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COMMENTS OF THE UTILITY REFORM NETWORK ON THE DRAFT 2020 INTEGRATED ENERGY POLICY REPORT UPDATE

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COMMENTS OF THE UTILITY REFORM NETWORK ON THE DRAFT 2020 INTEGRATED ENERGY POLICY REPORT UPDATE

I. Introduction

The Utility Reform Network (TURN) provides these limited comments on the *Draft 2020 Integrated Energy Policy Report (IEPR) Update, Volume I,* to voice our support for the principle that new regulatory and funding mechanisms are necessary to encourage private sector investments to meet charging station needs in a cost-effective manner. TURN encourages the CEC to adopt principles and policies that ensure charging station deployment is met at least cost and burden to the public, particularly ratepayers. One way this may be accomplished is through a centralized procurement mechanism that seeks to minimize unit costs and maximize benefits (utilization) of deployment, discussed under the Charging Infrastructure (Chapter 4) portion of the IEPR. TURN also wishes to highlight the potential for perverse incentives under AB 841, and the need for regulators to plan for and, if necessary, mitigate these impacts now, before review of this policy in future years.

II. Background

TURN is a consumer advocacy organization with a mission to ensure that all Californians have access to clean, safe, affordable, and reliable electricity. After the passage of SB 350, investor owned utilities (IOUs) have significantly expanded their role in the charging station infrastructure space by deploying significant ratepayer subsidies for light and medium-heavy duty charging infrastructure and stations; more than $1 billion in ratepayer funding has been authorized for this effort by the CPUC for the state's three large Investor Owned Utilities (IOUs). TURN is a strong supporter of state goals to increase adoption of electric vehicles (EVs), as this promises to benefit ratepayers through cleaner air, lower GHGs, and potentially lower electric rates (if utility program costs do not outweigh revenues from increased load). However, IOU light-duty charging programs to date have not minimized costs and maximized benefits, despite the statutory intent of SB 350. Ratepayer funds should be the last resort for public funding, as it is not only more regressive than state funding mechanisms, adding to the considerable affordability pressures and inequities that continue to mount in California, but is

also counter to state electrification goals by increasing the price of electricity and thus the economic incentive to switch over to this "fuel". The CEC as a sister agency should actively encourage the CPUC not to burden electric rates unnecessarily so that the economic incentive to "electrify everything" is not completely nullified by excessive utility expenditures.

TURN has participated actively in all of the large IOUs' EV charging infrastructure applications to date at the California Public Utilities Commission (CPUC), advocating for program structures that minimize costs and maximize benefits of utility charging infrastructure programs, which usually require significant modifications to utility proposals. Ideally, the state's goal should be to maximize the emissions reductions for each public dollar spent. However, the state's siloed approach to infrastructure deployment is likely leading to some sub-optimal outcomes. For instance, despite the CEC's demonstrated ability to leverage funds from site hosts and stretch public dollars to deploy more charging stations, utility charging infrastructure programs deploy charging stations in a relatively inefficient manner. Core to this problem is the utility business model, which incentivizes utilities to increase capital spending, and for which there is no risk-sharing, absent Commission action, for infrastructure that is either not utilized or under-utilized.

As TURN presented in its August 27, 2020 comments on the CEC's August 4, 2020 workshop on Plug-In EV Charging Infrastructure, IOU light-duty charging infrastructure programs have been considerably more expensive than state and non-IOU programs to deploy charging stations. Further, infrastructure deployed by the IOUs to-date has shown very low utilization. TURN urges the CEC and CPUC to apply the lessons learned from the results of the IOUs' light-duty charging infrastructure pilots to implement a coordinated approach to funding and siting charging infrastructure so that it provides the greatest benefits for the least cost. The ability of California to meet its ambitious greenhouse gas reduction and EV adoption goals hinges on this fundamental principle. Charging infrastructure that is not utilized does not provide benefits to ratepayers or the environment, and recovering the cost of unnecessarily expensive charging infrastructure in electricity rates threatens the viability of electricity as a fuel source.

III. TURN Supports the Recommendation to Evaluate New Regulatory and Funding Mechanisms to Encourage Private Investment in Charging Infrastructure and Encourages the Commission to Pilot this Concept

TURN's experience reviewing the results of the IOU's light-duty charging infrastructure programs to date has found a few common elements that indicate it is not a sustainable or scalable model. These common features are:[1]

- Per port costs are high;
- The level of subsidy provided to site hosts is very high (over 90% on average), and is likely much higher than necessary to induce participation for most site hosts;
- Utilization of many of the charging stations is low, with many sites at 0% or 1% utilization.

Accordingly, TURN supports the recommendation to explore new regulatory and funding mechanisms to encourage private sector investments in charging infrastructure.[2] TURN previously submitted comments supporting the concept of a Transportation Electrification Regulatory Policy Act (TERPA) framework, that was presented at a California Energy Commission (CEC) workshop on August 4, 2020.[3] TURN encourages the CEC to begin piloting the centralized procurement concepts outlined in the TERPA framework. Based on the CEC's current approach to TE programs and investments, it may make sense to pilot that concept in one region, which should supplant utility investment in the piloted sectors for the time period of the pilot. The pilot results would provide useful data to elevate the viability of a centralized procurement mechanism and compare the costs and utilization to existing state and utility funded programs. Data collection through this pilot may allow the CEC to scale the approach to larger areas, and ultimately become the statewide procurement construct if it is found to be successful.

The discussion of the TERPA concept in the IEPR states "the public funding (which could pool capital from driver and pollution fees or electric ratepayers) is optimized for the

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[1] See TURN's analysis of the results of SDG&E's Power Your Drive Pilot and SCE's Charge Ready Pilot in TURN's Opening Testimony (Witness Borden) on SDG&E's Power Your Drive 2 Application, A.19-10-012, pp. 17-28 & TURN's Opening Testimony (Witness Borden) on SCE's Charge Ready 2 Application, A.18-06-015, pp. 48-56. See CPUC Draft Transportation Electrification Framework, Table 9, p. 111, for utility pilot costs.

[2] Draft 2020 IEPR Update, Volume 1, p. 102.

[3] TURN Comments re August 4th Workshop on Plug-In EV Charging Infrastructure, August 27, 2020, pp. 5-6.

lowest-cost solution."[4] TURN wishes to highlight the significant amount of funding ratepayers have already provided for TE investments, over $1.4 billion[5], and the CEC should view ratepayer funds as an absolute last resort moving forward, for the reasons stated herein. Any funding for TERPA from electric ratepayers should directly offset any ratepayer funding for IOU charging infrastructure programs. TURN encourages the CEC and CPUC to work together to set annual or biannual TE spending limits for IOU ratepayers and eventually determine what portion of those funds should be allocated to IOU programs or used to fund a "public" mechanism. TURN also notes that to the extent ratepayer funds are used, they should only be available for charging infrastructure in the respective IOU service territory to prevent cross subsidization. Approximately two-thirds of all electric customers in California are large IOU (PG&E, SCE & SDG&E) customers, so it is important not to confound ratepayer funding with "public" funding.

IV. Regulatory Agencies Must Acknowledge and Plan for Perverse Incentives that May Result from the Implementation of AB 841

The Legislature recently passed Assembly Bill (AB) 841 (Stats. 2020, Ch. 372) which mandates certain changes to the way the IOUs provide electric distribution infrastructure to support new EV charging load. TURN appreciates the acknowledgement in the IEPR that the provision of completely subsidized electric distribution infrastructure to support EV charging under AB 841 may negatively impact the private market and the electric grid.[6] The IEPR states:

> The costs are tracked in a memorandum account and would be recovered in the utilities' subsequent general rate case. Encouraging the development of utility-side electric distribution costs for separately metered charging may remove incentives for project developers and utilities to reduce capital expenditures and manage load. These incentives may be removed because the costs of the EV load are "added not integrated" with the system and would be subject to EV-only rates that cannot be balanced with other non-EV load. This authorization has the potential to disadvantage charging solutions that impact the grid less.[7]

TURN shares these concerns but it is also important to remember that this aspect of AB 841 is not necessarily permanent. Public Utilities Code Section 740.19(d)(3) states:

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[4] Draft 2020 IEPR Update, Volume 1, p. 96.
[5] *Id.* at p. 91.
[6] *Id.* at pp. 92-93.
[7] *Id.* at p. 93 (footnotes omitted).

> It is the intent of the Legislature that the interim policy, known as the Common Treatment for Excess PEV Charging ... shall be the policy applied by the commission, and may be revised by the commission after the completion of the electrical corporation's general rate case cycle in effect on January 1, 2021, if a determination is made that a change in the policy is necessary to ensure just and reasonable rates for ratepayers.[8]

Further, the CPUC has the authority to determine the appropriate implementation of this statute, and the Assigned Commissioner for the CPUC's Transportation Electrification Rulemaking (R.18-12-006) recently issued a ruling seeking party comment on a variety of implementation issues related to this statute.[9] The Ruling asks for party feedback on the potential for adverse load management impacts and how to balance load managements goals with the directive in Public Utilities Code Section 740.19.

Accordingly, the Legislature intended for this to be a potentially temporary policy to be re-visited in the near-future. The IEPR should account for this potential policy change and should not let the directive in AB 841 for the IOUs to provide subsidized utility-side distribution infrastructure to support EV charging dictate the CEC's or CPUC's policies and recommendations. The potential for this directive in Section 740.19(d)(3) to disadvantage or disincentive charging solutions that impact the grid less, highlights the need to proactively track the impact of this policy and to continue to pursue mechanisms that incentivize charging solutions that can meet specific charging needs at the lowest cost, such as the TERPA framework addressed above.

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[8] Excerpt from Public Utilities Code Section 740.19(d)(3), emphasis added.
[9] CPUC, R.18-12-006, ASSIGNED COMMISSIONER'S RULING REGARDING IMPLEMENTATION OF ASSEMBLY BILL 841**,** January 15, 2021, available at https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M360/K524/360524015.PDF.