

**Rockland Electric Company**  
**Comments on**  
**New Jersey Electric Vehicles Infrastructure Ecosystem 2020 Straw Proposal**  
**Docket No. QO20050357**

**I. Introduction**

Rockland Electric Company (“RECO” or the “Company”) submits these comments on the New Jersey Board of Public Utilities’ (“NJBP” or “Board”) New Jersey Electric Vehicles Infrastructure Ecosystem 2020 Straw Proposal (“Straw Proposal”).<sup>1</sup> RECO supports the Board in their efforts to establish a framework to guide the development of a robust electric vehicle (“EV”) infrastructure system to help the State meet its EV goals.

The Company’s comments set forth below support the proposal for a Charger Ready framework, with roles for both the electric distribution companies (“EDCs”) and third-party developers. The Company provides recommendations on how to strengthen the framework, so that EV infrastructure investments are on a level playing field with other utility investments and appropriate cost recovery is provided. The Company encourages the Board to provide flexibility in this framework, so that both EDCs and developers can react to changing market conditions. Finally, the Company emphasizes that while the EDCs have an important role to play, all market participants share in the responsibility to provide a strong environment for EVs, including developers and dealerships. The EV Infrastructure Ecosystem envisioned by NJBP Staff extends beyond public charging and will include all segments and use cases, such as in-home and workplace charging, and will require the support of a multitude of stakeholders. EV integration will play an important role in reducing greenhouse gas emissions, improving public health, and reducing climate impact of transportation. RECO looks forward to participating in the development and establishment of this important initiative.

**II. How to best expand the Electric Vehicle Supply Equipment (“EVSE”) Infrastructure and encourage Charger Ready investment.**

The Company supports the Shared Responsibility model contained in the Straw Proposal and acknowledges that EDCs have a critical role to play in furtherance of the State’s EV goals and greenhouse gas emission reduction targets. It is important to have adequate publicly available chargers to reduce range anxiety and support increased adoption of EVs. In the comments below, the Company discusses the importance of flexibility in identifying locations for Charger Ready investment, makes recommendations regarding cost recovery and standard of review,

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<sup>1</sup> *I/M/O Straw Proposal on Electric Vehicle Infrastructure Build Out*, Docket No. QO20050357, New Jersey Electric Vehicles Infrastructure Ecosystem 2020 Straw Proposal

cautions against assigning the EDCs with responsibility over the performance of EVSE Infrastructure Companies,<sup>2</sup> and discusses the importance of outreach and education.

### ***EDC Role***

The Straw Proposal advocates for a Shared Responsibility model, identifying the roles for both EDCs and private investors.<sup>3</sup> EDCs will be responsible for making the required upgrades to accommodate EVSE,<sup>4</sup> defined as “charger ready,” where requested and to prioritize those sites that are recommended as part of the EV Mapping Effort.<sup>5</sup> The Company supports a “charger-ready”<sup>6</sup> approach wherein the EDC provides utility side equipment up to and including the meter and the EVSE Infrastructure Company, customer or other third party is responsible for customer side investments after the meter up to and including the charger.

Utility side investments under the Charger Ready Program include those investments and incremental cost for providing service up to the utility meter. Such investments may include the installation of a pad mounted transformer or circuit/distribution system upgrades needed to accommodate the additional customer load. The Company recommends that these utility sided investments are capitalized, similar to how other utility sided investments are treated, except Charger Ready upgrades should not be subject to earnings, or revenue, tests as set forth in utility tariffs. The importance of widespread deployment of charging stations in furtherance of the State’s clean energy goals and the current nascent market conditions for these stations requires that earnings tests are not applicable to investments made in the Charger Ready program. Instead, the utility will install utility sided equipment and capitalize the entire cost of these assets.

Customer sided investments include expenses related to equipment located after, or behind, the electric meter up to the charger itself. This type of equipment includes, for example, service panels, junction boxes, conduit, and wiring necessary to make a particular location able to accommodate EVSE on a “plug and play” basis. The EDC should have the ability to provide

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<sup>2</sup> An EVSE Infrastructure Company is defined as an entity using private capital to deploy EVSE. Straw Proposal at 5.

<sup>3</sup> The Straw Proposal at 7.

<sup>4</sup> The Straw Proposal (p. 4) defines EVSE as:

[T]he equipment, including the cables, cords, conductors, connectors, couplers, enclosures, attachment plugs, power outlets, switches and controls, network interfaces, and point of sale equipment and associated apparatus designed and used for the purpose of transferring energy from the electric supply system to a plug-in electric vehicle. EVSE may deliver either alternating current or direct current electricity consistent with fast charging equipment standards. “Electric Vehicle Service Equipment” is synonymous with “Charging Station Infrastructure.”

<sup>5</sup> The Straw Proposal at 10.

<sup>6</sup> The Straw Proposal (at 4) defines “charger ready” as:

[T]he pre-wiring of electrical infrastructure at a parking space, or set of parking spaces, to facilitate easy and cost-efficient future installation of Electric Vehicle Service Equipment, including, but not limited to, Level Two EVSE and DC Fast Chargers. Making a site Charger Ready includes expenses related to service panels, junction boxes, conduit, wiring, etc., necessary to make a particular location able to accommodate Electric Vehicle Service Equipment on a “plug and play” basis. “Charger Ready” is synonymous with the term “Make Ready.”

incentives for any customer sided investments in the form of a rebate or other mechanism. The customer<sup>7</sup> will own the equipment and be solely responsible for its operation and maintenance. The EDC will not own or operate any customer sided equipment.

The Company also supports the Straw Proposal’s recommendation that the EDCs develop “reverse” hosting maps<sup>8</sup> alongside the State’s EV Mapping Effort under the lead of the New Jersey Department of Environmental Protection (“NJDEP”). This will support the identification and selection of developing Charger Ready sites in support of the State’s EV statute while avoiding lengthy and costly distribution upgrades.<sup>9</sup> Reverse hosting capacity maps and the NJDEP map are two examples of the useful tools available for developers to inform identification of locations that may be optimal to site a public EV Charging Station. The Company recommends that the Board remain flexible in how sites are prioritized for development, and importantly that utility investment at sites requested by an EV Infrastructure Company are eligible for cost recovery and incentives.

The Company also recommends that the Straw Proposal recognize the important role that EDCs should play in customer and community outreach and education, as well as partnering with EV dealerships and manufacturers. EDCs are uniquely positioned to educate their customers based on their relationship and role as a trusted energy advisor. For example, EDCs can educate customers on various rates they offer to empower customers to take an active role in their energy usage and minimize the bill impacts of at-home charging. In addition, EDCs can leverage lessons learned in other service territories or venues to implement successful outreach and education plans, tailored to the demographics of their service territory and building on their existing relationships with the municipalities in which the EDC provides service.

EDCs can also facilitate Ride and Drive Events at which potential EV buyers can speak with current EV owners and test drive a variety of EVs. RECO’s experience<sup>10</sup> with utility-sponsored Ride and Drive Events is that these events serve to increase adoption rates by customers considering the purchase of an EV. Test driving an EV at a dealership limits the models that are available to those sold by the dealership and does not offer the potential buyer an opportunity to hear candid feedback from an EV owner.

### *Cost Recovery*

The Company supports flexibility for the cost recovery criteria applicable to Charger Ready investments, including flexibility regarding the location of the investment and selection of the site. This will allow EDCs to adapt to changing market conditions and consumer behavior. For example, municipalities may wish to install chargers on municipally owned property, such as

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<sup>7</sup> RECO refers to customer ownership for ease of drafting but recognizes that different models may contemplate a different third-party ownership. Customer ownership will not include utility ownership.

<sup>8</sup> Reverse hosting capacity maps provide the amount of additional load that can be served.

<sup>9</sup> Straw Proposal at 8-9.

<sup>10</sup> RECO’s corporate parent, Orange and Rockland Utilities, Inc. (“O&R”), has successfully sponsored Ride and Drive Events in its New York service territory

a library, as EV adoption increases in their communities. In addition, as the Straw Proposal notes, there may be investments that occur on private property but can be eligible for cost recovery so long as they support public charging or multi-unit dwellings.<sup>11</sup>

The Company agrees with the Straw Proposal's assertion that the EDCs can recover in base rates the costs of infrastructure upgrades installed by the EDC to make a site Charger Ready. This should include allowing a return at the level authorized by the Board in an EDC's most recent base rate case. The Straw Proposal contemplates reducing an EDC's return on equity ("ROE") if the EDC takes longer than 12 months from the date of a request to make a site Charger Ready.<sup>12</sup> This reduction places EV infrastructure investments on a different footing than other EDC investments and could discourage investment in Charger Ready Infrastructure. Application of different ROEs that are tied to specific programs, investments, or portions thereof, is an inappropriate practice whether within or outside of a rate case. The Board recognized as much in its recently issued Order Directing the Utilities to Establish Energy Efficiency and Peak Demand Reduction Programs.<sup>13</sup>

Rather ROEs should be considered and determined holistically within the confines of the rate case process. Adjustments to ROE made outside of a utility's rate case circumvents the rate case process that involves expert witnesses, on behalf of the utility, Division of Rate Counsel and other stakeholders, who rely on their technical expertise to develop and establish a utility's ROE. The Company's investment strategy and its access to capital is based on the total risk component of the Company's portfolio of projects and programs. The risk of varying ROEs can compromise the Company's access to capital and ability to secure lower financing to the benefit of its customers. Disallowing or reducing an EDC's return on a portion of the Charger Ready infrastructure discourages EDC investment in Charger Ready infrastructure. Therefore, any attempt to alter the cost recovery of these investments, regardless of the reason, should be disallowed.

EDCs should have flexibility in the development of EV programs that are designed to encourage and support EV adoption based on the customer demographics and particular service territory of each EDC while cognizant of the bill impacts to all customers. As recognized in the Straw Proposal, EDCs will propose rate recovery mechanisms for infrastructure investments. Board review and approval of EV program components and rate recovery for those components is critical to the EDC's implementation of an EV program. Without approval, the EDCs risk negative impacts to their financial health and implementation of programs that may not align with Staff's current priorities.

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<sup>11</sup> Straw Proposal at 7-8. The Company recommends that the Board should require a signed lease letter or other form of agreement indicating that the developer has site control when the investment will be made on private property.

<sup>12</sup> Straw Proposal at 10.

<sup>13</sup> *I/M/O of the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs*, BPU Docket No. QO19010040, Order Directing the Utilities to Establish Energy Efficiency and Peak Demand Reduction Programs (dated June 20, 2020)(at 26).

The Straw Proposal states that EDCs shall continue to bear the burden of demonstrating any investments made are reasonable, prudent, and that rate recovery of such investments is appropriate. An EDC's installation of Charger Ready equipment at the request of a third party should be deemed reasonable and prudent - sufficient to support cost recovery of such investment and should not be dependent on external factors such as the ultimate performance of the charging station, the performance of the EVSE Infrastructure Company, or other impacts to the EV market such as those resulting from the ongoing COVID-19 pandemic. To do so could discourage the investment in EVSE Infrastructure at this early stage of building out New Jersey's "EV Ecosystem" and puts EV investments on a different footing relative to other investments (e.g., infrastructure to support deployment of distributed generation, where the investments do not depend on the project's developer or customer actions).

Allowing for an after the fact review and appeal process produces an uncertain climate for the EDC and reduces the EDC's incentive to support this clean energy initiative. Other processes can be developed that support the timely deployment of Charger Ready infrastructure and can include a working group with members from the EDCs, EVSE Infrastructure Company community, municipalities, government agencies, such as the NJBPU and NJDEP, and other interested parties. Such processes will foster collaboration and analyze and evaluate both the current climate for charger deployment and consider changing market conditions. Development of this type of process will encourage efficient deployment of chargers more effectively than the penalty provisions envisioned in the Straw Proposal.

### **III. How to ensure equity in the EV Ecosystem.**

The Straw Proposal seeks comment on how to identify Equity Areas and how to define when the market is not sufficiently mature to encourage investment in these areas and how long to give for the market to respond. The Company supports the development of public EV chargers in Equity Areas and recommends the Board consider the following:

- Work so that development of public EV charging and other transportation electrification efforts takes place expediently along with the development of such infrastructure throughout the state. This may include providing opportunity for EDC ownership in the earlier years as contemplated in the Straw Proposal.<sup>14</sup> When coupled with the sunset provision of December 2025 for EDC Ownership, such an approach would not threaten the development of a healthy EVSE market in New Jersey.<sup>15</sup>
- Prioritize and promote transportation electrification efforts that meet the needs of Equity Areas, working closely with community groups and the municipalities as how to best serve their community. This can include the prioritization of additional electrification efforts including for public transportation or electrification of fleets/operations that are located in Equity Areas.

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<sup>14</sup> Straw Proposal at 12.

<sup>15</sup> Straw Proposal at 12.

The new Office of Clean Energy Equity can play a central role in supporting the equitable implementation of this program and other transportation electrification efforts, thereby affording all New Jersey residents the benefits of transportation electrification. This Office can also work with the EDCs and other stakeholders to identify those Equity Areas where investments and additional support should be provided.

#### **IV. How to design and integrate EV charging into the rate structure.**

It is important to provide a holistic approach to advance EV adoption in New Jersey and rate design is an integral component of a successful strategy to meet the State's goals. Appropriate and sustainable rate design approaches should preserve signals to customers to use energy at times that benefit the grid, reflecting cost-causation principles. Further, rate design should include near-term incentive programs, such as those for demand relief, that encourage early installation of EV chargers and adjust as the economic viability of chargers becomes more self-sustaining and require less external financial support. These incentives should be developed to preserve the demand rate structure and the development of time of use rates in the long-term.

##### ***Demand Charges and Time of Use Rates***

The costs of delivery service are mainly fixed and demand-related with virtually no costs related to volumetric, or kWh, usage. This is because utility investments in infrastructure are driven by customer demands rather than their kWh usage. Therefore, customers' EV charging stations, like other commercial customers, are billed on rates that are mainly demand-based and designed to recover the costs of serving their demand. Because delivery costs are mainly demand-related, demand charges provide appropriate price signals that encourage efficient customer and utility investments. In other words, customers are encouraged to take actions and make investments that improve the efficiency of the delivery system, so these actions and investments benefit not only that individual customer, but all customers on the system.

The Company understands it is important to have a strong framework in place to support the development of charging infrastructure during earlier years when the use of charging stations is expected to remain low. However, there are utility actions that can be taken to assist these stations in the earlier years while preserving demand charges. One solution includes term and MW limited demand rate discounts that can help EV public charging stations overcome low use rates in early years.

To the extent it is determined that an additional incentive is needed, it should be transparent and outside the electric rate structure. For example, the Company has experience through its corporate parent, O&R, with the deployment of the New York Direct Current Fast Charging ("DCFC") Incentive Program. This program provides a limited incentive to increase the number of DCFC stations while preserving the overall goal of an appropriate cost-based rate design, which includes demand charges. Specifically, the DCFC Incentive Program provides an annual

declining per plug incentive for qualifying DCFC stations for a period of seven years.<sup>16</sup> In approving this program, the New York Public Service Commission found that use of these stations will increase and load profiles would need to develop in a way that is beneficial to the electric system. Thus, by preserving the demand charge, the appropriate price signals are sent to customers to operate in a way that continues to benefit the grid.<sup>17</sup> The DCFC Incentive Program balances incenting the development of public charging stations while preserving the cost causation principles for smart rate design. RECO's affiliate, Consolidated Edison Company of New York, Inc., is implementing a combination of delivery rate discounts and the per-plug incentives to improve EV charging station economics during the initial period of low use. A similar approach will assist New Jersey in meeting its goals for EV adoption and environmental goals before the market for public charging becomes viable.

Another option is time-of-use ("TOU") rates that provide incentives to reduce demands that contribute to system peak loads while encouraging off-peak charging. TOU rates and other rate design modifications are effective tools that empower customers to manage their energy consumption and energy bills. Effective rate design can benefit not only customers, but also the distribution system by contributing to peak management. This in turn will benefit all customers. The Company recommends that any TOU rate be designed to be technology agnostic; therefore, any TOU rate should be applied to the entire household consumption. Such rates can encourage the customer's holistic approach to energy management while providing greater benefits to the grid through peak demand management. These can be supplemented, where necessary, with transparent incentive programs for policy-specific resources.

Customers can act to promote charging of EVs in ways that benefit the grid and the customer. Technology solutions, such as energy management systems that mitigate demands at EV charging stations, could include pricing structures for EV drivers that can help to manage EV charging station demands. The charging station's adoption of staggered charging will also help to manage those demands. EV drivers can also be educated to plan their trips and home charging during off-peak hours as practicable to supplement EV public charging needs.

It is important that measures adopted by the Board send appropriate price signals from the outset so EV charging stations are designed to incorporate demand management practices and technologies, as well as price structures for EV drivers, in order to use the grid in an efficient manner.

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<sup>16</sup> Case 18-E-0138, *Proceeding on Motion of the Commission Regarding Electric Vehicle Supply Equipment and Infrastructure*, Order Establishing Framework for Direct Current Fast Charging Infrastructure Program (issued February 7, 2019)(at 8).

<sup>17</sup> Id at 34.

## **V. Additional EDC Role**

The Straw Proposal grants authority to the EDCs over “Poor Performing EVSE Infrastructure Companies” whereby the EDC effectively becomes a regulator of EVSE Infrastructure Companies and their performance and operations.<sup>18</sup> Assigning this responsibility to the EDCs also serves to assign to the EDCs and their customers the EVSE Infrastructure Companies’ operational risk. Assigning such a role to the EDCs is not appropriate. However, the Company is open to a more limited role, such as participating in a stakeholder process on how the State can appropriately identify those EVSE Infrastructure Companies that can participate in the Charger Ready Program. Similarly, the Company is willing to explore the consequences of EVSE Infrastructure Companies failure to commence operations successfully or their poor performance.

## **VI. Conclusion**

The Company looks forward to continuing working with the Board and stakeholders to develop a flexible framework for the State to move forward with the development of the EV Ecosystem and the deployment of EV Charging Infrastructure.

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<sup>18</sup> Straw Proposal at p. 11, wherein it recommends that EDC jointly develop criteria for identifying poor performing EVSE Infrastructure Companies including notice provisions, and the ability to revoke an EVSE Infrastructure Company’s use of Charger Ready infrastructure for pre-determined grounds.