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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR AN ORDER AUTHORIZING PILOT PROGRAMS FOR THE RESEARCH AND DEVELOPMENT OF ELECTRIC TRANSPORTATION	)	**CASE NO. AVU-E-21-13** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its attorney of record, Erick Shaner, Deputy Attorney General, submits the following comments.

BACKGROUND

On August 30, 2013, Avista Corporation dba Avista Utilities ("Company") applied for authorization to fund up to $300,000 per year for select Research and Development ("R&D") efficiency projects, Case No. AVU-E-13-08. The $300,000 per year of applied R&D funding would be a ceiling and not a requirement that the Company allocate the funding to R&D in any given year. Any remaining balance (not earmarked) would roll over to a future year and, if terminated, the unallocated portion would be added back to the Rider balance. AVU-E-13-08 Application at 5.

On October 31, 2013, the Commission granted the Company's Application for Case No. AVU-E-13-08 and stated the "Company may fund up to $300,000 per year of R&D." Order No. 32918 at 3.

On August 13, 2021, the Commission ordered that the Company may continue with its R&D programs that it has already committed to fund but before committing to future R&D programs the Company shall propose and seek approval of an updated R&D program that includes metrics and measurable targets. Order No. 35129 at 9.

On September 9, 2021, the Company applied for authorization to implement pilot programs for electric transportation in Case No. AVU-E-21-13. Application at 1 and 11. The Company plans to offer and fund the programs under electric tariff Schedule 90 and Schedule 91. *Id.* at 1. The Company requested an effective date of November 1, 2021. *Id.* The Company also requested that its filing be processed under Modified Procedure by written comment. *Id.* The Company included two attachments in support of its Application: a) Exhibit No. 1 - Avista Electric Vehicle Supply Equipment Pilot Final Report; and b) Exhibit No. 2 - Avista Transportation Electrification Plan. *Id.* at 2.

On October 22, 2021, the Commission issued a Notice of Application and suspended the effective date for 30 days plus five months from November 1, 2021, or until the Commission enters an earlier order accepting, rejecting, or modifying the proposed changes. Order No. 35205.

STAFF ANALYSIS

Staff reviewed the Company's Application and additional information provided by the Company through discovery. Staff recommends the Commission approve the Company's proposed Electric Vehicle ("EV") Pilot program using the previously approved annual $300,000 of R&D funds. Staff recommends amounts in excess of the $300,000 R&D cap be deferred to a regulatory asset account for recovery at a later date.

Staff's recommendation of approval for the EV pilot program R&D funding should not be construed as a determination of prudence for any particular R&D expenditure. The Commission will review the prudence of DSM expenditures, including R&D expenses in the Company's biennial DSM prudency cases.

The Pilot

In Response to Production Request No. 16, the Company "proposes a three-year pilot length for the entire electric transportation programs proposed in the Application, beginning in 2022 and concluding in 2024." The EV pilot would cost about $410,000 annually and focus on two main areas.

The first area of focus includes "integrated charging, on-site renewables, and battery storage research." For this area of focus the Company proposes:

> (1) to develop and implement a research project and report summarizing the current state of integrated stations, (2) develop a parametric model used to identify variable cost factors and resulting charging outputs on an ongoing basis, and (3) a construction project design and implementation plan with estimated costs and benefits.[1]

The Company estimates a cost of approximately $50,000 annually to complete the first area of focus by the end of the 3rd quarter of 2023.[2]

For the second area of focus, the Company proposes to use funds for a "workplace, fleet, and rural access charging infrastructure" program. The charging infrastructure program will consist of an "estimated 30 sites per year, broken down by 20 workplace, 5 fleet, and 5 rural access location, at an estimated cost of $345,000," and will include $15,000 per year of ongoing maintenance and load management costs. Application at 9. The Company's total annual expenses for this area will be approximately $360,000 and will conclude in 2024. Response to Production Request No. 15.

Financials

The Commission stated that the Company may "continue with its R&D programs that it has already committed to fund but before committing to future R&D programs the Company shall propose and seek approval of an updated R&D program." Order No. 35129 at 9. In Response to Production Request Nos. 17 and 18, the Company stated that three R&D projects contracted for in 2021 will conclude in 2021. As of December 12, 2021, the Company had spent $186,306.80 of the annual $300,000. Additionally, the Company stated that the Company does not expect to carry over any unused funds into 2022.

[1] Application at 8.

[2] Response to Production Request No. 7-9.

Beginning in 2022, "the Company proposes to fund the EV pilot program under its electric tariff Schedule 91, as they will be provided under the Market Transformation Program and associated Research and Development (R&D) outlined in tariff Schedule 90." Application at 9.

Staff recommends the Commission approve the Company's request to fund the EV pilot program using the $300,000 of R&D funding. For funding exceeding the $300,000, Staff recommends it be deferred into a regulatory asset account and future recovery of the deferral be determined at a later date following the pilot period. Based on the Company's estimated cost of $410,000 annually, this would leave $110,000 to be deferred into a regulatory asset account.

Staff Overview

Based on the Company's program proposal, Staff does not see the Company's EV pilot program as a market transformation program focused on energy savings of electricity. In Response to Production Request No. 6, the Company stated, "the most impactful energy efficiency and overall cost savings are realized by the use of electricity as a transportation fuel, rather than petroleum-derived fuels such as gasoline and diesel." With the majority of potential energy savings being attributed to transportation by using alternative fuel sources for vehicles, the major benefits of this EV pilot will not result in electricity energy savings. Rather the intent is to study EV penetration and EV customers' charging habits on the Company's distribution grid.

Staff recognizes the likelihood of increased EV penetration in the Company's service territory and views the EV pilot as an R&D project to better understand the grid impact of EV charging. Understanding how and when EV customers will charge their vehicles by making charging stations available in alternative locations such as at the workplace, will allow the Company to best optimize its distribution system to better prepare itself for future EV penetration.

For these reasons, Staff recommends the Company either adjust their proposal to limit the use of R&D funding for this program to $300,000 or defer excess expenses into a regulatory asset account. However, Staff supports the Company carrying over unused R&D funds from 2021 to fund the EV pilot program. This would allow approximately $113,693 to carry forward into 2022.

The Commission stated, "we realize that R&D alone does not guarantee short or long-term benefits, but we would like to see the Company prioritize results that can generate benefits for Idaho customers." Order No. 35129 at 8. Staff believes the Company's EV pilot proposal using R&D funds complies with the Commission Order. The EV pilot will be able to provide valuable research and information to help the Company effectively manage EV penetration over both the short and long term, resulting in a more effective use of the Company's resources.

Tariff Rider

At the beginning of 2021, the Company's Electric Tariff Rider balance was overfunded by $97,188. By the end of the November of 2021, the Company's Electric Tariff Rider balance was underfunded by $3,225,757. Staff recommends the Company monitor the Tariff Rider balance, projected expenses, and projected revenue trend. If the Company continues to experience a downward trend in the Tariff Rider balance, the Company should adjust the Tariff rider.

Reporting

In Order No. 32918, the Commission requested the Company include "metrics and measurable targets" in their request for approval to continue funding R&D programs. The Company states that it will include financial reporting of the programs, but the programs will not be accompanied by a cost-effectiveness test because it is characterized as R&D and a market transformation project. Application at 10. In Response to Production Request No. 10, the Company provided additional metrics and measurable targets for the proposed programs. The Company states:

> Project milestone progress to target dates, and actual to target spending will be tracked and reported annually for each of the three areas of the integrated charging, on-site renewable, and battery storage research project, along with a narrative description of the work completed and remaining to successful project completion.
>
> Metrics for the workplace, fleet, and rural access charging infrastructure program will also be reported annually, including installation site information, install costs, O&M costs, % uptime, energy consumption and customer satisfaction. Customer fuel cost savings and emissions reductions may be derived from customer information and energy consumption. A narrative will be included with the metrics information, providing more background information on program activities and insight.

In the reporting sections to be included in the Company's DSM report, Staff recommends all of the above-mentioned metrics in Response to Production Response No. 10, and metrics in the Application be included in the Company's reporting of the EV pilot. For the charging infrastructure program, Staff also recommends the Company include data and metrics on average hourly energy consumption with breakdowns by charging area (workplace, fleet, rural), the different types of chargers (i.e., DC fast chargers), different industry segments (i.e., agricultural, construction, retail, service, etc.), month, and season. For comparative analysis, Staff would also like the Company to identify the average hourly peak energy consumption and identify the highest risk hours for the Company's system broken down by month and season.

In addition to these reporting requirements, Staff recommends a cumulative report be included for the entire pilot period including all the metrics and targets specified above when the program concludes in 2024.

All reports, parametric models, and construction project design and implementation plans should be provided to the Commission when the work for "integrated charging, on-site renewables, and battery storage research" is complete in 2023.

STAFF RECOMMENDATION

Staff recommends the Commission approve the Company's proposed EV Pilot program and \$300,000 per year of R&D funds. Staff recommends that funds that exceed the \$300,000 R&D cap be deferred to a regulatory asset account for recovery in a future proceeding after a prudence review. Staff also recommends the Commission require the Company to provide annual reports and a cumulative report as described above for the EV pilot program.

Respectfully submitted this 13TH day of January 2022.

Erick Shaner
Deputy Attorney General

Technical Staff: Taylor Thomas
Kevin Keyt
Chris Hecht

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF JANUARY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-21-13, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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