



October 18, 2022

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: Charge Ahead Partnership Comments on Docket CI-22-267

Dear Mr. Seuffert:

Charge Ahead Partnership (“CAP”) respectfully submits the following comments to the Minnesota Public Utilities Commission (“the Commission”) in reference to Docket CI-22-267 regarding the 2021 Infrastructure Investment and Jobs Act (“IIJA”) requirement to consider measures to promote greater electrification of the transportation sector.

CAP’s membership is comprised of businesses, organizations and individuals – including convenience stores, fuel retailers, grocers, and EV charging companies – that share the common goal of expanding Minnesota’s electric vehicle (“EV”) charging network and ensuring Minnesota is positioned to meet EV drivers’ expectations of quality service, safety and the affordable, competitive pricing to which they have grown accustomed with the established refueling network. The biggest challenge to widespread EV adoption in Minnesota is the lack of a robust, statewide EV charging network that is co-located with the services and amenities, such as food vendors, restrooms, lighting and security, that consumers have come to expect when they refuel. CAP believes that a competitive, market-based approach is the most efficient and economical way to build Minnesota’s EV charging network so that it promotes fair competition and encourages private investment in the EV charging business.

Congress intended for the IIJA to foster a competitive, private market for direct current fast charging (“DCFC”). In order to achieve this, systemic challenges with Minnesota’s current electricity market must be addressed. Specifically, DCFC stations have unique power needs that require high power capacity for charging but consume relatively low amounts of energy per charge.¹ This high demand over short periods of time subjects EV fast chargers to costly “demand

¹ NASEO, *Demand Charges & Electric Vehicle Fast-Charging*, October 2021. Available at <https://www.naseo.org/data/sites/1/documents/publications/Demand%20Charges%20and%20EV%20Charging%20-%20Final.pdf>.

charges,” which are fees based on the highest level of electricity used during a billing period. Demand charges are a key barrier to private investment in EV charging services.

Demand charges were created to compensate electric utilities for their investment in the capacity needed to meet spikes in demand. These charges pre-date EVs and are incompatible with the realities of owning and operating a DCFC station. The single use of a DCFC station can incur a demand charge that doubles or triples the electric bill of the operator. In the early stages of EV adoption, there are not enough EV drivers to offset these demand charges, making the cost to charge prohibitively expensive.

The Commission has already taken steps to promote EV adoption. In Docket No. CI-17-879, issued on February 1, 2019, the Commission indicated the role for utilities should focus on optimizing the cost-effective integration of EVs through appropriate rate designs, policies and investments, that improve system efficiency and benefits to utility ratepayers, including non-EV owners. Additionally, in Docket No. 20-86, adopted on July 16, 2021, the Commission finalized a rate design for commercial and industrial customers including EV charging facilities that includes time-of-use with critical peak pricing as a pilot program.

These actions by the Commission promote private investment in public EV charging in Minnesota, but barriers for entry still remain. In order to build on this progress and promote greater electrification of the transportation sector, the Commission should consider the following issues:

Transparency and uniform pricing

Consumers refuel at approximately 125,000 retail fueling locations across the country. The retail fuels market today is the most transparent and competitive commodity market in the United States. Consumers can easily see fuel prices and decide where to refuel based on the posted price without having to leave their vehicles. This dynamic leads to price competition. EV drivers should have access to the same competitive, stable and convenient prices that drivers of gas-powered vehicles have enjoyed for decades. Any pricing mechanisms that the Commission considers must ensure that rates are fair, predictable, transparent and amenable to private investment into EV charging infrastructure.

In IIJA Section 40431,² Congress explicitly calls for state regulators to implement rate structures that mitigate the impact of demand charges on the private sector’s ability to generate a return on EV charging investments. Section 40431’s primary author, Senator John Hickenlooper (D-CO), noted in explaining the need for this provision.

Public EV charging stations, particularly high-powered DC fast charging stations designed for highway corridors and for heavier duty

² IIJA Section 40431 amended the Public Utilities Regulatory Policies Act (PURPA).

EVs like buses and trucks, face a distinct set of hurdles imposed by the current regulatory system and traditional, demand-based electricity rates. Most prominent among barriers to deploying commercial EV charging are demand charges, which are ... designed to capture the marginal costs imposed on the grid by high-capacity, high-utilization infrastructure such as factories. However, when demand charges are levied upon high-capacity, low-utilization infrastructure such as EV charging stations, they can place a disproportionate cost burden on the station owners. The high-powered, fast-charging stations our Nation needs to serve the EV driving public ... have different load profiles than most commercial entities, with periods of dormancy punctuated by spikes in activity. And unlike most commercial operations, their demand profile is driven by real-time customer activity. So it is difficult for these stations to optimize their load profiles.³

There are many options for EV charging rate-design that utilize alternatives to traditional demand-based rate structures. CAP encourages the Commission to consider volumetric structures, based on the amount of electricity being provided to the EV. Ultimately, the Commission must establish a rate structure for DCFC stations that mitigates demand charges and sets forth the terms and conditions for the sale of electricity to DCFC station providers. To promote private investment and fair competition in Minnesota's EV charging business, it is imperative that the rates, terms and conditions for DCFC stations are properly applied to all DCFC providers, including electric utilities that choose to provide EV charging services.

Ratepayer subsidization of charging stations

Another major barrier to private businesses investing in DCFC stations is the threat of electric utilities investing ratepayer funds in EV charging stations without market or competitive forces at play. If electric utilities are permitted to provide DCFC services directly to the public, as Xcel Energy Minnesota has proposed in Docket No. 22-432, it would undoubtedly undercut the development of a competitive EV charging market in Minnesota. Private, unregulated businesses cannot compete with a regulated monopoly that can pass on the costs of their investments in DCFC stations to all of their ratepayers.⁴ Additionally, it is not prudent for vertically integrated utilities to utilize ratepayer funding to expand their monopolies to EV charging services when there are private companies eager to invest their own capital. Finally, utility investments in charging stations could lead to stranded assets as EV charging technology evolves quickly and

³ 167 Congressional Record 140 ed. (August 5, 2021) at S5927 available at <https://www.congress.gov/117/crec/2021/08/05/167/140/CREC-2021-08-05-senate.pdf>.

⁴ See Peter G. Scholtz, Assistant Attorney General comment letter in Docket No. 22-432. "Xcel's EV proposals — particularly \$193 million earmarked for an expanded fast-charging network — implicate important public policy questions about whether and under what conditions the Company should be allowed to use its ratepayer-funded monopoly to compete in a new business area," Scholtz wrote.

could render ratepayer funded EV infrastructure obsolete before the amortization period is complete.

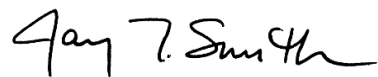
Leveraging stakeholder core competencies

CAP acknowledges that Minnesota's electric utilities will play a critical role in ensuring Minnesota's grid infrastructure is prepared to support a statewide fast charging network. The most effective way to build out Minnesota's charging network is through a coordinated partnership between the state's regulated electric utilities and private, unregulated businesses. The Commission, through its jurisdiction over electric utilities, should implement regulatory policy to facilitate that partnership through the make-ready model. This model will allow utilities to recover the costs of make-ready infrastructure to prepare charging sites for DCFC stations. Indeed, this effort will require cooperation among all of Minnesota's electricity providers and many other stakeholder groups. However, unregulated businesses that compete on price and quality of service are better suited to own and operate publicly available DCFC stations, while regulated electric utilities should focus on preparing the grid for increased electrification of the transportation sector. This partnership will provide benefits to all electric utility ratepayers rather than only those who drive EVs, which supports the Commission's findings in Docket No. CI-17-879.

Conclusion

For the reasons previously stated, CAP urges the Commission to implement regulatory policy and rate structures that will support private investment in transportation electrification. Thank you for your consideration of CAP's comments. As the commission studies this issue, CAP is prepared to be a resource and welcomes all future opportunities to participate in this process. We look forward to working with the Commission on this important issue.

Sincerely,



Jay Smith
Executive Director
Charge Ahead Partnership
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