PACIFIC PROPANE GAS ASSOCIATION

June 10, 2021

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: PGE's Advice No. 21-09, New Schedule 56, Fleet Electrification Make-Ready Pilot; Case No. ADV 1261.

COMMENTS OF THE PACIFIC PROPANE GAS ASSOCIATION

On behalf of the Pacific Propane Gas Association (PPGA), which represents propane marketers, suppliers, and equipment manufacturers across Oregon, we appreciate the opportunity to provide comments in this proceeding on the transportation electrification (TE) plan submitted by Portland General Electric (PGE). Our members provide clean-burning and critical energy to residential, commercial, and agricultural customers in the state. Oregon's propane industry generates more than $541 million in economic activity annually.[1]

While Oregon'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's refueling infrastructure is financed only by the industry and the customers who utilize it. This fact is important and in contrast to some electric vehicle (EV) charging infrastructure that has come to fruition with the help of electric ratepayers. Given this, PPGA has a unique interest in PGE's plan to promote the electrification of the transportation sector.

PGE is seeking Commission approval for programs to spur the adoption and deployment of EVs and vehicle charging equipment by fleet customers throughout its service territory.[2] Although the utility is also advancing residential charging programs, my comments will focus primarily on aspects of the commercial pilot in this docket, as it covers a market segment more readily served by the propane industry.

The company wants to entice public fleets, commercial fleets, transit operators, and school districts to adopt electric vehicles and hasten the electrification of the transportation sector.[3] It hopes to create custom financial incentives that, in some cases, could be worth up to $750,000 for participating customers.[4] These incentives would help offset make-ready EV infrastructure expenses customers would otherwise be liable for, including costs associated with: project management; permitting and trenching

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

[2] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[3] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[4] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

on the utility side of the meter; engineering, construction, and installation on the customer of the meter; and electrical line extensions.[5] And with the exception of the electric vehicle supply equipment, the utility proposes to own the make-ready assets behind the customer's meter.[6] This ownership structure differs from the traditional utility practice of only owning assets up to and including the electric meter.

PGE has budgeted $9 million for this TE pilot.[7] It, however, estimates that the net present value (NPV) cost of this initiative, which includes unbudgeted items such as the cost to supply energy, is $17.4 million; these costs would then be recovered in future rate cases.[8] At the same time, the pilot is expected to produce only $15.4 million in NPV customer benefits.[9] Using a ratepayer impact measure (RIM) test, this proposal garners a 0.88 benefit-cost ratio. As the RIM score is below 1.0, from a general ratepayer perspective, the costs of the program outweigh the benefits. And importantly, net benefits, in this case, should only include quantifiable proceeds, such as incremental revenues. While some positive environmental outcomes may also be achieved, it would be inappropriate to include them in a calculation used to show how this undertaking directly impacts electric customers, as these ancillary items have no bearing on the program's economics.

Although the company maintains that most of these EV projects will not require upgrades to its electrical distribution system, it does acknowledge that significant distribution system upgrades could be possible for some of the larger sites.[10] Of course, should additional distribution upgrades be necessary, the pilot's overall cost estimate could be affected further.

Undoubtedly, this EV pilot is advantageous for participating customers, as they will be on the receiving end of financial subsidies to reduce costs associated with fleet electrification. The same cannot be said for general ratepayers who are being asked to help finance the TE program though. Public and private entities that wish to host charging equipment should be expected to fully cover the requisite costs that accompany such an energy choice. However, by shifting more costs to base rates, increasingly, ordinary electric customers are being asked to finance larger portions of EV deployment schemes. Electric rate design should not incentivize the deployment of vehicle charging stations by shifting costs in this manner.

While the Commission must ultimately determine if these EV infrastructure incentives are reasonable and necessary, we contend that they are unreasonable and excessive. Fleet operators simply do not require a financial crutch of this magnitude to transition their vehicles to electricity. This program also risks exacerbating free-ridership issues, where electric customers subsidize charging equipment for companies that would have electrified their fleets anyway, even if such utility incentives did not exist.

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[5] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[6] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[7] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[8] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[9] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[10] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

Making incumbent customers, including Oregonians of limited means and those on fixed incomes, face increased energy bills to pay for the deployment of charging equipment along these lines does not serve the public interest. And of course, because utilities operate as monopiles in defined geographic areas, customers cannot shop around for competing service, so they are forced to swallow price increases.

In addition to burdening utility customers, these EV subsidies are also anticompetitive and distort the marketplace for other clean transportation fuels. The propane industry, for example, does not socialize the costs of its vehicle refueling infrastructure in this fashion, yet must compete against entities that do.

Oregon is home to more than 1,000 clean, propane autogas school buses – the fourth most of any state.[11] School districts choose propane buses because they are reliable, decrease emissions, and improve air quality;[12] they also reduce operating costs and save schools money.[13] Notably, autogas buses achieve all of these benefits without impacting utility rates. However, by artificially reducing the price to adopt electric school buses, as PGE proposes in this case, propane is placed at a considerable disadvantage when competing for district contracts. Clean vehicle fuels should be allowed to freely and fairly compete for transportation contracts.

Oregonians already pay for the deployment and operation of school buses through their local and state tax contributions.[14] It is unfair to expect them to do so again through their utility bills. If electric cars, trucks, and buses are a reliable means of transport and a cost-effective way to reduce emissions, then businesses, school districts, and municipalities will adopt them regardless of the availability of financial incentives to reduce the cost of the charging infrastructure. Our members have no quarrels with utility involvement in the transportation sector so long as costs are fairly assigned and EV customers pay their own way, just like autogas customers do.

The utility discusses various environmental benefits that would be achieved if its TE pilot is approved, including a reduction in both criteria air pollutants and greenhouse gases.[15] Unquestionably, these are good things. But it should be noted that by displacing traditional vehicle fuels (e.g., gas, diesel) with propane, which burns cleanly and has a low-carbon content, we can also achieve these goals in a cost-effective manner.[16]

As the RIM score emphasizes, PGE's current proposal is too excessive and burdensome on utility customers. At the very least, the size and scope of the TE pilot should be reduced. The Commission can be assured that if the program is approved, in its current form, it will hurt Oregon's propane industry

[11] https://propane.com/for-my-business/school-transportation/schools-that-use-propane/

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

[13] https://afdc.energy.gov/case/3075

[14] https://www.oregonlegislature.gov/citizen_engagement/Reports/FundingK12Schools.pdf

[15] https://edocs.puc.state.or.us/efdocs/UAA/adv1261uaa15156.pdf

[16] https://www.eia.gov/tools/faqs/faq.php?id=73&t=11

and the workers it supports by making it harder for autogas marketers to make their own investments in the transportation sector.

As the Commission continues to investigate Portland General Electric's transportation electrification proposal, we ask that you closely scrutinize it and curtail provisions that are contrary to good ratemaking principles, unfair to electric ratepayers, and distort the marketplace for other clean transportation fuels, like propane autogas.

Thank you again for the opportunity to provide comment.

Respectfully submitted,

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