Comments of the Southwest Energy Efficiency Project and Western Resource Advocates on the Staff Policy Implementation Plan for Electric Vehicles

The Southwest Energy Efficiency Project (SWEEP) and Western Resource Advocates (WRA) appreciate the opportunity to submit these joint comments on the Commission Staff’s May 10, 2019, Electric Vehicle (EV) Policy Implementation Plan,¹ regarding how to implement the Commission’s EV Policy Statement adopted in Decision No. 77044.

We applaud Commissioners and Commission Staff for their work that led to the adoption of the Commission’s EV Policy Statement in December 2018.² We also thank the Commission for holding four separate stakeholder workshops and for accepting and considering multiple rounds of stakeholder comments in order to develop the proposed EV Policy Implementation Plan.

Overall, SWEEP and WRA support the Commission Staff’s EV Policy Implementation Plan and recommend its approval with the minor modifications discussed below. Suggested amendments to address the first three SWEEP/WRA recommendations are attached herein. We also include comments on three additional issues for the Commission’s consideration.

A. Approval of the EV Policy Implementation Plan Will Deliver Significant Benefits for Arizona and its Citizens

Approval of the EV Policy Implementation Plan will:

- Improve Arizona’s air quality and public health. Because EVs have no tailpipe emissions, they can deliver significant air quality and public health benefits. As the emissions intensity of electricity production decreases due to higher levels of renewable energy penetration, these benefits will grow. According to the recent SWEEP/WRA study conducted by M.J. Bradley & Associates, increased EV deployment in

¹ https://docket.images.azcc.gov/0000197869.pdf
² http://docket.images.azcc.gov/0000195197.pdf
Arizona could reduce nitrogen oxides (NOx) emissions in Arizona by 2,900 tons/year by 2050,\(^3\) which could help Maricopa and Pima Counties to meet federal standards for ozone emissions.\(^4\)

- **Reduce consumer fuel costs.**
  Because electric motors are much more efficient than internal combustion engines, the cost to fuel them is significantly lower. In Arizona, EV drivers can expect to save between $515\(^6\) and $730\(^8\) annually on fuel and maintenance costs, totaling between $6,000\(^7\) and $9,000\(^9\) over the life of the vehicles - money that consumers can direct back into the Arizona economy. On a macro-economic scale, these savings stimulate the state’s economy and create new jobs. In a high-growth EV scenario with 1 million EVs on Arizona roads by 2030, the total economic benefit to the state in consumer savings could reach $620\(^9\) million per year and create approximately 9,300 new jobs.\(^10\)

- **Keep money here in Arizona.**
  Arizona does not have any oil refineries, and all of its motor gasoline is imported by pipeline from California and Texas at an estimated cost of $8.7 billion per year.\(^11\) As Arizona transitions its transportation fuel source from gasoline to electricity, those energy dollars will stay inside the state boosting our economy.

- **Enhance utilization of the electricity grid and lower electric bills for ALL Arizona utility ratepayers.**
  EVs offer utilities an opportunity to increase the demand for electricity, especially during off-peak hours when there is significant underutilized electric generating capacity. If underutilized capacity is used more frequently, the fixed capital costs of the electricity grid will be spread out over more generation and sales, which can reduce pressure on electric utility rates for all customers. Managed EV charging\(^12\) also has the potential to help align load with solar production because EVs can be charged during the day when there is excess solar production available. According to aforementioned M.J. Bradley & Associates study, if 90% of all cars in Arizona were electric, each utility customer could save $180 per year\(^13\) on their energy bills, regardless of whether or not they drive an EV.\(^14\)

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\(^4\) Ozone is formed when volatile organic compounds (VOCs) and NOx react in the presence of sunlight – and vehicles are one of the largest sources, accounting for a third of the anthropogenic sources of VOCs and more than half of NOx. In 2018 Maricopa County had 40 days in a row when ozone levels exceeded federal standards. Tucson violated these standards for the first time in 2018. For more information on the health impacts of ozone see: United States Environmental Protection Agency, Health Effects of Ozone Pollution, [https://www.epa.gov/ground-level-ozone-pollution/health-effects-ozone-pollution](https://www.epa.gov/ground-level-ozone-pollution/health-effects-ozone-pollution)


\(^6\) Ibid.

\(^7\) Ibid.

\(^8\) Ibid.

\(^9\) Ibid.

\(^10\) Ibid.

\(^11\) Ibid.

\(^12\) Managed EV charging ensures that EV charging events occur during times that maximize benefits to the electric grid and ratepayers. Effective time-of-use tariffs are one example of a managed EV charging solution.

\(^13\) Ibid.

B. SWEEP/WRA Comments on the Specific Language of the EV Policy Implementation Plan, with Suggested Amendments

(1) Comments on Policy Statement #2 on “Rate Design”

As noted above, managed EV charging can help align load with solar production because EVs can be charged during the day when there is excess solar production on the grid. To help ensure that this alignment occurs, it is critical that Public Service Corporations (PSCs) develop optional rate design tariffs that encourage EV charging during times, “When excess renewable energy generation is available.” This must be done in addition to times when negative or low pricing occurs because periods of negative or low pricing are primarily limited to the shoulder months and do not necessarily coincide with times when there is excess renewable generation on the grid. See SWEEP/WRA Proposed Amendment No. 1.

(2) Comments on Policy Statement #6 on the “Location of EV Charging Stations and Make-ready Infrastructure”

SWEEP and WRA believe that PSCs can and should play an important role to jumpstart the EV industry in Arizona so that the many benefits of increased EV deployment are realized. At the same time, that role must be balanced so that competition, innovation, and customer choice can thrive. To that end, SWEEP and WRA recommend that the Policy language be modified to ensure that PSC EV charging station proposals address how PSC involvement does not create a monopoly on EV charging and is not anti-competitive. See SWEEP/WRA Proposed Amendment No. 2.

(3) Comments on Policy Statement #8 on “Other Implementation Items”

While it is critical for utilities to begin pilot programs now, it is also critical that all transportation electrification stakeholders work collaboratively with the PSCs to develop a long-term comprehensive transportation electrification plan for the state. Once developed and filed with the Commission, this plan should be reviewed and approved by the Commission in a timely manner. Accordingly, SWEEP and WRA suggest the addition of language to the Policy that would provide an adequate amount of time (90 days) for the Commission to review and approve the forthcoming long-term comprehensive plan. See SWEEP/WRA Proposed Amendment No. 3.

C. SWEEP/WRA Additional Comments on the EV Policy Implementation Plan

(4) Addressing EV Opportunities and Costs for Low-Income Customers

SWEEP and WRA continue to support the recommendations in Wildfire’s letter filed on March 25, 2019. In the early years of the growth of the EV industry, there are limited opportunities for low-income and fixed-income customers to benefit as EV drivers. The pilot proposals should address how the PSCs plan to reach out to low-income customers and underserved communities. In addition, the pilot proposals should address how to exempt limited income customers from the costs of make-ready infrastructure and EV programs in the early years of EV growth. The need for this exemption may change in the future when electric vehicles, particularly used EVs, are more readily available for low-income customers or when other transportation options are electrified (e.g., public transportation, shared mobility).

(5) Clarifying Make-Ready Infrastructure and EV Program Definitions and Costs

As part of its review of the EV Policy Implementation Plan, SWEEP and WRA encourage the Commission to clarify the definitions of EV infrastructure (which tends to be used as a broader, inclusive term), EV make-ready infrastructure, and EV programs. For example, Section 3 of the Draft EV Policy Implementation Plan addressing cost recovery includes separate paragraphs (paragraphs 3.a. and 3.c.) on EV program costs vs. make-ready infrastructure. We appreciate that distinction. We suggest that further clarification of which costs are included in these categories, and whether there are any “EV infrastructure” costs that are not included in either category, would be useful. We provided comments during the workshops that were intended to help clarify these definitions and classifications.

(6) EV Charging Providers Should Not be Regulated as Public Service Corporations

WRA and SWEEP continue to support the position that non-utility EV charging providers are not Public Service Corporations and should not be regulated by the Commission as such. WRA and SWEEP jointly filed a legal brief on May 17, 2019. In our joint brief, we noted that EV charging providers do not meet the textual definition of a “public service corporation” as set forth in the Arizona Constitution. We concluded that non-utility EV charging providers should not be subject to regulation by the Commission because they are not “clothed with a public interest,” based on our analysis of the eight Serv-Yu factors. We also included a review of how other states have handled this issue by not regulating EV charging providers. We encourage the Commission to address this issue by determining that non-utility EV charging providers are not PSCs as defined in the Arizona Constitution and should not be regulated by the Commission as PSCs. The Commission should make such determination either as part of its approval of the final Electric Vehicle Policy Implementation Plan or in a separate decision.

We respectfully submit these comments on May 31, 2019.

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Purpose: To encourage PSCs to propose optional rate design tariffs that incentivize customers to charge electric vehicles during times "when excess renewable energy generation is available" as well as times of negative or low energy prices.

Page 1 of the EV Implementation Plan Policy, Section II "Implementation Plan," Subsection 2 "Rate Design," subsubsection "b", after "pricing":

INSERT:

", or during times when excess renewable energy generation is available"
Purpose: To ensure that PSC EV charging station proposals address how PSC involvement does not create a monopoly on EV charging and is not anti-competitive.

Page 3 of the EV Implementation Plan Policy, Section II “Implementation Plan,” Subsection 6 “Location of EV Charging Stations and Make-Ready Infrastructure,” subsubsection “e”, after “competitive,”

DELETE:

“the PSC should provide information to the Commission and Staff on the degree of competition in the market segment and explain the need for PSC charging stations.”

INSERT:

“PSCs are expected to address how they will ensure their involvement will not create a monopoly on EV charging or be anti-competitive in the market segment in their proposals.”
Purpose: To give an adequate amount of time (90 days) for the Commission to review and approve the long-term comprehensive transportation electrification plan.

Page 4 of the EV Implementation Plan Policy, Section II “Implementation Plan,” Subsection 8 “Other Implementation Items,” subsubsection “b”, after “for Commission review and approval”

INSERT:

“within 90 days”