Agenda Date: April 28, 2016
Item Number: A1

Docket: UE-160082
Company: Avista Corporation

Staff: Chris McGuire, Regulatory Analyst

Recommendation

Allow the revised tariff Schedule 77, filed March 31, 2016, by Avista Corporation, to go into effect by operation of law, subject to conditions.

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. This item was first discussed at the commission's regularly scheduled March 10, 2016, Open Meeting. At that Open Meeting, Avista agreed to file replacement pages extending the effective date of the tariff to allow for further discussion. On March 11, 2016, Avista filed replacement pages extending the effective date to April 11, 2016. This item was again discussed at the commission's March 24, 2016, Open Meeting. On March 31, 2016, Avista again filed replacement pages, now extending the effective date to May 2, 2016.

Project Specifics

In this filing, Avista proposes to install AC Level 2 chargers[2] in its Washington service territory at the following: 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 further proposes to install DC fast

[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.

chargers[3] at seven locations throughout the company's Washington service territory.[4] All 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.

Discussion

Prudence Determination

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. Staff finds Avista's proposal to invest in electric vehicle charging equipment is consistent with the parameters of the law. However, to be eligible for the incentive rate of return per RCW 80.28.360, when Avista requests recovery of these investments it must demonstrate, unequivically, that the investments "are deployed for benefit all ratepayers."[5] Additionally, the law states that 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, staff believes it is important to state firmly via order that by allowing this tariff to go into effect, the commission is in no way pre approving recovery of this investment. As is the case with other capital investments, the commission will evaluate capital expenditure prudence in a general rate case.

Customer Contribution Level for Level 2 Charging Equipment

In its initial filing, Avista proposed to fund level 2 chargers at, or nearly at, 100 percent. The funding includes the equipment, installation, and premises wiring. After recieveing feedback from the commission as well as Public Cousel, Avista agreed to reduce the funding for premises wiring to 80 percent for residential and non-residential installations, and 65 percent for non-residential installations that require user payment capabilities.[6]

Although staff did not oppose Avista's initial proposal of 100 percent funding, staff agrees that partial funding by the program participant is warranted, at least until it can be shown that a greater level of funding is necessary for greater program participation. If project participation is stifled by up-front premises wiring cost borne by the customer, staff expects that Avista will file a tariff revision to raise incentives in an effort to promote greater participation.

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[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.
[5] RCW 80.28.360(1).
[6] Avista will pay these percentages of the premises wiring costs up to $1000 per port for residential installations and up to $2000 per port for non-residential installations.

Consumer Choice

Throughout this proceeding, ChargePoint has been alleging that by choosing a single vendor through an RFP process, Avista will be depriving consumers of product choice; in effect, Avista would be preventing fair market competition[7] which is inconsistent with language in RCW 80.28.360. Specifically, RCW 80.28.360(1) states that "[t]he Commission must consider and may adopt other policies to improve access to and promote fair competition in the provision of electric vehicle supply equipment."

Staff does not dispute the need for greater commission direction on the promotion of fair market competition. In fact, staff believes that if Avista were to extend this program beyond pilot stage, commission policy guidance on this issue would likely be needed. However, staff continues to maintain that it is unnecessary to address this policy issue prior to Avista moving forward with this limited pilot.

Proposed Conditions

Reporting Requirements – RCW 80.28.360(5) states that "[b]y December 31, 2017, the commission must report to the appropriate committees of the legislature with regard to the use of any incentives allowed under this section, the quantifiable impacts of the incentives on actual electric vehicle deployment, and any recommendations to the legislature about utility participation in the electric vehicle market." To enable the commission to report this information to the legislature, and to keep the commission apprised of progress in general, staff requests that the commission order Avista to file regular progress reports with the commission. Specifically, staff requests that at least every six months, beginning November 1, 2016, Avista be required to report on program participation levels, expenditures, and revenues for each program segment. Avista should also include in these reports the locations of DC fast chargers, their utilization rates, and the revenue contribution to fixed and variable costs. This reporting timeline will enable the commission to review at least three semi-annual reports prior to itself reporting to the legislature by December 31, 2017.

DC Fast Charger Rates – As has been discussed throughout this proceeding, the rate Avista proposes to charge for its public DC fast chargers is not cost-of-service based. Rather, the rates are being proposed to be "market-based" rates; that is, the rates will be consistent with the rates being charged by other public DC fast charging facilities. Staff believes this approach is appropriate for this two-year pilot, particularly given that without knowing utilization rates, cost of service-based rates cannot be calculated. However, in order to continuously charge rates that are "market-based," Avista must regularly update its rates to maintain consistency with market rates. Therefore, staff requests that Avista be ordered to regularly update the rate it charges for DC fast charging services. Staff believes that quarterly updates to rates is an appropriate tradeoff between regulatory burden and real-time following of market rates.

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[7] *See e.g.,* Docket UE-160082, Comments on behalf of ChargePoint, Inc. (March 24, 2016), at page 2.

Conclusion

Staff believes this pilot is both warranted and properly constructed. Therefore, staff recommends that the commission allow the revised tariff Schedule 77, filed March 31, 2016, by Avista Corporation, to go into effect by operation of law, subject to the reporting requrements and regular updates to DC fast charging rates, as discussed above. Additionally, staff recommends that in its order the commission include strong language regarding its policy on pre-approval of capital expenditures.