Docket:	:	A.17-06-031 et al.
Exhibit Number	:	
Commissioner	:	Peterman
Admin. Law Judge	:	Cooke and Goldberg
ORA Coordinator	:	Matthew Yunge
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OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY ON LIBERTY UTILITIES' TRANSPORTATION ELECTRIFICATION PROPOSALS

San Francisco, California
December 11, 2017

200980101

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MEMORANDUM

This direct testimony was prepared by the Office of Ratepayer Advocates ("ORA") in the consolidated proceeding of Application ("A.") 17-06-031 (PacifiCorp), A.17-06-033 (Liberty Utilities), and A.17-06-034 (Bear Valley Electric Service Division). As part of this docket, Liberty Utilities ("Liberty") requests Commission approval to implement its proposed fast charging project, two rebate programs, and an electric bus charging program pursuant to Senate Bill ("SB") 350.[1] In this testimony, ORA presents its analysis and recommendations associated with Liberty's requests.

Mathew Yunge served as ORA's project coordinator in this review and is responsible for the overall coordination and preparation of all sections of this testimony.

ORA's legal counsel for this proceeding is Tovah Trimming.

[1] Senate Bill SB 350 (de León, 2015), Chapter 547, Statutes of 2015.

I. BACKGROUND

Liberty requests $6.3 million over five years to implement four priority review programs ("PRPs") and one standard review program ("SRP").[2] For its first PRP, Liberty proposes to own, install, maintain, and operate up to 36 dual-port Direct Current Fast Chargers ("DCFC"), also referred to as electric vehicle supply equipment ("EVSE"), at up to nine sites.[3], [4] Liberty intends to install the infrastructure for additional charging stations to accommodate future electric vehicle ("EV") penetration.[5]

In addition, Liberty proposes two rebate PRPs to offset the costs of EVSE hardware, permitting, and installation: the Residential Charger Installation Rebate Program and the Small Business Charger Installation Rebate Program. For the residential rebate program, Liberty proposes to distribute $1,500 rebates to 1,000 customers.[6] One hundred of the rebates would be reserved for existing California Alternate Rates for Energy ("CARE") customers.[7] The forecasted cost of the residential rebate program is $1.6 million. Participating customers would be required to provide proof of purchase of a plug-in EV, provide a receipt from a licensed electrical contractor, and take service on an eligible time of use ("TOU") rate.[8] For the small business rebate program, Liberty proposes to distribute $2,500 rebates to 100 business customers.[9] Participating customers would be required to provide a receipt for installing the charging stations, copies of permits from relevant jurisdictional authorities, and proof of a notice that the public would have access to the charging stations.[10]

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[2] ORA assumes costs for five years to include the implementation time of the EV bus program. This estimate also includes the $20,000/year to implement the online resource project past the second year of implementation.

[3] Liberty Testimony in A.17-06-033, p. 7 (hereinafter "Liberty Testimony").

[4] Level 1 charging refers to charging at 120 volts. Level 2 charging refers to charging at 240 volts. DCFC generally refers to charging in excess of 50 kilowatt-hours.

[5] Liberty Testimony, p. 8.

[6] Liberty Testimony, p. 9.

[7] Liberty Testimony, p. 9.

[8] Liberty Testimony, p. 9.

[9] Liberty Testimony, p. 12.

[10] Liberty Testimony, p. 12.

For its fourth PRP, Liberty proposes a Customer Online Resource Project to develop a web-based tool.[11] The tool would include information regarding EVs, charging infrastructure, charging locations, and state and federal rebate programs.[12] Liberty estimates that the cost of setting up and maintaining this program would be approximately $160,000 over five years.[13]

For its SRP, Liberty proposes to install, own, and operate EVSE at a Tahoe Transportation District ("TTD") site to support two EV buses that TTD intends to procure in 3 to 4 years.[14] This program would cost $223,000, which includes the cost of the required infrastructure and equipment and the installation of two fast-charging stations.[15]

II. DISCUSSION

A. Liberty Should Expense The Proposed Rebates.

While ORA is generally supportive of Liberty's proposed rebate programs to offset charging station costs, ORA disagrees with the proposed cost recovery method for these rebates. In its Application, Liberty proposes to capitalize the rebates provided in the Residential and Small Business Charger Installation Rebate Programs by including them in ratebase.[16] It supports this request by citing Decision ("D.") 14-03-021, which permitted the treatment of costs for infrastructure not owned by the utility as regulatory assets.[17] Specifically, Liberty states that "[b]ecause Liberty CalPeco's investment in the charging stations is necessary for the entire new infrastructure to function, that investment should be recoverable from customers over time, as the benefits of the entire new investment accrue."[18]

Liberty's reliance on D.14-03-021 and it proffered support for ratebasing rebates are flawed. D.14-03-021 stated that capitalization of rebates was needed due to the fact that work had to be performed both "up to the meter" and "beyond the meter" in order to avoid potential

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[11] Liberty Testimony, p. 12.

[12] Liberty Testimony, p. 13.

[13] *See* Liberty Testimony, p. 14.

[14] Liberty Testimony, pp. 14-15.

[15] Liberty Testimony, p. 16.

[16] Liberty Testimony, p. 17.

[17] Liberty Testimony, p. 17.

[18] Liberty Testimony, p. 17.

abandonment of partially constructed projects.[19] However, in Liberty's proposed rebate programs, there is no work to be done "up to the meter." Unless there is a need for an infrastructure upgrade, which Liberty does not propose, the installation and operation of the EVSE would be on the customer's side of the meter. Thus, the customer would not be relying on the work of the utility, but rather a source of funding to incentivize EVSE procurement regardless of the source of that funding. Further, it is not clear that the investment by Liberty is required in order for the entire new infrastructure to function. In the case of the proposed rebate programs, the utility is providing neither the EVSE nor new infrastructure that is required to support the EVSE (generally referred to as "make-ready infrastructure").[20] Indeed, the Tahoe-Truckee Plug-in EV Readiness plan states that there are already 258 Level 2 ("L2") chargers that are in the counties comprising of the Tahoe-Truckee Plug-in EV Planning Area.[21] This suggests that utility investment is not a requirement in order for the equipment to function.

Additionally, and importantly, a utility rebate is not a capital investment and, therefore, should not receive ratebase treatment.

ORA recommends that the Commission order Liberty to treat program rebates as expenses, the costs of which are recovered from customers in the year the expense is incurred. This is consistent with the cost recovery for rebates in both Pacific Gas and Electric Company's Charge Smart and Save project and Southern California Edison Company's Charge Ready Program, which are light-duty pilot programs recently approved by the Commission.[22]

B. Liberty's Residential Rebate Program Is Not Designed to Prevent Free Ridership and Should be Modified to Address this Concern.

Liberty's proposed Residential Charger Installation Rebate Program does not include any requirements to limit participation to customers who recently purchased an EV.[23] In other words, customers who already may have owned EVs for years are eligible to participate in Liberty's proposed program. If this is the case, then deployment of EVSE to those customers

[19] D.14-03-021. 20.

[20] Liberty Testimony, p. 10.

[21] Attachment to Liberty CalPeco's TE Testimony, TRPA's Tahoe-Truckee PEV Readiness Assessment Report, p. 16.

[22] D.16-12-065, p. 84.

[23] Liberty Testimony, pp. 9-10.

would not contribute to the proliferation of EVs in California. Accordingly, there is no guarantee that this program will advance Liberty's service territory any closer to the Governor's goal of 1.5 million zero emission vehicles ("ZEV") in California by 2025.[24] Therefore, ORA recommends that the requirement for participation in this program be modified to require participating customers to provide proof of purchase of a plug-in EV that was purchased within the six months prior to the customer's request to participate in the program. This modification will provide additional assurance that the customers that participate in this program are acquiring new EVs and will mitigate the risk of free ridership in this program.

C. Liberty Should Not Be Permitted To Own EVSEs Because It May Have Significant Anti-Competitive Effects on the Market.

Liberty's ownership of the EVSE in the proposed DCFC program may have anti-competitive impacts. As noted in the Tahoe-Truckee Plug-in EV Readiness Plan, there are only 47 DCFC in the counties that are part of the Tahoe-Truckee Plug-in EV Planning area.[25] If Liberty were to deploy the maximum of 36 DCFC, then that would represent a market share of approximately 41% of DCFC in that region. This could have a serious impact on the private DCFC market for the region due to possible exertion of market power by one company/organization, particularly since it is unclear how many vendors Liberty will select in its RFP process. If the customer does not have a choice in the EVSE that is procured, then the vendor(s) selected by Liberty would have the advantage over any vendor that is not selected for its DCFC program. The vendor that is selected in this program would have an advantage in that Liberty would be able to attain cost recovery from its captive customers, and thus provide equipment to site hosts essentially for free. However, any vendors that wish to sell DCFC in the region would not be able to rely on ratepayer funding, which would make selling their EVSE in that region much more difficult.

When a utility proposes ownership of EV charging infrastructure, the Commission, at a minimum, should assess whether the proposal meets the requirements of Public Utilities ("Pub. Util.") Code Section 451, which provides that the charge to ratepayers must be just and

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[24] *See* Executive Order B-16-2012.

[25] Attachment to Liberty CalPeco's TE Testimony, TRPA's Tahoe-Truckee PEV Readiness Assessment Report, p. 16.

reasonable, and whether the proposal satisfies the balancing test set forth in D.14-12-079.[26] The Commission has explained the origins and requirements of the balancing test as follows:

> In applying the balancing test, the Commission stated in D.14-12-079 at 8, that the Commission will assess 'the likely competitive impact on the market segment targeted, and whether any anticompetitive impacts can be prevented or adequately mitigated through the exercise of existing rules or conditions.' In conducting such an approach, the Commission will examine, at a minimum, the following:
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> 1) The nature of the proposed utility program and its elements; for example, whether the utility proposes to own or provide charging infrastructure, billing services, metering, or customer information and education.
> 2) Examination of the degree to which the market into which the utility program would enter is competitive, and in what level of concentration.
> 3) Identification of potential unfair utility advantages, if any.
> 4) If the potential for the utility to unfairly compete is identified, the commission will determine if rules, conditions or regulatory protections are needed to effectively mitigate the anticompetitive impacts or unfair advantages held by the utility.[27]

Liberty did not present such an analysis, and as stated above, Liberty's ownership would represent a 41% market share. Therefore, the Commission should reject Liberty's ownership proposal and instead only authorize Liberty to own the make-ready infrastructure,[28] as discussed below in Section D.

D. Liberty Should Not Be Permitted To Own the EVSE Because Liberty Does Not Provide Valid Reasons for Ownership and it Unnecessarily Burdens Ratepayers.

Instead of utility ownership of the EVSE, which may have anti-competitive impacts as explained above, Liberty should implement a make-ready program for the DCFC and EV bus programs.[29] Under a make-ready program, the utility would still own and operate the electric infrastructure associated with the EVSE and would be allowed to ratebase the associated capital

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[26] *See* D.16-01-045, p. 88.

[27] D.16-01-045, pp. 103-104.

[28] A make-ready model for deployment permits utility ownership of infrastructure up to, but not including, the EVSE.

[29] Make-Ready refers to an EVSE deployment structure in which the utility would install, own and operate the electric infrastructure associated with an EVSE, but not the EVSE itself.

costs. However, the site host would be able to procure and install their own EVSE. Maintenance and operation of the EVSE would also be handled by the site hosts. Additionally, the cost of procuring and installing the EVSE can be subsidized to the participating customer via a rebate that the utility would expense. Thus, the main difference between Liberty's ownership and customer ownership of the EVSE is the cost to the ratepayer. Customer ownership would include only the cost of the EVSE as an expense or rebate, while Liberty's ownership would include the cost of the EVSE as an asset and for which Liberty would receive a rate of return.

To mitigate the impact on ratepayers while still providing an incentive to the utility, ORA recommends that the DCFC and EV bus programs be modified to follow a make-ready model with the customer receiving a rebate for procuring and installing the EVSE. The costs associated with the rebates in these programs would be expensed, not capitalized. The make-ready approach is consistent with Southern California Edison's previously approved light-duty EV pilot program.[30]

E. Liberty's EV Bus Infrastructure Program Is Premature And Should Be Refiled At A Later Date

For its SRP, Liberty proposes to install, own, and operate EVSE at a TTD location to enable overnight charging of EV buses.[31] However, a data request response from Liberty to the Commission's Energy Division stated that TTD has not yet received the funding for the EV buses.[32] Liberty also stated in its application that TTD is expected to procure two EV buses in 3-4 years.[33] This proposal should be refiled once a definitive date for TTD's EV bus procurement is known for several reasons.

Firstly, this proposal is premature given the assumption that TTD will purchase EV buses in the next 3-4 years. Until that commitment is provided, it would be unreasonable to ask for ratepayer funding for a project that may or may not be implemented in 2020 or 2021. Secondly, it is possible that the costs of EVSE technology may change significantly in the next 3-4 years. This could result in a significant change in the amount of ratepayer funding needed to implement

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[30] *See generally* D.16-01-023.

[31] Liberty Testimony, p. 4.

[32] Liberty response to 8/10/2017 CPUC Energy Division DR, Question 30.

[33] Liberty Testimony, pp.14-15.

this program. Therefore, the Commission should require Liberty to submit a new application once it has received a firm commitment that TTD will procure the buses, including a date certain for procurement.

Alternatively, if the Commission approves this project at this time, ORA recommends that the costs for this program be recorded in a memorandum account, rather than a balancing account to ensure no ratepayer funds are recovered if TPP does not procure the EV buses and to ensure prudent investment of ratepayer funds since program costs could change as EVSE technology develops.[34] Once the EV bus program is completed and the EV buses have been procured by TTD, Liberty can request recovery of the costs recorded in that memorandum account. If TTD does not procure EV buses by 2022, then the memorandum account should be closed. In this way, TTD can still have assurance that funding is available for Liberty to spend on EVSE to support new EV buses, but ratepayers will not be subject to paying for a project that may or may not be implemented in three to four years. Additionally, a memorandum account will allow for after-the-fact reasonableness review to ensure that if EVSE costs change, Liberty prudently spent ratepayer funds based on this change. Moreover, if the Commission approves the EV Bus program, it should be implemented as a make-ready program for the same reasons discussed above.

III. CONCLUSION

ORA recommends the following modifications to Liberty's TE Application:

1. A make-ready program should be implemented for the DCFC and EV bus programs.

2. The cost of the rebates in the Residential and Small Business Charger Installation Rebate Programs should be expensed and not capitalized.

3. Customers applying for the Residential Charger Installation Rebate Program should be required to provide proof of purchase of a plug-in EV that was purchased within the six months prior to the customer's request to participate in the program.

4. The Commission should order Liberty to refile their proposal for an EV Bus Infrastructure program when TTD has confirmed that it has funding to procure EV buses. Alternatively, if the Commission approves of this program, the

[34] A memorandum accounts track the costs and may or may not be recoverable through rates and are subject to further review by the Commission. A balancing account record costs which are recoverable through rates after Commission approval.

costs should be recorded in a memorandum account and the program should be implemented as a make-ready program.

APPENDIX A

QUALIFICATIONS OF WITNESS

QUALIFICATIONS AND PREPARED TESTIMONY

OF

MATTHEW YUNGE

Q1. Please state your name, business address, and position with the Office of Ratepyaer Advocates.

A1. My name is Matthew Yunge and my business address is 505 Van Ness Avenue, San Francisco, CA 94102. I am a Utilities Engineer in the Energy Safety and Infrastructure Branch of the Office of Ratepayer Advocates.

Q2. Please summarize your educational background.

A2. I have my Bachelor's degree in Mechanical Engineering from the California Polytechnic State University, San Luis Obispo.

Q3. Briefly describe your professional experience.

A3. I have spent four years working in mechanical, electrical, plumbing (MEP) engineering consulting firms. My work primarily constituted designing and coordinating mechanical system layouts and calculating system requirements. I have worked with the Office of Ratepayer Advocates since February 2016. I have work primarily on safety related proceedings as well as the electric vehicle proceedings. I have a Professional Mechanical Engineering License.

Q4. What is your responsibility in this proceeding?

A4. I am sponsoring all sections of this testimony on Liberty's Transportation Electrification Application.

Q5. Does this conclude your prepared testimony?

A5. Yes, it does.