



State of New Jersey
DIVISION OF RATE COUNSEL
140 EAST FRONT STREET, 4TH FL
P.O. Box 003
TRENTON, NEW JERSEY 08625

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

STEFANIE A. BRAND
Director

**Remarks of Stefanie A. Brand, Director, Division of Rate Counsel,
Regarding A4634 (Establishes goals, initiatives, and programs to
encourage and support use of plug-in electric vehicles)
Presented at the Assembly Environment and Solid Waste
Committee and the Assembly Transportation and Independent
Authorities Committee Meeting,
December 10, 2018**

Good morning. My name is Stefanie Brand, and I am the Director of the Division of Rate Counsel. I would like to thank Chairman Benson and Chairwoman Pinkin and members of the committee for the opportunity to testify today on A4634 (Establishes goals, initiatives, and programs to encourage and support use of plug-in electric vehicles).

The Division of Rate Counsel represents and protects the interest of all consumers -- residential customers, small business customers, small and large industrial customers, schools, libraries and other institutions in our communities. Rate Counsel is a party in cases where New Jersey utilities or businesses seek changes in their rates and/or services. Rate Counsel also gives consumers a voice in setting energy, water and telecommunications policy that will affect the rendering of utility services well into the future.

First, I would like to commend this committee for continuing to examine ways to meet our state's goals in terms of reducing of carbon emissions. Rate Counsel also

continues to seek the development of effective policies to combat climate change. We have been active participants in the stakeholder process sponsored by the Board of Public Utilities (BPU) to balance competing interests and develop a workable strategy to promote Electric Vehicles (EVs). That process has been ongoing for months and continues. This bill, however, supplants that entire process. Without including some of the key stakeholders that have been involved in the BPU process, most notably consumer representatives, this bill was crafted by industry representatives – all of whom will profit substantially by the provisions of this bill. But the fact is that this bill needs a lot of work and needs to be fixed.

The bill establishes a “working group” to develop a statewide vehicle charging infrastructure plan that will establish what charging infrastructure we need, strategies for creating market conditions to encourage EV adoption, policies, regulations and guidelines to protect the grid and meet the goals of the Legislation. The working group will also establish public education programs and consumer awareness campaigns to promote EVs, and other “advanced mobility solutions,” including Uber, self-driving vehicles and ride sharing platforms. Rate Counsel appreciates that it has been added to the members of the working group, but recommends several additional amendments as set forth below.

The bill establishes specific numbers (1300) of charging stations to be developed, even though the issue of what infrastructure is needed has not even been studied by the working group yet. Not only that, the bill *requires* utilities to submit plans for the construction and long-term operation of these charging stations and provides that they will get full contemporaneous recovery of their costs through a surcharge and

will get to incorporate this plant into their rate base and earn on it for the life of the asset. While the bill allows the utilities to contract out the ownership and operation of these charging facilities, we know that two of New Jersey's utilities – PSE&G and Atlantic City Electric – are already seeking permission to build charging infrastructure at a cost of approximately \$275 million. While not all of that is for public charging stations, all of it is to encourage EV adoption and the “goals” of this bill. All of it will also be charged to ratepayers at the utilities' full return.

These provisions are problematic on a number of levels. First, there is a competitive industry of privately owned and operated charging stations. Even with the bill's provision asking the regulated utilities to leverage private investment whenever possible, there is nothing in the bill that prevents them from supplanting these private providers. The competitive charging companies are not going to be able to compete with the guaranteed recovery promised to regulated utilities. And even if the utilities decide to contract with those providers to operate or construct the stations, that just means ratepayers will pay those costs plus the administrative costs and earnings for the utility. Why insert the utilities in this at all? The utilities will certainly have to do the upgrades necessary to ensure the charging stations are integrated appropriately into their grid, and they will also earn generously on the increased sales of electricity that will result from the electrification of transportation. They are also free to enter the competitive market through their unregulated subsidiaries. So why wouldn't we nurture the competitive market and see if the needed charging stations are built with private funds? If it turns out that specific places are severely underserved, we can then look at how to encourage the completion of the network. But why take a competitive industry

and turn it into a monopoly, only to then offer to let the utilities hire their competitors for a fee? This will be cumbersome, expensive and is simply unnecessary.

Consideration must also be given to having EV owners pay for some of the costs since they will surely benefit from these programs. In normal utility practice when a new customer seeks service, the utility will review the anticipated revenues from that new customer. If they are sufficient to justify the extension of service, then the utility will build the line and recover the cost over time through rates. If they are not, the utility will seek a contribution in aid of construction from the developer or new customer. A similar concept could be applied here since the additional load from EVs will bring significant future revenues to the utilities.

Second, these provisions are also at odds with the previously-enacted Electric Discount and Energy Competition Act (“EDECA”), codified at N.J.S.A. 48:3-49 et seq., which fosters competition in the State’s electric energy market and establishes certain requirements for electric utilities seeking to provide competitive retail services, such as electric vehicle recharging. EDECA’s requirements were designed to foster competition and provide safeguards to address the interests of captive utility ratepayers. Among EDECA’s provisions are those that require a utility to seek Board approval to participate in competitive services, share revenues with ratepayers, and implement measures to ensure that the competitive services do not adversely affect a utility’s ability to provide service to its public utility customers. EDECA also requires consideration of the impact of utility involvement on the market for competitive services, so as not to impede competition. See N.J.S.A. 48:3-55, -56. S2252 does not contain any such safeguards.

This highlights another important omission in this bill. To the extent the utilities own and operate their own stations, and use ratepayer funds to do so, all revenues from those stations must be credited to ratepayers. There is precedent for this in the appliance service programs run by at least one utility that was grandfathered in when EDECA prohibited utilities from participating in competitive services. Under those provisions, the utility must credit the ratepayers with all revenues from those activities since they are funded by the ratepayers through rates. This bill is silent on that issue and that omission must be corrected. No one would expect a bank to lend a company money to start a business but let that business keep all the profits. Ratepayers must be paid back for the venture capital they are being asked to provide.

Subsection (h) of Section 10 must also be deleted. It is an open-ended invitation to the utilities to propose just about anything and charge ratepayers in the process. As you are well aware, the State is currently undertaking a number of initiatives to meet our climate change goals and ensure a reliable grid. We are asking ratepayers to pay for offshore wind, solar, community solar, energy efficiency, gas main replacement, storm hardening, and of course, nuclear subsidies. Our office is currently working on utility filings asking for about \$10 billion of ratepayer money for what the utilities will surely argue are essential and worthy programs. It is unlikely we can do it all and still maintain affordable rates. But if we are to have a chance at all, we must spend our money wisely. We don't have extra money to pay the utilities to step in between the EV owners and the competitive charging station owners. We don't have extra money to ask ratepayers to fund R&D and "innovative market or technology trials." Rates are supposed to pay for used and useful utility property and for the prudent costs needed to provide safe,

adequate and proper service. The concept of just and reasonable rates is constitutionally based. If rates are too high or exceed what is needed to provide safe, adequate and proper service, they are confiscatory and unconstitutional. So there is no room for a “kitchen sink” provision and subsection 10(h) should be deleted.

In this regard, electric rates are also an inappropriate funding source for vehicle rebates. There is literally no connection between the provision of utility service and the purchase of vehicles. I have heard valid complaints for many years about how inappropriate it is to take SBC money and use it on other programs. That is exactly what is being done here. The bill takes SBC money and uses it to provide incentives to sell cars. It is compounding the problem and almost assuring that ratepayers will see their SBC charges go up – rather than the relief that has been promised from years of SBC money being used for other purposes. Another funding source for the car rebates needs to be found. The bill references a number of other funds including RGGI and the zero emission credit bank. If the Legislature desires to provide for rebates for electric vehicles, it should look to those sources and not captive electric utility ratepayers.

It is very important to remember that this bill essentially imposes a tax on utility ratepayers to subsidize the purchase of luxury vehicles. It is a significant transfer of wealth from low and moderate income consumers to more affluent ones. There has been a lot of discussion about inequities and the need to bring benefits to low and moderate income communities. This does the opposite. Today's EVs are very expensive, relative to the conventionally-fueled counterparts. They are costly beyond the reach of most car buyers. For example, the Chevrolet Bolt has an MSRP over two times the MSRP of a comparably-sized internal combustion vehicle, such as a Honda

Fit. The lowest priced EV, a subcompact Nissan Leaf, is priced comparable to a mid-sized automobile. And the best-selling EVs, the Tesla models, are clearly in luxury car price territory. A \$5000 rebate does not change that.

And the cost will not be spread over all ratepayers. Net metered solar customers will not pay for this since they don't pay the SBC. So if you can't afford solar panels or an electric vehicle – a condition many New Jerseyans find themselves in – you will get to pay but will not get to take advantage of these programs.

This bill needs to be pared down and affordability needs to take its place as a priority. The Charge EVC study that has been referenced by other witnesses found a positive impact for ratepayers but only assumed a \$700 million contribution over 17 years. That translates to about \$40 million per year. This bill will be much more expensive than that. It allots up to \$300 million over 10 years for vehicle rebates, calls for the construction of charging stations that could cost at least another \$50 million based on estimated costs in one of the utility filings. There will also be other costs that have not been calculated – the cost of rebates for trucks, the cost of utility work to upgrade the grid to meet the increased load from EVs, the cost of other utility programs, the cost of other “market initiatives” and consumer education programs. Not to mention the costs of whatever programs are proposed under the Section 10(h) “kitchen sink” provision. We don't have a specific price for those things yet but it's pretty clear that the \$40 million per year estimate will be exceeded. For this reason, the bill should be amended to include a cap. You can even use the \$40 million per year number or \$700 million over the 17 year period addressed in the Charge EV study. Otherwise, there will not be an overall benefit to ratepayers - just the enormous wealth transfer.

Rate Counsel recognizes that reducing the carbon footprint of the transportation sector of New Jersey's economy is an essential part of reducing our State's carbon footprint. However, New Jersey's public utility ratepayers should not be asked to shoulder the cost of reducing the carbon footprint of the transportation sector. Since 2012 shut offs of electricity have increased significantly, around 40%. Between 2016 and 2017 alone, they increased about 4%. With all of the initiatives we are looking to do in this state we cannot charge ratepayers for everything and still expect businesses to stay in this state or customers to be able to afford both their bills and their necessary daily expenses. With significant edits and reasoned choices, we can encourage robust EV adoption in this state. Let's not take the easy and expensive way out and put it all on utility bills.

So I reiterate with this committee that this bill needs a lot of work before it advances. There needs to be (1) a cap on ratepayer funding, (2) a limit on utility ownership and operation of competitive services, (3) the return of charging revenues to ratepayers, (4) the deletion of section 10(h) and its "kitchen sink" invitation to utilities, and (5) another source of funds for vehicle rebates. It is imperative that you consider affordability as a public policy goal that is as important as other goals. This bill does not do this and I strongly urge that these amendments be made. Thank you for the opportunity to testify today. I am available to answer any questions you may have.