COMMERCE DEPARTMENT

August 26, 2021

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Commerce Department, Division of Energy Resources**
Docket No. E002/M-20-745

Dear Mr. Seuffert:

Attached are the Comments of the Minnesota Commerce Department, Division of Energy Resources (Department), in the following matter:

> In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Programs as part of its COVID-19 Pandemic Economic Recovery Investments

The Petition was filed on September 15, 2020 by:

> Greg P. Chamberlain
> Regional Vice President, Regulatory & Government Affairs
> Xcel Energy
> 414 Nicollet Mall
> Minneapolis, MN 55401

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Xcel's petition with modifications**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ CHRISTOPHER T. DAVIS
Analyst Coordinator

CTD/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E002/M-20-745

I. BACKGROUND

During its May 7, 2020 meeting discussing Docket No. E,G-999/CI-20-425, *In the Matter of an Inquiry into the Financial Effects of COVID-19 on Natural Gas and Electric Utilities*, the Minnesota Public Utilities Commission (Commission) requested that its Executive Secretary issue a notice requesting information from the regulated utilities to identify investments and utility projects that could assist Minnesota's economic recovery from the COVID-19 pandemic.

On May 20, 2020, the Commission issued a *Notice of Reporting Required by Utilities to* all rate regulated electric and gas utilities, requiring an in initial report by June 17, 2020. The Notice required that the reports include the following information:

- For all rate-regulated electric and gas utilities, please provide a list of all ongoing, planned, or possible investments that meet the following conditions:
    - Provide significant utility system benefits;
    - Are consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders;
    - Reduce carbon or other pollutant emissions in the power sector or across economic sectors;
    - Increase access to conservation and clean energy resources for Minnesotans;
    - Create jobs or otherwise assist in economic recovery for Minnesotans; and
    - Use woman, veteran, or minority owned businesses as much as possible and provide documentation of these efforts.
- For each of the listed investments, please provide a brief description about how the investments meets the above conditions. Please provide an estimate of the time period for initiating and completing each project and the project costs.

In the docket created to collect that information, Docket No. E,G-999/CI-20-492 (Docket 20-492), utilities filed reports on June 17, 2020. The Commission held a planning meeting on July 29, 2020 to discuss next steps in its inquiry into utility investments that may assist in Minnesota's economic recovery. On August 12, 2020, the Commission issued a notice directing utilities to file proposals for an initial tranche of proposals that would begin construction in 2021, along with proposed rate mitigation strategies, if applicable. The due date for the utility proposals was September 15, 2020, with initial comments due on October 16, 2020, and reply comments due on Oct. 30, 2020.

On September 10, 2020, Xcel Energy proposed its Multi-Dwelling Unit (MDU) Electric Vehicle Pilot Program in response to the Commission's December 12, 2019 Order. The proposal was filed in Docket No. E002/M-20-711.

On September 16, 2020, Xcel Energy filed its *Petition for COVID-19 Relief and Recovery (Xcel Covid Petition)*, which included a suite of electric vehicle (EV) offerings along with other investments, detailed in Attachment C to the petition. The petition was filed in multiple dockets, in addition to Docket No. E,G-999/CI-20-492. Xcel's proposed EV programs included:

- A public fast charging station proposal
- Electrification of Xcel's fleet
- A modification to Xcel's already approved Fleet EV Infrastructure Pilot (Docket 18-643), and
- Rebates for light duty vehicles (LDV), transit bus, and school bus electric vehicles

On September 25, 2020, the Commission issued a *Notice of Comment Period* (September 25 Notice) requesting comments on the procedural steps the Commission should take in evaluating Xcel's EV proposals. Given the historically high level of interest in Xcel's EV proposals and diverse set of stakeholders, Commission Staff proposed to evaluate Xcel's suite of EV investments proposed in Docket 20-492 as a separate package, and included Xcel's recently proposed Multi-Dwelling Unit pilot (Docket No. E002/M-20-711 on the same procedural path. Commission Staff also requested comments in Docket 18-643, as one of Xcel's proposals included a modification to an existing component of an EV pilot program approved in that docket. Commission Staff requested that parties initially comment on the completeness of individual proposals as filed, along with any other procedural considerations, and indicated that a subsequent notice will be issued on the merits of various proposals after any procedural questions are resolved.

Between October 16, 2020 and October 21, 2020 several parties commented in Docket No. E002/M-20-745, *In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Programs as Part of its COVID-19 Pandemic Economic Recovery Investments.* The parties included:

- Clean Energy Groups (Fresh Energy, Minnesota Center for Environmental Advocacy, Natural Resources Defense Council, Sierra Club, Union of Concerned Scientists, and Plug In America);
- Greenlots;
- Ironworkers Local 512;
- Metro Transit;
- Office of the Attorney General, Residential Utilities Division (OAG-RUD);
- the Department;
- Tesla, Inc.;
- Citizens Utility Board of Minnesota (CUB);
- LIUNA Minnesota and North Dakota (LIUNA); and
- Greater St. Cloud Development Corporation.

Of this group, the Department, the Clean Energy Groups, and the OAG-RUD responded most directly to the question of how the Commission should proceed in regards to Xcel's proposed EV projects.

The Clean Energy Groups recommended that the Commission establish three proceedings with the following timelines:

1) Multi-Dwelling Unit EV Pilot Filing (Docket No. E002/M-20-711) should be considered first, as early as November 20, 2020;

2) Public Fast Charging, acceleration of Xcel Energy's fleet electrification, and expansion of existing EV Fleet Pilot Service ("non-rebate EV Economic Recovery proposal") (Docket Nos. E002/M-18-643 and E002/M-20-745) should proceed second, with initial comments due in December 2020; and

3) EV Purchase Rebates (Docket no. E002/M-20-745), should proceed third, with initial comments due January 2021.

The Department recommended that, at a minimum, Xcel should submit the additional information identified both by Commission Staff in its September 25 Notice and by the Department in its initial comments.

The OAG-RUD stated that having signaled its specific interests, the Commission should allow utilities to bring forward any proposals that require regulatory approval and should evaluate each proposal on its merits using the factors set forth in statute and rule.

On January 11, 2021, Xcel submitted cost-effectiveness analyses of all electric vehicles forecasted to be adopted in Minnesota during the period 2020 through 2030, and of vehicles forecasted to be adopted due to Xcel's proposed EV Rebate project.

On February 10, 2021, the Commission issued its *Notice Requesting Additional Information* (Additional Notice). The Additional Notice requested that Xcel provide specific additional information by February 22, 2021 or explain why the information is not available.

On March 8, 2021, in response to the Commission's Additional Notice, Xcel submitted Supplemental Comments.

On June 4, 2021, Xcel submitted an errata to its January 11, 2021 EV cost-effectiveness analysis.

On June 21, 2021, the Department, Chargepoint, Inc. and Clean Energy Groups (Fresh Energy, Minnesota Center for Environmental Advocacy, Plug-In America, Sierra Club, and Union of Concerned Scientists) submitted initial comments on Xcel's proposed modification to its existing EV Fleet Pilot Service program in Docket No. E002/M-18-643.
On July 2, 2021 the Commission approved Xcel's Petition for Approval of its MDU EV Pilot Program in Docket No. E002/M-20-711.

Below the Department analyzes and outlines recommendations concerning Xcel's proposed Electric Vehicle Purchase Rebates (five-year budget of $151 million), Public Fast Charging Stations (four-year $5 million budget), and Acceleration of Xcel Energy's Fleet Electrification (four-year budget of $2.2 million). Xcel's proposed modification to its existing EV Fleet Pilot Service was approved with modifications separately in Docket No. E002/M-18-643 on August 24, 2021.

II. IMPACT OF THE INFRASTRUCTURE INVESTMENT AND JOBS ACT

The Infrastructure Investment and Jobs Act (IIJA) (H.R. 3684) includes support for roads, bridges, passenger and freight rail transportation safety, transit, broadband, ports and water ways, airports, drinking water and waste, and energy. The U.S. Senate passed the bipartisan $1.1 trillion bill on August 10, 2021. However, the IIJA has not passed the U.S. House. Whether it will pass the U.S. House and the eventual contents of the bill is still unknown. However, the Department includes a White House released a fact sheet on August 4, 2021 that gave an assessment, before the bill passed the Senate, of how the bill could impact Minnesota.[1] Notably, the White House preliminarily estimated that the bill could provide Minnesota $68 million to build a network of EV chargers to facilitate long-distance travel and provide convenient charging options. In addition, the White House fact sheet stated Minnesota would expect to receive more than $818 million over five years to improve public transportation options across the state. It is unclear if the funding might facilitate purchase of electric transit and school buses. Although not in the Fact Sheet, CNN reported that the IIJA would help school districts across the country buy clean, American-made, zero emission buses.[2]

The Department recommends that final Commission decisions on funding for any EV infrastructure plans consider how IIJA funds may replace, supplement or complement utility-funded investments. Additional, focused comments on this issue may be warranted once the full impact of the IIJA is known.

III. ELECTRIC VEHICLE PURCHASE REBATES

A. XCEL'S PROPOSAL

The Department notes that the nomenclature for referring to different types of electric vehicles is not settled. In our comments, the Department uses the term light duty electric vehicles (LDEV) to refer to electric cars, vans, sports utility vehicles, and pickup trucks. The Department refers to the proposed rebates for electric transit buses and electric school buses collectively as electric buses. The Department used the term electric vehicles (EV) to refer to the LDEVs and electric buses collectively.

[1] The Infrastructure Investment and Jobs Act Will Deliver for Minnesota, accessed at: https://www.whitehouse.gov/wp-content/uploads/2021/08/MINNESOTA_Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf
[2] Five things you didn't know were in the infrastructure bill, August 10, 2021, accessed at: http://dev-lite.cnn.com/en/article/h_f8f65edbbd038942ccc8a2a2424069f6.

Xcel proposed a $150 million rebate program, ending in 2025, to incentivize its customers to purchase light-duty electric vehicles,[3] electric transit buses, and electric school buses. Table 1 below shows the potential EV rebates by year.[4]

Table 1: Xcel's Estimate of EV Rebates by Year
($ in Millions)

	2021	2022	2023	2024	2025	Total
Light-Duty EVs	$4	$8	$17	$13	$8	$50
Metro Transit	$5	$60	$0	$0	$0	$65
Other Transit and School Buses	$8	$11	$7	$5	$4	$35
Sub-Total, Rebates	**$17**	**$79**	**$24**	**$18**	**$12**	**$150**
Program Administration	$0*	$0*	$0*	$0*	$0*	$1
Total	**$17**	**$79**	**$24**	**$18**	**$12**	**$151**

1. Light duty electric vehicles

Xcel proposed rebates for the purchase or lease of an LDEV—including battery electric vehicles (BEV), plug-in hybrid electric (PHEV), and fuel cell vehicles.

a). Proposed Rebate Levels

The Company proposed different rebate levels for LDEVs depending on whether the vehicle is used or new and the year. Table 2 below shows Xcel's proposed light-duty EV (LDEV) rebates by year.

Table 2: Xcel's Proposed LDEV Rebates by Year

	2021	2022	2023	2024	2025
New Light-Duty EVs	$2,500	$2,500	$2,500	$2,000	$1,500
Used Light-Duty EVs	$1,250	$1,250	$1,250	$1,000	$750

b). LDEV Rebate Eligibility

i. Criteria for new LDEVs

Xcel proposed the following eligibility criteria for new LDEVs:

[3] Includes sedans, SUVs, and trucks.
[4] Given that this docket is likely to not be approved until the end of 2021 at the earliest, the Department believes that the project would begin in 2022 and end in 2026.

- Has not been previously owned or leased,
- Has not been modified from the original manufacturer's specifications,
- Has a base manufacturer's suggested retail price (MSRP) that does not exceed $50,000,
- Is purchased or leased after the launch of the program for use by the purchaser and not for resale,
- If leased, does not have a term less than two years,
- Has an odometer reading below 7,500 miles at the time of the purchase or lease,
- Is purchased or leased via a Minnesota purchase or lease contract, and
- Must be registered in Minnesota.

ii. Criteria for used LDEVs

For used LDEVs, Xcel proposed the following criteria:

- Has not previously received a new or used LDEV rebate as proposed in this filing,Each eligible vehicle can only receive one incentive over its lifetime,
- Is purchased or leased after the launch of the program for use by the purchaser and not for resale,
- Is purchased or leased via a Minnesota purchase or lease contract, and
- Must be registered in Minnesota.

c). Eligibility criteria for customers

Xcel proposed that the LDEV rebates be available to any customer in its Minnesota service territory who meets one of the following criteria:

- Is a residential electric service customer at the time of EV purchase,
- Is a commercial electric service customer who intends to predominantly charge the EV at a valid address within Xcel's Minnesota service territory,
- Is a nonprofit corporation electric service customer who intends to predominantly charge the EV at a valid address within Xcel's Minnesota service territory, or
- Is a political subdivision within Minnesota who intends to predominantly charge the EV at a valid address taking electric service within Xcel's Minnesota service territory.

d). Rebate Operations

Customers will be required to submit a complete copy of the executed and signed vehicle lease or purchase agreement and proof of temporary or permanent Minnesota vehicle registration for the EV. Customers will be asked to make a copy of the documentation for their records. Customers interested in the rebate will be able to call Xcel's customer care line or a dedicated hotline to discuss and receive help in completing the rebate application form. Paperwork for the rebate can be emailed, faxed, or mailed. Residential customers may not receive more than one rebate in a calendar year. Commercial customers can receive up to thirty rebates per calendar year, with no limit on the annual number of rebates that political subdivisions may claim. Given the limited amount of funds, rebates will be issued on a first come, first served basis.

e). Cost-Effectiveness

On January 11, 2021, Xcel submitted *Cost-Benefit Analysis of Transportation Electrification in the Xcel Energy Minnesota Service Territory*, a January 2021 Report by Energy and Environmental Economics (E3)[5], a California-based energy consulting firm. On August 6, 2021 Xcel submitted a revision to its January 11, 2021 submission (Revised BCA).

Table 3 below shows the Revised BCA's results for the net present value of all electric vehicles forecasted to be adopted between 2020-2030.[6]

Table 3: Revised Estimates of Net Benefits In LDEV, Electric Parcel Trucks and Electric Transit Buses Base Cases and Scenarios

Case	Ratepayer	Driver	Societal
Personal LDV – managed charging	$339	$26	$366
Parcel Trucks (MDV) – managed charging	$0.6	$45	$50
Transit Buses (HDV) – managed charging	$21	$44	$82
Total Base Case Impacts	**$361**	**$116**	**$497**
EV Programs and Sensitivities			
Personal LDV – Unmanaged charging	$346	-$10	$336
Personal LDV – High DCFC, managed charging	$346	$41	$391
Personal LDV – Unconstrained rebate program, managed charging	$308	$144	$332
Personal LDV – Constrained rebate program, managed charging	$335	$65	$340
Transit Bus Rebate Program, managed charging[2]	-$51	$14	-$35

As seen in Table 3 above, the Revised BCA presented the cost-effectiveness tests (ratepayer, driver,[7] and societal perspectives) for three base cases--LDEVs, electric parcel trucks, and electric transit buses. The Revised BCA then presented four sensitivities for the LDEVs and one for transit buses.

The question before the Commission is whether Xcel providing $50 million in rebates for new and used light duty electric vehicles and $100 million for electric and transit school buses is in the public interest. As explained below, the Personal LDV—Constrained rebate program, managed charging (Xcel's LDV rebate proposal) is the appropriate scenario to consider and to compare to the Personal LDV – managed charging base case (LDV base case).

[5] E3 - Energy and Environmental Economics, Inc. (ethree.com)
[6] See page 4 of the Revised BCA, here referring to numbering used in the report, not the numbering used for the attachment.
[7] The driver test is the participant test.

i. E3 Analysis of Xcel's LDEV Rebate Proposal

E3 analyzed Xcel's proposed $50 million in LDEV rebates as a sensitivity of its LDEV base case[8]. Below, the Department notes the major similarities and differences in assumptions between the Xcel LDEV rebate proposal and E3's LDEV base case.

- LDEV rebates only provided to *new* LDEVs; E3 did not include used LDEVs in its analysis.
- Incremental LDEV prices of $14,661 in 2020 compared to prices of similar internal combustion engine vehicles.
- No rebates in the electric LDV base case. Rebates shown in Table 2 above in Xcel's LDV proposal, which would be fully subscribed by mid-2022 (assuming start date at beginning of 2021).
- Xcel LDEV rebate proposal would increase adoption by a total of 12,608 vehicles compared to LDEV base case.
- In both the base case and Xcel LDEV rebate proposal, vehicle charging is managed to minimize utility bills at both residential and workplace locations and further charge management is performed by Xcel at residential locations to mitigate sharp "rebound peaks."
- Vehicle Miles Traveled (VMT) are 12,021 in both cases.

Thus, the main difference in assumptions between the LDEV base case and the Xcel LDEV rebate scenario is the provision of $50 million in rebates, which E3 projected would increase the adoption of LDEVs by 12,608 vehicles over the study period.

2. Electric Transit and School Buses

a). Proposed Rebate Levels

Table 4 below shows the Company's proposed rebates for electric transit and school buses.

Table 4: Xcel's Proposed Rebate Levels for Electric Buses

	2021	2022	2023	2024	2025
Transit Buses	$1,000,000	$1,000,000	$750,000	$500,000	$250,000
School Buses (V2G)	$325,000	$325,000	$325,000	$300,000	$275,000
School Buses (non-V2G)	$275,000	$275,000	$275,000	$250,000	$225,000

b). Criteria for Electric Buses

Xcel stated that rebates will be available for the purchase of an electric bus that meets the following criteria:

- Has not been previously owned,
- Has not been modified from the original manufacturer's specifications,

[8] E3 referred to light duty electric vehicles as LDVs. For clarity, the Department used the term light duty electric vehicle (LDEV).

- Is purchased after the launch of the program, and
- Must be registered in Minnesota.

c). Participant Eligibility Criteria

Xcel provided the following applicant requirements:

- Applicant must be a public transit agency, public school district, or provider of school buses to public school districts,
- Applicant must be an electric service customer and must intend to charge the buses primarily at a valid address within the Company's electric service territory,
- Applicant must provide EV usage and charging data to the Company annually while the vehicle is owned or leased by the applicant, and
- For the larger school bus rebate, applicant must procure an approved bus with bidirectional power flow capabilities, procure approved charging equipment to enable Vehicle to Grid (V2G) participation, and agree to work with the Company on setting charging schedules and preferences and on all infrastructure and make-ready plans to ensure sites are V2G capable.

d). Cost-effectiveness

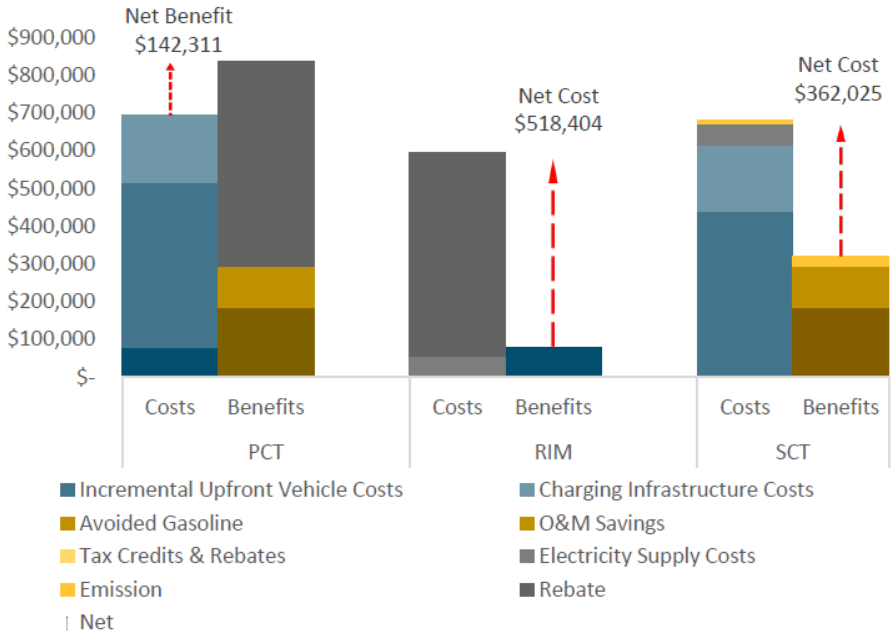
E3 analyzed the cost-effectiveness of electric transit buses, but not electric school buses. Some of E3's assumptions included:

- Transit buses are assumed to only charge at their depot location and that charging is managed.
- Transit buses are only assigned shorter routes where daily mileage is less than the vehicle range.
- Incremental upfront transit bus cost of $490,000 in 2020 as provided by Metro Transit provided by Bloomington New Energy Finance (BNEF) for 2018.[9]
- Rebate program is expected to be fully subscribed by end of 2025.
- Vehicle Miles Traveled (VMT) for transit buses are 42,500.

On page 68 of its Revised BCA, E3 provided Figure 17, which illustrated E3's estimate of the average lifetime costs and benefits for all transit buses receiving a total of $65 million in rebates between 2020 and 2025. The Department reproduces E3's figure below as Figure 1.

[9] The Department is presently unclear as to which figure that E3 used in its base case.

Figure 1: Average Lifetime Costs and Benefits for all Transit Buses Receiving a Total of $65 Million in Rebates Between 2020 and 2025



3. Proposed Cost Recovery

Xcel requested that the Commission grant approval to establish a regulatory asset for the cost of the rebates. Under its proposal, when Xcel paid a rebate, it would be recorded as a regulatory asset and included in rate base in a future rate case, earning a return on the capitalized balance. The balance of the regulatory asset would build over time as Xcel paid more rebates. To recover the balance of the regulatory asset, Xcel proposed to amortize the regulatory asset over ten years.

B. DEPARTMENT ANALYSIS OF PROPOSED REBATES FOR LDEVS AND ELECTRIC BUSES

When evaluating Xcel's $50 million LDEV rebate and $100 million electric bus rebate proposals, the Department considered:

- Criteria established in the Commission's COVID-19 Pandemic Economic Recovery Investments (Docket E,G999/CI-20-492);
- Cost-effectiveness;
- Cost recovery;
- Use of ratepayer dollars to fund the public good, and
- Impacts of IIJA and other potential federal and state legislation.

The Department discusses each of these below.

1. Conditions identified by the Commission's May 20, 2021

In its May 20, 2021 *Notice of Reporting Required by Utilities,* the Commission identified the following conditions for consideration:

- Provide significant utility system benefits;
- Reduce carbon or other pollutant emissions in the power sector or across economic sectors;
- Increase access to conservation and clean energy resources for Minnesotans;
- Create jobs or otherwise assist in economic recovery for Minnesotans; and
- Use woman, veteran, or minority owned businesses as much as possible and provide documentation of these efforts.

a). Providing Utility System Benefits

Increased electric transportation may deliver system benefits in the form of lower rates if the increase in revenues due to additional electricity sales is greater than the costs of supplying the additional electricity consumption and utility costs required to achieve the increased revenues. Below, the Department discusses the potential impacts of Xcel's proposed rebates on both additional revenues and additional costs.

i. New EV Rebates Incremental Revenues

The amount of additional revenues that Xcel's proposed $50 million in rebates for *new* light duty vehicles will depend on:

- The number of new EVs that the rebates encourage Xcel customers to purchase;
- The rates customers (which may be the owners of charging stations) pay to Xcel for charging the vehicles purchased due to the EV rebates. (Note that charging on peak when rates are higher would result in higher revenues for Xcel.)

ii. New LDEV Rebate Incremental Costs

The costs on Xcel's system for Xcel's proposed rebates for new light duty vehicles will depend on:

- The amount and financing of the new LDEV rebates,
- Increased supply-side costs, including generation, transmission, and distribution to serve the new load. These costs will depend on:
  - When the LDEVs are charged (on peak charging leads to higher supply-side costs)
  - How many miles the LDEVs are driven
  - The efficiency (miles/kWh) of the LDEVs

iii. Used LDEV Rebate Incremental Revenues

Incentivizing customers to purchase used LDEVs will have a very different impact on utility revenues than new EVs. This difference would occur because most used LDEVs purchased under this program would have already been charging on Xcel's system. The only instances when incentivizing sales of used LDEVs would increase utility revenues would be if the used LDEVs are currently being served by a different electric utility.

iv. Used LDEV Rebate Incremental Costs

Customers who purchase used LDEVs also will have a different impact on utility costs. Used LDEVs, if already being charged on Xcel's system, will not impose new supply-side costs. In fact, if the owners have been charging them on peak, and Xcel's program requires that they be charged off peak, some of the used LDEVs would result in net reductions in Xcel's supply-side costs.[10]

v. Electric Bus Incremental Revenues and Costs

The incremental impact on revenues and system costs of new electric buses being added to Xcel's system would be the same as the addition of new LDEVs.

vi. Summary and conclusions

As discussed above, whether Xcel's proposal to provide rebates for new and used EVs provides system benefits depends on the assumptions of many different factors. The biggest positive system benefits are more likely to come from incentivizing new EVs. Although used EVs likely will not lead to increased revenues on Xcel's system, they also likely would not cause increased costs on Xcel's system either.

[10] Incentives designed to increase electric transportation have the potential to produce downward pressure on electric rates. A frequently cited benefit of the proliferation of electric transportation is the downward pressure that the associated increased electricity sales can have on electricity rates. Electricity rates include both variable costs, such as fuel and purchased power, as well as fixed costs for ongoing maintenance of the system and general administration. The argument is that, if adoption of electric transportation options increases, the fixed costs embedded in utility rates may be spread over greater electricity sales, lowering electricity rates for all customers. The potential for electric transportation to lower electricity rates also depends on when the associated electricity demand is placed on the system. For example, if a significant number of EVs are charged during peak periods (such as EV owners charging cars at workplaces), the aggregate demand placed on the system may necessitate additional peak units and may induce investments in the transmission and/or distribution system that would not have otherwise occurred to provide reliable service to ratepayers, potentially placing an *upward* pressure on electric rates.

vii. Consistency with Commission Orders

In its February 1, 2019 *Order Making Findings and Requiring Filings, In the Matter of a Commission Inquiry into Electric Vehicle Charging and Infrastructure*, the Commission found that electrification was in the public interest. The Commission's Order included both general and specific findings. Although the Order did not explicitly mention electric utilities providing rebates for LDEVs, Order Point 5 stated that:

> The Commission finds that Minnesota's investor owned utilities should take steps to encourage the cost-effective adoption and integration of EVs. Among these steps, utilities should:
>
> a. Focus specifically on issues related to transportation electrification, including the cost-effective integration of EVs.
> b. Develop and file EV-related proposals intended to encourage the adoption of EVs by:
> i. Expanding the availability of charging infrastructure, both home and public;
> ii. Enhancing consumer awareness of EV benefits and charging options beyond what utilities could otherwise do under Minn. Stat. § 216B.1614, subd. 2(c)(2), without specific Commission approval; and
> iii. Facilitating the electrification of vehicle fleets.

The Department notes that Order Point 5 states both that utilities should encourage the cost-effective adoption and integration of EVs and that utilities can do so by facilitating the electrification of vehicle fleets. Since fleets would qualify for the LDEV rebates, the Department believes that these rebates could be one way of achieving the Commission's goal.

As for providing rebates for electric buses, Order Point 14 required Minnesota Power, Otter Tail Power, and Xcel Energy to file Transportation Electrification Plans (TEPs) by June 30, 2019 to identify the extent to which the utility's planned or contemplated initiatives would assist in the electrification of vehicle fleets with a focus on medium and heavy duty trucks and buses.[11] Although the Commission Order did not mention providing rebates for electric buses, rebates would assist in the electrification of bus fleets.

b). Reducing carbon and other emissions

The chief reason for promoting the electrification of transportation is the potential to significantly reduce emissions, particularly greenhouse gases. The amount of carbon reduction that will result from the electrification of transportation depends on the emissions that result from the generation of electricity to power the electric transportation as compared to the emissions from gasoline and diesel to fuel conventional internal combustion engines. The Department notes that providing rebates for used LDEVs will not reduce carbon emissions any more than when they were purchased new.

[11] See OrderPoint 14. B. iii.

Minnesota's generation mix, including the increasing percentage of renewables, was procured to serve a system that did not include significant amounts of electrified end uses. Presently, the increase in electricity demand on Xcel's system due to transportation electrification has not resulted in the procurement of an additional generation resource, renewable or otherwise. The existing wind and solar resources on Xcel's system have such low variable costs that the Midcontinent Independent System Operator (MISO) will have already dispatched them. Additional load due to transportation electrification (or other electrified end uses) will not increase the use of renewables in the short run. Although wind is sometimes curtailed at times of low locational marginal prices (LMP), and this curtailment is expected to increase, currently there is no means of pinpointing where load can be increased to take advantage of the curtailed wind. Thus, the source of electricity for transportation electrification is the marginal or load following resource in MISO and will continue to be so until the growth in electric load due to electrification requires Xcel or other Minnesota electric utility to procure a new resource. Currently, the most frequent marginal resources in MISO are coal and gas.

Recently, both national and local studies have recognized that using MISO's marginal emissions is the most accurate way to determine the impact of beneficial electrification on greenhouse gases. For example, the Regulatory Assistance Project's publication, *Beneficial Electrification: Ensuring Electrification in the Public Interest*[12] included a couple discussions of marginal emissions. Page 10 included the following informative discussion on understanding the impacts of changes in load due to electrification.

> Knowing the generation source of the electricity being used to power devices like heat pumps and EVs is crucial for determining the overall emissions impacts of BE[13]. Nationwide, today's power sector emits the same amount of carbon dioxide (CO_2) as it did a generation ago, in 1993, although it produces nearly 30 percent more electricity annually. This positive trend is due in large part to cleaner generation resources.
>
> Because electrification will add load, knowing a system's marginal emissions is especially important as electrification programs become operational around the country and policymakers try to determine related energy savings. A marginal emissions analysis shows, in aggregate, the emissions from the resource on the margin in a system, meaning the emissions that would be added with the use of one more kWh, or that would be reduced if a kWh is avoided, at each time period during the year.
>
> Although determining marginal emissions will be important as electrification programs get underway, *it will also be important to have a sense of the emissions expected as significant amounts of electrification load are added to the nation's grids. If states decide to pursue policies and*

[12] *Beneficial Electrification: Ensuring Electrification in the Public Interest*, June 2018, David Farnsworth, Jessica Shipley, Jim Lazar, and Nancy Seidman. Accessed at: https://bit.ly/2WpxRtw.

[13] On page 7, the RAP Report defines BE--beneficial electrification—as the electrifying of end uses historically powered by fossil fuels to reduce costs as well as greenhouse gas and other emissions.

> *programs that increase electricity sales, most of that added load may be served by a combination of resources with a very different emissions profile than the marginal unit at each hour of the day in any given power grid.* Getting a sense of total emissions is thus likely to require the use of power sector modeling. [Emphasis added]

These paragraphs emphasize the point the Department has been making for a couple years now: marginal emissions analysis is crucial for understanding the impact of new electrification load, *and* it is important to also understand the emissions expected as significant amounts of electrification load are added. Understanding the results and cost-effectiveness of Minnesota's present scenario, which requires a marginal emissions analysis, will help policymakers understand the impacts of current decisions intended to decarbonize the transportation (and other sectors) in a least cost manner.

The RAP report included an additional discussion on page 53 where the Appendix titled *Beneficial Electrification and Carbon Management* begins. Page 55 begins a section titled Assessing Emissions Effects of Electrification. The beginning stated the following:

> As noted earlier, although overall power sector emissions are declining, this is occurring at different speeds around the country.[Footnote omitted] Consequently, it is important for decision-makers to be able to credibly determine the emissions reductions associated with incremental electrification activities in their specific regions.
>
> **Identifying Marginal Emissions**
>
> Hourly data, available in some regional transmission organizations, would provide reasonable granularity and could be used to assess how emissions are changing over the hours of a year and from year to year. This won't reflect the emissions of the specific unit used for frequency regulation, often a very flexible unit on automatic generation control, but rather the emissions of the unit that would be started up or shut down in response to a large step change in load. Here we consider three methods for obtaining marginal carbon dioxide emissions rates, listed in descending order of accuracy:
>
> 1. **Marginal emissions analysis:** This shows, in aggregate, the emissions from the generation resource on the margin in a specific balancing area, meaning the emissions that would be produced to meet an additional increment of load. This should be hourly data, available from the system operator, that can be used to assess how emissions will vary over all the hours of the year and from year to year in response to permanent load changes.[Footnote omitted] This approach provides the most accurate and useful information for policymakers to determine a system's marginal emissions and the impacts of electrification.

The Department has been collecting the type of hourly data described about MISO marginal emissions since 2016. In future years, the Department intends to work with electric utilities to incorporate this marginal emissions data into integrated resource plan (IRP) Encompass.

The second study that stated that using marginal emissions is the most accurate way to determine the impact of beneficial electrification on greenhouse gas emissions is the November 2020 Conservation Applied Research & Development (CARD) Load study Market Potential for Saving Energy and Carbon Emissions with Load Shifting Measures (state.mn.us).

The recommendations in the Executive Summary of this Department study included "*Apply a utility-specific grid region to calculate emissions benefits where available*."[14] The same Recommendations section in the CARD study also stated:

> Similarly, further research on marginal emissions in the current grid and in future grid scenarios is needed. By shifting load, each of these measures impact the generating plant on the margin and a better understanding of which plant, and fuel, is being impacted *will more accurately demonstrate the carbon benefits of these measures and the overall benefits of shifting on the system*." [Emphasis added]

c). Increase Access to Conservation and Clean Energy Resources for Minnesotans

Although rebates for LDVs and buses will not lead to increased customer access to conservation, the long-term impact of promoting electric transportation will be for customers to use different fuel sources for their transportation needs. As larger amounts of end uses are electrified and cause the need for a new generation resource, using a utility's average emissions may provide a more accurate assessment of the impact of the new electrified load.

d). Create Jobs or Otherwise Assist in Economic Recovery for Minnesotans

Only a portion of Xcel's proposed large electric transportation rebate budget has the potential to contribute to Minnesota's economic recovery. Regarding the electric LDEVs purchased using the rebates, new or used, those vehicles would be substitutes for other vehicles that would have been purchased. LDEVs are not manufactured in Minnesota. A portion of the incremental costs of LDEVs may flow to the Minnesota economy in the form of higher taxes on the vehicles and perhaps a higher commission for salespeople. But for the most part, the LDEVs will not have much impact on Minnesota's economy.

The impact of electric school and transit buses on the Minnesota economy may be a little different. Metro Transit was already planning on replacing 40-foot diesel buses with new 40-foot diesel buses. The rebates, thus, would not incentivize a new bus. However, if Metro Transit purchases the buses

[14] Page 20 of the CARD Report. This recommendation also stated: This would allow a utility to capture the benefits of the renewable energy dynamics specific to that utility's portfolio. Using emissions rates from utility integrated resource plans (IRPs) would also allow emissions rates to be vetted through the stakeholder process. Given the uncertainty of future year emissions, the project team recommends that forecasted emissions benefits be evaluated after the fact, similar to energy efficiency achievements, to bring additional transparency to the changing dynamics of carbon emissions.

from a company based in Minnesota and the buses were manufactured in Minnesota perhaps the incremental cost of the electric buses as compared to the diesel bus may help the State's economic growth. Although the cost of a standard 40-foot diesel bus would not assist in the State's economy, any electric infrastructure that Metro Transit had to build to charge the buses could add to Minnesota's economic growth. Further, any of the incremental costs of manufacturing the buses, if constructed in Minnesota, may lead to economic growth in the State.

e). Woman, veteran, or minority owned businesses

The Department has no comments on this issue.

C. DEPARTMENT ANALYSIS

The Department does not support Xcel's proposal to provide $50 million in rebates for LDEVs nor the $100 million in rebates for buses. As explained below the Department does support the approval of a $5 million income-qualified "equity rebate" for LDEVs similar to the program that the Colorado Public Utilities Commission (Colorado Commission) approved for Public Service Company of Colorado (PSCo), an Xcel Energy Company. In addition, the Department recommends approval of up to $30 million in rebates to cover the incremental costs of transit and school buses.

1. The Rebates Would Not Be Cost-Effective to Ratepayers or Society

a). LDEV $50 Million

The Revised BCA analysis submitted by Xcel August 6, 2021 shows that the $50 million in LDEV rebates would result in a *reduction* in ratepayer and societal net benefits.

Table 5 below shows the net benefits of the Light Duty EV base case (no rebates) and the scenario created by E3 to show the net benefits when Xcel's proposed $50 million in LDEV rebates are added to the base case.

Table 5: Comparing Net Benefits of Xcel's LDEV Base Case (No Rebates) With Total Net Benefits When Xcel's $50 Million LDEV Proposal Is Added to Base Case ($ Millions of Dollars)

	Ratepayer	Driver	Societal
Electric LDV Base Case	$339	$26	$366
Xcel $50 Million LDEV Rebates	$335	$65	$340
Difference	$4	($39)	$26

As shown in Table 5 above, E3 projected that the Base Case would result in significant net benefits to ratepayers, participants and society. However, when the base case was modified to study the impact of Xcel's $50 million of LDEV rebates, E3's modeling indicated that Xcel's $50 Million LDEV rebate proposal would make ratepayers and society worse off than without the rebates (the base case). Specifically, Xcel's $50 million proposal would result in $4 million less in benefits to ratepayers, and $26 million less to society, as compared to the base case. Only the LDEV rebate recipients would be better off.

b). $100 Million Electric Buses

The Revised BCA analysis showed that providing $65 million in rebates to transit buses would not be cost-effective to ratepayers and society, as shown in Table 6 below.

Table 6: Cost-effectiveness of $65 Million Transit Bus Rebates

	Ratepayer	Participant	Societal
Transit Bus $65 M Rebate Program	($51)	$14	($35)

Although E3 projected that the rebate program would be cost-effective to participants (Metro Transit), that analysis was based on Metro Transit's original estimate that the incremental cost of an electric 40-foot bus compared to a 40-foot diesel bus was $490,000. Metro Transit now projects that the incremental cost of an electric bus is $810,000,[15] which is $320,000 more than its original estimate. Previously, the incremental cost of 65 40-foot electric transit buses was estimated to be $31.85 million (65 buses x $490,000 per bus = $31.85 million for 65 electric transit buses.) Now the incremental cost of 65 electric transit buses is estimated to be $52.65 million (65 buses x $810,000 per bus = $52.65 million for 65 electric transit buses.) Thus, the incremental cost of the 65 electric transit buses has increased by $20.8 million than the estimate used by E3. The $20.8 million increase is larger than the $14 million in net participant benefits that E3 calculated, thus the 65 electric transit buses would likely result in net costs, not benefits, to Metro Transit.[16]

[15] May 24, 2021 Metro Transit Letter of Support, Covid-19 Relief and Recovery, Xcel Energy's Petition for Approval of Electric Vehicle Programs, Docket No. E002/M-20-745.

[16] $320,000 increase in incremental cost per bus x 65 buses =$20,800,000.

2. Recovering Rebates as a Regulatory Asset Would be Poor Public Policy and Expensive

a). The Cost of Treating Rebates as a Regulatory Expense

Xcel's proposal to treat customer rebates as a regulatory asset (and thus Xcel would earn a rate of return on an investment made by customers, not the Company) is expensive and poor public policy. In response to DOC IR No. 5, Xcel provided the annual revenue requirements for its regulatory asset proposal, including $150 million in rebates and approximately $1 million in administrative costs. Table 7 below shows Xcel's projections of its annual revenue requirements.

Table 7: Total Annual Revenue Requirements
Under Xcel's Proposed Regulatory Asset Cost Recovery for 2021-2035
(Millions of $)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
$1.80	$9.40	$18.70	$21.50	$20.60	$19.74	$18.88	$18.03	$17.17	$16.32	$15.46	$10.32	$9.14	$7.33	$0	$204.39

As can be seen, Xcel would end up collecting more than $204 million from ratepayers for the EV rebates proposed. Thus, ratepayers would pay $1.36 for every $1.00 in rebates.[17]

b). Any Rebates Approved Should be Treated as an Expense

Regardless of the level of rebates that the Commission approves in this docket, if any, the Department does not believe they should be included in rate base as a regulatory asset earning Xcel's full rate of return since they are not a capital expense incurred by Xcel. These EV rebates are instead a reimbursable expense incurred by other entities.

One approach for treating the expenses as a rebate is for the Commission to approve a budget that Xcel could include in its upcoming rate case with annual expense amounts over Xcel's five-year rate plan, rather than capitalized amounts included in rate base as a regulatory asset earning Xcel's full rate of return. However, this docket will not be decided before Xcel files its rate case on November 1, 2021 and the Commission is unlikely to have a reasonable estimate of the level of actual EV rebate expenses. As a result of the uncertainty regarding actual EV rebates, the Department believes a tracker account, accruing interest at Xcel's cost of short-term debt, would be better because it would allow the Commission to track the actual costs of any LDEV and electric bus rebates and provide Xcel a possible short-term debt rate on balances that are unrecovered. The Department notes that the Commission has approved trackers for rate case expenses, deferred tax asset, and gas affordability programs[18] in several rate cases and other proceedings where the actual expense level is uncertain. The Department analyzed potential financing costs in the event the Commission approved a tracker account. In our analysis, the Department assumed that Xcel would provide customers rebates in the same amounts and years as Xcel projected in its original filing and shown in Table 1 above. The Department also conducted a sensitivity analysis of what the financing costs for the rebates would be if

[17] $204M/$150M = 1.36.
[18] Tracker examples include: G008/M-20-395, G004/M-20-399, E002/GR-10-971.

they were limited to $35 million total. The Department used the 2019 short-term cost of debt (4.31%) approved in Xcel's last completed rate case (Docket No. E002/GR-15-826) and applied it to Xcel's unrecovered balances. However, In Xcel's last Renewable Energy Standard Rider Docket (19-732), the Commission ordered Xcel to use the 2021 costs of long- and short-term debt Xcel proposed in its subsequently withdrawn 2019 Rate Case (Docket No. E002/M-19-564), on pages 4-5 of Sara Soong's Direct Testimony. The 2021 cost of short-term debt was 2.99%.

In Xcel's current RES Rider (20-815), the Department recommended using the costs of long- and short-term debt proposed in Xcel's now withdrawn 2020 rate case (20-723), which are shown on pages 4-5 of Sarah Soong's Direct Testimony. The costs of short-term debt in that MYRP were:

2021 0.81%
2022 1.83%
2023 1.03%

Thus, the Department's analysis overstates the costs of using a tracker to recover any approved rebate expenses.

Table 8 below shows the results of the Department's analysis.

Table 8: Total Revenue Requirement for Xcel's and Department's Proposed Rebate Amounts, Assuming Costs are Recovered via a Tracker Account over a Five-Year Period[19]

Scenario	Total Rebates	Total Program Administration	Total Carrying Charges	Total Revenue Requirement
FiveYearRecovery150	$150,000,000	$1,250,000	$1,430,090	$152,680,090
FiveYearRecovery35	$35,000,000	$300,000[20]	$335,119	$35,635,119

As can be seen, using a tracker account, and recovering the costs over a shorter period would be a much better deal for ratepayers. Under the Five-Year Recovery150 scenario, ratepayers would only pay $1.02 for every $1.00 in rebates.[21] This result compares with Xcel's proposal in which ratepayers would pay $1.36 for every $1.00 in rebates.

[19] For both FiveYearRecovery150 and FiveYearRecovery35 Scenarios, Year 1 includes expenses but no recoveries. Year 6 includes recoveries, but not expenses. Recoveries begin in January in Year 2 and continue through December of Year 6. The tracker is "zeroed" out once at the end of December Year 6 through a $/kWh rate charged to all retail sales. $/kWh rate is the same for Years 2-6 for all customers. Recovery is over five years total. FiveYearRecovery150 scenario includes $150 million in rebates using costs/years shown in Xcel's Filing, Attachment C, Page 10, Table 3 and includes $1.25 million for program administration, split evenly between five years. FiveYearRecover35 scenario includes $35 million in rebates, per Department recommendation, split evenly over five years and includes $300,000 for program administration, split evenly over five years.

[20] Department estimated administration costs of $300,000 by applying ratio of $35,000,000/$150,000,000 times Xcel's estimated administration costs of $1.25 million.

[21] $152,680,090/$150,000,000 = $1.02.

OAG-RUD IR No. 2 asked the Company whether it was aware of any other jurisdiction that has authorized a public utility to offer rebates toward the purchase of an electric vehicle using ratepayer money. The only example that Xcel cited where rebates for the vehicles were provided by an electric utility (and the utility was allowed to capitalize the rebates and earn a return at the approved weighted average cost of capital) was PSCo, an Xcel company. In its IR response, Xcel stated that PSCo recently received approval from the Colorado Commission to offer rebates to income-qualified customers toward the purchase of LDEVs.[22]

The Department notes that in the Colorado case cited by Xcel, PSCo originally proposed a $30 million point-of-purchase EV rebate program similar to the $50 million LDEV rebate program that Xcel proposed here in Minnesota. The program would have provided customers a $4,000 rebate for new LDEVs, a $1,500 rebate for used LDEVs, and an additional $1,500 rebate for income-qualified customers (thus income-qualified rebates would be $5,500 rebate for new and $3,000 rebate for used LDEVs).[23] The Department notes that Colorado Commission Staff calculated that PSCo ratepayers would pay $1.40 for every $1.00 of rebates, explaining the differential would arise from the Company earning a return on the rebates at its weighted average cost of capital (WACC) and tax gross-up charges.[24]

In its Decision denying PSCo's $30 million EV Rebate proposal, but approving a $5 million Equity Rebate proposal, the Colorado Commission stated that the following:

> 102. The Commission does not find sufficient substantiation in the record of this Proceeding to support the $30 million EV rebate program. The statutory charge, set forth in SB 19-077, is to develop a plan to support widespread transportation electrification. Thus, all tactics that further this objective, including point-of-sale EV purchase rebates, merit consideration. Yet, the proposal put forth withers under Staff and the OCC's scrutiny.

The Department have attached the Colorado Commission Decision as Attachment A.

In response to OAG-RUD IR No. 3, Xcel defended its decision to propose regulatory asset cost recovery, and not expensing the costs for the LDEV and electric bus rebates. The Company stated, in part:

> The Company does not support a program design that would treat rebates as expenses in response to the Commission's request for proposals. This is because treating the rebates as expenses would create upward

[22] Case No. 20A-0204E, Decision No.C21-0017.
[23] Customers receiving a rebate would have been required to sign an agreement stating they will not claim a state EV tax credit for the same purchase. Specifically, the vehicle rebate program is focused on income-qualified customers and will provide an upfront $5,500 rebate for new vehicles and $3,000 for used vehicles.
[24] Decision No. C21-0017, Before the Public Utilities Commission of the State of Colorado, Proceeding No. 20A-0204E, In the Matter of the Application of Public Service Company of Colorado for Approval of its 2021-2023 Transportation Electrification Plan. Commission Decision Granting Application with Modifications. Mailed Date: January 11, 2021. Adopted Date: December 23, 2020. Page 30.

> pressure on electricity rates, would not align the stream of benefits from additional EV adoption with the timing of the costs, and would not create equal footing between Company-owned infrastructure to support transportation electrification and rebates as other states have done.

The Company also argued that by allowing the Company to rate base the EV rebates, the participating customers would receive the full value of rebates and non-participating customers would receive the benefit of added EV load beginning in the near term while paying for the cost of the rebates over time. Treating rebates as expenses, on the other hand, would require customers to fully pay for the rebates upfront, creating upward pressure on electric rates in the near term.

The Department notes that investor-owned utilities (IOUs) have recovered Conservation Improvement Program (CIP) expenses through a tracker account for years. The IOUs have not argued that their short-term recovery of CIP expenses created intergenerational inequities even though conservation resources expensed today provide benefits to ratepayers long into the future. Nor have the IOUs argued that their lucrative Shared Savings DSM financial incentives approved by the Commission in Docket No. E,G999/CI-08-133 should be spread out over time in recognition that benefits occur over several years. Using expensive rate-based financing to spread out the costs is not a reasonable approach in this circumstance.

The Department acknowledges that if the Commission were to approve all the $150 million in LDEV and electric bus rebates proposed by Xcel, expensing the rebates could create some rate shock on Xcel's system. However, the Department is proposing a maximum of $35 million of rebates spread over several years and thus the Department is not as concerned about upward pressure on rates. If the Commission decided to approve higher amounts of rebates, the Department recommends that the Commission create caps of $10-$15 million per year.

Regarding Xcel's argument that expensing rebates would not create equal footing between Company-owned infrastructure to support transportation electrification and rebates as other states have done, Xcel's statement is misleading. It appears that only Colorado has allowed a utility to rate base LDEV rebates and that was for an Xcel Company, and only for only $5 million of income-qualified rebates.

c). Utility Investments in Transportation Should Serve the Public Good

The Commission has allowed electric IOUs to use ratepayer dollars to invest in infrastructure to help overcome market failures that presently limit the expansion of transportation electrification. To this point the investments have served a broad public good. Educating customers and improving charging to reduce range anxiety and provide service to those who do not have charging at home or work helps all the utilities' customers. However, encouraging IOUs to provide their customers with enough incentives to significantly increase the number of LDEVs in Xcel's service territory would be an expensive proposition. In this docket Xcel proposed $50 million for LDEV rebates. Under Xcel's proposal, the $50 million would cost ratepayers $67.5 million. In its Revised BCA filing of August 6, 2021, Xcel provided a scenario that included $177 million in rebates just for LDEVs, which would cost Xcel ratepayers $240.7 million under Xcel's regulatory asset cost recovery proposal. As shown above, Xcel's $50 million rebate proposal would provide *lower* net benefits to ratepayers and society

compared to the base case. These large incentives to individual customers, many who have the means to purchase LDEVS without the rebates are not appropriate utility investments. The Department believes that Xcel's intervention in the public charging market and to fund the incremental cost of electric buses will provide the best service to the Company's broad range of customers.

Further, the Department notes that utilities don't need to be source of funds nudging the LDEV market. Some reduction in prices is happening in the market. For example, Nissan recently announced it was slashing the prices of its 2022 Leaf LDEV, as shown in Table 9 below.

Table 9: Reductions in 2022 Prices for Nissan Leaf Compared to 2021 Prices[25]

Model	2022 MSRP	2021 MSRP	Difference
Leaf S	$28,375	$32,620	($4,245)
Leaf SV	$29,775	$35,910	($6,135)
Leaf S Plus	$33,375	$39,220	($5,845)

Further, as shown in Attachment B, many carmakers have committed to greatly increasing their availability of LDEVs. Finally, the federal government has set a goal that 50 percent of new vehicles be electric by 2030.[26] The Department believes that advances in the automaker world and government intervention are the most cost-effective means of increasing the number of LDEVs on the road.

D. DEPARTMENT RECOMMENDATIONS FOR EV REBATES PROPOSAL

1. Using a Tracker Account

The Department recommends that cost recovery for any LDEV and electric bus rebates be conducted by allowing Xcel to incorporate an expense level in its upcoming five-year rate plan rate case and using a tracker account. The tracker account would allow the Company and Commission to track the Company's actual rebate expenses and revenues recovered in rates via the rate case. Unrecovered balances would earn the Company's updated short-term cost of debt. Additionally, any over recovery of costs would also earn the Company's short-term cost of debt.

2. LDEV Rebates

The Department recommends that the Commission approve a $5 million point-of-sale LDEV Equity Rebate pilot for income-qualified Xcel customers similar to the program the Colorado Commission approved for PSCo in Colorado. The Colorado Commission's Order stated:

[25] The Nissan Leaf Shaves Up to $6,545 From Its Price for 2022 (motortrend.com)
[26] Biden signs order aiming for half of new vehicles to be electric by 2030 (nbcnews.com)

> 103. Staff and the OCC, as the public interest advocates, left a void in this Proceeding by not offering constructive guidance or proposing alternatives for determining how EV purchase rebates can further the public interest. Yet, the record does support the thoughtful pursuit of programs that allow for equitable participation in the transition to widespread transportation electrification by customers who may not be able to access and benefit from the utility's other TEP programs. Further, the record supports the need to proceed expediently toward transportation electrification while also learning and improving along the way. Thus, the Commission approves a modified point-of-sale EV rebate program with the express purpose of providing opportunity for income-qualified customers to purchase or lease EVs. Several parties testified to the significant challenge the up-front cost of EVs poses to income-qualified customers, including the difficulty of qualifying for, and the delayed timing of, the existing state EV tax credit. There is much to be learned and gained from engaging informed, income-qualified, customers as EV purchasers, to the benefit to these customers, the electric grid and society overall. We therefore approve, as a pilot program, an "Equity Rebate" program capped at $5 million over the three-year plan. This program will provide an upfront $5,500 rebate for new vehicles and $3,000 for used vehicles. We approve this Equity Rebate program as a pilot in order to gain a better understanding of the market as well as the potential interactions with the existing state EV tax credit. Given these learning objectives, and cognizant that the market serves as a more natural cap, we nonetheless adopt an MSRP cap of $50,000 for EVs purchased through this pilot program as proposed by CEO and affirmed by Public Service. Further, we require that this rebate be used in place of the existing state EV tax credit.[27]

The Department recommends that in an equity rebate program for Xcel, the Minnesota Commission approve a rebate of $5,500 for each new LDEV and $3,000 for each used LDEV for income-qualified individuals. The rebates could be used towards either the purchase or lease of a new or used LDEV. Although the rebates are large, the Department believes that income-qualified people will still find it difficult to purchase or lease an LDEV. The Department believes that a point-of-sale rebate requirement will put income-qualified customers in a better position to take advantage of this offer. Given costs, it could be that the most economical and likely way for income qualified customers to participate would be for leases of used LDEVs. This pilot will help determine how these customers may best be able to participate in LDEVs.

To determine whether a customer is income qualified, the Department recommends that Xcel use multiple verifiable federal, state and utility eligibility standards, such as:

- Head Start;
- The Minnesota Family Investment Program (MFIP);

[27] Id. Pages 33-34.

- Minnesota's Temporary Assistance for Needy Families (TANF) program;
- Low-Income Heating Energy Assistance Program (LIHEAP);
- Low-Income Weatherization Assistance Program (WAP); and
- Solar*Rewards Income Eligible.

3. Electric Bus Rebates

Although the high incremental cost of electric transit buses makes them not cost-effective presently, the Department believes that providing Metro Transit with an additional source of funding to experiment further with electrifying its fleet has merit. Metro Transit bus ridership covers a large spectrum of incomes, including those at the lower end of income and thus will benefit a wide range of Xcel's customers. As Metro Transit stated in its May 24, 2021 Letter of Support, it is eager to use 40" electric buses on some of its local urban routes. Metro Transit believes the range and reliability of the technology as it exists today is a good fit for this type of service and will also provide significant environmental and health benefits. The Department agrees that substituting electric buses for diesel buses will greatly reduce toxic emissions in the metro area such as hydrocarbons and carbon monoxide, while also contributing to the state's goal of decarbonizing public transportation.

The Department does not support the $1,000,000 per transit bus proposed by the Company. The Department recommends that ratepayers fund no more than incremental cost.

Table 10 below shows the incremental cost of an electric bus for Metro Transit.

Table 10: Metro Transit's Estimate of Incremental Cost of Electric 40-Foot Bus Vs. Diesel 40-Foot Bus

Vehicle and Charging Infrastructure	Ratio Charger per bus*	Cost per Electric Bus	Cost per Diesel Bus
40' Bus		$ 990,000	$ 525,000
Battery Warranty		$ 120,000	$ 0
Depot Charging	1 charger/2 buses	$ 125,000	$ 0
On Route Charging	1 charger/10 buses	$ 100,000	$ 0
Average Cost per Bus		**$ 1,335,000**	**$ 525,000**

**Ratio assumes large enough electric bus fleet to achieve economies of scale. Smaller pilots require higher charger to bus ratio, to provide redundancy and ensure reliable operations. Depot charging is assumed to cost $250,000 per charger installation and on route charging is assumed to cost $1,000,000 per charger installation.*

A review of Table 10 shows that including battery warranty and charging infrastructure, would be $810,000 per bus, [28] thus still a very large rebate. Metro Transit estimated that an on-route charger, at a cost of $100,000, will serve 10 buses and one depot charger will serve 2 buses. Consequently, the Department recommends that if the Commission approves funding for transit buses, the Commission approve funding the incremental costs in groups of 10.

[28] $1,335,000 - $525,000 = $810,000.

It is unclear whether in its final form the Infrastructure Investment and Jobs Act will include support for electric transit buses and school buses and the charging infrastructure needed to support them.[29]

The Department does not support the funding for 65 transit buses, but rather recommends the funding for a smaller, but still significant number of transit buses. Specifically, the Department recommends that the Commission approve Xcel ratepayer funding of thirty 40-foot electric buses at a cost of $24.3 million recovered from ratepayers using a tracker account. In addition, the Department recommends that Xcel fund up to $5.7 million of rebates for school buses to cover incremental costs, including charging infrastructure, for a total of $30 million.[30] The Department recommends that the funding be spread out over at least two years to mitigate rate shock.

IV. XCEL'S PUBLIC FAST CHARGING PROPOSAL

A. XCEL'S PROPOSAL

Xcel proposed to install 21 direct current fast charging (DCFC) stations, targeting more remote parts of the Company's service territory. All charging sites would feature a 150-kW DCFC charging station and would be installed 2021-2023. If approved, the Company will install necessary service connection equipment, including any necessary transformer upgrades, pads, poles, new service conductors as well as metering equipment to monitor station energy usage.

1. Proposed budget

Table 11 below shows Xcel's estimated budget for the Public Fast Charging Proposal.

Table 11: Estimated Public Fast Charging Program Budget – 2021-2023 ($ in Millions)

Category	Capital	O&M	Total
EV Service Connection	$0.8		$0.8
EV Supply Infrastructure	$1.1		$1.1
Charging Equipment	$2.3		$2.3
Installation Management	$0.1		$0.1
IT	$0.2		$0.2
Program Management		$0.1	$0.1
O&M		$0.3	$0.3
Total	$4.5	$0.5	$5.0

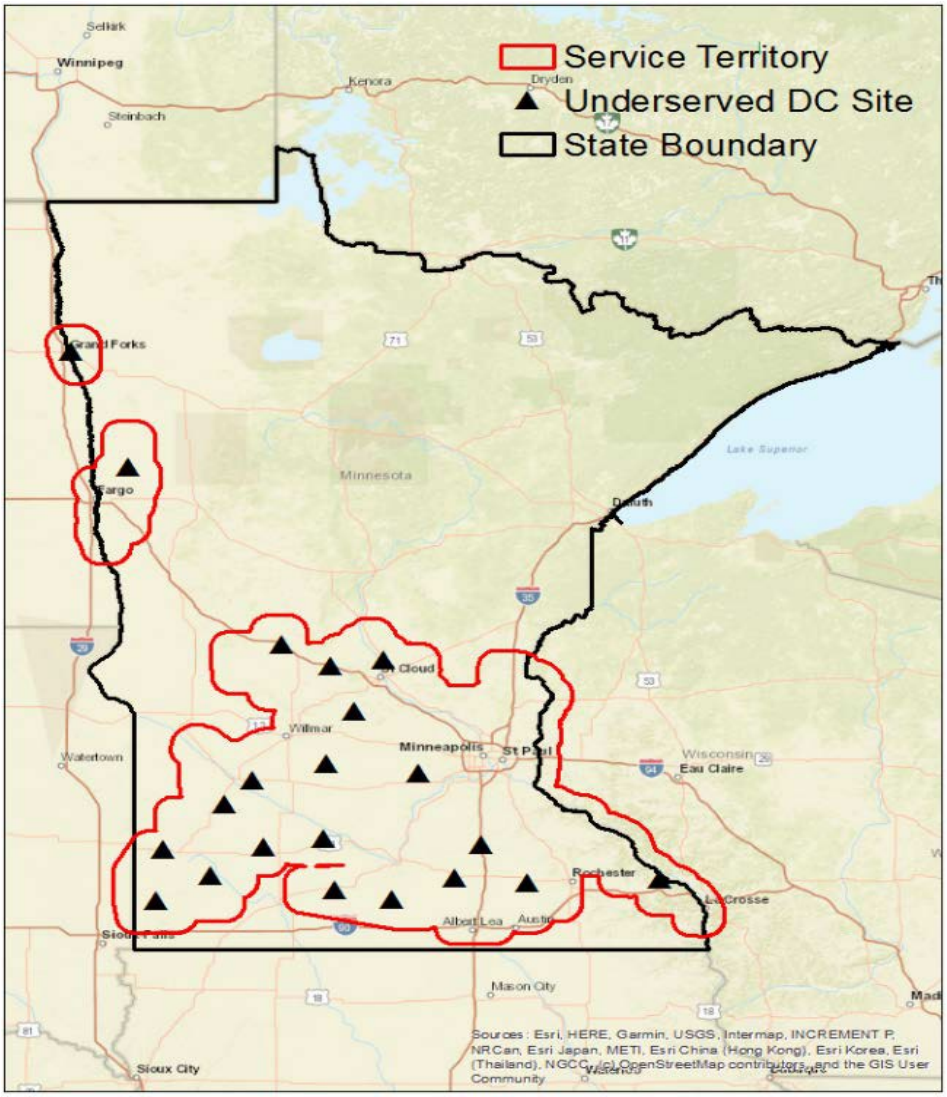
[29]The Department notes that Met Council has been successful at obtaining other funds for electric transit buses. For example, the Federal Transit Administration provided Metro Transit a $4.2 million grant to buy eight 40-foot electric powered buses manufactured by Proterra. Metro Transit was one of 49 projects in 46 states and territories to received funding from a total of $182 million Rider's Almanac Blog (metrotransit.org)

[30] Again, the Department recommends that the Commission's final decision consider potential impacts of the IIJA and other federal and state legislation outcome

2. Potential sites for 21 DCFC stations

Xcel proposed to site the 21 new DCFCs in more rural parts of Minnesota, away from the Twin Cities. Figure 2 shows the potential locations for potential DCFC stations.

Figure 2: Potential Locations for Xcel Public DCFC Stations



Xcel stated that it worked with a consulting firm, Guidehouse[31], which considered forecasts of charging demand and EV traffic, as well as drive-time from other existing and potential public charging stations in 2023 to choose the potential DCFC locations. Xcel stated that the sites are less likely to be served by the private market, but offer high value based on forecasted EV traffic.

[31] Formerly Navigant Consulting

3. Proposed rates

Table 12 below shows Xcel's proposed charging rates.

Table 12: Xcel's Proposed DCFC Customer Charging Rates per kWh

	June - September	October - May
On-Peak Period[32]	$0.52576	$0.49266
Mid-Peak Period[33]	$0.39013	$0.37515
Off-Peak Period[34]	$0.32784	$0.32784

The design of Xcel's proposed rate structure is based on the rates approved for the Company's Residential Time of Use (TOU) Pilot program[35], with $0.30 per kWh added.

In Table 13 below, Xcel compared its proposed charging rates to those of other public charging stations.

Table 13: Xcel's Proposed Charging Rates for Public Charging Stations

	Charging Speed (kW)	Price Per Minute	kWh Per Minute	Price per kWh
EVgo	50	$0.30	0.833	*$0.36*
Electrify America	125	$0.58	2.083	*$0.28*
Xcel Energy – Off-peak	50	*$0.27*	0.833	$0.33
Xcel Energy – Mid-peak[11]	50	*$0.32*	0.833	$0.38
Xcel Energy – On-peak	50	*$0.42*	0.833	$0.50
XcelEnergy– Off-peak	150	*$0.82*	2.500	$0.33
Xcel Energy – Mid-peak	150	*$0.95*	2.500	$0.38
Xcel Energy – On-peak	150	*$1.26*	2.500	$0.50

4. Proposed tariff

In Attachment B of its March 8, 2021 Supplemental Comments, the Company provided a redlined and clean tariff for Electric Service Public Charging Station Pilot, Rate Code A91.

[32] Between 3:00 p.m. and 8:00 p.m. Monday through Friday, except for certain holidays
[33] All hours not defined as on-peak or off-peak
[34] Midnight (12:00 a.m.) until 6:00 a.m. every day
[35] Approved in E002/M-17-775, Rate Codes, A72, A74.

5. Proposed cost recovery

On page 7 of its Supplemental comments, Xcel stated, the following:

> As a part of the Commission approving our stay out proposal, we agreed to not put the costs of our relief and recovery proposals in the capital true-up and to not use existing accumulated deferred income tax balances to offset the costs. Instead, we intend to include the capitalized cost from this project in the rate base of a future electric general rate case. We still request that the Commission grant us approval to defer the operations and maintenance (O&M) costs related to the program marketing, outreach, and customer engagement via our existing EV Tracker Account.

6. Waiver of service policy provision

Xcel requested Commission approval to waive a provision within its Service Policy. Specifically, the Company requested that the Commission approve Company ownership of the EV service connection, EV supply infrastructure, and EV charging equipment assets installed as a part of this pilot. In its Supplemental Comments Xcel stated:

> This type of equipment typically is paid for and owned by a customer under the service policy provisions in Section No. 6 of our tariff. Section No. 6, 2nd Revised Sheet No.20 identifies the ownership division as the "point of connection," which for our nonresidential customers can vary depending on the service provided, location, and equipment installed. While the Company/site-host relationship will not be comparable to a normal relationship for the customer, we believe it is important to have clarity that our Service Policy will not inhibit the ownership of equipment for this program. Allowing for the Company to own equipment past this normal ownership demarcation will enable the Company to build out our planned public charging network and fulfill a need we do not believe will be met by the private sector currently.

B. DEPARTMENT ANALYSIS

When reviewing Xcel's DCFC proposal, the Department considered the following:

- One of the most important ways to facilitate the transition to electric vehicles that is in the public's interest is rate design that encourages off-peak charging.
- The installation of public charging stations can increase EV saturation by reducing range anxiety.
- Minnesota utilities have proposed public charging rates that include a time-of-day component but differ in other ways. The Department believes that the use of time-of-day rates should be a central component of public charging rates, but that now is an appropriate time for utilities to

- experiment with different approaches and that the results from these pilots, as well as programs across the country will help utilities and regulators develop best practices.
- Approval of public charging stations must always consider the long-term goal of developing a long-term competitive public charging market, and utilities should seek divestment strategies once a long-term competitive public charging market has been established.

1. Xcel's proposal to own public DCFC stations

This is Xcel's second public charging proposal before the Commission. In Docket No. E002/M-18-643, the Commission approved Xcel's $9.2 million Public Charging pilot.[36] In the pilot project, the Company is permitted to install EV infrastructure for site hosts and developers of public charging stations along corridors and at community mobility hubs. Xcel installs, own and maintains infrastructure, but not own or maintain any charging equipment. The pilot includes the development of community mobility hubs; Xcel partnered with the cities of St. Paul and Minneapolis for the development of community mobility hubs, with HOURCAR providing a car-sharing service at charging locations in the area. These hubs make charging available to the public and to transportation network companies, such as Lyft and Uber.

The second offering of this pilot is aimed at, but not limited to, applicants seeking funds from Minnesota's Diesel Replacement Program, which is funded by the Volkswagen Environmental Mitigation Settlement and administered by the PCA. These funds will be used to develop fast charging stations at corridors within Xcel's service territory, with the goal of expanding the EV market by broadening access to charging stations, which would in turn alleviate impediments to long-range driving.

In Xcel's new proposal the Company proposed to own 21 new public charging stations, while it does not own the charging stations in its other pilot.

a). Commission Guidance on the Development of EV Infrastructure

The Commission's February 1, 2019 Order in Docket No. E999/CI-17-879 (Commission's EV Inquiry Order) addressed the possible role for utilities in promoting the development of EV charging infrastructure:[37]

> Utilities could build and own EV chargers, which would ensure development of charging infrastructure and strongly support the growth of EVs. A less direct approach could involve the utility offering financial incentives to third-party charging providers to build charging infrastructure.[8]

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[36] See the Commission's July 17, 2019 *Order Approving Pilots With Modifications, Authorizing Deferred Accounting, and Setting Reporting Requirements*, In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Pilot Programs, Docket No. E002/M-18-643, at 5-6..

[37] See the Commission's February 1, 2019 Order Making Findings and Requiring Filings, In the Matter of a Commission Inquiry into Electric Vehicle Charging and Infrastructure, at 6.

[37] EV Inquiry Order, at 8.

Further, the Commission ordered utilities to use the Office of the Attorney General's three-step "analytical tool" to assist in the evaluation of utility proposals to build EV charging infrastructure, which is explained as follows:[38]

> Step one involves an analysis of the expected number of EVs expected within a state in a certain time period. This step includes analysis of economics and policy factors such as climate or air quality targets or EV adoption targets. Step two uses the information developed in step one to determine how much public charging infrastructure would be needed to support the projected levels of EV penetration including the type of chargers needed. There are existing resources for this task. For example, NREL has developed a tool to determine the level of infrastructure needs based upon population density, EV ownership rates, traffic patterns, and travel data. Step three is an assessment of the competitive market for charging infrastructure, to determine the ownership model for EV charging stations and the extent of utility involvement in the supporting infrastructure.

Taken together, the Department interprets the Commission's guidance as, at minimum, allowing for the possibility of utilities to propose owning and building EV charging infrastructure, and providing a method by which the proposal is required to be analyzed.[10] In addition to this guidance, the Department notes that the Commission articulated a continuum of options for the various roles that utilities can take in Section 3 of the Commission's EV Inquiry Order.

b). OAG Three-Step Process

On pages 20-22 of Attachment C of Xcel's initial filing, Xcel provided an analysis of its public charging DCFC proposal using the OAG's three-step process.

i. Step 1 – Expected Number of EVs

In Step 1, Xcel provided a forecast of LDEV adoption in its service territory and in Minnesota as a whole. The forecasts did not consider the negative impact from the COVID-19 pandemic. Xcel stated that it foresaw a 50 percent downturn in EV sales in 2020, with a consistent lower rate of growth through 2023.

ii. Step 2 – Level of Charging Infrastructure Needed to Support Expected EVs

In Step 2, Xcel used the Electric Vehicle Infrastructure Projection Tool Lite tool at the U.S. Department of Energy to calculate that supporting the medium scenario for the state of Minnesota by 2023 will require about 320 public DCFC charging ports to enable inter-community travel, provide back-up on-route, and provide charging for vehicles without access to home charging. At the time of Xcel's filing,

[38] EV Inquiry Order, at 8.

Xcel determined that there were only 187 public DCFC charging ports in the state, and more than half were Tesla Superchargers available only to Tesla vehicles.

The Minnesota Pollution Control Agency (MPCA) has a dashboard that provides information about the number of EVs and public chargers in the state.[39] In August 2021 the dashboard indicated that the state currently has 194 DCFCs.[40] The Department concludes that Xcel's customers and the entire state will benefit from additional fast public chargers.

iii. Step 3 – Assessment of the Competitive Market for Charging Infrastructure

Xcel stated that it designed its proposal to fill underserved parts of the public charging market, engaging with Guidehouse to optimize sites. The Department is unaware of any large increases in charging infrastructure proposed for installation by non-utility entities. The Department recommends that Xcel discuss further in its Reply Comments how many non-utility owned public DCFC stations have been added in the past year.

iv. Discussion of Results of OAG 3-Step Process

Given that the state can still benefit from additional DCFC charging and currently there still is not much competition from other providers of public charging, the Department believes that it is reasonable for the Commission to approve Xcel's ownership of Public DCFCs.

In comments filed May 15, 2020 on Otter Tail Power's proposed EV pilot programs in Docket No. E017/M-20-181, the Department stated broad concern about the impact on competition from third-party EV charging providers of utility-owned public EV charging infrastructure.[32] While the Department recommends approval of Xcel's DCFC proposal in the instant docket, and although the Department has noted the undeveloped nature of the EV charging market in Minnesota, the broad concerns regarding competition remain. At some point in the future the EV charging market may be more developed and public charging sites owned by Xcel may provide the Company a competitive advantage over other market actors. In reply comments in Docket No. E017/M-20-181, the Department recommended that Otter Tail Power propose a DCFC divestment strategy at the conclusion of the pilot.

The Department notes that the Commission's October 27, 2020 Order in Docket No. E017/M-20-181 required that Otter Tail Power "must make a compliance filing that addresses divestment issues and identifies possible divestment strategies" at the conclusion of its pilot program.[34] To maintain a long-term view of ensuring market competition, the Department recommends that the Commission requirethat Xcel make a similar compliance filing in this proceeding.

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[39] Minnesota EV dashboard | Minnesota Pollution Control Agency (state.mn.us)

[40] Although many of these are Tesla DCFCs, Tesla has recently announced its intent to open up its charging network to non-Tesla vehicles.

2. Xcel's Proposed DCFC Locations

The Department reviewed Xcel's proposed DCFC locations and concludes that the Company's consultant, Guidehouse, used a thoughtful approach to determine sites. The Department believes the sites are reasonable.

C. XCEL'S PROPOSED EV RATE TARIFF AND RETAIL RATES

1. Proposed Rate Structure

Regarding rate design, Xcel stated:[41]

> The underlying design of this rate structure is based on the rates approved for our Residential Time of Use (TOU) Pilot program[42], with $0.30 per kWh added. Increasing the rates over what is in use for residential purposes will accomplish two things. One, it helps to ensure that our charging rates are comparable to the DCFC rates charged by other private station operators. Our goal in setting rates is to keep public charging rates practical and affordable, while attempting to not undercut private charging services.
>
> Secondly, we believe this will send important price signals to customers to efficiently use public fast charging stations. By incentivizing home and workplace charging for those who have access to those charging options, public charging stations can be available to those who need it while minimizing the costs to the electric grid from building public charging stations—be it supporting intercommunity travel or providing charging for those who are unable to charge at home or at work. We expect revenues from the charging stations to be small but will provide some incremental revenue that may place modest downward pressure on other customer rates.

The Department reviewed Xcel's proposed public DCFC charging rate structure submitted in the Company's Petition. The Commission's February 1, 2019 Order in Docket No. E999/CI-17-879 provided guidance on designing efficient and effective rates to integrate EVs into the electric system:

> Time-of-use rates adjust the price of electricity based on the time that it is consumed, with low prices during low-demand periods and high prices during peak demand. A time-of-use rate could therefore encourage charging during times of low demand and impose higher rates for usage when demand is high to reflect the additional costs this usage imposes on the system. Using rate design to encourage charging during times of low demand can help the electric grid absorb and accommodate the new load

[41] Petition, Attachment C at 19.

[42] Approved in E002/M-17-775, Rate Codes, A72, A74.

> created by EVs without the need for new generation or distribution infrastructure, thereby enhancing the efficient use of existing infrastructure and potentially driving down electricity rates.

The Department believes that rate design that ensures EV charging occurs off-peak as much as possible is the most important step in ensuring that increased transportation electrification is in the public interest. While it may be difficult to incentivize EV drivers to charge during the off-peak period if their charging needs are time-sensitive, having the incentive to charge during the off-peak period is important to realize this important public interest-oriented goal to the greatest extent practicable.

The Department believes that Xcel's proposed rate structure will help achieve that goal.

2. Proposed Rate Levels

Xcel benchmarked its proposed charging rates against other public charging rates offered in the market and found that the proposed rates were comparable to those at other public fast charging stations in both urban and rural parts of Minnesota. The Company found that, on average, 20 kWh of charging (the equivalent of about 60 miles of range) would cost about $7.00 and $8.33 at rural and urban locations throughout Minnesota, respectively. Similarly, the Company's proposed rates equate to about $9.85 during on-peak periods, $7.50 during mid-peak periods, and $6.56 during off-peak periods for the same 20 kWh of charging during non-summer months, with slightly higher on-peak and mid-peak rates during summer months.

The Department concludes that Xcel's proposed rates are reasonable. As the market develops the Commission and other parties will be able to track rates through the Transportation Electric Plans in Docket No. E002/M-17-879 and parties will be able to make recommendations concerning whether changes are necessary.

3. Proposed Tariff Sheets

In its initial filing, Xcel stated that if the Commission approved the proposal, the Company would file a proposed new tariff as a compliance item. However, the Company proposed a tariff in its March 8, 2021 Supplemental Filing, included as Attachment B.

The Department has reviewed the tariff sheets submitted by Xcel and determined that they accurately reflect the rates proposed in the Company's Petition. The Department recommends that the Commission approve the Company's proposed rates and tariff sheets.

4. Waiver of service policy provision

Given the infancy of the public charging market, the Department believes it is reasonable for the Commission to waive a provision in its Service Policy and allow the Company to own the EV service connection, EV supply infrastructure, and EV charging equipment assets installed as a part of this pilot. In its Supplemental comments, the Company stated:

5. Deferring O&M Costs

The Department believes that the Company's request that the Commission grant approval for Xcel to defer the operations and maintenance (O&M) costs related to the program marketing, outreach, and customer engagement via its existing EV Tracker Account is reasonable.

D. DEPARTMENT RECOMMENDATION CONCERNING XCEL'S PROPOSED PUBLIC FAST CHARGING STATIONS

At this point, the Department recommends that the Commission approve Xcel's Public Fast Charging Station proposal with the modification that at the conclusion of its pilot program, Xcel must make a compliance filing that addresses divestment issues and identifies possible divestment strategies.

The Department notes that the Infrastructure Investment and Jobs Act may result in the provision of significant amounts of money that may replace, supplement, or complement Xcel's proposed funding of public DCFCs. The Department recommends that the Commission accept additional input from parties once the results of the Act are known.

In Reply Comments, the Department recommends that the Company discuss how many non-Xcel-owned DCFCs have been added in its territory during the past year.

V. XCEL ENERGY'S FLEET ELECTRIFICATION

In its petition, the Company stated that it was initially planning on electrifying a portion of its fleet over ten years, starting in 2021. With this proposal, the Company planned to accelerate this effort to take place over two years instead.

A. XCEL'S PROPOSAL

1. Proposed EV models and costs

Xcel proposed purchasing 40 light-duty vehicles for the Company's business purposes, 20 in 2021 and 20 in 2022. In response to DOC IR No. 9, the Company stated that its plans include the following three EV models and expected cost per vehicle:

- Ford Escape PHEV – $32,000, plus tax, title, and licensing.
- Chevy Bolt Electric Utility Vehicle – $30,500 plus tax, title, and licensing.
- Ford Fusion Energy PHEV – $32,800 plus tax, title, and licensing.

Xcel further stated that 20 of the 40 vehicles to be replaced meet the Company's Total Cost of Ownership (TCO) guidelines for replacement. The remaining vehicles' replacement cycle vary from a year to several years away from TCO replacement guidelines.

2. Proposed Budget

In its initial filing, Xcel estimated that the purchase of EV fleet vehicles and associated operation and maintenance expenses would be approximately $2.2 million over four years. In addition, the Company estimated a cost of approximately $10,000 for each charging station, inclusive of all infrastructure and site work, with some additional O&M needed for maintenance after the charger is placed in service. However, in response to DOC IR No. 9, Xcel stated that the EV chargers needed to service its fleet will cost approximately $20,000 per charging port.

In its Supplemental Filing Xcel stated that it was still in the process of developing the estimates for charging infrastructure associated with its fleet electrification plans.

When asked about its procurement processes, Xcel stated:

> We have an established competitive bidding process for fleet vehicle purchases,and through that process have selected Ford and Chevrolet as our preferred vehicle suppliers. In our competitive bidding process, dealers go through a bidding process and we award three-year contracts with options to renew for years four and five. At the end of a contract, the applicable category of vehicles would then be competitively bid and new contracts awarded. EV charging infrastructure has also been competitively bid with two current supplier partners under contract. In addition, there is a new sourcing event underway to refresh and possibly expand the supplier base for EV charging infrastructure.

3. Manufacturers' and expected lives for EVs and infrastructure

In response to DOC IR No. 9, Xcel stated:

> Company-owned EV Charging Stations will be classified as FERC 394 Tools, Shop, and Garage Equipment which has an average service life of 15 years as approved in Docket No. E,G002/D-20-635. For Company-owned electric vehicles, these would be classified under FERC 392 Transportation Equipment. The Company currently has several subaccounts under 392 for automobiles, light trucks, and heavy trucks. The new EVs would follow the depreciation rates for these categories as approved in the aforementioned docket. Autos and light trucks have an average service life of 10 years and heavy trucks are 12 years.
>
> Xcel Energy's current TCO guideline for compact SUVs is 12 years or 130,000 miles, whichever comes first. There is not a manufacturer's expected life guideline.

EV Chargers for Fleet vehicles are to be covered by ongoing maintenance contracts with a targeted annual cost below $300 per charging port. This coverage would include parts, labor, on-site repairs and software support.

4. Cost recovery

In response to DOC IR No. 9, Xcel state that the Company planned to recover the costs of its fleet electrification through its general rates in a future rate case.

B. DEPARTMENT RECOMMENDATIONS FOR XCEL FLEET ELECTRIFICATION

Xcel stated that it plans to recover the costs of its fleet electrification through its general rates in a future rate case. As of March 2021, the Company had not finalized the costs for the needed charging infrastructure, including still not knowing how many charging ports will be needed. The Department recommends that the Company submit testimony in its next rate case to support the project, and also addresses the higher EV fleet vehicle capital costs, lower maintenance costs, and overall net benefits to ratepayers.

VI. DEPARTMENT RECOMMENDATIONS

For Reply Comments, the Department recommends that Xcel briefly discuss how many non-Xcel-owned DCFC chargers have been added to its system over the past year.

The Department makes the following recommendations regarding Xcel's proposals.

A. Purchase EV Rebates

The Department recommends that the Commission approve:

1. A $5 million Equity Rebate program with the following components:
   a) A rebate of $5,500 for new LDEVs and $3,000 for used LDEVs to be used for either purchasing or leasing the vehicles.
   b) To determine whether a customer is income qualified, the Department recommends that Xcel use multiple verifiable federal, state and utility eligibility standards, such as:

- Head Start;
- The Minnesota Family Investment Program (MFIP);
- Minnesota's Temporary Assistance for Needy Families (TANF) program;
- Low-Income Heating Energy Assistance Program (LIHEAP);
- Low-Income Weatherization Assistance Program (WAP); and
  Solar*Rewards Income Eligible.

2. An electric bus rebate budget of $30 million to cover:
   a) The incremental cost ($810,000) of 30 electric 40-foot transit buses for Metro Transit;
   b) $5.7 million to provide rebates to school districts to cover incremental costs of electric school buses and infrastructure upgrades for charging.

3. A tracker account for Xcel to recover the rebate and administrative costs of the EV rebates, and that applies Xcel's cost of short-term debt to unrecovered balances.

In addition, the Department recommends that the Commission request additional input from parties once the fate of the Infrastructure Investment and Jobs Act is known.

B. Public Fast Charging

The Department recommends that the Commission approve Xcel's Public Fast Charging Proposal, with the modification that at the conclusion of its pilot program, Xcel must make a compliance filing that addresses divestment issues and identifies possible divestment strategies.

C. Fleet Electrification

The Department recommends that the Company submit testimony in its next rate case to support the project, and also addresses the higher EV fleet vehicle capital costs, lower maintenance costs, and overall net benefits to ratepayers.

/ja

Decision No. C21-0017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 20A-0204E

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS 2021-2023 TRANSPORTATION ELECTRIFICATION PLAN.

COMMISSION DECISION GRANTING APPLICATION WITH MODIFICATIONS

Mailed Date: January 11, 2021
Adopted Date: December 23, 2020

TABLE OF CONTENTS

I. BY THE COMMISSION

A. Statement

1. This matter comes before the Commission for consideration of the application filed on May 15, 2020, by Public Service Company of Colorado (Public Service or the Company) requesting the Commission issue an order approving the proposals contained in the Company's 2021-2023 Transportation Electrification Plan (TEP). Public Service filed its application for approval of the 2021-2023 TEP as required by Senate Bill (SB) 19-077, which was signed into law May 31, 2019. SB 19-077 requires investor owned electric public utilities including Public Service to file with the Commission, by May 15, 2020, "an application for a program for regulated activities to support widespread transportation electrification" within its service territory. The statutory changes adopted through SB 19-077 are codified at §§ 40-1-103.3(2) and (6), 40-3-116, and 40-5-107, C.R.S. This 2021-2023 TEP is Public Service's inaugural TEP and the first utility application the Commission has considered under SB 19-077.

2. Through this Decision, the Commission grants, with modifications, the application for approval of the Company's 2021-2023 TEP.

B. Procedural History

3. On May 18, 2020, the Commission issued notice of Public Service's application and set a 30-day notice and intervention period.

4. On June 24, 2020, the Commission deemed the application complete by minute entry at the Commissioners' Weekly Meeting. By Decision No. C20-0465 (also mailed on June 24, 2020), the Commission determined it would hear the matter *en banc*.

5. The Office of Consumer Counsel (OCC), the Colorado Energy Office (CEO), and Trial Staff of the Public Utilities Commission (Staff) each timely filed a notice of intervention of right, and Staff and the OCC requested a hearing.

6. Through Decision No. C20-0501-I, issued July 10, 2020, and Decision No. C20-0515-I, issued July 15, 2020, the Commission granted requests for permissive intervention filed by ChargePoint, Inc. (ChargePoint); the City of Boulder; the City and County of Denver (Denver); Colorado Energy Consumers (CEC); Energy Outreach Colorado (EOC); the Environmental Justice Coalition (comprising Colorado Latino Forum, GreenLatinos, GRID Alternatives, and Vote Solar); the Environmental Organizations (comprising Western Resource Advocates, Sierra Club, and Natural Resources Defense Council); EVgo; the Joint EV Charging Providers (comprising Enel X North America, Inc.; EVBox North America, Inc., and Zeco Systems, Inc. d/b/a Greenlots); the Regional Transportation District (RTD); Southwest Energy Efficiency Project (SWEEP); Tesla, Inc. (Tesla); Electrify America, LLC (Electrify America); and Walmart, Inc. (Walmart).

7. Through Decision No. C20-0515-I, issued July 15, 2020, the Commission granted the request filed by Black Hills Colorado Electric, LLC d/b/a Black Hills Energy (Black Hills) on July 14, 2020, to participate in this Proceeding as *amicus curiae* to address legal issues.

8. Through Decision No. C20-0536-I, issued July 23, 2020, the Commission scheduled a remote evidentiary hearing for November 12-13 and 16-18, 2020.

9. Through Decision No. C20-0645-I, issued September 4, 2020, the Commission found that additional time to issue a decision, permitted in § 40-6-109.5(1), C.R.S., was required in this Proceeding. Consistent with statute, the Commission extended the decision deadline by 130 days.

10. On September 28, 2020, CEC, CEO, ChargePoint, the City of Boulder, Denver, Electrify America, the Environmental Justice Coalition, the Environmental Organizations, EOC, EVgo, the Joint EV Charging Providers, the OCC, RTD, Staff, SWEEP, Tesla, and Walmart filed Answer Testimony.

11. On October 23, 2020, Public Service filed Rebuttal Testimony, and CEC, CEO, ChargePoint, the City of Boulder, Denver, Electrify America, the Environmental Justice Coalition, the Environmental Organizations, EVgo, the Joint EV Charging Providers, the OCC, Staff, SWEEP, and Tesla filed Cross-Answer Testimony.

12. Through Decision No. C20-0704-I, issued October 6, 2020, the Commission granted a motion filed by the Environmental Justice Coalition requesting the Commission schedule a public comment hearing. The Commission scheduled a remote public comment hearing for the evening of November 12, 2020.

13. On November 6, 2020, Public Service filed a notice indicating several parties had reached, in principle, a partial settlement agreement. The date the notice was filed, November 6,

2020, was the deadline established through Decision No. C20-0536-I by which to file any settlement agreements. In its November 6, 2020, filing, Public Service stated it intended to file the partial settlement agreement on or before November 10, 2020.

14. On November 10, 2020, Public Service filed a partial settlement agreement reached among the Company, CEO, the City of Boulder, Denver, EOC, the Environmental Justice Coalition, the Environmental Organizations, the Joint EV Charging Providers, and SWEEP (Partial Settlement Agreement). Public Service also filed, on behalf of these settling parties, a Joint Motion for Approval of the Partial Settlement Agreement (Joint Motion). The Joint Motion indicates that other parties, CEC, ChargePoint, the OCC, and Staff, oppose the Joint Motion, and that EVgo did not provide a position. On November 10, 2020, Staff filed a response opposing the Joint Motion. On November 12, 2020, the OCC also filed a response opposing the Joint Motion.

15. Through Decision No. C20-0803-I, issued November 12, 2020, the Commission found good cause to vacate the first day of the evidentiary hearing scheduled for November 12, 2020, to allow parties and the Commission opportunity to review the Partial Settlement Agreement prior to commencement of the hearing. The Commission converted the first part of the hearing, scheduled for November 13, 2020, to a prehearing conference where the Commission would hear from parties regarding proposals for how to proceed with the evidentiary hearing.

16. On November 12, 2020, the Commission convened the scheduled remote public comment hearing. From 4:00 p.m. to 7:00 p.m., the Commission received oral comments from approximately 50 members of the public regarding Public Service's proposed TEP.

17. On November 13, 2020, the Commission convened the scheduled prehearing conference and heard proposals from parties regarding how to proceed with the evidentiary hearing. After consideration, the Commission ruled by bench order that the Partial Settlement

Agreement was filed as a "stipulation" under Rule 4 *Code of Colorado Regulations* (CCR) 723-1-1407 of the Commission's Rules of Practice and Procedure and that the filing would therefore be treated as a stipulation. The Commission noted, under Rule 1407, parties may "offer into evidence" a written stipulation resolving any fact or matter of substance or procedure that is at issue. The Commission ruled it would accordingly construe the Partial Settlement Agreement as a stipulation offered into evidence. The Commission noted it would reserve any ruling on the request in the Joint Motion that the Commission find the Partial Settlement Agreement to be in the public interest, and the responses in opposition by Staff and the OCC, until its final decision on the merits of the application.

18. On November 13, 2020, following conclusion of the prehearing conference, the Commission commenced the evidentiary hearing. The Commission continued the hearing November 16, 17, and 18, and an additional scheduled day of November 23, 2020. On November 23, 2020, the Commission adjourned the hearing and closed the evidentiary record.

19. On December 11, 2020, the following parties filed a statement of position (SOP): Public Service, CEC, CEO, the City of Boulder, Denver, Electrify America, the Environmental Justice Coalition, the Environmental Organizations, EOC, EVgo, the Joint EV Charging Providers, the OCC, RTD, Staff, SWEEP, Tesla, and Walmart.

20. On December 11, 2020, Black Hills filed an *amicus* brief providing legal argument.

21. On December 23, 2020, the Commission deliberated on the merits of the Company's application at a Commissioners' Deliberations Meeting, resulting in this Decision.

C. Joint Motion to Approve Partial Settlement Agreement

22. As an initial matter, the Commission addresses the Joint Motion through which the settling parties request approval of the Partial Settlement Agreement.

23. In the Joint Motion, the settling parties state the requested approval of the Partial Settlement Agreement is consistent with Rule 4 CCR 723-1-1407 and that approval is in the public interest. The settling parties request the Commission find the Partial Settlement Agreement is just, reasonable, and in the public interest, and approve the Partial Settlement Agreement without modification. Both Staff and the OCC filed responses opposing this request.

24. The Commission denies the Joint Motion and will not grant the request to approve the Partial Settlement Agreement with the additional findings requested in the Joint Motion. We find the Commission has already taken all necessary action related to this stipulation. At hearing, the Commission ruled it would accept the Partial Settlement Agreement as a stipulation that was filed under Rule 4 CCR 723-1-1407 and offered into the record of this Proceeding. We find that bench ruling provided the necessary approval for purposes of Rule 1407.

D. Application

1. Retail Rate Cap

25. SB 19-077, codified at § 40-1-103.3(6), C.R.S., establishes the parameters of the maximum retail rate impact of a utility's TEP. This statute provides:

> The commission shall consider revenues from electric vehicles in the utility's service territory in evaluating the retail rate impact. The retail rate impact from the development of electric vehicle infrastructure must not exceed one-half of one percent of the total annual revenue requirements of the utility.

26. In this Proceeding, parties have advocated for differing interpretations of this section of SB 19-077.

a. Public Service Proposal

27. To calculate the retail rate impact, Public Service proposes to offset the TEP revenue requirement with the expected net electric vehicle (EV) revenues (*i.e.,* the expected sales

revenues from EVs less the Company's costs associated with serving those EVs).[1] The resulting rate impact is then divided by the Company's total annual revenue requirement. Public Service argues, so long as the result does not exceed one-half of one percent, the Company has not exceeded the maximum retail rate impact.[2]

28. Public Service states in its SOP, while the statute allows retail rates to be increased by up to 0.5 percent of total retail revenue, an analysis provided through rebuttal testimony shows that factoring in EV revenues results in downward pressure on customer rates, ranging from -0.3 percent to -0.7 percent. The Company concludes its proposed TEP is therefore well under the cap. The Company reasons, while this potential outcome is good for customers, and speaks well to the merits of utility participation in the EV market, it is still crucial for the Company to have a rider to avoid the cost recovery disincentive that would arise without it—particularly because the Company's existing revenue decoupling mechanism returns certain revenues to customers outside of a rate case, and in light of the state mandate to undertake the TEP and the need for robust investments to meet state goals.

29. Public Service notes the statutory retail rate impact should include costs associated with EV Supply Infrastructure (EVSI) investments subject to deferred accounting in Proceeding No. 19A-0471E. The Company notes, in Proceeding No. 19A-0471E, the Commission approved an unopposed settlement agreement in which the parties supported Public Service's application for deferred accounting treatment of up to nine million dollars associated with EVSI projects commenced prior to the effective date of the TEP.[3]

[1] Hrg. Exh. 108 (Wishart Rebuttal, Rev. 1) p. 9.
[2] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) pp. 49-50.
[3] Hrg. Exh. 101 (Ihle Direct, Rev. 1) pp. 32-33 (citing Proceeding No. 19A-0471E).

30. The parties to the Partial Settlement Agreement agree with Public Service's proposed approach to calculating the retail rate cap.

b. Intervenor Positions

31. Staff argues that SB 19-077 does not provide a straightforward method of calculating the retail rate cap and the Commission must adopt an appropriate calculation. Staff recommends the Commission rely on actual expenditures and actual EV revenues (*i.e.*, historical data) to retroactively evaluate compliance with the cap in a forthcoming Phase I rate case. Staff recommends disallowance if forecasted charging revenues fail to materialize and the retail rate impacts exceeds the cap. Staff also recommends limiting revenues to some measure of incremental revenues. Staff urges the Commission should at least exclude revenues from EVs on the road prior to 2021. Staff reasons, "[r]evenues from EVs on the road prior to 2021 cannot plausibly be considered to be 'associated with' the TEP and the Commission must therefore exclude them from the retail rate impact."[4]

32. The OCC asserts the retail rate impact works in reverse, capping the amount to be spent through a TEP in any given year at the amount computed as the cap. The OCC proposes to calculate the cap by summing Public Service's total retail revenues and revenues from EV charging revenue and then finding 0.5 percent of that total. The OCC then compares this amount to Public Service's proposed TEP budget to conclude the Company's budgets exceed 0.5 percent of all revenues. The OCC compares the TEP revenue requirement plus the cost to serve EV charging, which it labels "Total TEP Costs," to its calculated 0.5 percent cap.

33. CEC asserts the safer approach, more consistent with legislative intent, is to calculate the cap as no more than 0.5 percent of the total annual revenue requirement. CEC

[4] Staff SOP p. 9.

suggests, after this cap is established, the Commission should then independently give due consideration to the incremental EV revenues resulting from the TEP.

34. CEO maintains that SB 19-077 does not expressly specify that considered revenues need to be incremental to the TEP. CEO asserts this makes Staff's restrictive interpretation unreasonable. CEO contends the objective of SB 19-077 is for utilities to support widespread transportation electrification, which has not yet occurred. CEO reasons, the actual incremental TEP revenues that could be determined with certainty would underestimate true incremental TEP revenues, and the actual incremental revenues from TEP efforts in a given year could take years to materialize, given the fundamental nature of TEPs as market transformation programs. For the benefit side, CEO maintains, once the retail rate impact has been determined, it should then be divided by the utility's total annual revenue requirement to determine if this amount exceeds one-half of one percent. To the OCC, CEO responds that SB 19-077 does not direct the Commission to consider one-half of one percent of revenues from EVs in the utility's service territory.

35. The Environmental Organizations are party to the Partial Settlement Agreement and support the Company's position. The Environmental Organizations further argue, by treating revenues from EV charging as an offset to the revenue required for the TEP, this interpretation properly accounts for the benefits that accrue to all customers as a result of EV charging. They add this interpretation also supports robust TEPs that will meaningfully advance the objective of SB 19-077 to promote widespread vehicle electrification. They contend that the interpretations advocated by other parties contravene that purpose and ask the Commission to add to the statutory text. The Environmental Organizations counter that the OCC's interpretation discounts the system-wide grid value of EV charging. They also respond that Staff's recommendation to

withhold review of the cost cap until after the TEP has been implemented would create regulatory and market uncertainty that undermines the TEP.

36. SWEEP, also party to the Partial Settlement Agreement, argues that Staff and CEC's recommendation to consider only EV charging revenues that are attributable to TEP programs presents formidable implementation issues. SWEEP contends that determining whether a customer's decision to purchase an EV is the result of Public Service's TEP would require an intractable causation inquiry and further that it would be inaccurate and simplistic to characterize this complex multi-factor purchasing decision in a binary manner.

37. In its rebuttal testimony, Public Service responds that Staff and the OCC's recommendations could greatly limit the scope of what the Company can accomplish through this and future TEPs. The Company challenges Staff's recommendation that only incremental EV revenue should be considered, noting the statute does not use the term "incremental." Public Service also disagrees with Staff's suggestion that the Commission should analyze the retail rate impact retrospectively. The Company notes the Commission prospectively analyzes rates in other programs such as demand side management (DSM), electric resource plans, and transmission plans and, based on the Company's calculations, the proposed TEP budget is well below the cap. The Company further asserts evaluating the retail rate impact retrospectively puts the Company at risk for not recovering prudently incurred investments based on factors beyond its control.[5] Finally, Public Service argues, even if the Commission analyzed the retail rate impact retrospectively, EV charging revenues would still be estimates because the Company does not separately meter most EV load.[6]

[5] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) p. 47.
[6] Hrg. Exh. 108 (Wishart Rebuttal, Rev. 1) p. 16.

c. Conclusions and Findings

38. The Commission approves, in part, the retail rate impact calculation put forth by Public Service and supported by parties to the Partial Settlement Agreement. This includes the EVSI investments subject to deferred accounting under Proceeding No. 19A-0471E.

39. We disagree with the positions of the OCC and CEC that Public Service's approach does not provide a true retail rate impact of the TEP by considering revenues from EVs. To the contrary, we find, by not offsetting the TEP expenses by EV revenues, the calculations proposed by the OCC and CEC do not accurately reflect the impact TEP expenses will have on rates.

40. However, we find a commonsense interpretation of § 40-1-103.3(6), C.R.S., requires exclusion of revenues from EVs purchased prior to the investments to be made through this TEP. We find it plain and logical that the prescribed retail rate impact cap should measure the retail rate impact of the plan itself, which would not in any commonsense way include revenues with no arguable tie to the plan. The statute does not prescribe whether the revenues to be considered are *all* EV revenues in the utility's territory or some measure of "incremental" revenues reasonably attributable to the TEP investments. The statute instead simply instructs: "the commission shall consider revenues from electric vehicles in the utility's service territory." We find the plain language of the statute leaves to the Commission discretion to reasonably determine which revenues from EVs in the utility's service territory it will consider in evaluating the retail rate impact of the TEP. We find, just as excluding EV *revenues* from the calculation would inaccurately reflect the true impact of TEP expenditures, so too would including *all* EV revenues without an effort to link those revenues to TEP expenditures. To this end, we find it reasonable and practical to exclude revenues from EVs purchased prior to 2021. We therefore direct the Company to modify its calculations to exclude revenues from EVs purchased prior to 2021.

41. To facilitate a more transparent and accurate revenue estimate, we require Public Service to file a detailed description of how it will estimate the EV revenues to be included in the retail rate cap calculation. This informational filing is in addition to the annual report the Company will file with information such as TEP revenue, estimated consumption of electricity by EVs, and estimated level of demand from EVs.

2. Presumption of Prudence and Budget Flexibility

a. Public Service Proposal

42. Public Service requests the Commission approve its annual TEP budget flexibility proposal and grant it a rebuttable presumption of prudence for actual expenditures within the approved parameters.

43. The Company proposes the rebuttable presumption of prudence for the three-year plan be limited to: (1) the need for the components of the TEP as approved by the Commission; and (2) the overall scope and cost of the program presented in this case, including Public Service's proposed budget flexibility. The Company states it does not seek a presumption that the TEP is being executed prudently. The Company concedes, as with all rider projects, the Commission will assess that question in a future cost recovery proceeding. The Company states the presumption of prudence may also be rebutted by evidence, resulting in denial of recovery of expenditures the Commission deems imprudently incurred. Finally, the Company concedes it would have the burden to demonstrate that any excess costs were prudently incurred.

44. The Company asserts the requested presumption would provide Public Service, stakeholders, and customers with a reasonable level of confidence that they can move forward with the mandated TEP and approved programs. Public Service maintains the presumption would also incent the Company to avoid exceeding identified cost levels. Public Service adds the presumption

would provide an important benchmark by which to compare actual costs in a future cost recovery proceeding.

45. The Company proposes a budget of $102 million in investments and programmatic support (plus $30 million if the Commission approves the proposed point of sale EV rebate program) across the three-year timeframe of the TEP. The Company requests flexibility to increase the annual TEP funding level up to 125 percent of the overall annual budget for each plan year.

46. Public Service requests flexibility to manage its TEP budget by moving funds within and between portfolios and by increasing or decreasing funding. Public Service allows one exception: it will limit spending on utility-owned public Direct Current Fast Chargers (DCFC) to $5 million over the course of the TEP, absent Commission approval. Public Service contends the requested flexibility will allow the Company to efficiently address the evolving needs of the nascent EV market and expand or contract programs within the TEP in response to customer demand and other factors. The Company notes the market costs for EVSI, charging equipment, and labor may ultimately differ from forecasts. Public Service adds, this approach is consistent with its DSM proceedings, where the Commission establishes a budget and identifies core areas or budget minimums for certain topics but leaves the specific product and service offerings and design to the Company.[7]

47. The parties to the Partial Settlement Agreement agree to the rebuttable presumption of prudence, as proposed by Public Service.

[7] *See* Hrg. Exh. 102 (Schwain Direct) p. 50 (citing Proceeding No. 17A-0462EG, Decision No. C18-0417 and Corrected Non-Unanimous Comprehensive Settlement Agreement, Sections B and L).

b. Intervenor Positions

48. Staff opposes any presumption of prudence. Staff objects such presumption would be based on a forecasted revenue requirement and that the Company has further requested budget flexibility up to 125 percent.

49. The OCC opposes any presumption of prudence. The OCC notes the Company has requested a presumption not only for the TEP budget, but also for 125 percent of the proposed budget. The OCC argues the Company would therefore take on little financial risk as any challenge to expenditures under 125 percent of the budget would have to be discovered and then successfully rebutted by the challenging party.

50. CEC opposes any presumption of prudence. CEC responds that maximizing the 125 percent budget flexibility would increase Public Service's current three-year TEP budget to approximately $167 million.[8] CEC raises concern that Public Service's proposed budget only meets the retail rate impact cap if the Commission accepts the Company's proposal to incorporate what CEC considers to be wide-sweeping and unverifiable EV revenues into the retail rate impact cap calculation. CEC urges that any added budget flexibility is inherently unreasonable in this case.

51. CEO argues, at a minimum, any budget flexibility should be limited to no more than 120 percent to be consistent with Public Service's DSM proceedings. CEO claims that Public Service incorrectly portrays its request for budget flexibility as continuing the precedent established for DSM plans that have the presumption of prudence for costs incurred up to reasonable amounts above budgeted levels.

[8] CEC SOP p. 16.

c. Conclusions and Findings

52. The Commission approves Public Service's annual TEP budget flexibility proposal. We find it appropriate to allow Public Service flexibility to move funds between portfolios, subject to a cap of 150 percent, and to increase the overall TEP budget to up to 125 percent of the annual estimated costs. We agree with Public Service this flexibility will allow the Company to efficiently address the evolving EV market and expand or contract programs in response to customer demand and market costs. We agree this flexibility should help ensure that Public Service uses TEP funds where they are most useful. We note the positive experience with DSM in which the Commission allows the Company flexibility regarding specific product and service offerings.

53. The Commission denies the Company's request for a rebuttable presumption of prudence. We find the approved TEP budget already provides an important benchmark to compare actual costs in a future cost recovery proceeding and the Company should be incentivized to stay under this budget, regardless of whether it has a presumption of prudence. We are also unpersuaded by the Company's argument that a presumption of prudence is necessary to provide the Company confidence that it can move forward with the approved programs. The parties and the Commission have gone into detail in this Proceeding regarding the projects approved for the TEP. This alone should provide Public Service enough confidence that it will be able to recover expenses that are reasonably and prudently incurred to implement approved TEP programs. In addition, we note the Company has significant opportunities under this 2021-2023 TEP to increase its overall rate base and revenues and to recover costs at the Company's WACC.

54. We find unpersuasive Public Service's arguments that, absent a presumption of prudence, parties would need to start from scratch when evaluating the reasonableness and prudence of actual TEP costs. While Public Service has described most of its TEP programs in

detail, it has not begun to implement these programs. Moreover, mechanisms such as the 60/90 Day Notice Process, the Research, Innovation, and Partnerships (RIP) Portfolio, and the requested budget flexibility, make it difficult for the Commission to perform the necessary reasonableness and prudency evaluation at this early stage. Notably, § 40-5-107(2), C.R.S., provides a list of elements the Commission must consider when determining cost recovery for TEP investments and expenditures. The record and case presented in this Proceeding do not provide the level of support and analysis the Commission would need to properly undertake the evaluation set forth in § 40-5-107(2), C.R.S. At this point, Public Service has not yet implemented the TEP projects and does not even know what investments the Company will make pursuant to the RIP portfolio and 60/90 Day Notice Process.

55. We direct that the annual TEP compliance report filed by April 1 each year contain all the necessary information for the Commission and parties to evaluate the reasonableness and prudency of the Company's actual TEP expenditures pursuant to § 40-5-107(2), C.R.S., as well as the Company's estimate of the relevant EV revenues. Following the filing of the TEP compliance report, the Commission will set a notice and intervention period during which parties may request a prudency review hearing. Such a process will allow the Commission and interested parties to scrutinize the actual investments being made and ensure the Company's implementation of the TEP is truly maximizing benefits and minimizing costs.[9]

[9] This type of process is consistent with what the Company envisions. *See* Hrg. Exh. 107 (Freitas Rebuttal, Rev. 1) p. 37 (explaining, "Parties and the Commission have the opportunity to review the prudence of TEP expenditures on an annual basis and any expenditures the Commission deems as imprudent would not be eligible for recovery.").

3. Rider Recovery

a. Public Service Proposal

56. Public Service proposes to include the TEP revenue requirement in the Company's existing Demand Side Management Cost Adjustment (DSMCA) rider. The Company proposes to rename this combined rider the "Customer Program Cost Adjustment" (CPCA). The Company reasons this combined treatment will avoid the need to add another line item to customers' bills. Public Service maintains this proposal to recover TEP costs through a rider is consistent with SB 19-077, which allows utilities to use "rate adjustment clauses" as approved by the Commission to recover TEP costs.[10] The Company also maintains this combined treatment intuitively reflects the load management synergies Public Service strives for as it accommodates Colorado's vision for more widespread EV adoption.

57. The proposed CPCA would accrue carrying costs. Over-collected funds accrue a carrying cost equal to the Company's WACC. Under-collected funds also accrue a carrying cost equal to the Company's WACC.

58. The parties to the Partial Settlement Agreement support the recovery of TEP expenditures through the CPCA rider, as proposed by Public Service.

b. Intervenor Positions

59. Staff opposes the Company's proposal. Staff recommends the Commission instead require Public Service to use regular rate cases to recover TEP expenses.

60. If the Commission approves a rider, Staff makes the following recommendations: (1) the Commission should create a separate TEP rider; (2) forecasted revenues from EVs should

[10] *See* Hrg. Exh. 101 (Ihle Direct, Rev. 1) p. 43; *see also* § 40-3-116(1), C.R.S. (authorizing rate recovery mechanisms that allow earlier recovery of costs, including the use of rate adjustment clauses).

be netted against the revenue requirement so the Company does not receive a windfall of new EV revenues while also recovering EV costs through a rider; (3) the rider should incorporate asymmetric carrying costs through which ratepayers earn WACC on over-recovery, but the Company earns nothing on under-recovery; (4) the Commission should engage in an immediate and regular review of Public Service's return on equity (ROE) and the ROE should be calculated based on market interest rates.

61. Regarding carrying costs, Staff asserts, over the past ten years, the Company's riders have recovered $268 million more from customers than projected. Staff contends the Company benefits from over-recovery in that it improves cash flow through regulatory lead instead of regulatory lag. Staff notes the Company's Clean Air-Clean Jobs Act (CACJA) rider provides a carrying charge for both under- and over-recovery at the Company's WACC, similar Public Service's proposal here. Staff points out, since 2015, the CACJA rider has under-recovered $11.7 million, and ratepayers have had to pay a WACC carrying cost on that regulatory asset. Staff notes, on the other hand, the Company's existing Transmission Cost Adjustment (TCA) and DSMCA riders follow Staff's proposed asymmetric approach.

62. The OCC recommends the Commission require Public Service to net out all revenues from actual and forecasted TEP costs prior to seeking cost recovery through the rider. The OCC asserts this will help ensure the benefits of the TEP are recognized by ratepayers immediately. The OCC also raises concerns that combining TEP and DSM expenses into one rider would impede transparency.

63. CEC argues that Public Service's proposal for a combined TEP and DSM rider will reduce transparency and complicate respective retail rate impact and budget analyses. In addition, CEC argues that both TEP and DSM programs will have discrete limitations and revenue streams

that will be more difficult for stakeholders to track and audit to ensure compliance. CEC points out the TEP comes married to a strict statutory retail rate impact cap, which, depending on the outcome of this Proceeding, may include offsetting EV revenues in its calculations. CEC notes that DSM program budgets are set by the Commission in Strategic Issues proceedings. CEC concludes both TEP and DSM initiatives have myriad components and expenditures which must be tracked in individual and respective budgets.

64. Public Service opposes Staff's proposals. The Company claims that Staff's position ignores the existence of Public Service's current revenue decoupling mechanism and that any revenue above the baseline set in the Company's last rate case would be subject to potential refund through the revenue decoupling mechanism. In addition, the Company responds that Staff's proposals would eliminate Public Service's ability to timely recover its TEP costs, since any additional revenue would be subject to refund through the revenue decoupling mechanism but no rider recovery of TEP costs would be available. Finally, the Company argues that rider recovery does not equate automatic cost recovery. Public Service notes its annual October 1 rider forecast filing and annual April 1 true-up filings will be subject to review by the Commission and parties.

65. Public Service objects that Staff and the OCC's carrying charge recommendations disregard that a carrying charge is a legitimate cost to account for the time value of money. The Company contends this principle applies regardless of whether the party owed the payment is the Company or its customers.

66. Finally, Public Service objects that the concern the TEP and DSM riders should remain separate to improve transparency ignores the robust annual compliance, forecasting, and true-up reporting for the TEP programs, and the information on Public Service's website to help customers understand their bills.

c. Conclusions and Findings

67. The Commission approves Public Service's proposal to recover TEP expenses through a rider mechanism. SB 19-077 expressly authorizes this approach. Section 40-3-116(1)(b), C.R.S., states the Commission may allow "[r]ate recovery mechanisms that allow earlier, as determined by the commission, recovery of costs, including the use of rate adjustment clauses."

68. We agree with Public Service and other parties that a successful TEP will require the Company to make significant new investments that are not included in its current base rates. We are persuaded by the Company's assertion that the cost recovery delay associated with recovering TEP expenditures through only a Phase I rate case might require Public Service to scale back its investments. We believe such incentive structure would be inconsistent with the objectives of SB 19-077, especially since the statute clearly allows cost recovery through a rider mechanism. We disagree with the OCC that forecasted EV revenues should be netted against the revenue requirement in the rider. As Public Service points out, this would result in a negative rider in which the Company reimburses customers each month. We find a negative rider would contravene the intent in SB 19-077 to allow utilities to collect revenue to fund new TEP programs. We agree with the Company that rider recovery does not equate automatic cost recovery. As the Company notes, its forecast and true-up filings will be subject to review.

69. The Commission denies the Company's proposal to combine the TEP rider with the existing DSMCA rider. Instead, we require Public Service to list all TEP expenses in a separate rider, to be named the "Transportation Electrification Programs" rider. We agree with the transparency concerns raised by parties. We recognize the Company's concern with adding yet another rider to customer's bills, but we believe transparency is critical for this first TEP. We can

re-examine this issue in future proceedings, as these utility programs continue to develop. We highlight again the importance of the Company making it clear to customers that, if the TEP rider appears on a customer's bill representing more than one-half of one percent, the rider does not account for savings the customer will receive via the revenue decoupling adjustment or lower future electric rates.

70. The Commission denies the Company's proposal to symmetrically apply carrying costs at the Company's WACC to both over- and under-recovery. Instead, we find it more reasonable to approve asymmetric carrying costs: ratepayers will earn WACC on over-recovery, but the Company will earn no return on under-recovery. We agree with Staff that an asymmetric structure is more appropriate in this case. We note that ratepayers are already funding several utility incentives to encourage the robust implementation of the TEP. We find it reasonable that ratepayers should not also be required to pay a WACC carrying cost in the event Public Service spends more on TEP programs than forecasted. We recognize the Company's concern with the difficulty of forecasting TEP expenditures as well as its arguments regarding the time value of money. However, we find these concerns outweighed by other factors. Most significantly, while accurately forecasting TEP expenditures is difficult, Public Service controls its forecasts and its expenditures. We find it reasonable that ratepayers, who control neither the forecasts nor expenditures, should not be penalized if Public Service goes over budget. In addition, the potential losses the Company might face if it does not accurately forecast TEP expenditures are outweighed by the potential benefits the TEP offers the Company in terms of accelerated cost recovery through the rider mechanism and earning WACC on many of the its TEP expenditures.

4. Rebate Amortization

a. Public Service Proposal

71. Public Service proposes to create a regulatory asset for TEP rebates, amortization of the regulatory asset over ten years, and a return on the unamortized balance at the Company's WACC. Public Service urges that SB 19-077 specifically permits this treatment and that amortization of TEP rebates will advance transportation electrification. The Company maintains that TEP rebates support the acquisition of transportation electrification assets that result in long-term benefits. Public Service contends TEP rebates should not be treated as pass-through expenses or regular operation and maintenance (O&M) costs. The Company asserts TEP rebates represent utility-funded capital invested in communities to realize the benefits outlined in the Commission-approved plan.

72. The parties to the Partial Settlement Agreement support the amortization of TEP rebates and support allowing Public Service to earn a return on the unamortized portion at the Company's WACC, as proposed by Public Service.

b. Intervenor Positions

73. Staff opposes treating rebates as a regulatory asset. Staff argues that allowing the Company to earn a return unnecessarily raises costs to ratepayers while obscuring the true spending cost. Staff urges ratepayers would be better off paying the rebate upfront as an O&M expense.

74. The OCC also opposes the Company's proposed accounting treatment. The OCC responds that rebates are not capital investments and therefore not an activity for which granting a return would be appropriate. The OCC contends, although SB 19-077 allows consideration of a return on rebates, it does not require this treatment. For comparison, the OCC notes the Company

issues rebates in its DSM programs that are merely expensed. The OCC points out these DSM installations reduce usage, thereby reducing revenue, and still the Commission has found this risk acceptable. The OCC contends the proposed TEP rebates present even less risk because of their potential to create new revenues.

75. The Environmental Organizations support the Company's proposed accounting treatment. They contend SB 19-077 endorses this approach by providing a utility may earn a rate of return on rebates provided to customers through a TEP.[11] They further argue that deferring rebates sensibly aligns costs with benefits. They reason such treatment permits robust investment now, when action to accelerate the EV market is most critical, allowing EV benefits to multiply over the period of cost recovery. They further reason, because the charging stations funded by these rebates will provide lasting customer benefits, spreading recovery over time promotes equity among current and future utility customers.

76. SWEEP supports the Company's proposed accounting treatment. SWEEP agrees this extended time period will roughly match the equipment life. SWEEP adds that amortizing TEP rebates over ten years will align the Company's cost recovery with the incoming revenue associated with the rebates, as a new EVs will generate revenue for Public Service gradually over time. SWEEP recommends the Commission allow Public Service to earn a return on rebates in this inaugural TEP because these investments will spur EV growth and EV charging that will benefit all ratepayers and all Coloradans.

77. CEO supports the Company's proposal to earn a return on rebates. CEO points out, while there are customer cost implications associated with a return on rebates, there are also

[11] Environmental Organizations SOP p. 16 (stating § 40-3-116(1)(a), C.R.S., allows a return on investment "including by allowing a utility to earn a rate of return on rebates provided to customers through a transportation electrification program").

benefits in encouraging utilities to provide or consider non-capital solutions. CEO posits, if a utility is encouraged to offer both non-capital and capital solutions, it renders the utility indifferent to whether a product is owned by the utility or a private entity. CEO reasons that indifference can encourage greater private capital investment, which is a statutory objective. CEO concludes that § 40-3-116(1)(a), C.R.S., provides the Commission this new tool to incent utility investments in rebates and to make utilities indifferent between utility and private ownership.

78. The Joint EV Charging Providers support the Company's proposed accounting treatment. They respond that Staff views amortization as ratepayers taking a high interest loan, whereas O&M rebates would keep the overall cost of the program lower by passing through the cost of the rebate to ratepayers. The Joint EV Charging Providers counter, because there is a cap on the rate impact stemming from the TEP, the large budget increase would in turn increase the cost to benefits ratio associated with the TEP and put pressure on the cap, reducing the ability of Public Service to meet its own spending goals. They caution this downward pressure would likely cause tradeoffs and reduce programs.

79. Public Service opposes treating rebates as O&M expenses. Public Service asserts its ability to help customers overcome the barrier of the upfront cost of purchasing an EV and installing a charging station would be restricted if rebates were treated as an expense. Public Service contends treating rebates as O&M expenses is counter to the goal of market transformation because it would reduce TEP budget space in the near term while creating more budget space for TEP programs in the future. Public Service points out, other states including Michigan, Maryland, and New York, allow utilities to earn a return on rebates promoting transportation electrification.[12]

[12] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) pp. 63-64.

Public Service argues, assuming an average 12-year EV lifetime, it is not reasonable to require today's customers to cover the costs of rebates that will provide system benefits for years to come.

c. Conclusions and Findings

80. The Commission approves Public Service's proposal to amortize TEP rebates for ten years and to earn a return at the Company's WACC. Although we recognize this will increase long-term ratepayer costs, we believe the Company's proposal creates the incentive structure necessary for a robust TEP. SB 19-077, codified at § 40-3-116(1)(a), C.R.S., expressly allows this type of incentive structure, and, as raised by the Company, this approach is consistent with commission decisions in other jurisdictions.

81. We agree with Public Service that increasing transportation electrification through rebates is especially critical in the early market transformation years.[13] We conclude that allowing Public Service to amortize TEP rebates will, in turn, incent the Company to invest in TEP programs that use rebates. Moreover, we find amortization of rebates creates a more balanced incentive structure for TEP programs involving utility-owned assets and TEP programs only involving rebates. We are also concerned, if we required Public Service to treat TEP rebates as O&M expenses, this could incent the Company to invest more in projects where it owns the EVSI and would earn a return at the Company's WACC. We find a robust embrace of rebates in this inaugural TEP as a mechanism to support EV infrastructure and adoption is an important component of the plan that encourages competition and increases customer choice, consistent with the provisions of SB 19-077 including § 40-5-107(2)(e), C.R.S.

[13] Public Service SOP p. 18. Public Service goes on to note, "[i]t may not be necessary to offer the same level of rebates after the EV market successfully develops." *Id.* The Commission agrees with this statement and expects to reevaluate the amortization of TEP rebates in the Company's next TEP application.

82. Further, we agree the assets associated with these rebates are expected to provide system benefits for years to come. Thus, we find it more appropriate to amortize the costs of these rebates over ten years than to require ratepayers to pay the entire rebate the first year.

5. Class Cost Allocation

83. The Company proposes to allocate the costs associated with EV infrastructure investments and EV rebates based on each customer class's non-coincident peak, excluding the transmission general and lighting customer classes. Public Service recommends the costs of the Primary General EV Pilot be allocated based on the same non-coincident peak methodology.[14] In its rebuttal testimony, Public Service notes no party challenged its proposed allocations.

84. We approve Public Service's class cost allocations. We believe that distributing costs based on each class's non-coincident peak, excluding transmission general and lighting, is a reasonable approach.

6. ROE for TEP Investments

85. Staff recommends, if a rider is approved to facilitate cost recovery for TEP expenditures, the Commission should approve an annually adjusted ROE for the Company's TEP investments. Staff proposes the ROE be calculated using the annual average of the most recent monthly 30-year high quality market corporate bond par yield plus 300 basis points, which results in a 6.14 percent ROE for 2020.

86. Public Service objects that this recommendation is inconsistent with statute and Commission practice and that it is based on a methodology Staff has previously questioned. The Company cites SB 19-077, codified at § 40-1-103.3(6), C.R.S., which provides: "[a]n electric

[14] Hrg. Exh. 104 (Wishart Direct) pp. 21-22; Hrg. Exh. 108 (Wishart Rebuttal, Rev. 1) pp. 45-46.

public utility may recover the costs of distribution system investments to accommodate alternative fuel vehicle charging, subject to evaluation and cost recovery provisions that are comparable to other regulated investments in the distribution grid." The Company maintains the ROE for other distribution investments is the ROE set in the Company's last rate case. The Company notes § 40-3-116(1)(a), C.R.S., expressly allows the "return on any investment" made under a TEP may be set "at the electric public utility's weighted average cost of capital, including the most recent rate of return on equity, approved by the [C]ommission."

87. The Commission rejects Staff's proposal. We find adopting a lower ROE for TEP investments than for the rest of the Company's investments would create an incentive counter to the intent of SB 19-077. We find it more appropriate to consider the impact of the TEP rider on the Company's risk of recovery in a future Phase I rate case. Thus, as allowed in § 40-3-116(1)(a), C.R.S.,[15] the TEP revenue requirement will use the ROE most recently approved in Proceeding No. 19AL-0268E.[16]

7. Litigation Costs

88. In its rebuttal case, Public Service requests the Commission allow it to defer expenses associated with litigating this Proceeding in a non-interest-bearing regulatory asset account until they are presented for review and recovery in a future cost recovery proceeding. Public Service states it planned to rely on in-house counsel to prepare and litigate this proceeding, but the number of intervenors and high volume of discovery ultimately required outside legal help. The Company states there were 553 discovery requests containing a cumulative 1,144 subparts.

[15] Section 40-3-116(1)(a), C.R.S., states the return on investments made under a TEP may be set "at the electric public utility's weighted average cost of capital, including the most recent rate of return on equity, approved by the [C]ommission."

[16] *See* Hrg. Exh. 107 (Freitas Rebuttal, Rev. 1) pp. 42 and 45 (discussing ROE approved by the Commission in Proceeding No. 19AL-0268E).

89. CEC contends the Company's request for deferred accounting is an unlimited, and in the case of appeal, potentially significant amount, that should be rejected as improper single-issue ratemaking.

90. The Commission approves the Company's request to track, record, and defer all costs incurred to prepare for and litigate this Proceeding in a non-interest bearing account; provided, however, we expressly defer ruling on the appropriateness of recovering these costs until they are properly raised in Public Service's next rate case.

8. EV Purchase Rebates

a. Public Service Proposal

91. In collaboration with CEO, Public Service proposed a $30 million EV rebate program to spur greater EV adoption through an upfront point-of purchase incentive. The program would offer customers a $4,000 rebate for new EVs, a $1,500 rebate for used EVs, and an additional $1,500 rebate for income-qualified customers. These rebates would be available first-come, first-served to Public Service customers, with a limit of one rebate per year for residential customer, and 30 rebates per year for commercial customers, and a general limit of one rebate per vehicle. Customers receiving a rebate would be required to sign an agreement stating they will not claim a state EV tax credit for this same purchase. In light of discussion at hearing, Public Service states in its SOP the Commission could determine to direct rebate funding to where it is most needed by considering a Manufacturer's Suggested Retail Price (MSRP) cap such as $50,000, as proposed by CEO, or a specific carve-out in the program's funding for income-qualified customers.

b. Intervenor Positions

92. Staff asserts SB 19-077 does not provide clear authority for the Commission to approve an EV purchase rebate as part of a utility's TEP. Staff takes the position that the legislation targets EV charging infrastructure to achieve widespread adoption of EVs. Staff calculates that ratepayers will pay $1.40 for every $1.00 of rebates, explaining this differential arises from the Company earning a return on the rebates at its WACC and tax gross-up charges. Staff raises other issues with the rebate including lack of clarity as to how it will be administered and how it will interact with the current state EV tax credit.

93. The OCC agrees with Staff and adds that parties supporting the rebate provided no new revenue or load analysis, nor any other supporting data. The OCC asserts a decision to approving these rebates on this record would thus be arbitrary.

94. CEC opposes the EV rebate proposal. CEC objects, in adding this program only in its rebuttal case, Public Service increased the TEP budget 31 percent, by $30 million. CEC contends such a large commitment should have been presented in the Company's direct case.

95. CEO supports the EV rebate proposal. CEO contends the upfront cost of EVs is one of the top three barriers to widespread transportation electrification. CEO urges this barrier must be addressed in conjunction with charging infrastructure. CEO asserts that addressing the upfront cost of an EV is essential to unlock the benefits of the Company's infrastructure buildout programs. CEO also contends a purchase rebate will alleviate challenges of customer awareness and access. CEO notes an up-front rebate will incent customers at the point of sale, compared to the state EV tax credit, which is not typically available at the point of sale. CEO notes the Company's proposed EV rebate program differs from its proposal. CEO states a key divergence is CEO proposed to set aside 15 percent of the budget for income-qualified customers. CEO states,

because the Company's rebate will be allocated to customers first-come, first-served, the funds may be depleted by non-income-qualified customers. At hearing, Public Service stated it is not opposed to a budget reservation but would need to evaluate the recommendation further.[17]

96. EOC opposes the rebate proposal. EOC raises concern with raising the TEP budget by $30 million to fund EV rebates, particularly if the rebates go to customers with funds to purchase EVs without a rebate. EOC raises concern that the system benefits of reduced point-source transportation pollution will not be realized by income-qualified communities if incentivized EVs leave the community. EOC indicates it would support a limited program for income-qualified customers. EOC suggests such program could be significantly less than the $30 million proposed and should require the Company study the effects and work with stakeholders to ensure adequate safeguards.

97. Denver generally supports the Company's proposal with an additional incentive offered to income-qualified customers. Denver believes it would be appropriate to implement CEO's proposed MSRP cap to minimize the program's support for the purchase of higher-end EVs by wealthier customers. Denver also supports CEO's proposal to dedicate 15 percent of rebates to income-qualified customers.

98. At hearing, the Environmental Justice Coalition highlighted the need to have an upfront incentive, such as down payment assistance, even for used EVs, since purchase price can be a barrier to income-qualified customers. They urged there is a critical need to build trust and partnerships with income-qualified customers and communities in order to make a program

[17] CEO SOP p. 12 (citing Nov. 13, 2020 Hrg. Tr. (Ihle) 151:17-25, 152:1-5).

successful, and noted it is important to view income-qualified consumers as a separate marketplace with distinct needs from other purchasers.

99. The Environmental Organizations advocate that any rebate program targeting income-qualified customers should be comprehensive. The Environmental Organizations agree that an income-qualified rebate program, if properly designed, could represent the type of ratepayer-financed program that is consistent with the objectives of SB 19-077 including the objective of ensuring a TEP provides access to income-qualified customers.

100. SWEEP supports the Company's proposal, agreeing it will increase Public Service's ability to overcome cost barriers for customers and accelerate EV deployment. SWEEP also supports the Environmental Justice Coalition's proposal to provide income-qualified customers with financing assistance. SWEEP states that income-qualified customers face multiple barriers to purchasing and financing EVs and agrees a targeted rebate or financing program for these customers will result in a more equitable TEP that provides assistance to customers who most need financial support. SWEEP also advocates extending purchase rebates to E-bikes and other micro mobility vehicles. SWEEP reasons that E-bikes and micro mobility are EVs that provide health and environmental benefits—and are more affordable for income-qualified customers. Denver agrees with SWEEP and suggests, if the Commission approves a point-of-sale rebate program in any capacity, a percentage should be earmarked for E-bike incentives.

c. Conclusions and Findings

101. The Commission rejects the exclusionary readings of SB 19-077 advocated by Staff and the OCC in this Proceeding. Instead, the Commission agrees with CEO that the plain language in § 40-5-107(1)(b)(IV), C.R.S., provides authority for the Commission to approve point-of-sale EV rebates as a component of a utility's TEP. As Staff conceded at hearing, the plain language of

the statute controls.[18] Section § 40-5-107(1)(b)(IV), C.R.S., expressly allows for TEPs to include "[c]ustomer education, outreach, and incentive programs that increase awareness of the programs and of the benefits of transportation electrification and encourage greater adoption of electric vehicles." We find this broad statutory language affords the Commission discretion to approve TEPs that include both the infrastructure buildout that is the focus of the statute as well as other programs furthering the objective of transportation electrification—including incentive programs that encourage greater adoption of EVs. We find it reasonable that the TEP include both programs to develop EV charging infrastructure as well as incentives to encourage greater adoption of EVs that can use that infrastructure. Further, as Staff conceded at hearing, the Commission has broad authority beyond the specific authorizations in SB 19-077, including the authority and mandates in § 40-3.2.106, C.R.S.[19]

102. The Commission does not find sufficient substantiation in the record of this Proceeding to support the $30 million EV rebate program. The statutory charge, set forth in SB 19-077, is to develop a plan to support widespread transportation electrification. Thus, all tactics that further this objective, including point-of-sale EV purchase rebates, merit consideration. Yet, the proposal put forth withers under Staff and the OCC's scrutiny.

103. Staff and the OCC, as the public interest advocates, left a void in this Proceeding by not offering constructive guidance or proposing alternatives for determining how EV purchase rebates can further the public interest. Yet, the record does support the thoughtful pursuit of programs that allow for equitable participation in the transition to widespread transportation electrification by customers who may not be able to access and benefit from the utility's other TEP

[18] Nov. 18, 2020 Hrg. Tr. (Camp) 22:12-25.

[19] Nov. 18, 2020 Hrg. Tr. (Camp) 21:1-11, 23:1-25, 24:1-6.

programs. Further, the record supports the need to proceed expediently toward transportation electrification while also learning and improving along the way. Thus, the Commission approves a modified point-of-sale EV rebate program with the express purpose of providing opportunity for income-qualified customers to purchase or lease EVs. Several parties testified to the significant challenge the up-front cost of EVs poses to income-qualified customers, including the difficulty of qualifying for, and the delayed timing of, the existing state EV tax credit. There is much to be learned and gained from engaging informed, income-qualified, customers as EV purchasers, to the benefit to these customers, the electric grid and society overall. We therefore approve, as a pilot program, an "Equity Rebate" program capped at $5 million over the three-year plan. This program will provide an upfront $5,500 rebate for new vehicles and $3,000 for used vehicles. We approve this Equity Rebate program as a pilot in order to gain a better understanding of the market as well as the potential interactions with the existing state EV tax credit. Given these learning objectives, and cognizant that the market serves as a more natural cap, we nonetheless adopt an MSRP cap of $50,000 for EVs purchased through this pilot program as proposed by CEO and affirmed by Public Service. Further, we require that this rebate be used in place of the existing state EV tax credit.

104. We believe the Equity Rebate program will provide access to the direct benefits of transportation electrification to a broader group of customers. We note this type of rebate program may also make Colorado a more attractive state for both new and used EV sales. In addition, we find the Equity Rebate program will complement the other equity-focused programs approved in this TEP that are designed to meet the statute's goals of ensuring the TEP provides access to income-qualified customers to be part of this state's widespread transportation electrification.

9. Research, Innovation, and Partnerships (RIP) Portfolio

a. Public Service Proposal

105. In the RIP portfolio, Public Service states the objective of this portfolio includes making it easier for customers to access electricity as a transportation fuel, minimize system costs and increase environmental benefits for charging, and gaining insights to inform future TEPs. The Company contemplates implementing several projects stemming from research and experience, stakeholder workshops, and customer engagement and intends to further develop these projects through the stakeholder engagement process. Public Service proposes to look into "planning new and innovative ways to promote electrification of shared mobility, reduce [DCFC] charging costs through energy storage, offer workable charging optimization solutions for fleets, [and] use AMI to detect the presence of EVs to support grid planning efforts, and electrify school buses."[20]

106. As part of the RIP portfolio, Public Service seeks to work with stakeholders, customers, and other potential partners to develop an approach to electrify school buses. Public Service proposes to direct approximately $2.2 million in proceeds from its sale of carbon offsets and renewable energy credits (RECs) to fund the school bus electrification initiative. Public Service states cost recovery to support this initiative would not rely on the proposed CPCA rider. Instead, the Company proposes to use a combination of historic REC sale and net proceeds from carbon offsets. The Company states it has identified an available set of funds for this program that would not increase the overall cost of the TEP for ratepayers.

107. In response to parties' answer testimony, Public Service proposes in its rebuttal testimony to increase the share of the RIP portfolio budget directed toward underserved

[20] Hrg. Exh. 100 (Application) p. 13.

communities from ten percent to 30 percent.[21] In addition, Public Service agrees to provide an accounting of comments received during the 60/90 Day Notice Process when RIP projects are brought forward and to report how the Company addressed or resolved these comments.[22] The Company states all RIP projects that it proposes will include detailed project overviews, budgets, objectives, outreach plans, and evaluation plans.

b. Intervenor Positions

108. Staff recommends rejecting the Company's proposed RIP portfolio. Staff takes the position that it opposes using ratepayer funding for a portfolio that is not fully developed, for which ratepayers carry the financial risk, and for which there is no guarantee that benefits will accrue to ratepayers. Staff recommends, instead, that specific RIP projects be proposed in separate applications with clear objectives, metrics, budgets, and timeframes.

109. CEO supports the Company's RIP portfolio. CEO objects that Staff's proposal to require separate applications would increase the costs of RIP projects through litigation and create an unnecessary burden on the Commission, the Company, and stakeholders by obligating them to participate in additional proceedings. CEO also argues that Staff's proposal could stifle the Company's research and innovation efforts. CEO recommends directing the Company to hold at least two solicitations for innovative third-party pilots during the 2021-2023 TEP to establish a formal method for soliciting proposals and directing the Company to work with stakeholders to determine the specific criteria for awarding third-party pilot contracts. CEO also recommends directing Public Service to file final reports for RIP projects initiated during the 2021-2023 TEP with the Company's 2024-2026 TEP explaining how lessons from pilots have been incorporated.

[21] Hrg. Exh. 106 (Schwain Rebuttal, Rev. 1) p. 33.
[22] *Id*. pp. 33-34.

110. The Environmental Organizations assert that flexibility in the RIP portfolio will yield better outcomes. They maintain that RIP projects will benefit from input from a broad and diverse set of stakeholders. They object that Staff's approach would force the Company to offer only programs that are fully formed and based on a snapshot in time of available EV technologies and economics.

111. In response to the Company's school bus proposal, Staff recommends the Company only fund electrification where Vehicle-to-Grid technology is being utilized. The OCC raises concern regarding the source of funding for this project. The Environmental Organizations urge the Company to prioritize the use of school bus electrification funding for low-income school districts, which tend to suffer the worst impacts of poor air quality due to decades of development locating pollution sources in or near low-income areas. They add that school districts serving these communities are less likely to be able to afford a transition to electric school buses without external financial support.

c. Conclusions and Findings

112. The Commission approves the Company's proposed RIP portfolio. We believe the RIP portfolio, when combined with the 60/90 Day Notice Process and a robust stakeholder engagement process, will allow flexibility and innovation to the benefit of ratepayers. We encourage the Company to offer open solicitations for innovative third-party pilots during the TEP, but we stop short of directing the Company to do so. We believe such projects may be better evaluated within a utility distribution system plan.

113. In addition, we require that 30 percent of spending of the RIP portfolio be directed to income-qualified customers and communities, as proposed by the parties to the Partial Settlement Agreement.

114. We agree with Public Service, CEO, and the Environmental Organizations that Staff's proposal to require separate applications would limit efficiency and potential innovation, which we believe are key components of both TEP and grid modernization moving forward.

115. We agree with CEO's recommendation to direct Public Service to file final reports for RIP projects initiated during the 2021-2023 TEP with the Company's 2024-2026 TEP. These reports should describe how lessons learned from pilots have been incorporated into designing the utility's new plan. Lessons to incorporate should include substantive cost input date, quantitative benefits to the system, quantitative benefits to ratepayers, and the both quantitative and qualitative benefits of the RIP portfolio.

116. We approve the Company's school bus electrification proposal with no modifications. We believe the stakeholder engagement process, with a strong focus on equity and higher-emissions communities, will hope steer funding toward those targeted areas. We also encourage the Company and stakeholders direct even more funding to this important program, where significant positive impacts to income-qualified and higher-emissions communities may be achieved.

10. Advisory Services

117. Public Service proposes advisory services and outreach efforts for the public, and partnerships with "communities, automobile dealerships, electricians, EV charging providers, and leading customers."[23] The Company states the aim of these Advisory Services is to "help customers understand the benefits of EV adoption, provide technical assistance, and help customers navigate the transition to transportation electrification."[24]

[23] Hrg. Exh. 100 (Application) p. 14.

[24] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) p. 45.

118. The Company proposes to focus on three market segments: residential, fleets, and community planning. For residential, (including income-qualified and multi-unit dwelling) Public Service states it will conduct outreach to trade allies, including dealerships and electricians, while promoting the benefits of EVs at events and through digital tools.[25] Regarding fleets, the Company states it will support customers in developing a comprehensive electrification plan that uses telematics data to understand which vehicles are well-suited for electric, identify the most effective infrastructure locations, and offer advice on rates and charging. For community planning, Public Service states it aims to provide resources to assist communities in developing plans that provide roadmaps for achieving their unique goals in areas such as engaging residents, supporting fleets, or evaluating opportunities for siting public charging infrastructure.[26]

119. In its rebuttal testimony, Public Service proposes to incorporate community electric needs assessments in Advisory Services to help better understand and serve the unique needs of income-qualified and higher-emissions communities.[27] Public Service agrees to perform at least six community needs assessments for either higher-emissions communities or income-qualified communities, as part of the Advisory Services portfolio and to make these assessments publicly available.[28]

120. CEO recommends the Commission direct the Company to consider the data, insights and recommendations in the *EV Education and Awareness Roadmap* released June 30,

[25] Hrg. Exh. 102 (Attachment KDS-1) p. 38.
[26] *Id.*
[27] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) pp. 25 and 40.
[28] Hrg. Exh. 106 (Schwain Rebuttal, Rev. 1) p. 48.

2020, by CEO, Regional Air Quality Council of Colorado, and the Colorado Department of Transportation, and to ensure that participating fleets represent a variety of duty classes.[29]

121. The Commission approves the Advisory Services portfolio, with one modification. We will allow Public Service discretion to delay starting this portfolio until it has begun to implement other program elements. We believe a robust stakeholder engagement process that results from this Decision will allow CEO to continue to advocate for its positions regarding this portfolio, while still allowing the Company flexibility as it learns this new business area. However, we note EV education and outreach should be a priority. As noted in the Partial Settlement Agreement, the Company agrees to dedicate at least 15 percent of its Advisory Services funds to marketing and education concerning programs to support income-qualified customers and higher-emissions communities.

11. 60/90 Day Notice Process

a. Public Service Proposal

122. The Company proposes a 60/90 Day Notice Process to advise interested stakeholders of changes to the TEP portfolio. Under this process, there are two tiers of notice. Under the 60-day tier, any proposal to add a new program or product, including innovation projects, or to change technical assumptions or eligibility requirements, requires the Company to notify interested stakeholders, after which the stakeholders have 30 days to respond. The Company then has 30 days to consider comments and make its decision. When proposing to discontinue programs or products, the Company will issue Notice of Discontinuance in a 90-Day Notice to interested stakeholder after which the stakeholders have 30 days to respond. Public Service will

[29] Hrg. Exh. 701 (Williss Answer, Rev. 1) p. 8 (citing Attachment CW-1).

then have 60 days after the deadline for receipt of comments to, in good faith, consider the comments received and make a final decision on its proposed discontinuance.

123. In response to parties' answer testimony, Public Service agrees in its rebuttal testimony to make a filing summarizing stakeholders' input and describing how the Company incorporated the feedback or why it determined that doing so could detract from maximizing benefits, minimizing costs, and achieving other statutory goals for transportation electrification.[30] Public Service also agrees to file this summary and description into whichever proceeding the Commission determines is best for ongoing reporting. Public Service also commits to issuing 60/90 Day Notices on an established schedule to make it easier for stakeholders to be alerted to proposed changes.

b. Intervenor Positions

124. Staff recommends that it and/or the OCC should have sole discretion to file a Notice of Deficiency that triggers a new application proceeding, if they have significant concern with a 60/90 Day Notice Process. Staff notes, while the Company requests the Commission and stakeholders trust that it will address concerns raised by stakeholders, there are no firm protections and there is no process to ensure that parties share authority over what is modified, selected, or implemented.

125. The Environmental Organizations support Staff's recommendation, stating it would provide an important safety net for stakeholders to ensure the Company is transparent in reviewing comments and feedback on proposed changes, and giving recourse for action if the Company does an insufficient job in addressing these changes.

[30] Hrg. Exh. 106 (Schwain Rebuttal) p. 30.

126. CEC proposes requiring a more extended notice period for changes that have a ten percent or greater impact on the annual capital budget in the year the program is proposed for the portfolio in which the program is proposed. CEC raises concern with stakeholders' resources to monitor the 60/90 Day Notices and recommends new programs be requested on a scheduled basis, such as a designated date once per quarter.

c. Conclusions and Findings

127. The Commission approves the Company's proposed 60/90 Day Notice Process, with modification. To address concerns that this process requires more meaningful stakeholder participation, we specify that Staff has discretion to file a Notice of Deficiency petitioning the Commission to require the Company to file a new application to approve a proposed program change. We clarify; however, such a Notice of Deficiency would not automatically trigger a requirement that the Company commence a new application proceeding. Instead, such Notice of Deficiency would be presented to the Commission as a petition requesting a decision on whether a new application is needed or other appropriate action should be taken.

12. Performance Incentive Mechanisms (PIMs)

a. Public Service Proposal

128. In the Partial Settlement Agreement, Public Service states it will rescind its proposed Customer Experience PIM and replace the Cost Efficiency PIM with the Equity PIM proposed in its rebuttal case. The parties to the Partial Settlement Agreement support the concept of an Equity PIM to reduce barriers and increase access to transportation electrification for income-qualified customers and higher-emissions communities. The Equity PIM would be based on the number of charging ports supported across Public Service's TEP programs that provide enhanced incentives for income-qualified customers and targeted communities. For example, the installation

of 1,000 equity program charging ports would warrant an incentive of $400,000. The Equity PIM would have a ceiling of approximately $650,000.

129. Public Service states it would only be eligible for incentive if it supports at least a specific and increasing number of equity program charging ports each year, based on at least 75 percent of the annual projections as shown in the TEP budget. Public Service also proposes a cap on the amount of any incentive awarded each year based on twice the forecasted number of equity program charging ports to be supported.

130. The Company indicates, if the Commission does not accept the Partial Settlement Agreement, then it should still consider whether to approve the Company's proposed Customer Experience PIM. This PIM is based on: (1) the Customer Effort Score (CES) for residential customers participating in one of the TEP programs; and (2) the percentage of residential EVs in the Company's electric service territory participating in some form of managed charging.

b. Intervenor Positions

131. Staff supports the proposed Equity PIM so long as it meets the standards of past Commission-approved PIMs and incents the Company to engage in activities it otherwise lacks incentive to engage in.

132. The OCC states it has general concerns regarding PIMs given that the TEP is statutorily mandated and virtually guarantees revenue and returns to the Company. The OCC believes the proposed PIMs would essentially reward the Company for following its mandate. Also, the OCC notes the TEP represents an opportunity for the Company to increase sales of electricity, which is already its core business. The OCC reasons, unlike DSM proceedings, where DSM reduces electricity use and runs counter to the Company's core business, the TEP enhances

the utility's core business. The OCC concludes the Company thus does not need to be further incentivized to pursue transportation electrification through performance incentives.

133. CEO notes the parties to the Partial Settlement Agreement support the concept of an Equity PIM, but did not agree on specific program details. CEO states it continues to support the concept; however, certain principles should be adhered to in the development of any PIM and that even a well-intentioned Equity PIM may benefit from waiting until more baseline data is available to support incentive targets and thresholds.

134. Denver supports the Equity PIM. Denver suggests this PIM will add benefit to the TEP because the Company is not naturally incentivized to bring transportation electrification to income-qualified and under-resourced communities, though it is naturally incentivized to increase EV adoption.

135. Walmart believes PIMs should not reward utilities for meeting goals inherent in the utility's responsibility to provide safe and reliable service to its customers or reflect performance achieved without PIMs. Walmart contends any incentives beyond those already included in cost-of-service ratemaking should be limited to expectations or mandates that are above and beyond a utility's current legal responsibilities, are shown to provide a benefit to customers, are clearly identifiable, and can be quantitatively measured to track success. Walmart urges it is important that costs associated with such incentives are borne by the customers who benefit from the utility action and not subsidized by non-benefitting customers.

136. SWEEP asks the Commission to approve its proposed Residential Transportation Electrification PIM, which SWEEP describes as an improved version of the Cost Efficiency PIM

proposed by Public Service.[31] CEO recommends rejecting SWEEP's proposal. CEO objects this PIM relies on two metrics—electricity sales from transportation and managed charging participation, which are both flawed metrics.

137. CEC does not oppose an Equity PIM, but opposes any of the other proposed PIMs. CEC argues, although SB19-077 allows for PIMs, Public Service's TEP will already provide financial incentives for implementing the TEP. CEC believes increasing transportation electrification access and programs for income-qualified customers and higher-emissions communities is an important goal to pursue and deserving of modest incentives to the Company.

c. Conclusions and Findings

138. The Commission approves the concept of an Equity PIM as proposed by the Company, but finds more information detailing the mechanics of this proposal is required in order to move forward to implementation.

139. Although we find merit to the concept of an equity performance incentive, we find the record to date lacks detail regarding specific implementation of the proposed Equity PIM. We find helpful Staff's answer testimony discussing insights from the Rocky Mountain Institute (RMI) for how to develop successful PIMs.[32] We believe an equity performance incentive should meet the following criteria: (1) determine what role PIMs can play in supporting public policy goals; (2) evaluate how PIMs can work within current regulatory frameworks; (3) consider how PIMs can support utility growth into new service areas; (4) strive for outcome-based PIMs where possible; (5) leverage data to better understand utility operations; (6) align incentive structures

[31] Hrg. Exh. 1300 (Madsen Answer) p. 21-23.
[32] Hrg. Exh. 302 (Soufiani Answer, Rev. 1) p. 9-11.

with expected benefits; (7) prioritize flexibility and learning; and (8) design effective approaches for stakeholder participation.[33]

140. We therefore direct the Company to file additional information detailing the mechanics of its proposed modified Equity PIM. The PIM must meet the basic criteria for a successful incentive based on Staff's suggestions and must also help evaluate potential adjustments to the PIM in future proceedings based on how the PIM successfully contributes toward meeting the equity goals of SB 19-077 in a holistic manner. While we recognize parties' concern that PIMs, in general, may not be an appropriate tool to incentivize utilities to satisfy statutory mandates, we see low-income and equity related issues as a unique area that may require further specific incentive. We agree a well-designed equity PIM will help the state meet its goal of promoting EV adoption among income-qualified and higher-emissions communities. As part of this effort, we encourage the Company to compile relevant data on income-qualified ports, usage and deployment to aid both the Company and the Commission in evaluating future potential PIM criteria to continue to improve design and support for an equity focus in EV adoption through performance-based incentives.

141. We deny SWEEP's proposed Residential Transportation Electrification PIM. We do, however, encourage the stakeholder process to continue to engage on innovative PIMs that have clear and defined metrics, and result in an outcome where there is clearly a lack of incentive for the Company. We encourage the parties to utilize RMI's recommendations and principles, as well as the Commission's report to the legislature on performance-based ratemaking when developing potential new PIMs.

[33] *See id.* p. 14 (discussing RMI research).

13. Commercial Portfolio

142. Public Service seeks specific Commission approval of its Commercial Portfolio, including fleet and workplace charging as well as public charging and electric mobility programs. For fleet and workplace charging, the Company proposes to install, own, and maintain EVSI, which the Company states represents one of the most significant costs to providing EV charging at a fleet or workplace scale. Public Service notes customers will have opportunity to procure their own chargers or select from Company-approved chargers that the Company will own and maintain in exchange for a monthly charge on the customer's utility bill.

a. Utility-Owned Direct Current Fast Chargers (DCFC)

(1) Public Service Proposal

143. Public Service proposes to help develop a network of public fast chargers by analyzing current needs and, if necessary, owning and operating a limited number (20-25) of public fast charging stations to address gaps in the network. Public Service proposes that utility owned DCFCs would target underserved areas where the market does not attract private investment. The Company's budget uses an estimated cost for a DCFC of $131,714 per charging port with an equivalent levelized revenue requirement of $17,459 per year and annual operation and maintenance expenses of $3,951.

144. Public Service states it will engage in a collaborative process with stakeholders and industry to site utility owned DCFCs in a manner that balances the need for access to public DCFCs while supporting competition and the private charging market. For the 2021-2023 TEP, Public Service anticipates siting analysis would incorporate the latest EV registration and market data to most accurately assess locations needing public access, while also considering cost. Public Service states, as a regulated company, it is particularly well-suited to invest in underserved communities with less concern for immediate profitability.

145. Public Service proposes to identify "gaps" in the public charging network and to fill those gaps with ratepayer funded and subsidized DCFCs. The Company intends to develop 13 "connector stations" in rural areas with lower traffic volume and 11 "market stations" in areas with the lowest traffic volume.

(2) Intervenor Positions

146. Staff opposes the Company's proposal. Staff acknowledges the potential role for utility owned public DCFCs, but concludes the Company did not provide adequate detail to support its request. Staff states the Company provided only an illustrative methodology for how it might identify potential station sites and did so only late in the Proceeding.

147. Electrify America contends the Company's lack of defined criteria to justify development and ownership of DCFCs demonstrates the Commission should proceed cautiously in allowing utilities to operate DCFCs as regulated service. Electrify America argues the Company failed to demonstrate how the public interest is served by the proposed utility-owned framework including how private investment is protected against direct competition. Electrify America adds private ownership of EVSI and DCFCs results in less risk and cost to ratepayers than utility ownership.

148. CEO supports Public Service's proposal. CEO raises concern, however, that the Company's proposed solicitation process may not allow adequate time for the market to fill gaps identified in the public network before the Company enters the market. CEO explains, as a result, there is no way to know whether the gaps exist due to economic or other barriers or whether developers just have not had time to reach these sites. CEO recommends, instead of conducting one or two rounds of solicitations before the Company fills in the gaps, Public Service should

conduct quarterly solicitations throughout 2021 and 2022 before the Company begins to develop its own stations.

149. Denver supports a utility owned and operated model. Denver contends this model has been demonstrated as beneficial in other jurisdictions and notes there is support from most interveners. Denver opposes proposals to cap Company spending on EVSI at 50 percent per project. Denver states it has first-hand experience installing public stations and has found each phase in the process complicated, from site selection through design and installation. Denver suggests bringing the Company into the EVSI phase, but only allowing 50 percent investment, would complicate the process rather than make it more efficient.

150. EVgo does not object to the Company's proposal, so long as the Company adequately defines a process by which to identify underserved gaps. EVgo recommends a 50-mile threshold from another publicly available DCFC. EVgo adds Public Service shared analysis by Guidehouse, who was contracted to develop a methodology for identifying potential sites for utility owned DCFCs.[34] EVgo notes, at hearing, Public Service refused to commit to using the Guidehouse study as a methodology to evaluate underserved areas.[35]

151. CEO responds the Company has not presented a clear proposal for how it will select private charging station applicants for utility funded EVSI. CEO recommends the Commission require the Company to work closely with stakeholders in early 2021 to develop criteria for evaluating public DCFC applications and to require the Company to file a report in the Commission's Miscellaneous proceeding for annual reporting by April 30, 2021, that describes the

[34] EVgo SOP p. 8.

[35] *Id*. p. 10 (citing Nov. 16, 2020 Hrg. Tr. (Schwain) 201:9-18).

stakeholder process, the chosen criteria, and how the criteria will be used to identify gaps in service.[36]

152. The Joint EV Charging Providers support the Company's proposed high-level criteria for identifying gaps. They state, although distance from competitors is a concern to market participants, it is not a concern to drivers looking to avoid a queue at a popular station or that want more or backup charging options. The Joint EV Charging Providers respond, while EVgo argues its prices may be undercut, it did not offer any market evidence to that effect and such issue could be addressed in the next TEP, if it indeed materializes.

(3) Conclusions and Findings

153. The Commission approves Public Service's proposal to develop 13 "connector stations" in rural areas with lower traffic volume and 11 "market stations" in areas that feature the lowest traffic volume. Based on CEO and the Joint EV Charging Provider's recommendations, the Commission requires Public Service to work with stakeholders to develop specific criteria for evaluating public DCFC applications and require the Company to file a report in this instant Proceeding by April 30, 2021, that describes the stakeholder process related to this issue, provides details on the chosen criteria, and explains the process for how they will be used to identify gaps in service.

154. We note Staff's comment that the Commission should ensure this TEP enables a robust competitive market for EV charging services and the provision of EV supply infrastructure. We agree with Staff this is critical in this inaugural TEP because this may be the first time the Company is granted the authority to enter the competitive EV charging and EV supply infrastructure market. We agree with Staff that the regulated monopoly and the competitive market

[36] Hrg. Exh. 701 (Williss Answer, Rev. 1) p. 38.

sit in a critical balance, and that in a rapidly evolving market like EV charging services and EV supply infrastructure, this balance is particularly vulnerable. Given these considerations, we expect to re-visit this issue and, at this time, we do expect to see a reduced role for utility ownership in a more mature market and will expect to address how utility ownership changes as competition develops.

b. Public DCFC Rate

(1) Public Service Proposal

155. For Company-owned DCFCs, Public Service proposes a standard charging rate of $0.25 cents per kWh and a critical peak pricing (CPP) rate of $1.50 per kWh, as well as a dwell charge of $0.50 per minute for continued connection to the charger that begins accruing ten minutes after EV charging is complete. The Company explains, based on parties' feedback regarding price signals that are reflective of system costs, the Company revised its rate to what it describes as a more affordable per-kWh rate, while maintaining a CPP rate.

(2) Intervenor Positions

156. CEO advocates that price signals are most effective when they are predictable, and customers can respond. CEO cautions an expensive, inconsistent, and unpredictable price signal may discourage station use. CEO believes the potentially negative customer experience of the CPP, and the uncertain nature of when CPP events will occur or how long they will last, increases the likelihood that utility-owned stations will see lower utilization and could become stranded assets. CEO cautions that high or uncertain public charging costs could discourage EV adoption, particularly among customers without access to reliable home charging.[37] CEO recommends eliminating the CPP charge. CEO also recommends the Commission require Public Service to add

[37] Hrg. Exh. 701 (Williss Answer, Rev. 1) 42:17-43:1, 43:1-3.

this issue to the stakeholder discussion topics and work with stakeholders to develop recommendations for optimizing public DCFC to supports EV market growth.

157. The Joint EV Charging Providers support the Company's proposal for the CPP as an important price signal to customers that will ensure that the Public Service grid is used more efficiently. They note the CPP is expected to occur less than one percent of the hours each year, so it should have a minimal impact on EV drivers. They maintain that cost-causer price signals are fair to customers. Further, they argue, because private owners and operators do not charge their customers time-varying prices, such as a CPP, the utility rate is an important tool to study the efficacy of such load management.

158. Tesla believes additional analysis may be necessary to ensure the rate Public Service charges at its DCFCs does not inadvertently raise competitiveness concerns with existing DCFC network operators. Tesla supports Public Service's modification from a dollar per minute to dollar per kWh basis for charging EV drivers, based on parties' feedback. Tesla states it is unclear how Public Service determined that 25 cents per kWh is the appropriate rate.

159. Electrify America argues that direct competition is exacerbated by the Company's proposal for a "standard charging rate of 25 cents per kWh and a CPP rate of $1.50 per kWh."[38] Electrify America states that Public Service's own analysis shows a charging rate of $0.25/kWh will require a DCFC to experience a 17.9 percent load factor to break even and not require a subsidy from ratepayers, without accounting for the correction to incurred costs represented by the accurate service and facilities expense. Electrify America believes Public Service's proposed rates

[38] Electrify America SOP p. 21 (citing Nov. 17, 2020 Hrg. Tr. (Wishart) 200:6-22).

would repress or otherwise eliminate the economic viability of private development, leaving Public Service as the monopoly provider.

160. In response, Public Service argues CPP events are infrequent and of short duration. Public Service notes the Company's tariff limits the number of CPP to 15 four-hour events each year, or a total of 60 hours per year, while still allowing stations to be available to those that need them during CPP events. Public Service proposes to notify customers by e-mail or text message in advance of CPP events. Public Service responds that CPP pricing will be displayed on the station itself, and the Company plans to set up a notification system for ratepayers.[39]

(3) Conclusions and Findings

161. The Commission denies, in part, Public Service's proposed rates for Company-owned DCFCs. We direct the Company to replace the CPP with a time-varying rate. We require Public Service to file a new DCFC rate as a compliance filing in this Proceeding, consistent with this Decision.

162. We find an unpredictable and likely punitive charge for new EV drivers is not appropriate in this inaugural TEP, although a CPP may be appropriate in a future application in a more mature DCFC market. At this time, we find EV customers would be best served through a predicable time-varied rate that allows customers to plan their charging around times of typical increased system capacity and cost and could be designed to achieve a similar overall financial outcome. We are also sensitive to the concerns of other parties regarding the competitiveness of the DCFC market and realize that we must make reasonable judgements to balance between pricing competitiveness with the private market and charging fair rates for DCFC stations that were funded by ratepayers.

[39] Public Service SOP pp. 28-29; Nov. 17, 2020 Hrg. Tr. (Wishart) 146:25, 147:1.

c. Commercial Rates

(1) Public Service Proposal

163. Public Service indicates that certain language in Schedule S-EV will need to be adjusted to accommodate the EV charging services proposed under Schedule EVC. Under Schedule EVC, the Company would install, own, and maintain charging equipment for customers expected to take service under S-EV. Public Service states this plan is inconsistent with Sheet 50D, which provides that under Schedule S-EV, "Customer is responsible for all necessary requirements to install own, operate, maintain the Electric Vehicle charging equipment." The Company proposes to create an exception to this condition for customers taking EV charging service under Schedule EVC.

164. In its rebuttal testimony, Public Service further proposes a new Primary Service Pilot with a budget of $3 million in additional funding. Public Service proposes to test this arrangement with a limited number of primary customers and proposes to establish a new secondary service connection to own and maintain all EVSI and to offer an optional Level 2 charging service. Like other Multi-Family Home (MFH) and Commercial TEP programs, Public Service proposes to provide its optional Level 2 charging service for customers that do not want to own and maintain the charging stations on site.[40] Public Service states this offering responds to feedback expressing need to incorporate Primary General service options.

(2) Intervenor Positions

165. CEO objects that the Company's Schedule S-EV is not favorable for public DCFCs because it was not designed to accommodate the early stage of the EV charging market and could create market inconsistency and confusion, which could impact development of the EV market

[40] Hrg. Exh. 106 (Schwain Rebuttal, Rev. 1) pp. 53:13-23, 54:1-9.

and impede the state's progress toward clean transportation.[41] CEO recommends the Commission provide, at a minimum, high level principles with which a future rate that supports public charging should align. CEO recommends the Commission establish at least one of the proposed optional EV rates: (1) shall be available to fleets and public fast-charging station customers, but shall be designed for public fast-charging station customers in particular; (2) should offer a stable cost for electricity across public charging stations with various levels of utilization; and (3) should be designed to accommodate EV charging stations where utilization is lower, such as newly developed and rural stations by employing reduced, delayed, or no demand charges until utilization increases.[42]

166. Staff opposes CEO's proposal. Staff contends the proposal is inconsistent with the settlement in Proceeding No. 19AL-0290E and may require violation of § 40-3-106(1)(a), C.R.S., which prohibits utilities from granting any person preference or establishing any "unreasonable difference as to rates, charges, service, facilities, or between localities or class of service."[43] Staff posits that designing rates for public fast-charging station customers in particular seems likely to conflict with the plain-language reading of this statute prohibiting any unreasonable difference in rates between localities or class of service. Staff states the existing Schedule S-EV, designed with both EV fleets and public fast charging in mind, avoids this kind of explicit subsidization of a specific customer set.

167. Tesla supports enabling customers on Primary General service to be eligible to participate in the commercial programs. Tesla encourages general eligibility in the commercial

[41] Hrg. Exh. 701 (Williss Answer, Rev. 1) p. 47:7-12.

[42] Hrg. Exh. 701 (Williss Answer, Rev. 1) pp. 48:21-49:5.

[43] Hrg. Exh. 306 (Haglund Cross-Answer) p. 14:10-15-3 (quoting § 40-3-106(1)(a), C.R.S.) (internal quotations omitted).

portfolio of future TEPs for EV customers on Primary General service, pending the results of the pilot and the expected future uptake of heavy-duty vehicle electrification. Tesla suggests that Primary General service may be a necessity for certain charging applications in the future.

(3) Conclusions and Findings

168. The Commission agrees the proposed adjustments to the Commission's rules are appropriate to accommodate the proposed rate schedules. We authorize the Company's proposed Schedule EVC and the rates and charges included specifically related to Level 2 Charging Equipment. We also authorize the Company's proposed adjustments to Schedule S-EV to accommodate the Company's installation, ownership, and maintenance of EV chargers for its proposed EV charging equipment services under Schedule EVC. Finally, we approve the proposed EV Pilot for Primary General customers.

169. The Commission denies CEO's request to establish principles in this Proceeding for a future optional EV rate. We agree with Staff that this proposal conflicts with the settlement agreement in Proceeding No. 19AL-0290E and that suggestions or modifications to that agreement are not appropriate in this Proceeding. Further, we find the legal question whether a rate favorable to public charging may constitute an unlawful preference or unreasonable difference in rates under § 40-3-106(1)(a), C.R.S., will be properly addressed in the future advice letter proceeding, where the Commission has a specific proposal and record on which to make that determination.

d. EV Supply Infrastructure

(1) Public Service Proposal

170. Public Service has proposed programs for its MFH and Commercial customers where the Company would install and own EVSI. Public Service predicts that it will install and

own less than five percent of the projected charging ports by 2025.[44] The Company suggests, by relying on contractors awarded work through competitive bids, this program will create competition. Public Service contends the program will not drive out competition because it will be limited by the retail rate impact cap and the scope of the approved TEP. The Company suggests this program will "seed the market" and help create a larger EV market.

171. In addition, Public Service recommends a ten-year depreciable life for EV chargers, which it maintains is consistent with industry practice.

(2) Intervenor Positions

172. Staff opposes the Company's approach to owning EVSI, citing competition, costs, and New York's comparable program.[45] Staff maintains the meter has long been the traditional demarcation point of ownership and contends the Company not provided convincing argument to overturn this policy. Staff raises concern that utility EVSI ownership will raise ratepayer costs because the Company will earn a return over the depreciable life of these assets at the Company's WACC. Staff adds this treatment will incent the Company to favor expensive projects that it can include in rate base.

173. Electrify America proposes modifying the Company's proposal to allow a commercial customer the same option to receive a rebate against the cost of installation as is proposed for residential customers.[46] EVgo supports this modification, agreeing from the customer perspective, given programmatic complexities, unclear determinants in utility site selection, and onerous easements, implementation in the public charging sector may often be more challenging

[44] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) p. 73.
[45] Hrg. Exh. 300 (Haglund Answer) p. 47.
[46] Hrg. Exh. 900 (Shah Answer) p. 19.

for utility-owned make-ready programs than rebate programs administered by utilities or state energy offices.[47]

174. CEO proposes, throughout 2021 and 2022, Public Service conduct quarterly open solicitations for Public Service to fund the EVSI of privately-owned charging stations. CEO suggests, to encourage developers to fill in market gaps, the Company should share a map of gaps in public charging infrastructure at the fourth quarter stakeholder meeting in 2021 and every quarter thereafter.

175. The Joint EV Charging Providers support Public Services' proposal, stating the Company commits to utilize labor partnerships with EVSI installation and thus will satisfy the standard to utilize high-quality jobs and to provide skilled worker training programs. The Joint EV Charging Providers point out private charging companies could not make this commitment and Public Service will be enabling good labor jobs and providing additional market opportunities for those EVSI contractors that would not exist absent this TEP.

176. SWEEP also supports the Company's proposal to install and own this infrastructure, agreeing it will facilitate more transportation electrification. SWEEP contends utility ownership is warranted because it will increase infrastructure in underserved markets. SWEEP states, in income-qualified multi-family housing, building owners may not have the resources to invest in wiring upgrades. SWEEP argues, by simplifying the process, Public Service can help ensure the benefits of transportation electrification will be widespread. SWEEP adds that utility ownership will benefit all customers by increasing EV adoption and spreading the electric system's fixed costs over a larger amount of revenues.

[47] Hrg. Exh. 1401 (Rafalson Cross Answer) p. 7.

177. Tesla notes that future TEPs could also evaluate providing some customers with a choice for an EVSI rebate to cover a certain percentage of costs. Tesla states, however, this should not preclude EVSI from being a standard service provided by Public Service to its customers.

178. Public Service responds it is not opposed to allowing rebates for EVSI related costs, but only when the market for EVSI becomes more developed and after the Commission has established its approach to the regulatory treatment of TEP rebates.

(3) Conclusions and Findings

179. As with utility ownership of DCFCs in limited markets and locations, we see value in Public Service's proposal to own EVSI to support MFH and Commercial customers. We see this inaugural TEP as an opportunity for the Company to fill market gaps that will eventually be fully market driven. We agree with Public Service and intervenors that Staff's suggestion that utility ownership of EVSI will drive out competition is incorrect and unsupported. We agree that approval at this early stage in the developing market will spur competition by lowering upfront costs of charging infrastructure and will minimize overall costs and maximize overall benefits of this TEP. We recognize that Public Service can leverage economies of scale and its expertise in managing electrician and construction services and these programs will rely on contractors to provide services and award this work through competitive processes. We also agree that a ten-year depreciable life is appropriate, based on current industry practice.[48]

e. Optional Charger Service

180. Public Service proposes to give customers the opportunity to procure their own charging equipment or, for Level 2 charging equipment, select Company-provided charging equipment the Company will own and maintain and that customers will pay for through a monthly

[48] Hrg. Exh. 103 (Freitas Direct, Rev. 1) pp. 9-10; Hrg. Exh. 107 (Freitas Rebuttal, Rev. 1) pp. 20-21.

charge. The Company proposes to solicit competitive bids from vendors on the pre-qualified list to identify a select number of turnkey options from which customers may choose. The Company intends to aggregate solutions into three price points to allow customers to choose from a variety of price and value propositions.

181. Public Service proposes that customers receiving EVSI must use charging equipment that meets applicable technical and safety standards, demonstrates interoperability, cyber security, and smart charging capabilities that enable customers to participate in managed charging rates or programs. The Company states it will maintain a pre-qualified list of choices from which customers may choose. The same requirement for interoperability applies to public fast charging stations owned by the Company.

182. The Commission approves the Company's proposed Commercial Optional Charger Service program. No party objects to the program, and we agree with ChargePoint, who states that ensuring site hosts can choose the charging solution that works best for them will stimulate the competitive market that currently exists in Public Service's service territory and will "stimulate innovation, competition, and increased consumer choices" as intended by SB 19-077.[49]

f. Community Charging Hubs

183. Public Service proposes partnering with cities and municipalities to develop community charging hubs and to install, own, and maintain EVSI for these hubs. The charging hubs will be designed to support ridesharing services and shared mobility such as E-bikes and E-scooters. Public Service initially proposed only cities and municipalities could apply to participate in this program but, after feedback suggesting broader interest, expanded this program

[49] ChargePoint SOP p. 4 (quoting § 40-5-107(2)(e), C.R.S.) (internal quotations omitted).

allow community-focused organizations including neighborhood associations and state government agencies to participate.

184. The Commission approves the Company's proposal to develop community charging hubs by partnering with cities, municipalities, and community focused organizations. We agree with EOC, who points out that a focus on Community Charging Hubs with partners will result in important ancillary benefits, such as access to ride sharing services, other forms of micro-mobility and transit, and a community space with public restrooms and with indoor and outdoor sitting areas to accommodate charging times. EOC notes these type of community benefits will lead to the environmental opportunities to reduce emissions and improve air quality in the community.[50]

g. Framework for Participation

185. Electrify America recommends the Commission establish a first-come, first-served framework for participating in the Commercial Portfolio programs. Electrify American contends this framework would expedite development of EV charging infrastructure, reduce administrative costs, and obviate the need for Public Service to develop, and for the Commission to review, evaluation criteria for applications.

186. The Commission declines to adopt Electrify America's framework for a first-come, first-served model for these programs. We note that Electrify America provided very little explanation for adopting this model in its answer testimony yet expanded upon its reasoning in its SOP. We believe this is an area for the Company to further explore during stakeholder engagement and to possibly return to in its next TEP application, after several years of experience with this TEP's Commercial programs.

[50] EOC SOP p. 4.

h. Interoperability and Technical Standards

187. The Joint EV Charging Providers argue that Colorado should move forward in a unified fashion with standards such as OCPP and OpenADR and avoid misalignment or differing standards approaches. The Joint EV Charging Providers suggest adopting these standards would satisfy efficiency goals of the TEP. With respect to OCPP, the Joint EV Charging Providers recommend the Commission direct or at least encourage Public Service to meet conformance requirements, including third-party certification, or obtaining commitments from suppliers to obtain third-party certification over a certain period.

188. Tesla states is not opposed to consideration of interoperability for funding for actual charging equipment outside of EVSI, however, it urges the Commission not to predetermine technology standards and pick technology winners and losers at this point. Tesla maintains the stakeholder process is the best venue for stakeholders engage in in-depth discussion of interoperability needs and any forthcoming technical standards.

189. The Commission agrees with Tesla that the stakeholder process is the most appropriate venue for parties to collaborate and develop interoperability needs and consider any forthcoming technical standards.

14. Residential Portfolio

190. Public Service states the goal of the Residential Portfolio is to make EV charging simple and affordable, as well as to encourage residential customers to charge EVs during off-peak periods. The Company states this portfolio is designed for customers in single-family houses.

191. This portfolio has two program options: (1) bring-your-own charging equipment, where customers receive a rebate to defray the costs of charger installation and wiring, with a larger rebate available for income-qualified customers; and (2) EV Home Charging Service, a

turn-key solution for customers who prefer not to research charging stations and oversee installation, or are constrained by the upfront cost of charging equipment.

192. Customers participating in either program may enroll in a charging optimization program, which will provide financial incentives for ongoing participation. To encourage off-peak charging and promote grid optimization, participating customers will be required to either take service under a time-differentiated rate or participate in a charging optimization program.

a. Residential Rebates

193. For residential customers, Public Service plans to offer a one-time rebate to defray the upfront costs of wiring a home for EV charging.[51] The parties to the Partial Settlement Agreement agree to a proposed $500 Home Wiring Rebate, as well as a $1,300 income-qualified rebate, applicable to both wiring and chargers. For participants who are taking the $1,300 income-qualified rebate and participating in the Home Charging Service program, any portion of the $1,300 rebate exceeding actual costs can be used by income-qualified customers to offset the cost of the installed charging equipment. Public Service states the wiring rebate was established to offset a significant portion of the average costs for a customer in a single-family structure to install Level 2 wiring for an EV. For participants who are not income qualified, the $500 Home Wiring Rebate can be applied to either wiring or charger costs, or a combination of the two, if a customer is not participating in the Home Charging Service. If a customer is participating in the Home Charging Service, the $500 Home Wiring Rebate can only be used to offset wiring costs.

194. The Environmental Organizations supports the proposal in the Partial Settlement Agreement for a Home Wiring Rebate of $500 or $1,300 for income-qualified customers. They

[51] Hrg. Exh. 101 (Ihle Direct, Rev. 1) p. 38.

support the flexibility agreed to in the Partial Settlement Agreement regarding how rebates can be spent.

195. The Commission approves the proposed the Standard Home Wiring Rebate for Level 2 charging equipment, and the proposed Income-Qualified Rebate for wiring and chargers as presented in the Partial Settlement Agreement, as well as the Home Charging Service program.

b. Optimization Program Opt-Out Provisions

196. To be eligible for the one-time residential wiring rebates, the Company will require customers to either enroll in a time-based electric rate that encourages off-peak charging or to participate in a charging optimization program. There are two charging optimization programs: the Static Optimization program; and the Dynamic Optimization program. Both programs are part of the Company's 2021-2022 DSM plan.

197. In the Static Optimization program, the Company would ask customers to select a preferred charging schedule from several options that do not coincide with Public Service's system peak, and the Company would incorporate staggering into the schedule setting to reduce timer peak issues that could arise if all customers initiated charging at the same time charging schedules. In the Dynamic Optimization plan, the Company uses algorithms developed by automakers to take hourly grid prices, vehicle state of charge, and customer driving requirements to set a new charging schedule whenever the customer plugs in at home.

198. The parties to the Partial Settlement Agreement agreed to eliminate the option of complying with the managed charging requirement through time-varying rates. Public Service agrees instead to require continued participation in managed charging (either through participation in a charging optimization program or taking service through a time-based electric rate) for at least one year. The settling parties agree this continued participation requirement would not apply to

income-qualified residential customers, who will be able to opt out after the initial enrollment period.

199. The Environmental Organizations argue that enrollment in a Charging Optimization is important ensure the increased loads from EV charging can be maximized to provide environmental and grid benefits, instead of system costs. They argue it is particularly important to ensure customers who benefit from a utility rebate program, financed by all ratepayers, ensure their charging behavior benefits the grid. The Environmental Organizations note the proposed DSM settlement in Proceeding No. 20A-0287EG addresses several of its concerns voiced in this Proceeding regarding the Charging Optimization Program.[52]

200. The Environmental Organizations and Staff also note that including Charging Optimization in the DSM rather than the TEP forces intervenors to potentially participate in multiple proceedings, which could lead to data sharing and confidentiality challenges. They argue this also makes tracking utility performance incentives more difficult, and potentially undermines the statutory direction requiring a utility to put forward evidence that its TEP is reasonably expected to improve the use of the electric grid, including improved integration of renewable energy. Staff requests the Commission require the Company to include these programs in its next TEP.

201. The Commission approves the policy set forth in the Partial Settlement Agreement that any opt-out option for customers who receive a rebate and are required to participate in managed charging (either through participation in a charging optimization program or taking

[52] Environmental Organizations SOP pp. 31-32. Through Decision No. C20-0873-I, issued December 9, 2020, the Commission took administrative notice of Section VII of the Unopposed Comprehensive Settlement Agreement, and Motion to Approve Settlement Agreement, filed on December 3, 2020, by Public Service in ongoing Commission Proceeding No. 20A-0287EG.

service through a time-based electric rate) for at least one year should only be available to income-qualified customers. All other customers who enroll in one of the options listed above will be required to participate for at least one year. We clarify that all customers, including income-qualified customers, are automatically enrolled in a managed charging program partnered with immediate education and outreach by Public Service, in an attempt to show the potential customer benefits associated with the Charging Optimization programs, and could only opt-out after that automatic enrollment takes effect.

202. The Commission declines to adopt the recommendation of Staff and the Environmental Organizations to direct that Charging Optimization programs or other managed charging programs with DSM elements to be filed in a TEP, rather than a DSM proceeding. We expect stakeholders in both DSM and TEP proceedings to continue to work together to determine the future of such DSM programs that increase the flexibility of the grid and provide ratepayers savings as well as emissions benefits.

c. Early Adopter Rebate

203. Public Service also proposes to offer a $200 for early adopters in its Residential programs. This $200 rebate would be offered to customers who have already invested in a Level 2 charger to encourage them to participate in one of Public Service's grid optimization programs. The Company plans to book TEP rebates as a regulatory asset, which will amortize over ten years, the expected useful life of EV chargers. Public Service states this rebate is designed with an eye toward fairness and to incent customers with existing EVs and Level 2 charging to participate in one of the Company's managed charging programs.

204. Staff opposes this proposal. Staff responds that it sees little value to ratepayers in offering this rebate to customers who already have Level 2 chargers. Staff posits, the purpose of

the Residential rebates is to reduce the high upfront costs that present a barrier to EV adoption for some customers. Staff reasons that customers who installed Level 2 chargers without receiving rebates are, by definition, people for whom the high upfront costs of Level 2 charging were not an insurmountable barrier. Staff suggests rejecting this proposal is opportunity to lower costs to ratepayers with no associated reduction in benefits.

205. Staff believes the proposed Early Adopter Rebate would unnecessarily duplicate the Company's DSM incentives. Staff notes the Company has proposed to offer these managed charging programs in its 2021-2022 DSM plan in Proceeding No. 20A-0287EG, which already includes a monetary incentive for participation. Staff indicates, for Static Optimization, the Company offers a rebate of $50 or an annual subscription to Windsource covering the estimated consumption of a typical EV; and for Dynamic Optimization, the Company offers a one-time sign-up incentive of $100, plus and annual credit of $50 for Level 1 charging and $100 for Level 2 charging.

206. The Commission denies the proposed Early Adopter Rebate. We find the Company's proposed incentives in its DSM program provide adequate opportunity and incentive for existing EV owners to participate in the Company's managed charging programs.

15. Multi-Family Home (MFH) Infrastructure

a. Public Service Proposal

207. Public Service proposes several programs within a Multi-Family Home (MFH) portfolio through which the Company would install and own EVSI to support customers. These programs include a Shared Parking-Site Host Provided Equipment program, where the Company provides EVSI in shared parking spaces, a Shared Parking-Full Service program, where the

Company provides EVSI and chargers in shared parking spaces, and an Assigned Parking-Full Service program, where the Company provides chargers for personal parking spaces.

208. The Company proposes that Site Hosts with Shared Parking may procure charging equipment on their own or choose to receive charging equipment from the Company. The Company proposes to solicit competitive bids from vendors on the pre-qualified list to identify a select number of turnkey options from which customers may choose. The Company intends to aggregate solutions into three price points to allow customers to choose from a variety of price points and value propositions. In the Shared Parking program, the Company commits to work with interested stakeholders to determine how to establish a default provision if a MFH Shared Parking program site host contracts for the site host to pass through on-peak price signals to end-use EV drivers and share such information with the Company.

209. Under the Company's proposal, Site Hosts with Assigned Parking must select to receive charging equipment from the Company as this equipment will be used for billing purposes. The Company proposes to solicit competitive bids from vendors on the pre-qualified list to identify a select number of turnkey options from which customers may choose. The Company intends to offer solutions at a single price point. The Company updated its position and now proposes to make the Shared Parking-Full-Service program available to customers with existing EVSI.

210. The parties to the Partial Settlement Agreement agree that Public Service will condition site host participation in the both Shared Parking programs on agreement by site hosts to pass on time-varying price signals consistent with the residential time-varying rate peak periods to EV drivers as a default arrangement. However, site hosts may opt out at their discretion to set pricing that reflects other considerations or needs. Site hosts that opt out would be required to report their pricing to Public Service for purposes of data collection and reporting.

b. Intervenor Positions

211. Staff recommends the Commission approve the Shared Parking and Assigned Parking programs, with the requirement that after ten years of participation in the Shared Parking-Full Service program, ownership of the charger should transfer to the customer.

212. The Environmental Organizations also support an early buy-out option. They contend it is even more important to offer early buy-out for MFH participants, as these customers are likely to be more transient than other customer groups.

213. CEO recommends modifying the MFH program to allow MFH buildings with a smaller number of units to install only two charging ports, instead of the Company's proposed four. CEO states this will ensure TEP programs adequately serve smaller MFH buildings. CEO argues that installing four ports will likely lead to overbuilding, may constitute an unnecessary expense, and may prevent owners from installing charging equipment. If the Commission does not adopt this recommendation, CEO suggests requiring the Company to include in annual reports: (1) the number of MFH buildings (and units in such buildings) that express interest in wiring rebates, but do not qualify for, or claim they are not adequately incented by, the residential or multifamily wiring rebate programs; and (2) the number of MFH buildings that express interest in applying to receive support for less than four ports and/or apply but decline to participate due to the four-port requirement. In addition, CEO suggests the Commission require the Company to include the topic of access for smaller MFH buildings in the quarterly stakeholder meetings.

214. Public Service maintains its position of requiring four ports for MFH buildings but offers to monitor the extent to which smaller MFH buildings express interest in participating in TEP programs, to inform future TEPs. The Company adds it is amenable to continuing conversation and exploring models for this segment that will mitigate concerns of program cost.

c. Conclusions and Findings

215. The Commission approves the MFH Shared Parking-Site Host Provided Equipment, Shared Parking-Full Service and Assigned Parking-Full Service programs, with modification.

216. First, we require that site hosts not have the option to opt-out of the default arrangement and set their own pricing. We decline to grant this level of discretion in this inaugural TEP. We find, where EVSI is being funded through ratepayer funds for the purposes of SB 19-077, it most appropriate to deny at this time a general allowance for site hosts to opt-out pricing schedule. We are concerned that site-hosts could pass on rates to customers that are not fair and reasonable. The Commission does not have the authority over such rates set by site hosts, and we are concerned that customers would not have the Commission's complaint process available to them.

217. For the Assigned Parking-Full Service program, we agree with the Company's proposal to use EV charging to measure customer's energy usage and bill customers for that usage under Schedule EVC. We also note the requirements associated with meter-based measurement and billing in the Commission's rules do not apply when customers are not billed for their meter-recorded energy usage through these services.

d. Additional MFH Issues

218. Public Service proposes a New Construction rebate of $2,000 to help defray the balance of EV wiring costs and an MFH income-qualified rebate of up to $2,000 to help with the balance of EV charging equipment. No parties object to these proposed rebates.

219. The Commission approves the New Construction and MFH Income-Qualified Rebates, as set forth in the Partial Settlement Agreement. We clarify that MFH Income-Qualified

Rebate customers have the option to opt out of Charging Optimization programs. However, we clarify that all customers should be automatically enrolled in the Charging Optimization programs, accompanied by immediate Company outreach and education, in an attempt to show the potential customer benefits associated with the Charging Optimization programs, and could only opt-out after that automatic enrollment takes effect.

220. The Environmental Organizations argue that rebate recipients, including MFH Assigned Parking and Early Adopter rebate participants, should be required to participate in a Charging Optimization program for one year. The Environmental Organizations note this is not clear in the administrative record, but do not expect this request will be heavily contested. The Environmental Organizations also note the Partial Settlement Agreement does not address situations in the MFH Shared Parking, MFH Assigned Parking, and Commercial Optional Charger programs where charger costs are paid to the Company through monthly payments. They contend the same logic applied in the Partial Settlement Agreement to the residential income-qualified programs should apply here. They urge, in order for income-qualified programs across the board to have the greatest impact, qualified customers should be entitled to the full value of the rebate to offset monthly costs, even if the up-front wiring costs are lower than the rebate value.

221. The Commission agrees with the Environmental Organizations and will clarify that any opt-out option for MFH customers who receive a rebate or enroll in a time-varying rate or a charging optimization program should only be available to income-qualified customers. We also agree with the Environmental Organizations that income-qualified customers in the MFH Shared and Assigned Parking programs should be entitled to the full value of the rebate to offset monthly costs, even if the up-front wiring costs are lower than the rebate value.

16. Ownership Retention of Non-DCFC Chargers After Ten Years

222. Public Service proposes to provide optional charging service programs that offer streamlined EV charging experiences coupled with customer choice for charging equipment in its Residential, Commercial, and MFH portfolios. For instance, in the Residential Portfolio, customers can elect to use the Company's Home Charging service, in which the Company installs, owns, and maintains the charging equipment in exchange for a monthly charge applied to the customer's electric bill. Under the Company's current proposal, the cost of charging equipment installed as a part of these services will be paid off over ten years. This payback period was selected to ensure that over the ten-year expected life of the Level 2 charger, participating customers pay the full cost of that equipment.

223. Several parties recommend that ownership of the charging equipment should be transferred from Public Service to the customer when equipment has been fully paid for or after participating in a Residential, MFH, or Commercial optional charging service for ten years.

224. In its testimony, CEO recommends the Commission direct the Company to allow participants in the Company's Home Charging Service program to assume ownership of the home charging equipment once the customer has paid the full cost of the equipment, which the Company estimates at ten years, and that the monthly charge be reduced at that point to reflect only the ongoing services the Company provides. In its SOP, CEO modifies this recommendation to allow for two options that will allow the customer to choose: (1) to take ownership of the equipment after ten years and discontinue payments with no ongoing service; and (2) to remain in their program with ongoing service, per the Company's proposal.[53]

[53] CEO SOP p. 13.

225. The Environmental Organizations believe customers should have the option to buy out their charging equipment at a fair price earlier than ten years. They suggest that providing an early buy-out option ensures customers have options, particularly in cases where they may move residences, or no longer want to pay the monthly service charge on their electric bill. They urge this is also consistent with the approach taken in similar program offerings in other jurisdictions, including offerings by the Company's operations Minnesota. The Environmental Organizations contend the Company has not demonstrated that providing an early buy-out option will increase costs for remaining customers. They reason, allowing customers to buy out early does not negatively impact the Company's compensation from that customer, or transfer costs to remaining customers. They continue, if anything, it eliminates financial risk by ensuring the Company will be paid the same amount of money they would have expected to collect over ten years, plus the time value of money, while to the risk of ownership and future repairs is transferred to the customer.

226. The Commission directs Public Service to allow customers to take ownership of EVSI after ten years or buy out the charger at a fair price before ten years. We are not convinced by the Company's arguments that a buy-out option increase costs and would be contrary to the service provided. We also do not agree that there is no proven customer demand to have charging infrastructure transferred to program participants.

227. We agree with the Environmental Organizations and CEO that customer choice is important and acknowledge that many customers will appreciate the turnkey service proposed by the Company and elect to remain in these programs beyond the ten-year period. However, for customers that prefer the low monthly cost of the programs, as opposed to the higher up-front cost of installing eligible equipment, the opportunity to take ownership after the equipment has been

paid off and fully depreciated may be an attractive option. As noted at hearing, for example, the Home Charging Service fee has been designed to ensure costs are paid back during the ten year depreciable life of the asset.[54] Assuming an early buy-out price is designed to mirror the Company's depreciation methods, the Company will be compensated for any unrecovered costs.

17. TEP Program Equity

a. Eligibility Criteria

(1) Public Service Proposal

228. In its rebuttal testimony, Public Service indicates it is open to working with stakeholders to expand the potential number of customers who qualify for income-eligible programs. Public Service states it plans to rely on the originally proposed eligibility criteria for program launches while it collaborates with stakeholders to help set program parameters and establish income verification processes that do not rely on the utility verifying income information.

229. The parties to the Partial Settlement Agreement agree to expand the eligibility criteria to qualify for Residential, MFH, and Commercial Workplace/Fleet Income Qualified programs, as well as Income-Qualified Community Charging Hubs. Public Service also agrees to update the terminology it uses to describe these program components.

(2) Intervenor Positions

230. EOC supports the expanded eligibility criteria in the Partial Settlement Agreement. EOC states no party has opposed such eligibility criteria, in written testimony or at hearing.

231. EOC asserts the use of expanded eligibility criteria in the TEP will not violate any Commission rule or statute. EOC notes that § 40-3-106, C.R.S., defines a "low-income utility customer" for its use "in that paragraph," and with respect to the Commission's authority to grant

[54] Nov. 16, 2020 Hrg. Tr. (Schwain) 181:1-4.

a reasonable preference or advantage to low-income customers for purposes of determining whether any other person or corporation is prejudiced, disadvantaged, or unduly discriminated.[55] EOC states there has been no such allegation in this Proceeding of prejudice, disadvantage, or undue discrimination. EOC states, to the contrary, the Partial Settlement Agreement recognizes the contributions that income-qualified customers may make to the TEP rider and allocates resources accordingly. EOC also notes Article 3 of Title 40 concerns rates and regulations, as opposed to "programs" like this "Electric vehicle program."[56] Finally, EOC points out there is no generally-applicable definition of "low-income" customer that applies uniformly across Title 40, or the Public Utilities Law. EOC points to the separate references in the DSM statute, § 40-3.2-103, C.R.S., and the community solar gardens statute, § 40-2-127, C.R.S., that authorize considerations of low-income customers without reliance on the provisions of § 40-3-106, C.R.S., and its prescriptive definition of "low-income customer."

232. The Environmental Justice Coalition states the eligibility criteria set forth in the Partial Settlement Agreement are consistent with state and federal eligibility definitions of "low-income," and will help ensure customers with demonstrated need have access to the TEP's income-qualified programs.

(3) Conclusions and Findings

233. The Commission adopts the eligibility criteria set forth in the Partial Settlement Agreement for equity focused TEP programs. We find the expanded and improved eligibility requirements are appropriate to recognize the funding contributions that income-qualified customers may make to support TEP programs and ensure these customers are not left out of the

[55] *See* EOC SOP p. 14.

[56] *Id*. p. 15 (citing § 40-5-107, C.R.S.).

resulting program benefits. These programs include the proposed Fleet & Workspace-Income Qualified program, the Community Charging Hubs-Income Qualified program, the MFH-Income Qualified rebate, and the Residential-Income Qualified rebate.

234. We believe the proposed eligibility criteria is consistent with the statutory language in SB 19-077 that mindfully calls for consideration of income-qualified customers and those communities most affected by transportation emissions. We find no basis for the Commission to find it must import the prescriptive definition of "low-income customer" as that term is used for purposes of § 40-3-106(1)(d)(II)(A) and (B), C.R.S. into the Commission's application of the TEP statute. Instead, we find the eligibility criteria proposed in this Proceeding more appropriate and properly tailored to implement the TEP statute including the important task of equitably designing and implementing TEP programs. We find it reasonable to adopt eligibility criteria for TEP program design specific to the TEP context and guided by considerations of how to best meet the overall statutory objective of accelerating widespread electrification of the transportation sector.

b. EV Program Equity Spending

(1) Public Service Proposal

235. Public Service initially proposed a goal of 15 percent of TEP funds, or $15 million, directed toward equity-focused programs. Several parties recommend the Company make a firmer commitment to these programs.

236. The parties to the Partial Settlement Agreement agree at least 15 percent of the TEP budget will be dedicated to support income-qualified customers and higher-emissions communities, with an annual minimum of 5 percent of the annual TEP budget dedicated to support these customers and communities. They agree at least 30 percent of the RIP portfolio budget will be dedicated to support income-qualified customers and higher-emissions communities, and at

least 15 percent of the Advisory Service budget will be dedicated to marketing and education concerning programs to support income-qualified customers and higher-emissions communities. The Company agrees not to move unspent funds to other TEP programs.

(2) Intervenor Positions

237. The Environmental Organizations support the equity provisions in the Partial Settlement Agreement. They urge underserved communities can most benefit from the reduced costs, lower pollution, and other benefits of transportation electrification. They argue this is consistent with the specific focus in SB 19-077 on increasing access for income-qualified customers and providing air quality benefits to higher-emissions communities.

238. The Environmental Justice Coalition suggests the Company earmark upfront spending on multicultural and multilingual outreach, especially through community-based organizations. The City and County of Denver supports this addition.

239. EOC advocates the Commission establish a hard "floor" for spending on income-qualified programs. EOC contents such floor is necessary to prevent against funds being shifted to programs that are easier to deliver or to more mature market-rate programs.

240. EOC also proposed that 15 percent of the Advisory Services budget, about $1.95 million, be earmarked to support income-qualified programs. EOC bases this recommendation on its experience in marketing to and educating income-qualified customers in the regulated utilities' DSM programs. EOC cautions, to reach income-qualified customers in Public Service's vast territory, a network of energy service providers will need to be employed to foster early adoption opportunities in all residential and commercial income-qualified customers. EOC suggests setting aside now the needed resources to aid such efforts.

241. CEO recommends the Commission approve the equity-related provisions contained in rebuttal testimony and the Partial Settlement Agreement as minimum requirements, with any further equity-related provisions additive. CEO notes additional considerations discussed at hearing include a holistic, customer-focused program design and a task force or stakeholder group related to equity issues. CEO urges, should the Commission adopt a recommendation implementing the latter, the Commission should clarify such a group's authority, whether its scope exceeds transportation electrification, purpose and objectives, membership, schedule, and funding and stipends.[57]

242. The Environmental Justice Coalition expresses concern regarding the potential *ad hoc* approach to educating and working with income-qualified customers. The Environmental Justice Coalition argues such approach is unlikely to succeed because it fails to address the unique needs of income-qualified communities and the barriers they face to vehicle electrification. The Environmental Justice Coalition believes a third-party program administrator that has experience working with income-qualified residents is critical to removing barriers to EVs.

(3) Conclusions and Findings

243. The Commission approves a 15 percent floor in spending towards income-qualified customers and higher-emissions communities in the overall TEP budget. We approve the allocation of at least 30 percent of the RIP budget for income-qualified customers and higher-emissions communities, as discussed in Paragraph 112 of this Decision. We also approve a 15 percent minimum in Advisory Services dedicated to these customers and communities, as discussed in Paragraph 121 of this Decision. We find the focus on EV program equity provides the flexibility and budgets needed for the Company and stakeholder to improve programs related

[57] CEO SOP p. 34 (citing Nov. 18, 2020 Hrg. Tr. (Franklin) 142:14-21, 143:6-144:5).

to these customers and communities. We find it important, and consistent with SB 19-077, to ensure that income-qualified customers and emissions-burdened communities are not left behind in the transition to transportation electrification. In addition, we agree that one of the Company's priorities should be upfront spending on multicultural and multilingual outreach, especially through community-based organizations.

244. Although we appreciate the benefits of third-party administrators when applied to income-qualified programs, we recognize Public Service has experience developing programs related to income-qualified customers. As the TEP is a new area for Public Service, we encourage the use of third-party administrators, but will leave to the Company's discretion whether and to what extent to use these resources. We strongly encourage, as recommended by the Environmental Justice Coalition, that the Company focus its outreach through community-based organizations. We expect progress in these relationships and outreach activities to inform a future equity-based PIMs focused on measurable outputs related to the EV adoption rates and resulting benefits for income-qualified customers and higher-emission communities.

c. Identifying Higher Emission Communities

245. Public Service proposes to work with stakeholders in a timely manner to solidify eligibility parameters and work with state agencies or other partners to perform the qualification process for identifying higher-emission communities. Public Service also agrees to perform at least six community needs assessments for either high-emissions communities or income-qualified communities as part of the Advisory Services portfolio and to make these assessments publicly available.

246. The parties to the Partial Settlement Agreement agree that identification of higher-emission communities may be established through the Colorado Department of Public

Health and Environment's Climate Equity Framework, once available. Public Service agrees to present its recommendation of higher-emissions communities on or before the first TEP quarterly stakeholder meeting. Public Service agrees to issue a 60-day notice within 60 days of the effective date of the Commission's final decision in this Proceeding that identifies higher-emissions communities.

247. The Commission finds it appropriate to defer to the stakeholder process the development of the methodology for identifying higher-emission communities. We believe that the Stipulation provides a satisfactory timeline, as well as commitments from parties that recognize provisions to identify higher-emissions communities are critical to fulfilling Senate Bill 19-077's equity mandates, which recognize that low-income and emissions-burdened communities must not be left behind in the Company's TEP.

18. Reporting Requirements

a. Public Service Proposal

248. Public Service proposes to provide data on key metrics in an annual TEP compliance report filed April 1 each year. Public Service states this report would also serve as the basis for any true-up adjustments to the proposed CPCA rider to go into effect on July 1.

b. Intervenor Positions

249. Staff believes more frequent and granular data reporting is necessary, especially in the early stages of a new program, to ensure ratepayers receive the maximum benefit from the support they provide to TEPs. Staff recommends that Public Service's annual reporting be provided on a quarterly basis and include additional meter, load and customer data, along with what was originally proposed by the Company. Staff recommends that customers who participate in the MFH and Commercial portfolio programs should be required to report site-specific data

quarterly to Public Service as a condition of participation in these programs, which Public Service can include in its quarterly reports to the Commission.

250. Electrify America clarifies that Staff's proposal does not mandate the Company pass along this data to the Commission, but does require a private, non-regulated customer such as Electrify America provide this data, with the inherent "unique identifier," to the regulated utility who is seeking to enter the non-regulated, competitive market informed by this very information. Electrify America argues that Staff made no effort to explain how information such as monthly bills and the monthly load factor experienced by a private DCFC operator is relevant to evaluating the success of Public Service's TEP. With respect to the additional information sought from Commercial and MFH program participants, Electrify America objects that Staff asserts the sensitive information should be used for the sole purpose of informing the Commission fails to provide any rationale for how site-specific information including non-energy related operating costs, the number of daily charging sessions, peak kW per charging session, the timing of charging sessions, and the amount of time each vehicle spends charging are informative to determining the success of Public Service's TEP.

251. The City of Boulder proposes the Company include detailed information about TEP programs by municipality. Boulder reasons this will allow local governments and community groups to understand which TEP programs have been adopted, which have not, and where gaps in participation exist. Denver supports this proposal by Boulder.

252. The Environmental Organizations request the Commission direct the Company to provide four additional categories of information: (1) data on load-shifting; (2) data on the amount of energy sold during on-peak, shoulder, and off-peak periods from each of the Company's proposed programs, as well as graphical representations of the relative average load shape for each

program; (3) data regarding fuel cost savings realized relative to conventional transportation fuels; and (4) aggregated customer load profile data.[58]

c. Conclusions and Findings

253. The Commission approves the reporting commitments as set forth in the Partial Settlement Agreement, with additional direction to the Company. While the Company expressed concern that an excessive number of metrics on which to report, coupled with a short duration between reports, would result in a costly and resource-intensive reporting process without commensurate benefits, we believe that in order to evaluate the success of this first TEP application and to inform future applications, a robust reporting process is necessary. In addition to the metrics described in Hearing Exhibit 105,[59] we propose additional requirements be included in the Company's TEP reports.

254. We agree with Staff's recommendation that the Commission should establish thorough reporting requirements, review processes, and all necessary safeguards to guide this TEP toward success for the Company, its ratepayers, and the state. We find accountability through transparent and frequent reporting will allow the Commission, stakeholders, and ratepayers to evaluate how effectively the TEP is meeting the goals in SB 19-077 and will provide the roadmap for future TEP review and implementation. We find semi-annual reporting (not the quarterly reporting recommended by Staff) will suffice for these purposes.

255. We also agree with the City of Boulder's proposal to require that Public Service include detailed information about TEP programs by municipality in order to continue to improve

[58] *See* Hrg. Exh. 1001 (Kressig Answer) p. 66; Hrg. Exh. 1000 (Muller Answer) pp. 22-25.
[59] Hrg. Exh. 105 (Ihle Rebuttal, Rev. 1) pp. 88-91.

their ability to monitor and develop local programs. We specify that this data should be also made available in Community Energy Reports.

256. Finally, we agree with the Environmental Organizations that data on load-shifting, energy sales during on-peak, shoulder, and off-peak periods from each of the Company's proposed programs, as well as aggregated customer load profile data to allow for comparisons of the impact of differing pricing arrangements on charging behavior, are all important data to develop a more flexible grid. We also agree with Staff's recommendation that customers who participate in the MFH and Commercial portfolio programs should be required to report site-specific data quarterly to Public Service as a condition of participation in these programs. Therefore, we direct Public Service to work with customers enrolled in programs funded by the TEP to develop a way to provide such data in its annual reports.

19. Stakeholder Engagement

a. Public Service Proposal

257. Public Service commits to host quarterly meetings with stakeholders to foster discussion about the program in-market, gather ideas for continuing to improve programs, and discuss whether additional pilots and programs are necessary to support transportation electrification. Public Service requests the Commission afford the Company flexibility with respect to stakeholder engagement with the EV community.

258. The parties to the Partial Settlement Agreement agree that Public Service will meet with stakeholders at least quarterly during the 2021-2023 TEP plan years to discuss equity-focused topics. These topics include the Company's progress in implementing its equity-focused programs or additional criteria for the income-qualified programs, revisions to geographic-based criteria for higher emissions communities, or additional or modified processes for eligibility verification. The

Company also agrees to work with stakeholders and communities to finalize an implementation plan in the stakeholder process. Public Service agrees to engage third-party evaluators to better understand the impacts and effectiveness of TEP programs and present the third-party evaluation plan at a quarterly stakeholder meeting.

b. Intervenor Positions

259. CEO recommends the Commission direct the Company to address issues that arise in this Proceeding through quarterly stakeholder meetings, and additional working group meetings as needed. CEO recommends the Company file an update reporting on the progress made in stakeholder meetings.

c. Conclusions and Findings

260. The Commission approves the stakeholder engagement commitments outlined in the Partial Settlement Agreement, including presenting third-party evaluation plans. We also provide additional direction to the Company. We believe the Commission, Public Service, and stakeholders already have a good model for the development of stakeholder engagement through the DSM process. While we agree with the Company that stakeholder engagement should be refined over time, we agree with CEO's recommendation to require Public Service to file an update on progress made in quarterly stakeholder meetings related to the topics proposed, discussed below and potentially others that are identified as the proceeding progresses. The updates on stakeholder engagement are to be filed in the semi-annual reports.

261. We also adopt the following parameters and requirements for the stakeholder process, as discussed above:

a) In line with CEO's recommendations, we direct the Company to include access for smaller MFH buildings as a topic for the quarterly stakeholder meetings.

b) In line with CEO's recommendations, we direct the Company to ensure that participating fleets in the fleet advisory services program represent a variety of duty classes, in particular medium- and heavy-duty vehicles. We agree with the suggestion of stakeholders that fleet programs should focus on less mature fleet market segments, such as the heavy-duty sector including public transit and school buses. Development of innovative fleet programs should be a focus of the stakeholder engagement process.

c) We reiterate CEO's recommendation that the Company work closely with stakeholders in early 2021 to develop criteria for evaluating public DCFC applications. We direct the Company to file a report in this Proceeding, Proceeding No. 20A-0204E, before the first round of solicitations describing the stakeholder process related to this issue. This also involves working closely with stakeholders in early 2021 to develop the criteria for determining gaps in the public charging network. We require the Company to file a report in this Proceeding by April 30, 2021, describing the stakeholder process related to this issue.

d) We encourage the stakeholder process to engage on innovative PIMs that have clear and defined metrics, and that result in an outcome where there is clearly a lack of incentives on behalf of the Company, particularly focused on equity and higher-emissions communities.

e) We direct the Company to add the improvement of its DCFC pricing structures to the list of stakeholder meeting discussion topics in order to optimize public DCFC in a way that supports future growth of the EV market and, in particular, fosters fair competition with private developers of DCFCs.

f) We determine that several issues brought forth by Electrify America, the Joint EV Charging Providers, and Tesla regarding the first come/first served framework, interoperability standards and protocols should be further discussed in the stakeholder process.

g) We leave the methodology of identifying higher-emissions communities to be developed in the stakeholder process.

E. Compliance Filing

262. The Commission requires Public Service to file, on not less than two business days' notice, an advice letter and all tariff sheets authorized in this Proceeding and an updated version of its 2021-2023 TEP to reflect all terms and conditions that are approved as a result of this Proceeding. The updated version of the Company's TEP must include a summary of specific issues that have arisen in this Proceeding that will be addressed through quarterly stakeholder meetings, semi-annual reports, and additional working group meetings as needed. Public Service must also

file a description of how it plans to estimate EV revenues, as discussed in the retail rate cap section of this Decision.

263. This filing is due within 30 days after the effective date of this Decision, or, if any party files an application for rehearing, reargument, or reconsideration (RRR) pursuant to § 40-6-114, C.R.S., the compliance filing will be due within 30 days after the effective date of the Commission's decision granting or denying the application for RRR.

F. Issues Not Addressed

264. The Commission denies all requests made in this Proceeding that have not been addressed in this Decision.

II. ORDER

A. The Commission Orders That:

1. The application filed on May 15, 2020, by Public Service Company of Colorado (Public Service or the Company) requesting the Commission issue an order approving the proposals contained in Public Service's 2021-2023 Transportation Electrification Plan (TEP), is granted with modifications, consistent with the discussion above.

2. Public Service shall make an informational filing in this Proceeding describing in detail how the Company will estimate the electric vehicle revenues to be included in the retail rate cap calculation, consistent with the discussion above. This filing is due within 30 days after the effective date of this Decision, or, if any party files an application for rehearing, reargument, or reconsideration (RRR) pursuant to § 40-6-114, C.R.S., within 30 days after the effective date of the Commission's decision granting or denying the RRR.

3. Public Service shall file final Research, Innovation, and Partnerships project reports for projects initiated during the 2021-2023 TEP with Public Service's application for approval of

its 2024-2026 TEP, including a description of how lessons learned from pilot programs have been incorporated, consistent with the discussion above.

4. Public Service shall file in this Proceeding additional information detailing the mechanics of its proposed modified Equity Performance Incentive Mechanism, consistent with the discussion above. This filing is due within 30 days after the effective date of this Decision, or, if any party files an application for RRR pursuant to § 40-6-114, C.R.S., within 30 days after the effective date of the Commission's decision granting or denying the RRR.

5. Public Service shall work with stakeholders to develop specific criteria for evaluating applications for Direct Current Fast Charger stations and to file a report in this Proceeding by April 30, 2021, consistent with the discussion above.

6. Public Service shall provide data on key metrics in an annual TEP compliance report filed in this Proceeding by April 1 each year, consistent with the discussion above.

7. Public Service shall file in a new proceeding, an advice letter and tariff on not less than two business days' notice. The advice letter and tariff shall be filed as a new advice letter proceeding and shall comply with all applicable rules. In calculating the proposed effective date, the date the filing is received at the Commission is not included in the notice period and the entire notice period must expire prior to the effective date. The advice letter and tariff must comply in all substantive respects to this Decision in order to be filed as a compliance filing on shortened notice.

8. Public Service shall file, an updated version of its 2021-2023 TEP to reflect all terms and conditions that are approved as a result of this Proceeding. This filing is due within 30 days after the effective date of this Decision, or, if any party files an application for RRR pursuant

to § 40-6-114, C.R.S., within 30 days after the effective date of the Commission's decision granting or denying the RRR.

9. The Joint Motion for Approval of the Partial Settlement Agreement filed on November 10, 2020 by Public Service, the Colorado Energy Office, the City of Boulder, the City and County of Denver, Energy Outreach Colorado, the Environmental Justice Coalition (multiple parties as identified in this Decision), the Environmental Organizations (multiple parties as identified in this Decision), the Joint EV Charging Providers (multiple parties as identified in this Decision), and the Southwest Energy Efficiency Project is denied, consistent with the discussion above.

10. The 20-day period provided in § 40-6-114, C.R.S., within which to file applications for RRR begins on the first day following the effective date of this Decision.

11. This Decision is effective upon its Mailed Date.

B. ADOPTED IN COMMISSIONERS' DELIBERATIONS MEETING December 23, 2020

(S E A L)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

JOHN GAVAN

MEGAN GILMAN

Commissioners

ATTEST: A TRUE COPY

Doug Dean,
Director

III. COMMISSIONER JOHN GAVAN DISSENTING

1. I dissent to the majority's decision regarding the Electric Vehicle (EV) Rebate Program, in two parts. The first is the originally proposed $30 million EV rebate program and the second is the compromise, $5 million EV rebate program that includes provision for low-income participants.

2. On the original $30 million EV rebate program, I feel that this proposal was very poorly conceived and suddenly added into the Public Service plan at the last moment. Meanwhile, we sit in the greatest pandemic of the past 100 years, coupled with a severe recession that has put many thousands of Coloradans out of work and many more wondering how they will pay tomorrow's bills. This program is in effect asking Public Service Company's ratepayers to subsidize wealthy individuals wishing to purchase expensive new cars. There is little question that at the current time, electric vehicles are expensive. In the first half of 2020, 82 percent of electric vehicles sold were Tesla vehicles. We well know that these are expensive vehicles outside of the reach of most middle-income purchasers. My belief is that one day, electric vehicles will be affordable. But that will be a day off in the future when battery prices decline significantly and manufacturing efficiencies are achieved through a richer offering of affordable electric vehicles. For this reason, I feel strongly that an electric vehicle rebate at the current time represents very poor and thoughtless public policy. The fact that a program like this would even be proposed under the current economic situation is tone deaf to the plight of many Coloradans. Additionally, I believe that this plan would have been wiser to focus much more on options that provide wider societal benefit such as school bus and fleet electrification. It should also be noted that other states, such as North Carolina, have embraced school bus electrification much more aggressively in their transportation electrification plan. It is a shame that Colorado has not done the same.

3. In the case of the compromise EV rebate program suggested by Commissioner Gilman, I again feel that this option also reflects poor public policy in that it would have the potential perverse effect of incentivizing low-income individuals to purchase cars that they cannot afford. For this reason, I oppose this alternative proposed EV rebate program.

4. Finally, as we move urgently to decarbonize Colorado's economy, we must not lose sight of the possible negative impacts that these efforts may disproportionately have on income challenged individuals and households. We must be mindful that these efforts are thoughtful and well-structured and not punitive to specific demographic groups.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOHN GAVAN
_____
Commissioner

Carmakers Make commitments to Increase Light Duty Electric Vehicle Offerings

The Department notes that the following carmakers have made the following commitments by 2025:

- Audi plans to have 30 electrified vehicles by 2025; 20 of those models with be EVs,[1]
- General Motors announced it plans to have 20 EVs available in North America,[2]
- Hyundai plans to have 23 EVs worldwide,[3]
- Jaguar plans to be all electric,[4]
- Ford plans to invest more than $30 billion in EVs through 2025.[5]

By 2030:

- Subaru announced that 40 percent of its sales will be electric or hybrid.[6]

By 2035:

- General Motors plans to go all electric.[7]

[1] Here Are All the Promises Carmakers Have Made about Electric Cars (caranddriver.com)

[2] GM Accelerates Electrification Timeline, Plans 30 EVs by 2025 (caranddriver.com)

[3] Hyundai Unveils EV Platform, 23 Electric Vehicles Coming by 2025 (caranddriver.com)

[4] Jaguar car brand to be all-electric by 2025 - BBC News

[5] Ford ups EV investments, targets 40% electric car sales by 2030 (cnbc.com)

[6] Subaru Gives First Look at Electric Crossover It Will Build with Toyota (caranddriver.com)

[7] GM to go all-electric by 2035, phase out gas and diesel engines (nbcnews.com)

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

MINNESOTA DEPARTMENT OF COMMERCE – COMMENTS

Docket Nos. **E002/M-20-745**

Dated this **26th** day of **August 2021**.

/s/Linda Chavez

_____

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