

92DC42
PO Box 6066
Newark, DE 19714-6066

302.429.3105 - Telephone
302.429.3801 - Facsimile
philip.passanante@pepcoholdings.com

500 N. Wakefield Drive
Newark, DE 19702

atlanticcityelectric.com

June 17, 2020

VIA ELECTRONIC MAIL

aida.camacho@bpu.nj.gov

board.secretary@bpu.nj.gov

Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

RE: New Jersey Electric Vehicle Infrastructure Ecosystem 2020 Straw Proposal
BPU Docket No. QO20050357

Comments of Atlantic City Electric Company

Dear Secretary Camacho-Welch:

1. Introduction

On May 18, 2020, the New Jersey Board of Public Utilities (“BPU” or “Board”) established BPU Docket No. QO20050357, opening a proceeding that “will help inform Staff’s recommendations to the Board for developing a pathway forward for electric vehicle (“EV”) charging infrastructure build-out in the State, and the roles of private and public entities in this endeavor.¹” On the same date, BPU Staff (herein “Staff”) released the New Jersey Electric Vehicle Infrastructure Ecosystem 2020 Straw Proposal (“Straw Proposal”), which presents Staff’s viewpoints on the market design elements necessary to “create a comprehensive EV ecosystem that provides consumers with easy access to EV charging infrastructure where they work and play.²” Recognizing that exploring these issues must be done in partnership with a diverse group of stakeholders, Staff has invited interested stakeholders to provide comments on its Straw Proposal. Atlantic City Electric Company (“ACE” or the “Company”) offers these comments on the scope of this proceeding and thanks Staff for the opportunity to provide its perspective on the emerging and important issues of transportation electrification in New Jersey.

Many of the issues that Staff's Straw Proposal seeks to explore include questions regarding who should construct, own, operate, and pay for the charging infrastructure necessary to make New Jersey a national leader in the adoption of EVs. At a high level, and for the focus of these comments, the Straw Proposal provides a set of policies, including: (1) a standardized approach to EV charging deployment where EDCs invest in make ready components, and EV charging companies invest in, own, and operate chargers on sites; (2) consideration for EDC ownership of charging infrastructure as a party of last resort; and, (3) proposed rate design alternatives to encourage rapid deployment of EV charging infrastructure. Staff argues that the Straw Proposal's policies will contribute to the development of what it refers to as New Jersey's "EV ecosystem," or a comprehensive market that provides consumers with easy access to electric vehicle charging infrastructure.

In summary, while ACE shares the intent to foster a long-term, sustainable EV ecosystem in New Jersey, the Company believes certain policies in the Straw Proposal must be revisited. While Staff's Straw Proposal aspires to establish a comprehensive policy framework for EV infrastructure development, as currently drafted, it falls short in its attempt to address all of the market considerations necessary to promote sufficient deployment of charging infrastructure across the State. Specifically, ACE finds that the Straw Proposal includes several restrictive policies regarding the role of the utility in providing charging infrastructure offerings to accelerate the EV market. In contrast with Staff's recommendations as presented in the Straw Proposal, ACE believes that a broader role for utilities will be necessary if New Jersey is to succeed in achieving its goals of a widespread deployment of EV charging infrastructure and subsequent EV adoption, as set forth in both the Energy Master Plan ("EMP") and as recently signed into law in the plug in vehicle legislation ("S2252"). At a time in which New Jersey requires a robust and comprehensive approach to contribute to the acceleration of its EV market, ACE believes that Staff's shared responsibility business model is unduly limiting. While the make ready model may be effective in accelerating EV charging infrastructure deployments in some segments of the market, the complexity and nuance of each segment must be addressed with a range of market development strategies and investment models. ACE also believes that as a utility, it is uniquely positioned to provide innovative rate design solutions to accelerate EV market growth. Overall, ACE believes that enabling utilities to leverage all of the tools at their disposal, including all roles of utility investment in charging infrastructure and rate design initiatives, will be critical to attaining State goals and realizing the benefits of transportation electrification for New Jersey ratepayers.

2. New Jersey's policy foundations and market drivers require a clear and wide-ranging role for utilities in deploying charging infrastructure to achieve an EV ecosystem

As Staff's Straw Proposal notes, New Jersey recently established a set of key policies on the topic of EVs that inform the context of this discussion. Namely, the State has (1) signed the Zero-Emission Vehicle ("ZEV") Program Memorandum of Understanding, (2) finalized an EMP that includes specific targets for electrification, and (3) signed into law S2252, setting goals and establishing incentives for the EV market. Importantly, it is ACE's firm belief that in order to achieve the intent of these mandates, programs, and actions, New Jersey must establish and implement a strong role for the utility in transportation electrification. Unfortunately, as highlighted in more detail in section 4 of the Company's comments, the Straw Proposal's

recommendations conceive of a limited role for utility investment in the EV charging ecosystem, which ACE believes will prevent the State from meeting these newly instituted and aggressive objectives.

Overall, the new goals (330,000 light duty vehicles on the road by December 31 2025, and at least 400 DC Fast Chargers for public use and 1000 Level Two chargers deployed by that same date), guidance, and incentives offered in New Jersey demonstrate a clear and urgent approach to transportation electrification that require all stakeholders and market participants, including utilities, to provide solutions to accelerate market growth. The intent behind that approach becomes more evident when looking at the current State of New Jersey's EV market, and in particular, the adoption rate observed among ACE customers. There are currently 29,658 EVs registered in the State, including both battery electric and plug-in hybrid vehicles. According to the U.S. Department of Energy's Alternative Fuels Data Center ("AFDC"), there are 669 public Level 2 ports and 121 public DC fast charging ports statewide, many of which do not meet the technical requirements established for public charging in law. In the counties served in ACE's service territory, there are 2,974 registered EVs.¹ Per AFDC data, to charge those vehicles, ACE customers have access to four public DC fast charger and 26 L2 charger locations within the service territory.² As range anxiety, or lack of access to public charging solutions, is a key factor in driving EV adoption among the State's drivers, the relatively low distribution of available public charging locations has and continues to pose serious long-term challenges to the growth of New Jersey's EV market. This is especially the case in ACE's service territory. The recently passed EV law establishes goals for the development of public charging, including high power public fast charging, that is crucial to overcoming this consumer adoption barrier, and investment from the private markets are not on track to attain.

As these figures show, in order to carry out the intent and benchmarks set forth in the ZEV Program, the EMP, and S2252, New Jersey has less than five years to more than quadruple the deployment of public charging infrastructure and achieve ten times the EV adoption observed today. As evidenced in other market leading states, charging infrastructure is needed in other segments beyond public chargers – if customers don't have a place to charge, they won't buy an EV. Achieving these aggressive goals for EV sales and EV charging infrastructure deployment requires not only utility investment in charging infrastructure, but direct planning, facilitation, and ownership of charging assets in a strategic and comprehensive manner, leveraging the abilities of all market stakeholders. It is in this context of state- and market-driven demands that ACE filed its comprehensive Voluntary Program for Plug-In Vehicle Charging.

ACE's pending plug-in vehicle proposal ("In the Matter of the Petition of Atlantic City Electric Company for Approval of a Voluntary Program for Plug-In Vehicle Charging", Amended Petition, BPU Docket No. EO18020190) advances 13 distinct, segment-specific offerings to not only address the need for public charging in ACE's territory, but to provide measures to encourage and provide charging availability at home, around town, and between towns. These measures include incentives for residential, multi-unit dwelling, workplace, and public charging, make ready

¹ Atlas Public Policy, "EV Hub – New Jersey 12/31/2019 Data," <https://www.atlasevhub.com/materials/state-ev-registration-data/>.

² U.S. Department of Energy, Alternative Fuels Data Center. Accessed June 14, 2020. www.afdc.energy.gov.

infrastructure for DC fast charging, rate designs for beneficial electrification, and a limited utility-provided deployment of public charging infrastructure. This broad spectrum of offerings is designed to meet the same policy goal as the Straw Proposal, to encourage a lasting EV ecosystem. These offerings also address two equally important goals: providing the charging infrastructure needed to enable EV adoption, but also residential managed charging programs that will help mitigate impact on the grid. The portfolio approach ACE proposes leverages the strengths of various business models (incentives, make ready, and utility ownership) and market participants to meet the challenges of each market segment. ACE believes that this comprehensive, but flexible, approach must be considered and incorporated into the Straw Proposal as a core principle.

3. The “Shared Responsibility Model” is unnecessarily limiting to utility role in charging infrastructure deployment at a time with the market’s needs are diverse and expansive.

At this nascent stage in the market, the role of the utility must be both broad-based among market segments yet nuanced to meet the needs of each different part of the EV ecosystem the Straw Proposal puts forward. The needs of residential charging are different than those of public DCFC, which are different than those of fleet charging, and so on. ACE believes that the Straw Proposal unnecessarily applies a one-size-fits-all approach to the utility role in charging infrastructure deployment based around make ready investment, when in fact the needs in the market are much wider and more complex. In many cases, the proposed utility programs will help attract and leverage private infrastructure investment, but this benefit of utility involvement is not adequately represented in the Straw Proposal policy framework.

The Straw Proposal presents a vision of the EV ecosystem in line with the policy ambitions advanced in the State, but its utility role methodology lacks a recognition of the complexity of the EV market segments and how to stimulate further buildout of EV charging infrastructure in each. Not all market segments will be evenly and perfectly suited for a make ready model, as the Straw Proposal dictates. Instead, all models of utility investment will be required and must be tailored to the needs of the market, both at this point in time and dynamically as the market grows. ACE’s portfolio approach is designed to meet the needs of various segments of the market with different measures to effectively address market gaps.

ACE agrees with the Straw Proposal’s position that there is a role for private investment in charging infrastructure. In fact, many of the offerings in ACE’s Plug-in Vehicle Program have key elements of private investment, primarily in meeting the match of an incentive. But the Straw Proposal suggests that nearly all segments of the market should be reserved for private investment at a time when it may not materialize uniformly or expeditiously enough to meet the State’s goals. Private investment in charging infrastructure is itself not a static feature of each segment of the market, and even within segments may vary from place to place. For example, the level and extent of private investment in charging infrastructure may face impacts due to depressed economic conditions, observed lower adoption of EVs, and perceptions of an inadequate business model, locally and nationally. As such, it is ACE’s position that limiting opportunities for the utility’s role across multiple segments of EV charging infrastructure, including ownership and operation of charging stations, may limit growth rates in both EVs and associated infrastructure. By employing various models of investment across all parts of the EV ecosystem, utilities can attract private

capital to New Jersey's market for the long term, helping to bridge the market to more scaled and sustainable conditions.

The Straw Proposal suggests that New Jersey should attract private capital, minimize risk of ratepayer investment in stranded assets, and ensure the benefits of EV investments are shared by all ratepayers. ACE submits that these are in fact benefits to regulated utility investments in EV infrastructure, of which the Board oversees and reviews to determine appropriateness and effectiveness, and that these utility investments can be done in a form that is complementary with private investment. Regardless of the utility investment model employed, the Board can ensure technology standards are met and key targets for program success are measured and reported.

4. Considering the utility as a party of “Last Resort” for deployment of EV charging is inconsistent with the Administration’s objectives and the current State of the New Jersey EV market.

ACE agrees with the view expressed in the Straw Proposal on the need for equitable distribution of EV infrastructure and believes that it is well suited to ensure all communities have access to both EV infrastructure technology and its associated benefits. This need is evident across multiple charging segments, especially including multi-family and public charging facilities in the “charging deserts” that are not currently well served by private investment. This is especially critical for ACE customers, who, due to the more rural nature of the territory, currently lack widespread availability of public charging options. But, the Straw Proposal’s position that areas of the market must fit a specific definition to qualify for utility-owned charger deployment is simplistic and restrictive and cannot adequately account for the nuances of real-work projects. There are many factors that contribute to the overall decision to install charging infrastructure in a particular location, including: availability of favorable distribution system assets, local EV registrations, site host business considerations, and traffic volumes in a given area. All of these factors interplay to comprise a fluid and evolving business case. The definition of a “last resort” is therefore highly subjective and dynamic, changing constantly over time with the ebb and flow of the market. In addition, the Straw Proposal implies a “wait and see” approach to determining “last resort,” when in fact the market faces unmet need for charging infrastructure now. Rather than seek a definition or gauge the maturity of the market on an objective basis, ACE suggests that the merits of each investment be weighed at the time of its proposal and in context.

As a function of the ambitious growth rate required in New Jersey’s market, the State should be expanding, not restricting, the kinds of investments utilities can make in EV charging infrastructure. Given the aggressive policies established in the State compared against today’s realities, the market is truly at a foundational level. In contrast to a last resort, ACE’s proposal to own and operate a limited, but essential amount of charging infrastructure should be viewed as a first mover in its territory. If implemented, this initial capital deployment would serve to increase local EV adoption, accelerating the growth of the EV market, which in turn would provide the necessary signals to incentivize further buildout from non-utility entities. ACE believes that the Straw Proposal should be amended to recognize this first mover role that utilities can play in not only addressing current market gaps, but also helping to catalyze and motivate private capital concurrently.

5. The utility is uniquely positioned to deploy effective, targeted, and appropriately structured rate design measures that encourage private investment and in turn contribute to the accelerated growth of the EV market

ACE agrees with Staff's views as expressed in the Straw Proposal around the role of effective rate design in the development of a robust EV charging ecosystem. As a policy tool, effective rate design can not only achieve the objective of recovery of the necessary revenue requirement associated with providing electric service to customers, but also encourage customers to make rational, economically efficient decisions regarding the ways they choose to manage their energy usage. To this end, ACE believes it is uniquely positioned to leverage this policy tool to encourage increased EV adoption, thereby contributing to the reduction of structural barriers to widespread EV deployment across the State.

ACE agrees with Staff's view that EDCs should offer voluntary time-of-use ("TOU") rates for EV charging, which rewards consumers who elect to charge during off-peak periods. As such, in its pending filing with the BPU, ACE has proposed several TOU rate offerings to both encourage off-peak charging and gain greater insights into charging activities. While ACE acknowledges Staff's recommendation encouraging EDCs serving residential customers to offer a single retail rate structure with rate parity between single family and multi-family dwellings, it is ACE's position that establishing a single rate for these similar, but different customer classes would be contradictory ACE's mandate is to apply the principle of cost causation in its rate design. The rates in New Jersey for ACE customers are based on historical embedded system costs, and it is ACE's position that all customers should pay rates that reflect this same basis. ACE believes its current rates are cost-based and achieve the goal of sending the appropriate price signals to customers to encourage economically efficient charging behaviors.

Finally, ACE acknowledges Staff's recommendation to reform commercial and industrial demand charge structures so that the effective cost of electricity for public charging facilities do not result in excessive \$/kWh charges. While the existence of demand charges themselves is often characterized as a market factor that results in the hindrance of widespread deployment of EV charging infrastructure and subsequent EV adoption. It is ACE's view that the more pressing market characteristic is one of low utilization. While lower levels of utilization can impose higher demand and customer charge costs on EVSEs, in a market with higher levels of utilization, fixed costs can be spread over greater amounts of kilowatt-hour usage, thus reducing the impact of the demand charge on the overall bill. ACE believes that effectively designed rebate mechanisms are critical in accelerating the growth of a charging market currently characterized by low utilization rates. Through the use of well-designed rebate mechanisms, ACE believes that the desire to maintain cost-based rate structures would remain intact, while simultaneously providing rebates that are designed to facilitate greater EV adoption. As detailed in its filing with the BPU, ACE has recommended the use of a rebate mechanism known as the set point, which aims to fix the price of the overall cost of energy. The proposed strategy is explicitly targeted at attracting and leverage private investment in public fast charging, but is "self regulating" in that it provides only the incentive required to deliver the necessary economic stimulus needed by private investors. This approach provides a strong and appropriate balance between addressing the economic challenges in the public fast charging market while containing impact on ratepayers in a transparent and efficient way. Longer term, when utilization is higher due to more PEVs being on the road,

the level of incentive will naturally decline, and private owner/operators of these public charging stations will transition naturally to a standard commercial tariff.

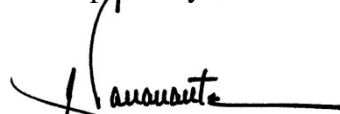
6. ACE opposes applying minimum filing requirements to cases already open and pending before the Board.

As noted above, the Straw Proposal advances minimum requirements for EDCs to include in EV charging proposals, which makes sense going forward, but certainly not for pending filings. ACE finds that its current proposal pending before the Board provides the necessary information regarding the intent and methodology of each offering. ACE does not believe that its pending petition must be amended or refiled to accommodate new proposed requirements. Further, imposing such requirements at this juncture is improper. ACE initially filed its EV petition in February 2018, following briefings and discussions with Staff and others. Thereafter, the BPU retained jurisdiction over the case and assigned Commissioner Chivukula as the hearing officer. On December 17, 2019, ACE filed an amended petition, again, after consultation with Staff and others. On April 9, 2020, Commissioner Chivukula set a procedural schedule, including an opportunity to file motions, conduct discovery, and evidentiary hearings. At no time since ACE's initial filing did the BPU or Rate Counsel indicate that ACE's filing was administratively incomplete. To now require ACE to amend its application based on standards that did not previously exist would seem to raise due process concerns. Imposing new and unexpected filing requirements on proposals already in mature stages of consideration would be counter to the Straw's stated goal of not delaying progress on the current filings.

7. Conclusion

ACE thanks Staff for the opportunity to provide comments on the Straw Proposal, as it poses several critical policy positions that have implications for the growth of the EV market in New Jersey. ACE looks forward to playing an active role in facilitating the growth of a long-term scalable and sustainable market for EVs and associated charging infrastructure.

Respectfully submitted,



Philip J. Passanante
An Attorney at Law of the
State of New Jersey