September 17, 2018

State of Iowa
Department of Commerce
Utility Board

RE: ELECTRIC VEHICLE INFRASTRUCTURE
DOCKET NO. RMU-2018-0100

Chairwoman Huser, board members Wagner and Lozier.

On behalf of more than 47,000 Americans for Prosperity activists in Iowa, as well as ratepayers across the Hawkeye State, I write today to urge the Utilities Board to carefully consider the rights and interests of all ratepayers as it ponders new rules concerning the deployment and operation of electric vehicle infrastructure across the state.

1. Specific Comments re: Interstate Power and Light Company-Iowa 80 Truckstop.

First, consider that Iowa law specifies:

A. "476.78 Cross-subsidization prohibited. A public utility shall not directly or indirectly include any costs or expenses attributable to providing nonutility service in regulated rates or charges."

B. "476.79 Provision of nonutility service. 1. A public utility providing any nonutility service to its customers shall keep and render to the board separate records of the nonutility service. The board may provide for the examination and inspection of the books, accounts, papers, and records of the nonutility service, as may be necessary, to enforce any provisions of this chapter."

Therefore, and because the resale of electricity by a gas station to EV customers unequivocally constitutes a "nonutility service," it is a reasonable conclusion that any equipment installed by a gas station to re-sell the electricity is also a "nonutility service."

Furthermore, bearing in mind that the cross-subsidization provision precludes utilities from funding EV charging stations or transformer upgrades to allow a customer to re-sell electricity for EVs; to the extent that Interstate Power and Light has incurred and sought recovery of those costs at Iowa 80 Truckstop[1] or any other facility in the state, the cost of those expenditures may not be passed along to electric ratepayers. Consequently, if ratepayers have already wrongfully incurred those costs, the costs must be refunded to customers.

[1] Jeffrey Tomich, "Iowa begins tackling EV-charging hurdles" E&E News, September 4,2018.

Another point that warrants your close consideration has to do with demand charges. Under existing Interstate Power and Light general tariffs[2], the costs to cover the additional capacity to operate the FAST charging stations are prohibitive. Assuming the six new FAST charging stations each draw ~20-120kW and they are used simultaneously, this translates to a monthly fee of ~$18-108k ($216k-$1.3M/yr.) for the gas station to pay the utility to serve the load. Naturally, the gas station would have to pass along those cost to EV owners, which in turn would make it prohibitive.

As a matter of fairness, the Board should clarify that utilities should not allow the gas stations to escape those costs and force other ratepayers to cover the demand/capacity costs. Moreover, since these stations will increase peak demand, the Board should not create a new rate structure or inappropriately allow the customer to utilize an existing rate structure that does not cover these costs to service the load. To do so would violate Iowa state law and harm Iowa ratepayers.

2. Comments regarding Electric Vehicle Infrastructure in general

As the Board deliberates and ponders the broader issue of new rules concerning electric vehicles and its charging infrastructure, we respectfully offer the following policy framework with the purpose of informing the discussion in the interest of protecting ratepayers and consumers from program designs and rules that promote corporate welfare and regressive cross-subsidization.

Our core concern has to do with the blueprint that is being promoted across many states, where Investor Owned Utilities (IOUs) seek to position themselves into the electric vehicle charging infrastructure business, forcing captive ratepayers to underwrite a utility incursion into a service that has nothing to do with its main business of providing safe, adequate and reliable electricity service. These companies have no authority to recover costs of investments that go beyond supplying electricity to the customer's meter.

Moreover, it can reasonably be argued that such state programs hinder, rather than promote the development of a competitive electric vehicle charging market. There are no market barriers to deployment of EV charging stations. Any customer seeking to install an EV charging station can contact suppliers of these services to complete the installation, just as they would contact an HVAC contractor to install an air conditioning system. So, if the goal is to promote the expansion of this infrastructure, the incursion of regulated utilities in this market is detrimental to that goal.

The main problems associated with the top-down approach of ratepayer financed infrastructure has to do with fairness and equal rights of consumers. Considering that Iowa's two IOUs have a total of 1,158,654 customers[3], but there are only 1610 Plug-in electric vehicles (PEVs)[4] in the state, this would mean that any investments from the IOUs in this segment of the market would be a direct subsidy from 99.87 percent of the customers to 0.13 percent of them, this is assuming that all PEVs in Iowa are under IOU service territories.

It is also important to consider that there are more that 3.6 million registered motor vehicles in our state, which is to say that there is 1 PEV for every 2,277 vehicles in the state, amounting to 772 households per PEV.[5]

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[2] Interstate Power and Light Company, Second Substitute Twelfth Revised Sheet No. 26 Canceling Eleventh Revised Sheet No. 26 ORIGINAL TARIFF NO. 1. Rate Codes: 440, 447, 480, 487

[3] The Iowa Utilities Board (IUB) Iowa's Electric Profile https://iub.iowa.gov/electric-profile

[4] Electric Vehicles in Iowa- Plug in America

[5] Iowa Department of Transportation and United States Census Quick Facts

Additionally, it is a well-documented fact that PEVs owners tend to overwhelmingly be in the top income quintile. A study by Severin Borenstein and Lucas Davis from the University of California, Berkeley, shows that 90% of plug-in car credits were received by those with highest income.[6]

For example, assuming, that the state has 400 gas stations and that they all get the necessary transformer upgrades needed to install fast-charging stations, at a cost of $400,000 per station, that cost alone would amount to more than $160 million (not including the actual charging equipment). In this context, is it fair for 99.8 percent of ratepayers to pay for infrastructure that is going to benefit 0.13 percent of customers? Absolutely not.

Contrast the decidedly regressive above-mentioned subsidy scheme with the fact that more than 154,000 households in Iowa are facing an unfordable energy burden of between 21 and 40 percent of their annual income. In other words, 12.3 percent of households in our state struggle to pay for their energy needs.[7]

Also, the Board should consider that the federal government and the state of Iowa, respectively, apply taxes to each gallon of gasoline and diesel fuel sold, in the amount of 18.4 cents per gallon of gasoline (federal), 24.4 cents per gallon of diesel (federal), 30.7 cents per gallon of gasoline (state), and 32.5 cents per gallon of diesel (state).[8] These taxes add roughly 20% to the cost of transportation fuel but fund numerous federal and state programs. Conversely, there is no federal tax on electricity and the state tax on electricity is less than one-third of the combined federal and state taxes on liquid transportation fuel.[9] Is the Board planning to recommend an increase in taxes on electricity to offset the significant loss in revenue? Alternatively, is the Board going to recommend that the State significantly reduce or eliminate the disproportionate state tax on liquid transportation fuel?

Considering these facts, we simply request that the Board strictly adheres to the principle of non-discrimination in its rulemakings going forward. All ratepayers have the same rights, therefore no transportation electrification projects should rely on captive ratepayers subsidizing PEV owners, as it is the case in California[10] or Massachusetts[11],amongst others.

We thank you for the opportunity to address this critical issue, and we look forward to a rule that leaves the doors of innovation and competition wide open by not yielding to calls for corporate welfare and regressive subsidization.

If we can be of any assistance, please do not hesitate to reach out directly to me at: DKlein@afphq.org

Thank you for your time and consideration.

Sincerely,
Drew Klein
State Director
Americans for Prosperity-Iowa

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[6] The Distributional Effects of U.S. Clean Energy Tax Credits Severin Borenstein and Lucas Davis. University of California-Berkeley. http://ei.haas.berkeley.edu/research/papers/WP262.pdf

[7] Fisher, Sheehan, and Colton. The Home Energy Affordability Gap 2017. 2nd Series. Published April 2018.

[8] U.S. Energy Information Administration. https://www.eia.gov/petroleum/marketing/monthly/xls/fueltaxes.xls

[9] State of Iowa. https://tax.iowa.gov/sites/files/idr/Fiscal%20Year%202017%20Annual%20Report.pdf

[10] PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA PROPOSED DECISION Application 17-01-020. Application 17-01-021 Application 17-01-022. http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M215/K380/215380424.PDF

[11] NOAH GARCIA , Massachusetts Approves New EV Program https://www.nrdc.org/experts/noah-garcia/massachusetts-approves-new-ev-program