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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION, D/B/A/ AVISTA UTILITIES, REQUESTING AUTHORITY TO ESTABLISH TARIFF SCHEDULE 23 FOR DIRECT CURRENT FAST CHARGING (DCFC) OF ELECTRIC VEHICLES	**CASE NO. AVU-E-23-16** **COMMENTS OF THE COMMISSION STAFF**

COMMISSION STAFF ("STAFF") OF the Idaho Public Utilities Commission, by and through its Attorney of record, Chris Burdin, Deputy Attorney General, submits the following comments.

BACKGROUND

On November 3, 2023, Avista Corporation, doing business as Avista Utilities ("Company"), filed an application ("Application") with the Idaho Public Utilities Commission ("Commission") requesting authority to establish electric tariff Schedule 23, "Direct Current Fast Charging ("DCFC") Rate Option," effective February 1, 2024.

The Company proposes a new optional commercial electric vehicle ("EV") rate schedule primarily as a way to address the significant market barrier associated with high variable demand charges in existing rates. Application at 6. The Company represents that the EV rate schedule for general service Schedule 23 customers will encourage greater investment in public DCFC, while also continuing to recover utility costs through a higher per kWh charge. *Id.*

The Company proposes optional commercial EV rate Schedule 23 for DCFC charging general commercial service. *Id.* The Company represents that in addition to the fixed demand charge, the Company proposes to increase the per kWh charge and eliminate the variable demand charge for this new rate schedule. *Id.* at 7. The Company submitted the table below with details comparing the existing Schedule 21 base rates and the proposed Schedule 23 DCFC base rates.

Table No. 2 – Schedule 21 and 23 Base Rate Comparison

Monthly Bill Component	Schedule 023	Schedule 021
Fixed demand charge	$ 500.00	$ 500.00
Demand charge over 50 kw	$ 0.00	$ 6.50
First 250,000 kWh	$ 0.08509	$ 0.07135
Over 250,000 kWh	$ 0.07386	$ 0.06012

Id. at 7.

The Company represents that the full calculations of the proposed rates for Schedule 23 have been provided as workpapers with the Application, and that commercial EV rate Schedule 23 will be subject to the same adder schedules (DSM, PCA, FCA, etc.) and miscellaneous charges consistent with existing Schedule 21. *Id.* at 7-8.

The Company states that the proposed rates provide reasonable recovery of utility costs based on a simple flat rate for energy charges, while eliminating demand charges that currently inhibit market growth. *Id.* at 8.

The Company represents that a relatively small number of customers are expected to adopt this optional rate schedule over the next few years; however, the Company believes that it may still be effective in removing a key market barrier to early adoption, while also providing a means to acquire utilization and cost data to inform revisions to the commercial EV rate schedules in the future. *Id.* at 9.

STAFF ANALYSIS

Staff recommends that the Commission deny the request to implement the proposed DCFC tariff Schedule 23. Staff recommends that the Company revisit adding an additional DCFC tariff in a future general rate case. If the Company chooses to revisit the DCFC tariff, the Company should provide the Commission with Class Cost-of-Service ("CCOS") analysis, a cost-based rate design, a system load forecast for DCFC stations on the Company's Idaho system, and more data on DCFC load characteristics to justify the need for a separate rate class.

Cost of Service and a Separate Customer Class

Staff reviewed the Company's proposed Schedule 23 and identified two specific issues that influenced its recommendation to deny the DCFC tariff: (1) the Company did not provide a reliable cost-of-service analysis due to insufficient customer usage data making it impossible to know if the proposed rates are cost-based, and (2) the rates as proposed are not revenue neutral.

First, Idaho electric rates are historically based on cost of service using actual customer usage data. Through discovery, Staff requested the Company to provide a cost-of-service study that included the proposed Schedule 23. The following is the Company's response:

> The Company is unable to conduct a cost-of-service study that would provide reliable results for this new class of customer given the small number of existing customers with very diverse and evolving load characteristics. In particular, the Company does not have the necessary hourly demand data and would have to make estimates for these customers that could cause the cost-of-service results to vary widely depending on whether these customers were on, or off, the Company's coincident peak.
>
> As explained in other production requests, the Company believes that there will be a limited number of customers expected to take service on Schedule 23 and the revenue and load impacts will be minimal. Yet, this Schedule is necessary in order to encourage the build out of electric vehicle fast charging stations to support the broad charging network required to encourage the advancement of electric vehicles in the state of Idaho.
>
> *See* Company response to Production Request No. 15.

Staff does not believe that encouraging advancement of electric vehicles in Idaho is a reason for establishing a new schedule, and it should be based on customer load shapes and differences in cost of service between EV charging customers and other customer classes.

Because of the absence of a cost-of-service analysis, Staff cannot determine whether the proposed rates are based on the cost for these customers to be served. Furthermore, given the low number of these types of customers, Staff does not believe there is a sufficient sample size to determine whether their load shape is sufficiently different from customers in other classes to justify a separate class.

Second, Schedule 23 is not revenue neutral and will not recover the same amount of revenue that is currently being recovered through existing Idaho EV charging customers within their current class. Staff agrees with the Company that the current limited number of customers will have minimal impact on system revenue and load, but Staff is concerned with potential inter-class cost shifts and future corrections to cost allocations as Schedule 23 grows. Staff believes that under the current proposal, these customers would under-recover their cost of service when compared to continuing under their current service schedule. In addition, proposed Schedule 23 customers may experience larger than expected rate increases when cost of service is verified in a general rate case.

Market Transformation

In its Application, the Company identifies high variable demand charges as one of the primary barriers to the increased adoption of DCFC stations in Idaho. The Application attempts to reduce this barrier by proposing Schedule 23 with reduced variable demand charges. By implementing Schedule 23 the Company describes several benefits that may be claimed as a result of increased DCFC station infrastructure. Staff believes that this structure of reducing or removing a barrier to the implementation of a technology and claiming the benefits of increased adoption resembles the structure of a market transformation effort. However, Staff believes that the Company's justification for the proposed Schedule from a market transformation perspective is insufficient to support the creation of a new rate class for DCFC charging stations.

In its Application, the Company describes three benefits that can be claimed by reducing the barrier of high variable demand charges: (1) environmental, (2) economic benefit of reduced fuel costs, and (3) the economic benefit of increased utility revenue. Of these benefits, only the economic benefit of increased utility revenue is related to the Company's electric rates. In response to Production Request No. 6, the Company states that the environmental benefits are a societal benefit and will not benefit customers' electric rates. The economic benefit of reduced fuel costs is a customer benefit and will not impact electric rates. For the economic benefit of increased utility revenue, the Company states that it expects a limited number of customers to take service on Schedule 23 and that the revenue and load impacts will be minimal. Because of this, Staff believes that the Company justification for reducing market barriers will have little to no impact on customer rates and will only provide societal benefits. Staff does not deny that some benefits exist, however without the expectation of benefits to customer rates or an impact on utility operations, a market transformation effort is unsupportable.

Schedule 23 Rates

Staff reviewed the Company's current Schedules for its Idaho and Washington service territories. The Company's Washington territory currently has two optional DCFC schedules, Schedule 13 for General Service customers and Schedule 23 for Large General Service. Washinton's optional DCFC tariffs appear to achieve similar goals of reduced operational costs through the overall removal of demand related charges and introduction of a flat basic charge. However, the Washington tariff is structured differently as a Time of Use ("TOU") schedule to promote off-peak vehicle charging and reduce the added load contribution to the grid during peak hours.

Staff evaluated the need for an Idaho specific DCFC schedule in the Company's Idaho service territory. There are currently five DCFC customers taking services under Schedule 11 and zero DCFC Customers taking place under Schedule 21. In response to Production Request No. 15, the Company stated that four out of the five customers currently taking service under Schedule 11 are expected to adopt the proposed Schedule 23 if implemented. However, the Company was unable to conduct a cost of service study that would provide reliable results and it does not have hourly demand data to evaluate these customers' evolving load characteristics.

While Staff does not agree with the proposed rate design for Schedule 23 or the Company's justification on market transformation, Staff believes it is necessary to sustainably manage EV load growth on the system in the future. Staff understands that the current operational costs of DCFC stations are not financially sustainable given the current schedules these customers are on and that an alternative rate design could address some of these issues. However, given the small number of customers expected to use this schedule and a lack of data to support the need for a separate class, Staff is unable to justify a need for a DCFC specific customer class at this time. In the future, if the Company wishes to propose a DCFC schedule, the Company should provide CCOS analysis, a cost-based rate design, a system load forecast for DCFC stations on the Company's Idaho system, and data on DCFC load characteristics to support the need for a new Customer class.

Customer Comments

This filing has received 2 customer comments in support of the proposed Schedule 23. In summary, customer comments note the current high operating expenses under Schedule 11 and believe the proposed Schedule 23 would reduce financial burden on DCFC customers.

STAFF RECOMMENDATION

1. Staff recommends that the Commission deny the request to implement the proposed Direct Current Fast Charging ("DCFC tariff")
2. Staff recommends that the Company revisits adding an additional DCFC tariff at the next general rate case. If the Company chooses to implement a DCFC tariff in the next general rate case, the Company should provide the Commission with a CCOS analysis, a cost-based rate design, a system load forecast for DCFC stations on the Company's Idaho system, and data on DCFC load characteristics to justify the need for a separate rate class.

Respectfully submitted this 21st day of February 2024.

Chris Burdin
Deputy Attorney General

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Jason Talford
Laura Conilogue
Michael Eldred

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21st DAY OF FEBRUARY 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO AVISTA CORPORATION,** IN CASE NO. AVU-E-23-16, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

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