs are essential and

will further the benefits provided by increased market EV penetration. Rates should reflect actual costs of service and avoid unreasonable cross subsidization, although we argue that this objective should not preclude the development of temporary demand charge mitigation which may be needed to allow for the development of charging infrastructure during these early days of market development. And there may be other ways, besides demand charges, that rates can be designed to provide proper price signals to customers for efficient use of the grid. We remind the Commission that the Bonbright Principles of Rate Design, the traditional basis for cost-of-service regulation across the country, specifically suggest that cost of service rate design may and should be balanced with public policy objectives among other factors. This is also consistent with the Policy Statement's admonition that rates should be flexible and adaptable to changing circumstances and technologies. And we agree with the Commission that rates should be periodically reviewed and adjusted as necessary.

We also agree that fairness and equity are important objectives of EV rate design policy. To this end, as the Commission suggests, utilities should consider low income impacts in their rate design. But we also remind the Commission that by developing rates which encourage the development of infrastructure, significant environmental, social, and economic benefits can be achieved – benefits which will also be gained by low income and disadvantaged communities. So, both the costs and the benefits should be considered. And again, finally, we concur that customer education should be a part of all utility programs proposed to the Commission.

Respectfully submitted this 26th day of December, 2023,

Philip B. Jones

Philip B. Jones, Executive Director
Alliance for Transportation Electrification (ATE)
1402 Third Avenue, Suite 1315
Seattle, WA 98101
Email: phil@evtransportationalliance.org