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November 22, 2016

Via Electronic Mail

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UE-160799 - Comments of Avista Utilities: Electric Vehicle Supply Equipment

Dear Mr. King,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Opportunity to Submit Written Comments (Notice) issued in Docket UE-160799 on November 2, 2016.

The Commission established Docket UE-160799 "to assist the Commission in determining whether to open a rulemaking or issue a policy statement" relating to utility investment in Electric Vehicle Supply Equipment (EVSE) pursuant to RCW 80.28.360. Avista provided comments on this docket on August 16, 2016 and attended the Commission's workshop held on September 13, 2016. In the Notice issued November 2nd the Commission states it is now seeking "additional input on the scope and content of a rulemaking or policy statement on utility investment in electric vehicle supply equipment."

Avista appreciates the opportunity to provide the following comments in response to the issues identified by the Commission:

1. Whether a rule or policy statement is necessary to implement RCW 80.28.360;

Response: As stated in the Company’s first round of comments provided on August 16th, House Bill 1853 and RCW 80.28.360 have directed utilities to participate in the electrification of the transportation sector in Washington because of their understanding and engineering of the electric grid. In order to do this, utilities need the policy direction and support of the Commission to operate successful EVSE programs. While a rule or policy statement is not required for utilities to implement an EVSE program under RCW 80.28.360 as demonstrated with Avista’s EVSE Pilot Program, a policy statement providing guidance on many of the questions, concerns, and issues does appear to be necessary. We believe a rulemaking is not necessary at this point.

Electric vehicles are no doubt part of the future of transportation. Current adoption levels and general awareness remain relatively low in the state of Washington, particularly in the eastern portion of the state. However, given the significant performance improvements, as well as economic and environmental benefits that may be realized over time, we believe that EV adoption will increase and has the potential at some point to increase at a rapid pace. Consider that in May, 2016, Tesla officially reported that it had received pre-orders for 373,000 Model 3s, demonstrating unprecedented demand for a vehicle two years before its availability.¹ This number is likely well over 400,000 by now. The Chevy Bolt is currently in production and should be available at area dealerships in early 2017, a next-generation EV with a range of 236 miles per charge and an MSRP of \$37,495 before incentives.² Another example is the Governor’s Washington State Electric Fleet Initiative, which “will ensure at least 20% of all new state passenger vehicle purchases are electric

¹ “Prospectus Filed Pursuant to Rule 424.” Tesla Investor Relations. May 18, 2016. <http://ir.tesla.com/secfiling.cfm?filingID=1193125-16-594471&CIK=1318605>

² “Introducing the All-Electric 2017 Chevrolet Bolt EV.” November 11, 2016. <http://www.chevrolet.com/bolt-ev-electric-vehicle.html>

vehicles by 2017.”³ Earlier this month Governor Inslee “doubled the number of EVs in the state motor pool with the purchase of more than 130 long-range EVs.”⁴ With adoption of EVs on the rise and a growing need for EVSE infrastructure, electric utilities, as recognized by the legislature, are a natural fit and are needed to participate in the EVSE market.

While HB 1853 and RCW 80.28.030 paved the way for utilities to participate in the EVSE market, there are many questions and issues that the statute did not adequately resolve. Some of these issues and concerns were discussed during the review and approval of the Company’s EVSE Pilot Program, and need not be restated here. A policy statement would help address these issues, but at the same time any guidance should be flexible so that programs and policies can evolve over time to meet changing market dynamics and customer expectations. The EVSE market is still in its infancy and there is much to learn. Some geographic regions of our state will adopt EVs more rapidly, while others will adopt them at a much slower pace, for a variety of reasons. Utility pilots and programs will help provide knowledge for the utilities and the Commission that should be taken into consideration as the EVSE market continues to mature and develop.

2. How the Commission will consider whether an investment is eligible for the incentive rate of return;

Response:

The Company recommends that the Commission focus on the criteria defined in RCW 80.28.260 for determining whether an investment is eligible for the incentive rate of return. Specifically, the statute requires the following:

- 1) *The company must pursue capital investment in electric vehicle supply equipment on a fully regulated basis similar to other capital investments behind a customer's meter;*
- 2) *Projects must be installed after July 1, 2015;*

³ “Washington State Electric Fleets Initiative.” Washington Governor Jay Inslee.

http://www.governor.wa.gov/sites/default/files/documents/ElectricFleetsInitiative12_07_2015.pdf

⁴ “Inslee doubles state electric vehicle fleet with long-range EV purchases.” Washington Governor Jay Inslee. November 3, 2016. <http://www.governor.wa.gov/news-media/inslee-doubles-state-electric-vehicle-fleet-long-range-v-purchases>

- 3) *Projects which are reasonably expected, at the time they are placed in the rate base, to result in real and tangible benefits for ratepayers by being installed and located where electric vehicles are most likely to be parked for intervals longer than two hours.*⁵

Further comments from the Company on the criteria listed above can be found in its first round of comments provided on August 16th.

3. How other relevant statutes and Commission rules and standards apply to utility investment in EVSE;

Response:

The Company is aware of several statutes that may impact the Commission’s policy guidance related to RCW 80.28.360. The following are the statutes and the Company’s comments as to how they may interact with utility investment in EVSE:

a) RCW 80.28.020 – Commission to fix just, reasonable, and compensatory rates

As utilities develop EVSE programs, public EVSE, including AC Level 2 and DC Fast Chargers, will likely be proposed and/or deployed as part of those programs. With EVSE available to the public, utilities will propose rates to be charged to users of the EVSE. Under RCW 80.28.020, “the commission shall determine the just, reasonable, or sufficient rates, charges, regulations, practices or contracts to be thereafter observed and in force...” As discussed during the filing process of the Company’s EVSE Pilot Program, rates for public EVSE must be “market based” or competitive with what other EVSE stations are charging. Also, the rates to be charged must be competitive or lower than the equivalent price per gallon of gasoline, otherwise drivers may not choose to drive electric. The Commission has discretion in approving or determining the rates to be charged, and the past practices of relying primarily on cost-based analyses to determine rates may undermine the opportunity to achieve EVSE objectives. A fresh, holistic look at long-term costs and benefits may be necessary.

⁵ RCW 80.28.360(2) and (3)

b) RCW 80.28.075 – Banded Rates—Natural gas and electric services

When considering the appropriate rates to be charged for public EVSE as described above, a statute that the Commission may take into consideration is RCW 80.28.075. This statute authorizes the Commission to approve a banded rate, or a rate that has a minimum and maximum rate, for electric service. Banded rates would be useful as utilities set market based rates for public EVSE. As market prices move up or down, a banded rate would allow the utility to adjust the rates at the public EVSE within a band, without seeking approval from the Commission. This rate structure could alleviate some of the regulatory filing process and burdens associated with changes to tariffs for both the utilities and the Commission. The banded rate model has been adopted by Hawaii Electric Company for their DC fast charging stations. Further detail about their banded rate structure can be found in their tariff Schedule EV-U⁶, Commercial Public Electric Vehicle Charging Service Pilot.

c) RCW 80.28.320 – Regulation of Battery Charging Facilities

In essence, RCW 80.28.320, states that the Commission shall not regulate the installation and operation of EVSE by entities that are not subject to the Commission’s jurisdiction, or by an electric company that operates EVSE where it is not subsidized by its regulated services. Within the Company’s EVSE Pilot Program it will be installing AC Level 2 EVSE available for public use behind its customers’ meters. With this arrangement the Company will not be determining the rates or fees to be charged for use of the EVSE, but will help its customers understand the different pricing structures if requested to do so. For future programs it would be helpful for the Commission to reiterate that it will not regulate the rates or fees to be charged by customers that operate an EVSE station under a utility’s program.

d) RCW 80.12.020 – Order required to sell, merge, etc.—Exemption

This statute was discussed in the first round of comments alongside RCW 80.28.360(4), which allows an electrical company to “gift” EVSE to a customer when it has been

⁶ <https://www.hawaiianelectric.com/my-account/rates-and-regulations/hawaiian-electric-rates>

fully depreciated. Avista believes there is no conflict between these two statutes, and that gifting EVSE infrastructure will not impact the benefits to a utility's electric customers with greater adoption of EVs.

4. Whether the Commission should consider or adopt other policies to improve access to electric vehicle supply equipment and allow a competitive market for charging services to develop.

Response: The Commission should consider other policies to improve access to electric vehicles that will encourage utilities to play a key role in this new market, while still allowing for a competitive market to develop. As seen with other electric generation markets in their infancy such as wind and solar generation, subsidies played a key role in developing those markets, which helped to reduce costs over time as volume increased. While similar subsidies for EVSE may not be available or necessary, regulatory support for utility participation consistent with the legislation, will play a key role as the EVSE market develops. Similar to wind and solar generation, we believe costs will come down over time. Ultimately, the focus of EVSE investment and support should be on the long-term benefits of greater EV adoption and the most cost-effective, reliable ways to achieve higher adoption levels. This will result in maximizing net benefits including grid asset utilization benefiting all customers, economic benefits from fuel and maintenance cost savings, and environmental benefits to both electric customers and the citizens of Washington State.

Utilities are in a different environment today, compared to the past when it comes to growth in revenue attributed to growth in load. The Commission recently described this phenomenon in Order 10 from Docket UE-151871 and UG-151872:

Electric and natural gas utilities in Washington and throughout the United States face new and different business challenges today than they have through much of their history. Historically, utility revenues grew reliably, if not steadily, because load growth was significant year over year and typically equal to or greater than increasing capital and operating costs. Under such a regime, utilities usually could recover both their fixed costs embedded in rate base and their variable costs accounted for in volumetric rates. Such historical conditions, however, are not necessarily present for many electric and natural gas utilities today.

Similar to natural gas utilities, electric utilities are facing this same challenge, which over time may be mitigated by investments in EVSE and greater adoption of EVs. The Commission should keep this in mind when considering policies related to improving access to EVSE.

Additionally, other funding sources may become available for utilities to pursue in partnership with other organizations. For example, past federal programs have included grant opportunities for transit authorities to convert bus fleets to electric. Most recently, Volkswagen reached a \$14.7 billion settlement in which \$2 billion will be provided for clean-emissions infrastructure including partnering with states and utilities for investments in EVSE. In light of these examples, and in addition to programs that allow for rate-based recovery of EVSE infrastructure, the Commission should encourage utilities to design programs where they can partner with others or find ways to seek out additional funding sources in the general promotion and support of electric transportation in the residential, commercial and industrial sectors.

Lastly, the Commission should encourage utilities to bring forth EVSE pilot programs that will allow all stakeholders to learn together as the EVSE market grows and develops. Pilot programs will allow utilities to take small steps forward as they make investments in EVSE, learn from experience, and ultimately develop effective larger-scale programs.

Avista appreciates the opportunity to provide these comments, and we look forward to the continued dialogue in this process. Please direct any questions regarding these comments to me at 509-495-2782 or by email, shawn.bonfield@avistacorp.com.

Sincerely,

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