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APPLICATION OF EL PASO	§	STATE OFFICE
ELECTRIC COMPANY FOR	§	
APPROVAL OF TEXAS ELECTRIC	§	OF
VEHICLE-READY PILOT	§	
PROGRAMS	§	ADMINISTRATIVE HEARINGS

CITY OF EL PASO INITIAL BRIEF

I. INTRODUCTION

In its Statement of Position, the City of El Paso (“City”) expressed concern that the costs of these programs should not be passed on or charged to non-participating customers. In the course of the hearing, no El Paso Electric Company (“EPE” or “Company”) witnesses were willing to commit that the Company would not seek any portion of the \$11 million plus it expects to spend over the two year course of this pilot program from non-participating customers. If the Commission should be persuaded to approve any of the programs, the Order should specify that none of the costs of the program during the pilot period will be borne by non-participating ratepayers. In this initial brief, the City will not comment on the issues presented by the witnesses for the Office of Public Utility Counsel, Commission Staff, or ev.energy but reserves the right to comment in the reply brief.

A. Description of Application

In its application EPE seeks approval for tariffs to institute four programs each of which relates to Electric Vehicle charging. The programs are described by EPE as:

1. *Smart Rewards Pilot Program*, a program in which residential customers would be paid an enrollment incentive, and an annual incentive in exchange for allowing EPE through its selected contractor to manage when electric vehicles are charged.

2. ***PowerConnect*** a rebate program for non-residential customers to offset the costs the customers would normally need to pay or advance to EPE for infrastructure or upgrades to EPE's distribution system (EPE's side of the meter).

3. ***Take Charge***, a program to advance costs to non-residential customers for infrastructure and equipment for electric vehicle charging that would be installed by the customer on the customer's side of the meter for electric vehicle charging. The customer would agree to pay back the incentive amount to EPE over a period of years.

4. ***WHEV, Whole House Electric Vehicle program***, which will provide an incentive, a credit to residential customers which agree to charge their vehicles during the period between midnight and 8:00 A.M. The credit is for all usage during that period. The credit, as filed is \$0.02586 per kWh.¹

B. Procedural history: Not addressed.

II. JURISDICTION AND NOTICE: Not Addressed

III. DISCUSSION

A. EV Smart Rewards Pilot Program

1. Introduction/Program description

As described above, the **Smart Rewards** program provides incentives to be paid to residential customers who agree to have EPE, through its contractor, manage the time that electric vehicles are charged. The incentives proposed are a \$125 enrollment fee and an annual fee of \$50. Participants are also entitled to a potential \$1.00 (up to \$5.00 per month) for participation in

¹ It is not clear how EPE will know what the usage is if the customer is not on a Time-of-Day rate.

demand response events. The pilot program is limited to 880 participants. The management will be accomplished through EPE's selected contractor and intervenor, ev.energy.

2. Compliance of the proposed program with PURA/PUCT Rules: Not Addressed

3. Costs and Cost Recovery

EPE identified the cost of this program as \$804,947, which consists of vendor payments to the vendor and operator, ev.energy, of \$533,456 and customer incentive payments of \$271,491.² Although EPE did not ask for the recovery of the costs of the pilot programs in this proceeding, it refused to commit to not recovering the cost at some future time from non-participating customers.

4. Discussion of any other preliminary order issues

Preliminary Order Issue 7 identifies the issue as the effect on customers who have not subscribed to the program.³ EPE direct case does not answer the question. In the hearing, it was clear that while EPE is not asking for cost recovery in this proceeding, it is attempting to leave open the ability to request cost recovery from customers who have not subscribed to the program in the future. Thus, from the evidence in this proceeding it is not clear that non-participating customers are protected.

Preliminary Order Issue No. 8 asks for conditions. If the Commission is inclined to approve this pilot program, it should impose as a condition for approval that none of the costs of the program are to be recovered from non-subscribing customers.

² CEP Ex. 1, Response to Staff RFI 1-1

³ Preliminary Order November 3, 2023 (Item 32)

B. Whole House EV Pilot Incentive Credit Rider (WHEV)

1. Introduction/Program description

As described above, the **WHEV** or **Whole House Electric Vehicle** program provides an incentive to be paid in the form of a credit of \$0.02586 per kWh to customers electing this rate. It is not clear how the energy is to be measured during those hours.

2. Compliance of the proposed program with PURA/PUCT Rules: Not Addressed

3. Costs and Cost Recovery

EPE did not identify any costs for this program, even though there would clearly be costs to EPE in the nature of reduced revenues which would otherwise be collected from these customers. EPE was asked for the impact of the program on the system and had not studied or identified impacts.⁴ In addition, there are costs associated with establishing and operating the program which EPE has not identified.⁵ Once again, EPE would not commit to not seek recovery of these costs in the future.

4. Discussion of any other preliminary order issues

Preliminary Order Issue 14 identifies the issue as the effect on customers who have not subscribed to the program.⁶ EPE identified no costs. EPE's direct case does not answer the question. In the hearing, it was clear that while EPE is not asking for cost recovery in this proceeding, it is attempting to leave open the ability to request cost recovery from customers who have not subscribed to the program in the future. Thus, from the evidence in this proceeding it is not clear that non-participating customers are protected.

⁴ See CEP Ex. 4 OPUC RFI 1-2, referencing CEP Ex. 3 OPUC RFI 1-1 (EPE does not have estimates for either the Smart Rewards or the WHEV programs).

⁵ Evan Evans Direct Testimony OPUC Ex. 1 at 14

⁶ Preliminary Order November 3, 2023 (Item 32)

Preliminary Order Issue No. 15 asks for conditions. If the Commission is inclined to approve this pilot program, it should impose as a condition for approval that none of the costs of the program are to be recovered from non-subscribing customers.

C. Power Connect Pilot Program

1. Introduction/Program description

EPE's **Power Connect** program is a program to pay incentives to non-residential customers for part of the cost of infrastructure that EPE would need to install on the EPE side of the meter to support EV charging equipment for EV charging equipment at what may be public charging facilities or private facilities such as workplaces and multi-unit dwellings. The customer's project would need to satisfy certain requirements.

2. Compliance of the proposed program with PURA/PUCT Rules: Not Addressed

3. Costs and Cost Recovery

EPE identified the cost of this program as \$3,095,950 which was made up of incentives expected to be paid to workplace locations, public charging locations, fleet locations and multi-unit dwellings.⁷ EPE did not propose to recover the cost of this program in this proceeding but refused to commit to not recovering the cost at some future time from non-participating customers.

4. Discussion of any other preliminary order issues

Preliminary Order Issue 26 identifies the issue as the effect on customers who have not subscribed to the program.⁸ EPE's direct case does not answer the question. In the hearing, it was clear that while EPE is not asking for cost recovery in this proceeding, it is attempting to leave open the ability to request cost recovery from customers who have not subscribed to the program

⁷ CEP Ex. 1, Response to Staff RFI 1-1

⁸ Preliminary Order November 3, 2023 (Item 32)

in the future. Thus, from the evidence in this proceeding it is not clear that non-participating customers are protected.

Preliminary Order Issue No. 27 asks for conditions. If the Commission is inclined to approve this pilot program, it should impose as a condition for approval that none of the costs of the program are to be recovered from non-subscribing customers.

D. Take Charge Tx Pilot Program

1. Introduction/Program description

The **Take Charge** program intends to provide cash incentives to customers for EV charging infrastructure on the customer premises, customer side of the meter, that would otherwise need to be paid or financed by the customer. It also contemplates EPE managing and maintaining the equipment. EPE would recover this cost through payments to EPE for a period of time up to 10 years, based on EPE's pre-tax cost of capital, depreciation (10% per year) associated insurance and taxes, plus a separate O&M fee.⁹ The actual amount of these costs are not identified in the filing. Although EPE intends to recover the costs from the participating customers, it will record the expenditure as a part of its regulatory books and treat the revenues as an offset to revenue requirements as "other revenues."¹⁰

2. Compliance of the proposed program with PURA/PUCT Rules: Not Addressed

3. Costs and Cost Recovery

EPE identified the cost of this program as \$7,382,650, which is expected to consist of equipment purchased for workplace, public level 2 charging locations, fleet and mostly multi-unit dwellings.¹¹ EPE expected to recover the cost of this program through charges to the participating

⁹ Manuel Carrasco Direct Testimony EPE Ex. 5 at 14:3-16

¹⁰ *Id.* at 15:16-16:3

¹¹ CEP Ex. 1, Response to Staff RFI 1-1

customers, which would be paid over an extended time. Given the accounting treatment proposed (inclusion of costs in Account 371) part of the invested capital rate base, and the recording of expenses as part of Account 598¹² it appears that the costs of this program will indeed be borne in part by non-participating customers.

4. Discussion of any other preliminary order issues

Preliminary Order Issue 28e asks for the assurance that the person which participates in this program will pay all utility-related costs and asks whether the tariff provides for full recovery from that person.¹³ First, as described above, EPE apparently intends an inclusion in rate base accounts which are allocated to all distribution customer classes only to be offset as part of “other revenues” which are not allocated by customer class or to specific customers. In addition, although it is clear that EPE does intend to collect the direct costs advanced under this program with return and interest, the program repayment may be as long as 10 years. The agreement (as revised in the supplemental testimony¹⁴) does not contain a guaranty, or security for the payment for the facilities. EPE witness Carrasco had obviously not thought through the process and issues if a customer were to default, and the company be unable to collect the remainder of the amounts advanced.¹⁵ When specifically asked if the Company would commit not to collect from other customers, he had no answer, saying that would be a discussion for another time.¹⁶ For compliance with line extensions on the Company side of the meter for matters other than infrastructure for EV charging, the Company does have requirements for security to guarantee the payments if the revenue stream does not materialize. In this case, the Company’s expenditure for

¹² Manuel Carrasco Direct EPE Ex. 5 at 15:18-16:3

¹³ Preliminary Order November 3, 2023 (Item 32)

¹⁴ Manuel Carrasco Supplemental Direct EPE Ex. 7, Exhibit MC-1S

¹⁵ Tr. 86:8—89:22 (Carrasco Cross)

¹⁶ Tr. 89:23-90:5 (Carrasco Cross)

equipment has no such guarantee. Non-participating customers should not be exposed to that potential liability.

E. Appropriate Treatment of Rate Case Expenses

The City supplied adequate evidence for the portion of its rate case expenses incurred through January 2024.¹⁷ EPE provided no evidence in this proceeding on its rate case expenses incurred. The City has no problem with the expenses being considered and evaluated in EPE's next general rate case.

IV. CONCLUSION

At the end of EPE's presentation, EPE witness Carrasco was asked if EPE would commit not to collect any of the approximately \$11 million budget for the four programs in the two-year pilot program from non-participating customers. Mr. Carrasco could not make that commitment on the part of EPE.¹⁸ That answer along with the answers to similar questions by other EPE witnesses brings up concerns that non-participating customers may bear in the cost of these programs.¹⁹ If any of the programs are to be approved, they should only be approved with an ordering provision which does not allow EPE to recover the costs of any of the pilot programs from non-participating ratepayers.

¹⁷ CEP Ex. 1, Rate Case Expense Declaration of Norman J. Gordon

¹⁸ Tr. 91:20-91:3(Carrasco Cross)

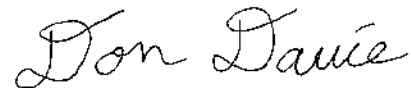
¹⁹ Tr. 56:6-57:2 (Rodriguez Cross), Tr. 35:6-22(Novela Cross)

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Certificate of Service

I certify that a true and correct copy of the foregoing document was served on all parties of record in this proceeding on this 18th day of April 2024 by facsimile, electronic mail, and/or first class, U.S. Mail.

Don Davie

Donald C. Davie