

Agenda Date: March 10, 2016
Item Number: A1

Docket: UE-160082
Company: Avista Corporation

Staff: Chris McGuire, Regulatory Analyst

Recommendation

Suspend the revised tariff Schedule 77, filed January 14, 2016, by Avista Corporation, and set for hearing.

Background

Effective June 24, 2015, a new section was added to RCW 80.28 to promote electric utility participation in electric vehicle infrastructure build-out.¹ RCW 80.28.360 specifies that an electric utility may earn an incentive rate of return on its capital expenditures for electric vehicle supply equipment that is deployed for the benefit of all ratepayers.

On January 14, 2016, Avista filed revisions to Tariff WN U-28, reflecting the addition of a new tariff schedule, Schedule 77, Electric Vehicle Supply Equipment Pilot Program. With this filing, Avista proposes a two-year pilot program to install AC Level 2 electric vehicle chargers² at approximately 265 locations throughout the company's Washington service territory. Further, the company proposes to install seven DC fast chargers³ throughout the company's Washington service territory.⁴ These chargers will be owned by Avista for the depreciable life of the assets. Avista does not request rate recovery through this tariff; the request for recovery will be made through the general rate case process.

Project Specifics

This filing proposes to install Level 2 chargers at the following locations: 120 in residential single-family homes, 100 at workplaces, fleet and multi-unit dwelling (MUD) locations, and at 45 public locations. Of the Level 2 EVSE installations, "smartchargers" will be planned for installation in 100 residential and 90 other locations. Smartchargers provide enhanced capabilities that allow for data acquisition, network communication, and demand response, which is essential to determine baseline charging profiles and to ultimately enable demand response programs. Avista also proposes to install DC fast chargers at seven locations in its

¹ Washington Laws 2015, c 220 § 2.

² AC "Level 2" chargers operate at approximately 220 volts AC and typically result in 11 to 22 miles of driving range gained per hour of charging. AC "Level 1" chargers, on the other hand, operate at approximately 110 volts AC and typically result in 3 to 5 miles of driving range gained per hour of charging.

³ "DC Fast Chargers" provide electricity at high voltage (usually delivering power at 50 kW or more) and typically result in total charging time as low as 15 minutes.

⁴ DC refers to direct current, AC refers to alternating current.

Washington service territory over the 2-year time horizon of the pilot. A summary of the installation timeline is as follows:

Charging Type	Year 1	Year 2	Total
Residential SFH Level 2	40	80	120
Workplace/Fleet/MUD Level 2	30	70	100
Public Level 2	20	25	45
Public DC Fast Charging	2	5	7

A summary of the estimated total cost per port connection is as follows:

Charging Type	EVSE equipment	EVSE installation	Site property & Premises wiring	Utility distribution	Total cost per EVSE port connection
Residential SFH L2	\$500	\$150	\$675	\$50	\$1,375
Workplace/Fleet/MUD L2	\$700	\$350	\$1,700	\$750	\$3,500
Public L2	\$2,500	\$500	\$3,000	\$2,000	\$8,000
Public DC Fast Charging	\$35,000	\$55,000	\$10,000	\$25,000	\$125,000
Smartcharger inc. Expense	\$2,000				\$2,000

Overall expenditures are as follows:

	Year 1	Year 2	Year 3	Totals
Capital	\$704,500	\$1,610,750	\$0	\$2,315,250
O&M	\$271,135	\$329,833	\$179,458	\$780,425
Totals	\$975,635	\$1,940,583	\$179,458	\$3,095,675

The expected annual O&M cost beginning at the conclusion of the pilot program is \$179,458 per year. The estimated annual revenue requirement after the equipment is installed (2018 and beyond) is \$686,194, which equates to an approximate 0.1 percent bill impact to customers.

Discussion

Legal framework

Per RCW 80.28.360, a regulated electric utility in the State of Washington may invest in, and may be incentivized for investments in, electric vehicle supply equipment. The proposal to invest in level 2 electric vehicle chargers is consistent with the parameters of the law. However, Avista's proposal to include public DC fast chargers as a component of this program is, for several reasons, inconsistent with RCW 80.28.360.

First and foremost, one needs to make the distinction between battery charging "facilities" and electric vehicle charging "equipment," the first of which is regulated under RCW 80.28.320 and the second under RCW 80.28.360. Avista's proposal to install DC fast chargers is, in fact, a proposal to create public battery charging facilities in the Spokane area. Specifically, Avista states that DC fast charging will be capable of "user payment."⁵ RCW 80.28.320 contains language specific to entities offering "battery charging facilities to the public for hire." Therefore, a DC fast charging facility that is publicly for hire should be offered under a separate tariff that includes a tariff rate, subject to commission approval.

Secondarily, the language of RCW 80.28.360 indicates that the legislature did not intend for the law to apply to DC fast chargers publicly for hire. Specifically, RCW 80.28.360(2) relates to "capital investment in electric vehicle supply equipment on a fully regulated basis similar to other capital investments behind a customer's meter." [Emphasis Added]. A DC fast charging station is not behind a customer's meter. Additionally, RCW 80.28.360(3) states that the equipment should be located "where electric vehicles are most likely to be parked for intervals longer than two hours." DC fast chargers will typically fully charge an electric vehicle battery in 15-30 minutes. There is no expectation that electric vehicles would, or should, be parked at DC fast chargers for "longer than two hours."

Customer Contribution Level for Level 2 Charging Equipment

In its filing, Avista proposes to fund level 2 chargers at, or nearly at, 100 percent. The funding includes the equipment, installation, and premises wiring.

In staff's view, the proposed incentive level is appropriate. RCW 80.28.360 is specific to utility ownership of electric vehicle supply equipment, and outright ownership is achieved with a 100 percent utility contribution. As the law does not imply capitalization of installation costs or premises wiring, cost-sharing with the customer can be considered. However, for this pilot, Staff believes that it is appropriate to fund all components of the project at 100 percent.

⁵ Avista's cover letter to the tariff revision in question, Docket UE-160082, Page 16.

Staff believes that in order to have a successful pilot that includes participation of a significantly significant sample size requires a strong financial incentive. As it is, the Spokane area does not have a high penetration of electric vehicles, and Avista is asking for substantial commitment on the part of the customer which is likely to further hinder program participation. Specifically, Avista is contractually requiring that participants allow data collection, participate in surveys, and participate in demand response programs and experiments. Staff expects that it will be very difficult to solicit participation in this pilot program, particularly if the customer is asked for a financial commitment in addition to considerable inconvenience.

Prudence and Incentive Rate of Return

It should be noted that the law specifies the capital expenditures shall not increase costs to ratepayers in excess of one-quarter of one percent. Thus, it will not be known whether this program is fully compliant with state law until ratepayer impact can be evaluated retrospectively. Therefore, in no way should the company interpret acceptance of this tariff revision as pre-approval for recovery of the investment, let alone qualification for an incentive rate of return on the investment as allowed under RCW 80.28.360.

Public Comments

The commission received 14 customer comments; four opposed, nine in favor and one undecided. Consumer Protection staff advised consumers that they may access company documents about this rate case at www.utc.wa.gov, and that they may contact commission staff at 1-888-333-9882.

General Comments

Four customers stated an objection for the general rate base to pay for the electric charging stations. One customer stated that she personally paid for an electric charging station in her home and expects other owners to do the same. This same customer also had the following comments/questions: (1) Is it necessary to pay dealers \$100 per electric vehicle sold to get information about purchasers? The money would be more wisely used for actual public charging stations. (2) Can workplace level 2 chargers be made available to the public?

Staff Response

The electric charging stations are allowed to be purchased by the utility and placed in rate base per RCW 80.28.360. The \$100 per vehicle payment to dealers is appropriate to incent the dealer to collect customer information and provide that information to Avista. Level 2 chargers are “behind the meter,” such that the employer will pay for increased energy usage. It is not reasonable to expect employers to provide electricity for free to the general public. The consumers were given a link to the filing and informed of the opportunity to participate at the open meeting on March 10.

Comments of ChargePoint

Chargepoint requests that the commission suspend this tariff schedule and set it for hearing, the general thrust of the argument being that policy regarding RCW 80.28.260 should be discussed more formally and with greater participation than what is afforded in company-specific tariff filings. Chargepoint more specifically encourages the commission to consider models that do not involve utility ownership of the equipment and that promote competition.

Staff Response

RCW 80.28.260 is very clear in that it allows for utility ownership of charging equipment. Although other models may be considered, utilities are not precluded from pursuing, and the commission is not precluded from allowing, a utility ownership model. In regards to competition, Avista has issued an RFP to which Chargepoint can respond with a competitive bid. The scale of this pilot (265 level 2 chargers) should not be expected to seriously impact the electric vehicle charger market. However, if Avista moves beyond the pilot stage and into a full-scale roll-out with a possibility of disruption of fair market competition, the commission should consider alternative procurement options.

Staff firmly believes that policy should not be made blindly. The collection of data and information through pilot programs is essential to the development of informed policy. Therefore, Staff believes it would be counterproductive to hold back pilot programs at this time.

Conclusion

The portion of Avista's tariff revision regarding DC fast chargers is inconsistent with RCW 80.28.360 and should be removed from Schedule 77 altogether. The remainder of the proposal, specifically in regards to level 2 chargers, is consistent with RCW 80.28.360. Staff believes a pilot is necessary, and the pilot described in the company's filing represents a reasonable attempt by Avista to assess the costs and benefits of electric vehicles and electric vehicle smart chargers to Avista and its ratepayers while keeping pilot costs reasonably low. However, Staff cannot recommend approval until the language regarding DC fast chargers is removed from the tariff. Therefore, Staff recommends that the commission suspend tariff Schedule 77 and set the matter for hearing.