

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of a Working Case to)
Evaluate Potential Mechanisms for) **Case No. EW-2019-0229**
Facilitating Installation of)
Electric Vehicle Charging Stations)

**RESPONSE OF MIDWEST ENERGY CONSUMERS GROUP
AND MISSOURI INDUSTRIAL ENERGY CONSUMERS**

1. On March 5, 2019, Staff filed its Request for Party Submissions. In its Request, Staff asks for party opinions regarding whether certain costs “should be eligible for subsidization by utilities or eligible for special tariff / accounting / ratemaking treatment under a make ready approach.”

2. As an initial matter, MCEG and MIEC understand that increased penetration of electric vehicles may possible lead to a more efficient utilization of a utility’s systems, from generation to distribution. Accordingly, the MCEG and MIEC support the goals of this workshop to facilitate the installation of electric vehicle charging stations. That said, however, the MCEG and MIEC are generally opposed to the “subsidization” of costs caused by one class of customers by another class of customers. In this context, subsidization is defined as a situation in which a customer or class of customers is saddled with costs that are attributable to service provided to another customer or class of customers. Although the MCEG and MIEC are opposed to subsidization, if it can be shown that a subsidized rate would actually lower costs to all customers, further consideration of the situation would be needed. However, given the current nature of metering and rate design in Missouri, the MCEG and MIEC are doubtful that such a situation would actually arise.

3. Subsidization is problematic because it includes costs not attributable to cost of service and results in rates that are not cost of service based. As such, these rates then fail to send the proper price signals. Therefore, since rates are not cost based, customers begin to act in an inefficient manner. For instance, when fixed costs are shifted from Class A to Class B, customers in Class A will see demand charges that are lower than the actual cost of service. As a result, customers in Class A that may have taken steps to reduce peak demand if faced with a true cost-based rate, will forego taking these peak reduction steps because the customer does not see the proper price signals to reduce peak demand. In this situation, if the electric vehicle owner's rates for charging his car are subsidized, the owner may ignore the true cost to charge his car and do so in peak hours thereby defeating one of the main objectives for promoting the use of electric vehicles.

4. This opposition to cost subsidization explains MECG / MIEC's support for the approach implemented in the recent KCPL / GMO rate case. Under this approach, all investment, costs and revenues associated with KCPL's offer of electric vehicle charging service are segregated in a new rate class. By maintaining this strict segregation of investment, costs and revenues, no subsidization is created and appropriate price signals are presented not only to EV customers, but also to the other rate classes.

5. In its Request for Party Submissions, Staff seeks party input regarding the treatment of costs under a "make ready" tariff. As described in the Commission's initial order in this docket, the "make ready" approach "includes an option to waive line extension charges from a customer seeking a line extension for separately metered EV charging that meets specific public policy considerations." Clearly then, this approach is focused on the provision of certain electrical facilities by the utility to a customer that then seeks to provide electric vehicle charging

services. Importantly, unlike the KCPL situation in which the utility sought to provide the electric vehicle charging services, this is a situation in which the utility customer is providing EV charging services.

6. Under the “make ready” approach, these **customers** that take electric service from the regulated utility for purposes of providing electric vehicle charging services should be treated no differently than any other utility customer. As such, utility infrastructure used to provide service to the customer, including the distribution investment up to and including the electric meter, is provided by the utility.¹ The fixed rates charged by the utility would include the return on this investment as well as the depreciation expense and certain O&M costs. Similarly, the energy charges should include the variable costs of fuel and certain variable O&M.

7. Similar to other utility customers, all investment and costs on the customer side of the meter are incurred by the customer. Therefore, those items denominated by Staff as “Customer Costs” would be incurred by the customer and recovered, to the extent that the competitive marketplace allows, in the rates charged by the utility customer to those individuals using the electric vehicle charging stations.

8. As it has in other circumstances, it may be appropriate for the Commission to provide incentives to development in certain parts of the utility service area by allowing for a reduced cost for the line extension. Importantly, however, the reduced cost of the line extension would only affect those Internal Utility Costs identified by Staff. Under no circumstances should the Commission seek to shift costs incurred by the customer (i.e., any investment on the customer side of the meter) to the utility and its customers.

¹ As set forth in Staff’s Request for Party Submissions, the utility infrastructure would include: (1) necessary distribution / transmission system upgrades to existing infrastructure; (2) internal utility costs of distribution extension as allocated; (3) distribution equipment from existing infrastructure to service drop; (4) transformer at service drop; (5) service drop; (6) meter; (7) capitalized labor associated with the above; (8) property taxes associated with the above; and (9) insurance associated with the above.