Minnesota Propane Association
Promoting smart energy

October 23, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Programs as part of its COVID-19 Pandemic Economic Recovery Investments; Case No. 20-745.

COMMENTS OF THE MINNESOTA PROPANE ASSOCIATION

On behalf of the Minnesota Propane Association (MPA), which represents propane marketers and suppliers across Minnesota, we appreciate the opportunity to provide comments in this proceeding, which is investigating the electric vehicle (EV) proposal submitted by Xcel Energy as part of its Covid-19 economic recovery investment plan. Our members provide clean-burning and critical energy to residential, commercial, and agricultural customers in the state. Minnesota's propane industry, which serves all 87 counties, generates more than $2.5 billion in economic activity annually – the third most of any state.[1]

While Minnesota's propane marketers are electric ratepayers, they also furnish public and private fleets with propane autogas vehicles. Propane, like electricity, is a federally-designated alternative transportation fuel that reduces emissions and improves air quality. However, propane refueling infrastructure is financed only by the industry and the customers who utilize it. If a proposed refueling station is of questionable economic value, it likely will not be built. This fact is important and in contrast to some EV charging infrastructure that has come to fruition with the help of utility ratepayers. Given this, MPA has a unique interest in plans to promote the electrification of the transportation sector and this docket.

Earlier this year, Xcel submitted a plan detailing how it could make investments and help Minnesota recover from the Covid-19 induced economic downturn.[2] MPA is particularly interested in the utility's proposals for the deployment of public EV charging equipment and rebates for electric vehicles and buses.

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[1] https://www.npga.org/wp-content/uploads/2020/06/Minnesota_Propane-1-Pager_2020.pdf

[2] https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B089C574-0000-C61F-8045-6B960AB7AB8A}&documentTitle=20209-166839-01

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As part of its investment plan, Xcel wants to develop, install, own, and operate a network of 21 direct current fast charging (DCFC) stations throughout its service territory; this initiative will cost approximately $5 million and the utility would like to recover these costs through general rates.[1] Or, put another way, it has requested that the station financing be borne by electric ratepayers.

The Commission should not permit Xcel to operate public charging stations because it wants to treat them as typical utility assets akin to substations or power lines on which it can earn a full rate of return, courtesy of its customers' bills. Electric rate design should avoid incentivizing the use of EVs by subsidizing the deployment and operation of public charging equipment. This is especially true because utilities will reap financial benefits from electric cars even if they do not own and operate the refueling stations.

The Commission should prevent cost shifting to consumers who do not own electric vehicles. An important principle of utility ratemaking is cost causation. This principle dictates that utility costs should be assigned to the customers who cause the utility to incur them. Clearly drivers of traditional cars, who would not utilize EV refueling infrastructure, would not cause or be responsible for the costs Xcel would incur from their deployment and operation. An EV station is different from a generation plant or transmission line – assets that truly benefit a utility's customer base. As such, allowing the company to operate charging stations and then recoup those costs and a rate of return from ratepayers, the vast majority of whom do not own or drive electric vehicles, would contradict the principles of cost causation and result in poor ratemaking.

Making incumbent customers, including households of limited means and those on fixed incomes, pay increased energy bills to finance the expansion of a public charging network that has no value to them is, from a utility perspective, wrong and not in the public interest. Minnesotans already pay some of the highest residential electric rates in the Midwest.[2] And because utilities operate as monopolies in defined geographic areas, energy consumers cannot shop around for competing service.

Nationally, more than two-thirds of battery electric and plug-in hybrid electric vehicles are owned by households with incomes over $100,000.[3] This is not surprising given the price difference between electric and conventional vehicles. Moreover, the used car market, which is critical to households of lesser means, is composed overwhelming of cars and trucks powered by combustion. Lower-income
Minnesotans should not be forced to subsidize the deployment of EV charging stations that will disproportionately be used by and benefit affluent individuals.

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https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B089C574-0000-C61F-8045-6B960AB7AB8A}&documentTitle=20209-166839-01

2

https://www.eia.gov/electricity/data/browser/#/topic/7?agg=0,1&geo=0000vvo&endsec=o&linechart=ELEC.PRICE.IL-ALL.A&columnchart=ELEC.PRICE.IL-ALL.A&map=ELEC.PRICE.IL-ALL.A&freq=A&start=2018&end=2019&ctype=linechart&ltype=pin&rtype=s&maptype=0&rse=0&pin=

3 https://www.eia.gov/todayinenergy/detail.php?id=36312

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In 2018, there were 5,404,277 vehicles registered in Minnesota;[1] however, only 4,740 or .09 percent were EVs.[2] In other words, 99.1 percent of vehicles registered that year were not electric. Preferred ratemaking avoids cross-subsidies and cost shifting to ensure rates are just and equitable. Commissioners would have to disregard these goals to permit the operation of ratepayer-financed EV charging stations.

Before Xcel is authorized to own and operate public charging equipment, the Commission must be assured that any associated costs will not be passed along to incumbent utility customers. Rather, these costs should be embedded in the electric rates paid by EV drivers when they charge their cars at public stations. This way, electric vehicle owners pay for the electricity they consume, but also for the public refueling infrastructure they utilize. This financing model will ensure that there are at least some market forces at play. This is important because if the company is permitted to recoup capital costs
through utility rates, then it risks supplying far more charging infrastructure than the market actually demands. The Commission should draw a line in the sand on this point, as utilities do not need to operate public charging stations to ensure their existence. Now, if Xcel wants to use shareholder capital to deploy a network of uneconomic vehicle charging stations, that is its prerogative, and we would have no issues.

We have no objections to Xcel's involvement in this realm, so long as they do not rate base the costs associated with owning and operating EV charging stations. Drivers of traditional vehicles should not be forced to subsidize the deployment of electric refueling equipment for the convenience of a few. These subsidies are unfair and pass along unwarranted costs to utility consumers. But they also distort the marketplace for other clean transportation fuels, because the propane industry does not socialize the costs of its vehicle refueling infrastructure among non-users. EV drivers should pay their own way, just like propane autogas customers do.

Xcel's plan also includes a provision to provide financial rebates for the purchase of light-duty EVs as well as electric transit and school buses.[3] Under the proposal, $50 million would be allocated for light-duty passenger vehicles and $100 million for buses. While the majority of the bus funding would be set aside for Metro Transit, the utility would like to see at least $15 million spent on school buses between 2021-2025.[4] In the first year of the program, rebates for electric school buses would be worth between $275,000 and $325,000 depending on the applicant's willingness to participate in a future

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1 https://www.fhwa.dot.gov/policyinformation/statistics/2018/

2 https://afdc.energy.gov/data/10962

3 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B089C574-0000-C61F-8045-6B960AB7AB8A}&documentTitle=20209-166839-01

4 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B089C574-0000-C61F-8045-6B960AB7AB8A}&documentTitle=20209-166839-01

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vehicle-to-grid demonstration project.[1] And just like the EV charging stations, Xcel wants to treat these rebates as regulatory assets and include them in the rate base of a future rate proceeding.[2] So yet again, electric ratepayers are being asked to foot the bill.

The Commission should not permit this cost recovery mechanism, it is too excessive. It places an unreasonable burden on electric customers and results in anticompetitive behavior that puts other clean transportation fuels at a substantial disadvantage. The bus rebates are especially egregious. Minnesota is home to almost 900 propane autogas school buses.[3] School districts choose propane buses because they operate reliably in the state's cold climate; but also, because they reduce air pollutants (e.g., nitrogen oxides), lower the carbon intensity of transportation fuel, create a more comfortable cabin experience, and save school districts money.[45] Notably, propane buses achieve all of these benefits without impacting utility rates.

Transportation fuels should be allowed to compete for bus contracts without Commission interference. If electric school buses truly are a reliable means of transport and a cost-effective way to reduce emissions, then school districts will adopt them regardless of the availability of ratepayer subsidies to reduce the sticker price. Minnesotans already pay for the deployment and operation of school buses through their local and state tax contributions. They should not be asked to do so again through their utility bills. Simply put, this rebate financing scheme would not serve the public interest.

While a central tenet of this proceeding is to analyze investments utilities could make to help Minnesota recover from the economic downturn, allowing Xcel to compel captive customers to pay for a network of charging stations or electric vehicle and bus rebates will make it harder for the propane industry to make its own investments in the transportation sector and generate much needed economic activity. This is because the proposal creates an uneven playing field that is tilted towards EVs and EV refueling infrastructure.

Xcel believes its recovery investment plan balances the interests of the company, its customers, and the public.[6] However, the plan clearly favors the utility and its shareholders over its customers and the general public.

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1 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B089C574-0000-C61F-8045-6B960AB7AB8A}&documentTitle=20209-166839-01

2 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B089C574-0000-C61F-8045-6B960AB7AB8A}&documentTitle=20209-166839-01

3 https://propane.com/for-my-business/school-transportation/schools-that-use-propane/

4 https://cdn.propane.com/wp-content/uploads/2019/07/WVU-School-Bus-Emissions-Final-Report-June-2019.pdf

5 https://afdc.energy.gov/case/3075

6 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId=%7bB089C574-0000-C61F-8045-6B960AB7AB8A%7d&documentTitle=20209-166839-01

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As the Commission continues to evaluate appropriate areas for utility investment, we ask that you reject any plan from Xcel (or any other investor-owned utility) that is contrary to good ratemaking principles, unfair to electric ratepayers, and hinders the ability of the propane industry from making its own economic investments that can help produce a sustainable recovery for all Minnesotans.

Thank you again for the opportunity to provide comment.

Respectfully submitted,

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