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<b>APPLICATION OF EL</b>	<b>§</b>	
<b>PASO ELECTRIC COMPANY</b>	<b>§</b>	<b>STATE OFFICE OF</b>
<b>FOR APPROVAL OF ITS TEXAS</b>	<b>§</b>	<b>ADMINISTRATIVE HEARING</b>
<b>ELECTRIC VEHICLE -READY</b>	<b>§</b>	
<b>PILOT PROGRAMS AND TARIFFS</b>	<b>§</b>	

**EV.ENERGY CORP'S INITIAL BRIEF**

Pursuant to SOAH Order Nos. 7 and 8, EV.ENERGY CORP (ev.energy) respectfully files its Initial Brief. For the reasons stated below, ev.energy recommends and requests that the Commission approve El Paso Electric Company's (EPE) EV Smart Rewards Pilot Program.<sup>1</sup>

**I. Introduction**

In anticipation of significant load growth from residential customers charging electric vehicles (EVs) at their homes, EPE proposes a modest pilot program to develop tools and capabilities to ensure that this flexible new load realizes its potential to provide benefits to all EPE customers. Through the EV Smart Rewards Pilot, EPE will manage participating customers' EV charging to test various active managed charging strategies and ensure that charging takes place when it is most beneficial based on real-time grid conditions. Rather than setting a static time-based price signal and hoping that customers respond in the desired way (or hoping that the price signal in the tariff reflects actual grid conditions on any given day), the only action required by

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<sup>1</sup> While ev.energy supports all EPE's Texas Electric EV-Ready Pilot Programs at issue in this proceeding, ev.energy's interests are limited to the EV Smart Rewards Pilot. As a result, this Initial Brief does not address EPE's other proposed programs.

participating customers is to complete the sign-up process for the Pilot. Using ev.energy's industry-leading software platform, EPE will be able to delay, stagger, and/or throttle customers' charging to mitigate grid impacts while ensuring each customer's vehicle is charged when they need it.

The benefits of the EV Smart Rewards Pilot cannot be quantified in advance because the purpose of the Pilot, like any pilot, is to test and measure the Pilot's capabilities. However, other utilities' extensive experience with managed charging programs indicates that the potential benefits are both significant and scalable. Critically, the EV Smart Rewards Pilot is not a cross-subsidy from non-participating customers to participating customers. Rather, the Pilot would *compensate* participating customers for the valuable service of allowing EPE to control when their EV charging occurs, which they otherwise would have no obligation or reason to do. In this way, the EV Smart Rewards Pilot is analogous to demand response or load management programs, such as EPE's existing Energy Wise Savings Program, which compensates customers who help EPE reduce its peak demand by allowing EPE to control their thermostats on hot days.

EPE's customers will continue to adopt EVs. Left unmanaged, customers will charge their EVs when it is most convenient for them, which all-too-often will increase EPE's peak demand. Effectively managed, EV charging is a beneficial load that will put downward pressure on rates for all customers. The Commission should approve the EV Smart Rewards Pilot to ensure that EPE is prepared to manage the significant new load that EV adoption brings for the benefit of all customers.

**A. Description of Application**

**B. Procedural history**

**II. Jurisdiction and Notice**

**III. Discussion**

**A. EV Smart Rewards Pilot Program**

**1. Introduction/Program description**

Active managed charging programs such as the EV Smart Rewards Pilot enable utilities and grid operators to connect directly with participants' networked charging stations or vehicle telematics to actively control participating customers' charging activity in response to grid conditions, while still respecting customer preferences around battery level and departure time. This direct control generally delivers greater grid benefits than passive managed charging programs that rely on customers manually responding to time-varying rates or other passive incentive structures.<sup>2</sup> Active managed charging programs are analogous to EPE's Energy Wise Savings Program, in which EPE actively manages customers' smart thermostats to mitigate peak loads on hot days.<sup>3</sup> Unlike passive time-of-use rates, managed charging programs are specifically designed around EV charging activity, which helps maximize the benefits realized from these programs.

The proposed EV Smart Rewards Pilot is a two-year, voluntary residential managed charging pilot, in which EPE would have the ability to actively manage the charging activity of participating customers.<sup>4</sup> The program would be available to EPE's residential customers that have a qualifying electric vehicle with telematics capabilities or a qualifying networked charging

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<sup>2</sup> *Id.*

<sup>3</sup> [https://tx.epelectricmarketplace.com/content\\_drpe\\_info.html](https://tx.epelectricmarketplace.com/content_drpe_info.html).

<sup>4</sup> Direct Testimony of Angie Rodriguez, p. 13.

station.<sup>5</sup> EPE proposes to cap participation in the pilot at 880 customers, which represents approximately 10% of the expected EVs in EPE's service territory by the end of 2025.<sup>6</sup>

Participating customers would receive a one-time enrollment incentive of \$125, annual \$50 incentives for customers that allow EPE's to schedule at least 80% of their charging during off-peak periods, and the opportunity to earn up to \$5 in additional incentives per month for participating in low carbon and demand response events.<sup>7</sup>

EPE states that the purpose of the pilot is to:<sup>8</sup>

1. Evaluate customer acceptance and efficacy of managed charging programs with minimal impact to a customer's driving behavior;
2. Reduce adverse grid impacts related to unmanaged charging to optimize the use of existing infrastructure;
3. Minimize the required investment in additional infrastructure; and
4. Help the Company evaluate the effectiveness of several managed charging strategies (e.g., shifting charging load to off-peak periods, avoidance of timer peaks, alignment of charging with renewable energy generation, and increase customer engagement with the utility).

As explained by ev.energy's witness Mr. Jared Ballew, EV-specific load management tools such as active managed charging programs are highly effective at ensuring that incremental EV charging load provides benefits to all customers and does not negatively impact grid operations.<sup>9</sup> Whole-home time-of-use rates can be effective for some customers, but many customers may be

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<sup>5</sup> *Id.*, p. 14.

<sup>6</sup> *Id.*, p. 15.

<sup>7</sup> *Id.*, p. 14.

<sup>8</sup> *Id.*

<sup>9</sup> ev.energy Exhibit 1, Ballew Direct at 7-8.

unwilling to take service for their entire household on TOU rates, but still want to participate in a managed charging program for their EV. For example, many customers might be unwilling to shift the times that they heat or cool their home, use hot water, or use their oven in response to TOU rates and will choose a flat volumetric rate option as a result of these preferences. However, EVs are typically parked overnight, and drivers typically do not care when charging occurs as long as their vehicle reaches the desired state of charge by the time they leave home in the morning. As a result, there are likely to be some customers who are willing to participate in EV-specific managed charging programs but who are unwilling to participate in optional whole-home TOU rates.

Additionally, EV charging load has unique characteristics from other residential energy usage that make EV-specific charging programs more effective for managing load than other strategies, such as whole-home TOU rates. Specifically, most personal vehicles are stationary for 22 or more hours daily,<sup>10</sup> and over 80% of EV charging occurs at home.<sup>11</sup> This significant downtime means there is substantial flexibility for when EV charging activity can occur over the course of the day to meet drivers' needs, presenting a massive potential to manage residential EV charging around grid conditions.

Additionally, active managed charging programs can stagger charging activity, allowing the utility to minimize or avoid "timer peaks," in which EV charging load spikes at the beginning of an off-peak period for drivers on TOU rates or certain passive managed charging programs.<sup>12</sup> As a result of EVs' long dwell times, there is significant flexibility in charging schedules, which

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<sup>10</sup> See SEPA, *The State of Managed Charging in 2021* (November 2021), p. 7. Available at: <https://sepapower.org/resource/managed-charging-incentive-design/>.

<sup>11</sup> See David Hurlbut, et al, *Electric Vehicle Charging Implications for Utility Ratemaking in Colorado*, NREL, slide 10, available at: <https://www.nrel.gov/docs/fy19osti/73303.pdf>.

<sup>12</sup> Smart Electric Power Alliance, *Residential Electric Vehicle Rates That Work* (November 2019), p. 12. Available at: <https://sepapower.org/resource/residential-electric-vehicle-time-varying-rates-that-work-attributes-that-increase-enrollment/>.

managed charging programs can take advantage of to align charging with the most beneficial periods for the grid.

ev.energy strongly supports the proposed EV Smart Rewards Pilot. As EV adoption grows, it is critical that utilities begin to implement strategies to properly manage EV charging activity. The continued increase in EV adoption presents a massive opportunity for utilities and grid operators to harness the inherent flexibility of EV charging load to realize various grid benefits for all customers. Through this pilot, EPE will proactively prepare for a future in which many of EPE's customers will rely on its services to fuel their daily transportation needs, which will have severe impacts on the grid if not managed effectively.

## **2. Compliance of the proposed program with PURA/PUCT Rules**

By providing EPE with the tools and capabilities it needs to effectively manage significant load growth from EV charging, EV Smart Rewards Pilot will enhance EPE's ability to provide safe and reliable service at just and reasonable rates. As a result, the EV Smart Rewards Pilot is both consistent with and supports EPE's ability to fulfill its core duties as a public utility. The EV Smart Rewards Pilot is a proactive approach on EPE's part to exploit the highly flexible nature of EV charging load to ensure that EV adoption benefits all customers and does not lead to increased costs for all customers. In its review of PURA and the PUCT rules, ev.energy has not identified any legal hurdles that would prevent the Commission from approving the EV Smart Rewards Pilot.

## **3. Costs and Cost Recovery**

EPE proposes a budget of \$804,947 for the EV Smart Rewards Pilot but is not currently seeking to recover these costs.<sup>13</sup> The proposed budget is based on EPE's proposed customer incentives and the cost of the software and services needed to implement the Pilot.<sup>14</sup>

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<sup>13</sup> Novela Direct at 16-17.

<sup>14</sup> *Id.*

The Commission should find that EPE's proposed customer incentives for the EV Smart Rewards Pilot are just and reasonable. EPE's proposed enrollment incentive of \$125 and its proposed annual incentive of \$50 are equal to the median incentive levels of approximately 40 utility managed charging programs that the Smart Electric Power Alliance (SEPA) assessed in its EV Managed Charging Incentive Design guide.<sup>15</sup> EPE's proposed incentive of up to \$5/month for participating in low-carbon and demand response events is based on ev.energy's recommendation, which is based on ev.energy's diverse experience implementing similar programs for other utilities. Each of these incentives strike the right balance of being high enough to encourage robust customer participation and engagement while not being higher than necessary for the program to be successful.

The Commission should not view these customer incentives as subsidies from non-participating customers to participating customers. Rather, the EV Smart Rewards Pilot will compensate customers for providing a valuable service to EPE: namely, allowing EPE to manage when their vehicles are charged. As discussed extensively above, allowing EPE to manage customers' EV charging allows EPE to ensure that charging takes place when it is most beneficial for the grid. As a pilot program, the EV Smart Rewards Pilot will also allow EPE to test various load management strategies to determine the most optimal ways to manage EV charging load as EV adoption grows.

In the absence of the EV Smart Rewards Pilot, customers would charge their EVs whenever they please (even if they take service on EPE's time-of-use tariff), which may often occur during peak hours. EPE would also not be able to manage charging to align charging with grid conditions (e.g., off-peak, alignment with renewable generation, reduction in curtailments of renewables,

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<sup>15</sup> Rodríguez Direct at 14-15.

demand response events, etc.) in the absence of the Pilot. EPE's proposed incentives for the EV Smart Rewards Pilot simply compensate customers for giving EPE control over their charging, which is something they otherwise would not do but which allows EPE to capture significant benefits for all customers. As a result, there is no basis to find that EPE's proposed incentives for the EV Smart Rewards Pilot are unreasonably preferential to participating customers or discriminatory toward non-participating customers.

The Commission should also find that the software and services costs EPE has proposed to implement the EV Smart Rewards Pilot are just and reasonable. EPE selected ev.energy as the vendor for the EV Smart Rewards Pilot through a competitive Request for Proposals (RFP) process, which ensures that EPE will pay a competitive price for these specialized services.

Finally, it is important to remember that the EV Smart Rewards Pilot is simply that: a pilot program. EPE's proposed budget of less than \$1 million is a very reasonable cost for EPE to kick the proverbial tires of a program that has the potential to provide substantial benefits to all customers if it were expanded to a full-fledged program with higher or no participation limits. A significant portion of the value of any pilot is the learnings that the utility gains from implementing the pilot. The Commission should find that the value of the EV Smart Rewards Pilot – in the form of effective EV load management and utility learnings gained – far outweigh its modest cost.

#### **4. Discussion of any other preliminary order issues**

ev.energy looks forward to addressing in our reply brief any concerns expressed by other parties with respect to other preliminary order issues.

#### **IV. Conclusion**

ev.energy thanks the Commission for the opportunity to participate in this proceeding and share its perspective with the Commission and other parties. For the reasons discussed above, ev.energy respectfully recommends and requests that the Commission approve EPE's proposed EV Smart Rewards Pilot.

Respectfully submitted on April 18, 2024,

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**Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record on April 18, 2024.

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