

# HOUSE BILL REPORT

## SHB 1853

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### As Passed Legislature

**Title:** An act relating to utility leadership in electric vehicle charging infrastructure build-out.

**Brief Description:** Encouraging utility leadership in electric vehicle charging infrastructure build-out.

**Sponsors:** House Committee on Technology & Economic Development (originally sponsored by Representatives Magendanz, Bergquist, Morris, Muri, Tarleton, Fitzgibbon and Tharinger).

#### **Brief History:**

##### **Committee Activity:**

Technology & Economic Development: 2/10/15, 2/17/15 [DPS].

##### **Floor Activity:**

Passed House: 3/5/15, 71-27.

Senate Amended.

Passed Senate: 4/15/15, 33-16.

House Concurred.

Passed House: 4/24/15, 67-31.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Authorizes the Utilities and Transportation Commission to allow a rate of return on investment on capital expenditures for electric supply equipment that is deployed for the benefit of ratepayers.

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### HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Fey, Harmsworth, Magendanz, Nealey, Ryu, Santos, Wylie and Young.

**Minority Report:** Do not pass. Signed by 1 member: Representative Hudgins.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Nikkole Hughes (786-7156).

**Background:**

The Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) regulates the rates, services, and practices of privately-owned utilities and transportation companies. Among the companies under regulation by the UTC are electrical and natural gas companies. The UTC is required to ensure that rates charged by these companies are "fair, just, and reasonable."

Rate of Return on Investment.

Under regulation by the UTC, the rates to be charged by privately-owned utilities are calculated from a utility's rate base and rate of return allowed on its rate base. A utility's rate base is the total nondepreciated value of its property and equipment used to provide utility service to ratepayers. "Rate of return" is the level of profit and the cost of debt that a utility is allowed to return on its rate base through rates charged to utility customers.

In establishing rates for gas and electrical companies, the UTC must allow an incentive rate of return on investment for certain programs or projects, including those to improve the efficiency of energy end-use or to generate renewable energy. The incentive rates of return on investment to be allowed under current law are established by adding an increment of 2 percent to the rate of return on common equity permitted on the company's other investments.

**Summary of Substitute Bill:**

In establishing rates for gas and electrical companies, the UTC must consider policies to improve access to and promote fair competition in the provision of electric vehicle supply equipment (EVSE) build-out. These policies may include, but are not limited to, allowing a rate of return on investment on capital expenditures for EVSE that is deployed for the benefit of ratepayers, provided that the capital expenditures do not increase costs to ratepayers in excess of 0.25 percent.

A rate of return on investment for EVSE build-out may only be allowed if the company chooses to pursue capital investment in EVSE on a fully regulated basis similar to other capital investments behind a customer's meter. The incentive rate of return is established by adding an increment of up to 2 percent to the rate of return on common equity permitted on the company's other investments.

Eligible capital investments in EVSE are limited to those that are installed after July 1, 2015, and which are expected to result in real and tangible EVSE being installed and located where electric vehicles are most likely to be parked for intervals longer than two hours.

A rate of return on investment for EVSE build-out may only be earned for a period up to the depreciable life of the asset. When the capital investment has fully depreciated, an electrical company may gift the EVSE to the owner of the property on which it is located.

By December 31, 2017, the UTC must report to the Legislature with regard to the use of any incentives allowed for EVSE, the quantifiable impacts of the incentives on actual electric vehicle deployment, and any recommendations to the Legislature about utility participation in the electric vehicle market.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill is a great first step to clarifying the UTC's role in relation to electric vehicles. Rather than importing gasoline and oil from out of state, this is a first step to supplying our own energy for the transportation sector. This bill would leverage the state's clean energy profile to reduce greenhouse gas emissions from transportation. Utilities can play a similar role in transportation as they have in financing energy efficiency. There needs to be more connectivity between vehicle electrification and utilities.

(Neutral) State law already has policies promoting electric vehicles. The UTC has recently taken steps to encourage utility participation in electric vehicle charging. In approving a pilot program for Puget Sound Energy, the UTC identified potential benefits of electric vehicle build-out to all ratepayers. This bill could include a reporting requirement to the Legislature by the UTC, as well as policies pertaining to consumer-owned utilities.

(Opposed) None.

**Persons Testifying:** (In support) Representative Magendanz, prime sponsor; Steve Marshall, Center for Advanced Transportation and Energy Solutions; Isaac Kastama, Washington Business Alliance; and J.J. McCoy, Northwest Energy Coalition.

(Neutral) Lauren McCloy, Washington Utility Transportation Commission.

**Persons Signed In To Testify But Not Testifying:** None.