AARP Real Possibilities New Jersey

Via electronic mail

June 17, 2020

Aida Camacho-Welch
Secretary
New Jersey Board of Public Utilities
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Trenton, New Jersey 08625
board.secretary@bpu.nj.go

RE: Docket # QO20050357 - New Jersey Electric Vehicles Infrastructure Ecosystem 2020 Straw Proposal

Dear Ms. Aida Camacho-Welch

AARP on behalf of our approximately 1.3 million Garden State members appreciates the opportunity to comment on the above referenced Electric Vehicle (EV) straw proposal, (Straw).

In these times of economic stress, as our neighbors as well as our economy recovers from the lasting effects of the pandemic, we believe that regulatory emphasis in the near term should be primarily placed on the affordability of household utilities. We thank you for your work to ensure no household suffers any interruption in critical utility lifeline services during the COVID-19 pandemic.

In this vein, we urge that electric vehicle spending proposals pending before the Board of Public Utilities should be closely scrutinized to ensure that ratepayers continue to receive essential services at rates they can afford. These proposals include the Straw Proposal distributed by the Board Staff on May 18, 2020, in Docket No. QO20050357.

AARP opposes EV subsidies when private sector forces exist in the creation, development and growth of the marketplace. AARP opposes the use of ratepayers as a funding mechanism for the build-out of EV charging infrastructure.[1] Should the Board move forward, AARP supports the Straw's shared responsibility model, including its features intended to mitigate the problems of using ratepayer money to fund investments that may only benefit the utilities, the risk of creating stranded costs, and to designing infrastructure policies that are fair to both EV-driving ratepayers and non-EV driving

[1] Our comments concerning cost responsibility apply as well to pending requests by Public Service Electric and Gas and Atlantic City Electric to hike rates $364 million and $42 million respectively to build out charging infrastructure in their territories The PG&E and AEP proposals would require ratepayers to be responsible for millions of dollars of investment, including funding charging stations around the state, with the utilities reaping the profits. These proposals should not be considered by the Board. AARP supports the Ratepayer Advocate's requests to dismiss these filings.

ratepayers in order to ensure the benefits of EVs are shared by all ratepayers.

For the most part, the Straw divides investment responsibility between the Electric Distribution Companies (EDCs) and unregulated Electric Vehicle Service Equipment Infrastructure Companies (EVSEs) in a way that makes sense to AARP.

Poles and wires are infrastructure that is to be built and maintained for all by the utility. Charging stations are equipment-providers, who install, maintain and operate their equipment as private businesses.[2]

The Straw proposes that the EDCs recover all costs associated with distribution system upgrades, the costs of making a location Charger Ready, and the costs of any mapping exercises, "provided the EDCs make an adequate showing that the costs are reasonable and prudently incurred, and that such investments are otherwise appropriate for recovery through the rate recovery mechanism proposed by the EDC."

Board Staff requests comment on whether these investments would be expected to meet the earnings test applied to line extensions for other purposes, or whether for public policy reasons other measures should be implemented.

AARP believes use of the earnings test remains the best route for evaluation of rate recovery for the EDC investments. The earnings test provides a check on wasteful or ill-considered investments.[3] If ratepayers build out the infrastructure throughout the state, it is not clear when or if anyone will come. This remains the risk if a government-led process determines priority locations for charging stations.

As the Straw Proposal notes, development of an EV market will be an organic process. Technology will be changing, and location and set-up requirements are likely to change. For this reason, the best EV paths cannot be known in advance by any agency or expert; some investments will not bear fruit. The utility is in a better position to identify and take on these risks than its customers. Further, putting the decision about ratepayer investments in the hands of state agencies would amount to a tax imposed through (regressive) utility rates.

Such an investment-prioritization and cost-recovery process would have government necessarily making business decisions that ratepayers will have to pay for, even if and especially if the revenues received do not cover the costs. The result of this reallocation to consumers of business decisions is that utilities will not have a business incentive to make smart decisions that will support a robust EV market. It puts the onus for determining the best locations for charging stations on the public, in advance of actual use by EV drivers.[4] At most, statewide mapping should be used as a guide, but the ultimate responsibility for

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[2] We support the proposal that EVSE companies may not be EDCs, affiliated with an EDC, or controlled by an EDC. This restriction ensures that utility customers do not subsidize private equipment companies. We do not see any reason why such hybrid entities should be approved by the Board as proposed, however.

[3] AARP notes that allowing EDCs to propose rate recovery mechanisms for EV investment also invites the use of pre-payment and trackers for cost recovery. AARP opposes such deviations from cost-based ratemaking. They encourage waste, require customers to pay for investments that do not and may never provide utility service, and make Board oversight virtually impossible.

[4] AARP also notes that ratepayer-funded rebates to reduce EV-buyers' first costs will actually exacerbate this problem, spreading incentive cost responsibility to customers who cannot make use of the investment.

specific routes should remain with the utility.

The Straw Proposal recognizes that there will be areas in the state where the market can be expected to be soft for some time:

Board Staff specifically requests comment on how to identify Equity Areas, how to define when a market is not sufficiently mature to drive investment, how long to wait for the market to respond, or whether certain communities should be immediately identified (based on Census Tract or other data) as areas where additional financial support may be necessary. (Notice, p. 12.)

The availability of charging stations is not likely to be the primary reason why there are areas where a market is "not sufficiently mature to drive investment." These areas exist primarily because electric vehicles remain expensive. These vehicles will remain beyond the reach of many customers for some time. Installing infrastructure and charging stations will not solve this problem.

Many low- and moderate-income customers cannot make use of tax credits and utility incentives to buy EVs. EVs are new enough that a secondary market of reliable and efficient pre-owned vehicles has not yet emerged. Thus charging stations may be built, and consumer money spent, well in advance of their usefulness. Also, at the same time, if public money is spent to subsidize this partial answer to the problems of low-emission transportation, other low-emission transport options will not be getting attention needed to build and maintain them.

The urgency to meet climate goals is real, and the state should not stop all such work at this time. However, subsidizing public transit rather than EVs may be a better solution.

During the current economic slowdown, usage is already lower, and emissions are correspondingly lower.[5] Coupled with the strain of the recession on New Jersey consumers, these facts should caution policy makers to be particularly wary of top-down government efforts to create markets that may well not be economically viable.

AARP applauds the staff's Straw proposal for its reliance on a shared investment model and urges the Board to maintain utility financial discipline to keep utilities stockholders invested in the success of any infrastructure build-out.

Finally, consistent with Executive Order No. 127, extending various deadlines associated with rulemaking for state agencies until 90 days following the end of New Jersey's public health emergency, we urge you to pause or suspend the scheduling and conduct of public proceedings on this and other matters, while public attention is completely focused on the fight against COVID-19.

During these very difficult economic times, we urge New Jersey to take the aforementioned actions in order to ensure continued consumer access to critical services, protections for the most vulnerable, and

[5] The EV industry has mixed projections regarding the effect of the pandemic and recession on EV sales. According to research reported in the trade press, global sales of electric vehicles (EV) will drop 43% in 2020. If the economy recovers, the sales should recover in 2021. See https://www.utilitydive.com/news/global-ev-sales-will-drop-43-in-2020-due-to-covid-19-lower-oil-prices-wo/575750/, last viewed June 12, 2020.

rejection of all unnecessary utility spending that would further burden consumers.

Thank you for your prompt attention to these issues. If you have questions, please contact me at eliebman@aarp.org

Sincerely,

Evelyn Liebman

AARP NJ Director of Advocacy

Cc: Stefanie Brand, Director, NJ Division of Rate Counsel
George Helmy, Chief of Staff, Office of Governor Phil Murphy
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[i] https://www.njspotlight.com/2020/04/rate-counsel-says-utilities-cant-spend-a-dime-of-ratepayer-money-on- ev-charging-infrastructure/
[ii] https://nj.pseg.com/aboutpseg/regulatorypage/regulatoryfilings