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Memorandum
From the Office of
Commissioner Justin Olson
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TO: Docket Control
DATE: August 13, 2018
FROM: Commissioner Justin Olson's Office
SUBJECT: Docket No. E-00000J-18-0266

Arizona Corporation Commission

DOCKETED

AUG 13 2018

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Commissioner Justin Olson originally filed the attached letter concerning electric vehicle infrastructure in Dockets E-00000Q-16-0289, E-01345A-17-0134, and E-01933A-17-0250. It has come to our attention that this letter should also be included in the recently opened Docket E-00000J-18-0266 titled Commissioner Dunn's Inquiry into Electric Vehicles, Electric Vehicle Infrastructure, and Electrification of the Transportation Sector in Arizona.

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E-00000J-18-0266

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August 8, 2018

RE: Energy Modernization Proposal, E-00000Q-16-0289; APS 2018 Demand Side Management Plan, E-01345A-17-0134; TEP 2018 Energy Efficiency Plan, E-01933A-17-0250

I am writing to address proposals that have been made in the Energy Modernization Plan and the Demand Side Management Plans for both APS and TEP involving electric vehicle infrastructure. In each of the dockets, there is a request that the Commission grant utilities the ability to build out electric vehicle infrastructure at ratepayer expense.

In my view, the Commission should proceed thoroughly and cautiously before adopting any plans that endorse the use of ratepayer money to fund electric vehicle infrastructure. I understand that our Commission has yet to grant such an approval. Although the Commission has ordered APS to update the Commission annually on the status of the EV market, the Commission declined previously to approve APS's request for a more robust implementation of EV infrastructure.¹

Before our Commission proceeds with adopting these types of measures, I believe the Commission should thoroughly analyze a few very important questions. We should begin with discussing whether EV charging infrastructure is a natural monopoly that necessitates involvement by our regulated entities. Private, non-monopoly businesses have certainly shown a willingness to build EV charging stations. If private industry is willing to finance EV charging networks, then I do not believe we should burden ratepayers with that cost. Utilities that own charging stations also may have a competitive advantage over private businesses such that their entry may deter private investment in this area.

Aside from this chief policy concern, I also believe that the Commission should require utilities to clearly demonstrate the need for ratepayer funded EV infrastructure prior to allowing this infrastructure to be financed through rates. It is not clear to me that the EV market is in a different place than when the Commission originally declined to allow APS to build EV infrastructure. In its last filing, APS noted that EVs were still in the early adoption stage by customers. Opponents have long argued that it is unfair to make all ratepayers pay for a service that only a few relatively affluent people will use.

Supporters argue that more EV charging stations are necessary to encourage EV adoption on a wider scale. Despite the small number of EV owners, the market is making charging stations available. Based on data from U.S. Department of Alternative Fuels, there are over 100 public charging stations in Phoenix, operated by companies such as Blink Charging and ChargePoint. APS confirmed that as of April

¹ See Commission Decision 72582.

2017, Blink Network has 516 charging ports in Arizona. Certainly, there is no shortage of available electric vehicles in Arizona; every major automaker has an electric vehicle model.

Additionally, there are other practical concerns with investing ratepayer money in public EV charging. It is not clear that EV owners will choose public charging stations over the convenience of charging their cars at home. EV technology is also moving so quickly in this area that ratepayer funded EV infrastructure may become obsolete within a short amount of time. Increased battery life and range in EVs may make some charging stations obsolete.

It would be beneficial for the Commission to review how other states have handled the issue of utility owned EV infrastructure. Missouri, Michigan, Kansas, and Indiana have each declined utilities' requests to build charging stations with customers' money.² In contrast, both California and Nevada have recently approved utility built EV charging stations. California, which is home to nearly half of the EVs on U.S. roads, approved plans for three utilities to build more than 12,500 charging stations for approximately \$200 million. The Kentucky Public Service Commission allowed utilities to build charging stations, but the costs would only be recouped from those customers who use the stations. In Colorado, regulated utilities can own and operate charging stations, but they are prohibited from recouping from ratepayers any costs associated with the stations. In Ohio, a large utility requested that instead of building their own charging stations that they be authorized to give rebates to businesses and others that install public chargers. Washington adopted legislation allowing utilities to make investments in EV infrastructure and recover from ratepayers if the resulting increase in rates was less than 0.25%.

This issue is likely to reach the Commissioners first in the form of APS and TEP's demand side management plans. I believe we should remove all the EV elements from these plans. I am not convinced that the demand side management plans are the appropriate venue for considering this type of proposal. Rather than saving energy, the promotion of EVs would obviously increase the overall use of electricity. Staff noted in its report that the request simply does not fit into the standard Societal Benefits Test. I propose that the Commission remove any budget items tied to the planning or building of electric vehicle infrastructure from the APS and TEP energy efficiency plans.

I suggest that any discussion on EV infrastructure occur in a separate docket from demand side management plans.

Sincerely,



Commissioner Justin Olson

² *Should Utilities Building Charging Stations for Electric Cars?* The Pew Charitable Trusts.
<http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/09/11/should-utilities-build-charging-stations-for-electric-cars>.