

**STATE OF VERMONT  
PUBLIC UTILITY COMMISSION**

Case No. 19-3586-TF

Tariff filing of Green Mountain Power )  
Corporation for approval to implement two new )  
electric vehicle charging rates to be effective on )  
bills rendered on or after November 4, 2019 )

**GREEN MOUNTAIN POWER’S REPLY BRIEF**

Green Mountain Power (“GMP”) submits the following reply brief in further support of GMP’s proposed electric vehicle charging rates (“EV Rates”), and in response to the Department of Public Service’s (“DPS” or “Department”) brief.<sup>1</sup>

The Department’s brief does not contend that EV charging rates are currently a primary barrier to EV adoption. Indeed, the Department has acknowledged in testimony that other factors, including the up-front price, range anxiety, and EV model options remain the primary barriers. DPS’s brief also points to no data or studies which demonstrate that EV adoption is relatively elastic in relationship to the price of electricity for charging EVs. GMP’s existing Tier III incentive programs remain the best approach to encourage EV adoption—targeting the largest adoption barriers and leveraging ratepayer investment to create returns that benefit all customers to drive down costs. GMP’s EV Rates support these incentives by covering their costs, providing a fair incentive to participants, and netting a return of the incentives in the form of lower rates for all customers. DPS does not dispute that these proposed EV Rates are just and reasonable, and no evidence supports DPS’s proposed further discount. The Commission should approve the EV Rates as proposed. GMP provides a brief response to the primary points raised

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<sup>1</sup> GMP provides a brief response to certain of Mr. Andy Anderson’s arguments herein and otherwise stands on its initial briefs and testimony with respect to points raised by Mr. Anderson.

by the Department's brief below.

**I. The general rate design principles DPS highlights do not support the application of their proposed discounted rate.**

First, the evidence in this case makes clear: it is GMP's proposed rates, not the Department's, that have the greatest rate-reducing effect, generally, for all customers. The Department does not dispute this. Indeed, it agrees that substituting its discounted rate would forgo this rate-reducing benefit.<sup>2</sup> For this principle favoring lower rates, DPS looks to the context of ensuring just and affordable *general service* (e.g., widely available across all classes of customers) rates during a rate case.<sup>3</sup> Such an argument is unavailing and stands in contrast to what DPS proposes here—a discounted rate for specific end use that actually shifts costs onto general service ratepayers without any evidence that would justify doing so.<sup>4</sup> By contrast, GMP's proposal better advances this goal by reducing rates for all customers—EV customers see lower rates from the return of power supply benefits associated with controlled EV charging, and non-EV customers see reduced rates through the margin associated with increased sales.

Second, to the extent that “harvesting” the value of flexible loads can be viewed as a rate

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<sup>2</sup> Allen pf. at 8 (“I do not challenge the point that there is a significant opportunity to help reduce rates in the near term using the approach to rate design that GMP is advancing through their proposal. Rather, my view is that this benefit can still be achieved with deeper discounts, *albeit at a reduced level in the near term.*”) (emphasis added); 3/20/20 Tr. at 108–09 (Riley) (agreeing that GMP's proposal creates greater benefits for non-EV driving customers).

<sup>3</sup> DPS Brief at 7.

<sup>4</sup> Similarly, DPS's argument that EV rate discounts are warranted as a benefit to low-income Vermonters is wholly unsupported. First, there was no evidence in this proceeding that DPS's rate would benefit low-income customers. And second, as noted in GMP's post-hearing brief, the Commission has strongly disfavored such arguments when they involve cost-shifting rates as, “[l]ow-income Vermonters benefit greatly from this general principle, and would not necessarily benefit from its abandonment.” *Investigation into the adoption and implementation of energy programs for low-income households*, Docket No. 5308, *PUC Report and Closing Order* at 3, n. 10 (Mar. 9, 1993) (discussing variety of proposals for cross-subsidies and cost-shifts to assist different customer classes).

design principle, this is precisely what GMP's proposal achieves. GMP's EV Rates are designed around the power supply savings that a flexible and controlled charger creates. These savings are appropriate to pass on as a cost-based incentive. There is no inherent value in a flexible device beyond what can be measured and captured for the benefit of ratepayers.<sup>5</sup> The Department's policy argument that deeper discounts are required to encourage adoption of flexible devices is not justified or supported by record evidence. GMP's existing Tier III incentives already encourage and enable participation in GMP's controlled load programs. These incentives reflect the value of environmental benefits the Legislature identified for switching fossil-fuel vehicles to EVs. Additionally, GMP's pilot data does not indicate significant transmission and distribution systems issues are expected due to EV adoption.<sup>6</sup> Mr. Scott Anderson's testimony on this point was undisputed by the Department.

Third, the application of Ramsey pricing principles is not appropriate here. There is no evidence of the elasticity of EV purchases with respect to electricity prices—and certainly not the robust evidence of elasticity that has justified application of this principle in prior cases.<sup>7</sup> Ramsey pricing provides a framework to evaluate whether and when elasticity differences between customer classes justify differing rates. Absent any studies or data which demonstrate that the EV market is relatively price elastic, there is no basis to apply this principle here.<sup>8</sup> Further, the Department has consistently agreed with GMP that electricity pricing is not among

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<sup>5</sup> S. Anderson Rebuttal at 10–11.

<sup>6</sup> S. Anderson Rebuttal at 27.

<sup>7</sup> *See, e.g.*, Prefiled Direct Testimony of Scott Anderson in Case No. 18-2850-TF at 26–27 (Exh. DPS-8) (describing application of Ramsey pricing in the context of a full embedded cost-of-service study, where the extreme price sensitivity of a very large single-class customer with significant worldwide cost competition and locational discretion warranted a modest rate decrease).

<sup>8</sup> 3/20/2020 Tr. at 111–12 (Allen); Allen pf. at 19 (noting that “we are in uncharted territory in relation to estimating consumer responsiveness to price decreases.”)

the current primary barriers revealed in surveys on EV adoption.<sup>9</sup>

**II. The Department's proposal creates an undue cost shift and fails to account for the benefits of existing EV incentives.**

The evidence is also clear that DPS's proposed rate covers only the embedded production cost of residential service, and fails to account for transmission, distribution, and other fixed and operating costs that will serve the EV charging load. This is a cost shift, and other GMP customers would pay for this shortfall in the form of higher rates than would otherwise be necessary if GMP's cost-based rates were adopted. The Department's brief does not explain how this gap—the DPS rate is 42% lower than GMP's cost-based rate—would not significantly impact other ratepayers.

The discount from Rate 1 (where this load would otherwise reside) that the Department proposes is \$0.08893/kWh, which is 2.5 times the \$0.03523/kWh capacity value of managing these EV chargers.<sup>10</sup> The Department does not dispute this actual value of load management. Providing such an over-compensated price discount is analogous to “buying” the capacity for \$2.50 from the EV participant in order to save \$1.00 in wholesale capacity costs. This over-cost “purchase” of capacity on behalf of customers is inconsistent with the State energy policy cited by the Department, which encourages provision of service to *all customers* at minimum or least cost.<sup>11</sup> This is particularly true when recognizing that Tier III incentives already take into account environmental benefits associated with EV adoption.

DPS pivots from the cost-shifting argument to expressing concern about overall

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<sup>9</sup> Allen pf. at 9; S. Anderson Rebuttal at 5; 3/20/2020 Tr. at 76 (S. Anderson) (discussing VT Dept. of Trans. survey which did not list operating costs as an EV barrier), 109 (Allen);

<sup>10</sup> S. Anderson pf. at 6; S. Anderson Rebuttal at 16, 22.

<sup>11</sup> DPS Brief at 12 (citing Allen testimony, which quotes 30 V.S.A. § 202(a) & (b)).

participation in the proposed EV Rates. This concern misconstrues Scott Anderson’s testimony on anticipated participation rates.<sup>12</sup> In the portion of the transcript cited, Mr. Anderson was responding to Commission questions about Rate 74, the time-of-use (“TOU”) EV Rate, relative to GMP’s existing whole-house TOU rates.<sup>13</sup> There is no basis in the record to view Mr. Anderson’s response that the TOU Rate 74 was unlikely to see much participation as also referring to Rate 72 and adoption of the EV Rates generally.<sup>14</sup>

The Department’s policy position also does not take into account the already-existing EV incentives paid for by non-participating customers which benefit EV customers and address the very concerns DPS raises. For example, GMP’s free Level 2 charger program reduces the up-front cost of moving to an EV—the established primary adoption barrier—while also enabling participation in GMP’s EV Rates with the appropriate equipment and by providing GMP with a customer contact where the EV rates can be explained to the customer. Unlike DPS’s proposal, these current incentives target current barriers<sup>15</sup> in order to maximize adoption and increase future net revenue which benefits all customers, including non-EV customers, in alignment with the State policy that energy transformation benefits all Vermonters and implements least cost planning.<sup>16</sup> GMP is pursuing this comprehensive set of programs to both promote EVs and

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<sup>12</sup> DPS Brief at 11.

<sup>13</sup> 3/20/20 Tr. at 74 (S. Anderson).

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

<sup>15</sup> DPS and Mr. Andy Anderson both contended that a lower rate would incentivize EV purchases despite the fact that electric prices are already favorable to gas prices, and GMP’s proposed EV Rates will increase this existing benefit. Mr. Anderson further claims in reply that GMP’s price comparison did not accurately characterize this advantage, but that is not supported by the record. Vehicle consumption varies widely, as do the assumptions in making such a fuel comparison; GMP reasonably applied a statewide fleet average. S. Anderson Rebuttal at 28–29.

<sup>16</sup> 30 V.S.A. §§ 202(a), (b); 30 V.S.A. § 218c; 30 V.S.A. § 8001(a) (declaring that State renewable energy programs should “ensure that to the greatest extent possible the economic benefits of renewable energy in the State flow to the Vermont economy in general, and to the rate-paying citizens of the State in particular.”).

ensure that all customers benefit from, and are not harmed by, increased EV electricity sales. GMP's proposed EV Rates are an important part of this comprehensive effort and should be approved as proposed.

### **III. Conclusion**

The record evidence demonstrates that the tariffs proposed by GMP are just and reasonable. The Department does not dispute this but does ask that the proposed rate discounts go further. The briefing from both parties highlights that neither the record evidence nor our current understanding of the EV marketplace supports the Department's proposal. At this time, GMP's EV Rates continue the efforts of all the parties to advance EV adoption while benefitting all customers. GMP therefore respectfully requests that the Commission approve the proposed tariffs.

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GREEN MOUNTAIN POWER

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