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## ACADIA CENTER SUPPLEMENTAL COMMENTS ON BENEFICIAL ELECTRIFICATION

Acadia Center submits the following comments in response to the Rhode Island Division of Public Utilities and Carriers' (DPUC) and Office of Energy Resources' (OER) final solicitation for comments made at the October 23, 2017, Power Sector Transformation Meeting to Present Draft Recommendations for Stakeholders. Acadia Center is a non-profit, research and advocacy organization committed to advancing the clean energy future, and is at the forefront of efforts to build clean, low carbon, and consumer-friendly economies. Acadia Center's approach is characterized by reliable information, comprehensive advocacy, and problem solving through innovation and collaboration.

Acadia Center participated in the Power Sector Transformation Initiative's earlier phases, as well as Docket 4600 and SIRI. It submitted numerous comments and reply comments in response to Notices of Inquiry for all four Power Sector Transformation workstreams, including Beneficial Electrification and the Utility Business Model. These supplemental comments focus on outstanding concerns in the Beneficial Electrification Principles and Recommendations document and the Utility Business Model Principles and Recommendations document regarding utility engagement in electric vehicle (EV) infrastructure development. These comments also provide recommendations for the beneficial electrification of heating, a topic for which there was not a formal solicitation for public comment.

### **BENEFICIAL ELECTRIFICATION OF TRANSPORTATION**

Acadia Center is deeply concerned with the Beneficial Electrification Principles and Recommendations document released October 13, 2017. This version of the document is identical to the draft version released September 15, 2017, despite numerous calls for critical changes from Acadia Center and other stakeholders at the Technical Meeting on Beneficial Electrification and Electric Utility Business Models on September 25, 2017.

As Acadia Center stated at both the September 25 Technical Meeting and the October 23 meeting, the Beneficial Electrification Principles and Recommendations document fails to provide concrete, detailed guidance for utility engagement in EV infrastructure deployment. This is disappointing given the numerous recommendations Acadia Center and other stakeholders provided in response to the DPUC's and OER's Notices of Inquiry for the Beneficial Electrification workstream. While there was not stakeholder consensus on the best way to allow utility participation in beneficial electrification, the Beneficial Electrification Principles and Recommendations document should have defined stakeholders' positions and highlighted differences of opinion that need critical evaluation to initiate further discussion. Without a more concrete proposal, stakeholders cannot continue to engage.

Further, by submitting the Beneficial Electrification Principles and Recommendations document in its current form, without specific guidance based on stakeholder input, the OER and DPUC will not meet a goal of the Power Sector Transformation Initiative to define a clear path forward in this workstream. Without well-defined principles based on

consensus, a utility proposal for beneficial electrification will be evaluated in a contentious litigated process – an outcome the Power Sector Transformation Initiative sought to avoid.

It is also troubling that a proposal focused on EV infrastructure does not mention the Federal Volkswagen Settlement funds as a key piece of the strategy. Rhode Island is about to receive \$14.4 million, of which 15%, or nearly \$2.2 million, can be used for EV charging infrastructure. We appreciate that the Department of Environmental Management (DEM) has yet to finalize its mitigation plan for use of those funds, but with the goal of advancing beneficial electrification, the state should see these funds as an opportunity to kickstart the EV charging market, a complement to any utility proposal, and a means to put the state on a path to achieve its greenhouse gas reduction goals.

Acadia Center's earlier comments and reply comments in the Beneficial Electrification workstream have addressed our recommendations for beneficial electrification of transportation in two key areas: (1) the role of the electric distribution utility and EV program design, and (2) investments in electric vehicle supply equipment (EVSE). They can be summarized, briefly, as follows:

#### Recommendations on the Role of the Electric Distribution Utility:

- Utilities should prioritize smart rate structures and other programs that incentivize EV purchases and reduce barriers to EV charging.
- Utilities should prioritize policies that allow utility investments to be optimized for a future with a smarter grid and widespread distributed clean energy resources.
- Utilities should focus on addressing key market failures that are within the proper role of a distribution utility.
- The PUC should establish regulatory limits for utility involvement in EV investments like those established by the Massachusetts Department of Public Utilities in Order 13-182-A, with a general presumption against direct distribution company ownership and operation of charging stations with specified exceptions. Direct utility ownership and operation of charging stations would:
  - Permanently undercut the development of a private charging market because of the cost advantage of ratepayer-backed capital;
  - Unnecessarily expose ratepayers to higher costs than models where site hosts and customers contributed private capital; and
  - Risk stranded assets if technology was to significantly change in the next five to ten years.
- A “make-ready” approach to a utility EV program is better suited to the utility role of overcoming market barriers. A distribution utility is also free to participate in the EVSE market through an unregulated affiliate.
- The PUC should rule that third party EVSE owners and operators are selling charging service, not electricity, and should therefore not be regulated as a utility.

#### Recommendations on Investments in EVSE:

- As noted above, the DEM should designate the maximum amount allowed, about \$2.2 million, under the Federal Volkswagen Settlement to the development of EV infrastructure.

- A regional cap-and-invest transportation climate policy, like the Regional Greenhouse Gas Initiative, would raise funds for transportation infrastructure, including EVs and EVSE, and help the state meet its greenhouse gas reduction goals.
- The utility could seek cost recovery for EVSE rebates if they pass benefit-cost screening, provide new consumer value, are not duplicative of other programs, and include public interest protections.

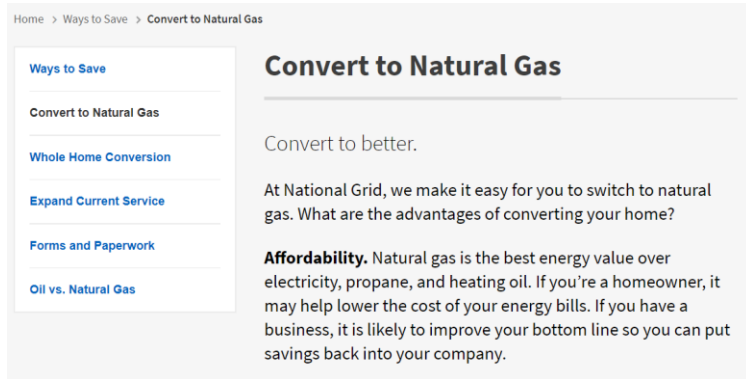
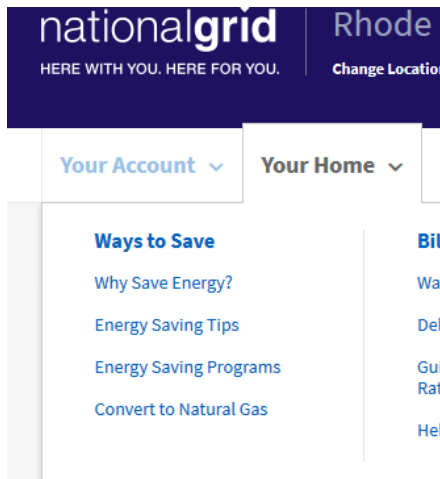
### **UTILITY BUSINESS MODELS FOR BENEFICIAL ELECTRIFICATION OF TRANSPORTATION**

Acadia Center is generally pleased to see positive changes made to the Utility Business Model Principles and Recommendations document dated October 13, 2017; however, the recommendations regarding utility partnership models for EVSE have remained the same despite concerns from Acadia Center and other commenters. As previously noted, the proposed partnership models do not appear to describe any options that are either (1) within the appropriate role of a distribution company, or (2) not already provided by existing entities. Acadia Center previously recommended that EV charging stations be removed from the list of partnership models unless details were provided to address these concerns. Because the October 13, 2017, draft of the Utility Business Model Principles and Recommendations document did not provide additional specifics to address these points, Acadia Center continues to recommend that these partnership models be removed.

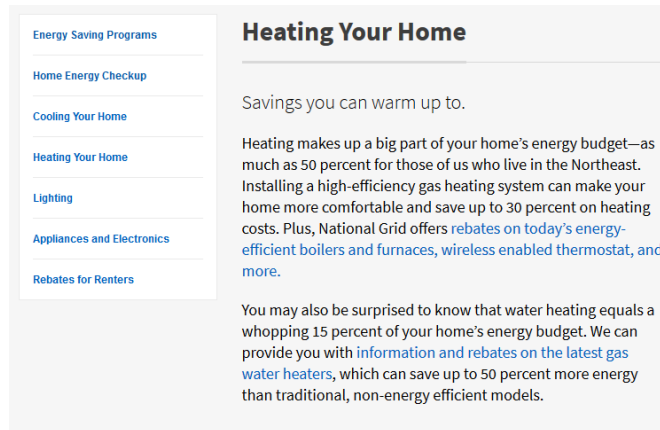
### **BENEFICIAL ELECTRIFICATION OF HEATING**

Acadia Center is disappointed by the lack of significant detail and discussion of beneficial electrification of heating in the Beneficial Electrification Principles and Recommendations document and in the Power Sector Transformation Initiative more generally. Based on the high numbers of efficient electric heat pumps deployed in New England to date in Maine, it is clear the market for these products has far more potential than is being realized in Rhode Island. The Beneficial Electrification Principles and Recommendations document states that National Grid currently has programs to “lower the barrier to replacing inefficient heating systems with efficient electric heating systems.” This does not accurately describe the purpose of the current programs or how they are designed to function. The incentive programs are designed to encourage customers to install a heat pump that is more efficient than the federal minimum standard. Thus, the incentive levels are relatively low because they are designed to cost-effectively capture this incremental savings, not encourage fuel switching.

The document also does not address a more significant issue regarding utility incentives and motivation in proposing a program to encourage beneficial electrification: National Grid also owns the gas distribution company in the state. While the company can build its rate base with new natural gas mains and connections, electric heat pumps do not require similar new infrastructure. This inherent conflict is reflected in the company’s “Why Save Energy” section of its website, where conversion to natural gas is featured, and there is no mention of beneficial electrification:



The website’s “Heating Your Home” section gives similar treatment of natural gas for space and water heating, but does not mention heat pumps.



While rebates for incremental efficiency in electric heat pumps are available, the promotion of natural gas as essentially the favored fuel is likely leaving heat pumps in a competitive situation that is less favorable than if there were no market intervention at all. Until these issues with the current utility business model are acknowledged and addressed, it is unlikely that beneficial electrification of heating will move forward in Rhode Island at an accelerated pace.

**For more information:**

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