

**BEFORE THE
MARYLAND PUBLIC SERVICE COMMISSION**

BALTIMORE GAS AND ELECTRIC
COMPANY'S APPLICATION FOR AN
ELECTRIC SCHOOL BUS PILOT
PROGRAM

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Case No. 9696

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SURREBUTTAL TESTIMONY

OF

COURTNEY LANE

ON BEHALF OF THE OFFICE OF PEOPLE'S COUNSEL

September 26, 2023

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1 **Q. Was this testimony prepared by you or under your direction?**

2 A. Yes. My testimony was prepared by me or under my direct supervision and
3 control.

4 **I. Summary of Conclusions and Recommendations**

5 **Q. Please summarize your primary conclusions and recommendations.**

6 A. My primary conclusion is that while BGE’s rebuttal testimony identifies
7 some improvements to its electric school bus (EVSBS) pilot program
8 proposal, including additional reporting metrics and commitments to
9 underserved and health-impacted communities, BGE’s proposal for an
10 EVSB pilot—as described in its application and testimonies filed in this
11 case—still does not meet the funding requirements of state’s *Climate*
12 *Solutions Now Act* (CSNA),¹ does not meet the criteria for an approvable
13 pilot, and contains a flawed cost recovery method.

14 My primary recommendation is that the Commission reject BGE’s proposal
15 in its current form and require the Company to refile its proposal with the
16 following modifications and additions:

- 17 • A revised program budget where the combined funding request
18 associated with EVSB rebates, chargers, charger installation, and

¹ Climate Solutions Now Act of 2022 (CSNA), 2022 Md Laws Ch. 38 (codified in relevant part at Md. Code Ann., Pub. Util. Art. (PUA) § 7-217).

1 general and administrative (G&A) funding is within the \$50 million
2 dollar rebate limit as defined in the CSNA;²

- 3 • At least one proposal for an initial vehicle-to-everything (V2X)
4 demonstration project;
- 5 • The additional evaluation metrics as described within my direct
6 testimony that BGE indicates it will track;³
- 7 • The draft education and outreach plan as included in Company
8 Exhibit KFG-2; and,
- 9 • A larger allocation of pilot funding for underserved communities.

10 My recommendations related to the Company's cost-recovery proposal
11 remain unchanged from my direct testimony. They include:

- 12 • If the Commission approves BGE's Application for an Electric and
13 Gas Multi-Year Plan (MYP 2) in Case No. 9692 and approves the
14 recovery of the EVSB pilot program costs in that plan, then non-
15 capital costs of the EVSB pilot should be expensed in the year they
16 occur, and capital costs related to line-side make-ready work should
17 be treated the same as other capital costs.
- 18 • If the Commission denies approval of the MYP 2 or rejects the
19 Company's request to include EVSB pilot program costs in that case,

² PUA § 7-217(c)(4).

³ Groncki Rebuttal Testimony at 3, lines 3-31.

1 the Company should be permitted to track its EVSB pilot program
2 costs as a regulatory asset to be considered for cost recovery in a
3 future proceeding; however, BGE should not be permitted to earn a
4 rate of return on non-capital costs. The Commission should make
5 clear that the regulatory asset is to be used for tracking purposes and
6 that its creation does not address BGE cost recovery.

7 **II. Response to BGE Witness Groncki**

8 **A. EVSB Pilot Program Budget and Adherence to CSNA**

9 **Q. How does Ms. Groncki respond to your assertion that BGE's proposed**
10 **budget does not comply with the CSNA's \$50 million cap?**

11 A. Ms. Groncki states that while the language in the statute is ambiguous, the
12 Company believes the legislative intent was to apply the \$50 million rebate
13 limit only to school buses based on an illustrative example included in the
14 Fiscal and Policy Note associated with the initial bill.⁴

15 **Q. Does this change your opinion?**

16 A. No, it does not. The conclusions contained within my direct testimony are
17 based on the actual definitions of the terms "rebate" and "program costs"
18 contained in the CSNA and not an illustrative example.

⁴ Groncki Rebuttal Testimony at 12, lines 9-22.

1 As noted in my direct testimony, the CSNA defines the non-rebate
2 component of “program costs” as “any costs to deploy appropriate electric
3 school bus charging infrastructure that are *incurred by an investor-owned*
4 *electric company in implementing an electric school bus pilot program*
5 [emphasis added].”⁵ This definition is not ambiguous. It makes clear that
6 non-rebate costs are only those “incurred by an investor-owned electric
7 company” in implementing an EVSB pilot program. Therefore, only the
8 costs associated with the Company’s administration of the EVSB pilot
9 program and the necessary utility infrastructure up to the customer meter
10 (i.e., line-side make-ready work) are included within “program costs.” The
11 additional EVSB pilot program costs related to financial incentives for
12 EVSBs, EVSE (chargers), EVSE installation (load-side make-ready), and
13 G&A should all be included within the definition of a “rebate” and subject
14 to the \$50 million funding limit on “total rebates” because these incentives
15 pertain to costs that would otherwise be incurred by the customer.

16 For these reasons, I continue to recommend that the Commission require
17 BGE to propose a revised EVSB pilot program where the combined funding
18 request associated with EVSB, EVSE, EVSE installation (also referred to as

⁵ Direct Testimony of Courtney Lane at 22, lines 10-17.

1 "load-side-make-ready"), and G&A rebates falls within the \$50 million
2 rebate limit.

3 **Q. If the Commission determines that BGE's interpretation of the CSNA is**
4 **correct, should the EVSB pilot program proposal be approved as filed?**

5 A. No. Even if the Commission determines that the \$50 million rebate limit
6 applies exclusively to EVSB rebates, the Company has still not justified the
7 magnitude of its proposed program. The CSNA does not require BGE to
8 spend \$50 million on EVSB rebates, nor does it prescribe a recommended
9 funding level. Instead, the CSNA requires an EVSB pilot program to
10 provide for at least 25 EVSBs.⁶

11 The Company should be required to provide sufficient justification to
12 demonstrate that an EVSB pilot program that goes beyond the minimum
13 number of EVSBs as required in the CSNA is reasonable and in the best
14 interest of ratepayers. The state's transition to EVSBs can be supported by
15 federal and state funds and potentially through partnerships with the private
16 market. However, unlike sources of funding derived from federal or state
17 taxes, utility electric rates are highly regressive, meaning customers pay the
18 same amount regardless of their income. For these reasons, BGE should
19 demonstrate why the size of its EVSB pilot program is reasonable given

⁶ PUA §7-217(c)(2).

1 federal, state, and private market funding, existing EVSBs in its service
2 territory, annual demand for EVSBs, and schools that are ready to electrify.

3 **Q. What conclusions did you make in your direct testimony related to**
4 **BGE's justification for the magnitude of its proposed EVSB pilot**
5 **program.**

6 A. I stated it is not possible to assess whether BGE's request to incentivize 204
7 EVSBs is reasonable given the lack of baseline information provided by the
8 Company related to the number of fossil-fuel-powered buses and EVSBs
9 currently serving school systems in its service territory.⁷ This conclusion
10 was based on Company discovery responses indicating that BGE did not
11 have information pertaining to the annual turnover of new bus purchases for
12 school systems in its service territory⁸ and did not know how many school
13 buses are in the Baltimore City Public School System or the percentage of
14 buses its fleet of 25 EVSBs represents.⁹

15 **Q. Has BGE since acquired your recommended baseline data?**

16 A. In part, yes. While the Company has not yet identified the number of fossil-
17 fuel-powered school buses in underserved communities and health-impacted
18 communities, or the number of school systems interested in or ready to

⁷ Lane Direct Testimony at 41, lines 14-18 and 42, lines 1-3.

⁸ Lane Direct Testimony at 41, line 18 and 42, lines 1-2.

⁹ *Id.*, at 42 lines 7-10.

1 electrify school bus fleet and associated number of buses, it has compiled
2 other key data points.

3 According to Ms. Groncki, BGE now has information related to the number
4 of fossil-fuel-powered school buses and EVSBs by school system its service
5 territory, the average number of school buses purchased per year, the
6 number of school buses retired per year, and school systems that received
7 U.S. EPA grant funds for EVSBs.¹⁰ She indicates that approximately 3,000
8 school buses operate within BGE's service territory and of those
9 approximately (on average) 250 buses are retired annually within the
10 Company's service territory.¹¹ Ms. Groncki then calculates the percentage of
11 the total statewide bus fleet that BGE's proposal for 204 EVSBs represents,
12 which is approximately 3 percent of the total statewide school bus fleet and
13 9 percent of the buses that will be retired during the course of the pilot.¹²

14 **Q. What is your response to this new baseline data?**

15 A. I appreciate that the Company obtained this data to provide more visibility
16 related to the number of school buses in its service territory and the existing
17 penetration of EVSBs. This information provides valuable insight into the
18 relative size of the EVSB pilot program and will be beneficial in tracking the

¹⁰ Groncki Rebuttal Testimony at 11, lines 5-13.

¹¹ *Id.* At lines 17-20.

¹² *Id.*, at 12, lines 3-5.

1 impact of the program over time. However, I find that witness Groncki's use
2 of statewide statistics understates the magnitude of BGE's proposed EVSB
3 pilot program. When school bus data specific to BGE's service territory is
4 used, the proposal for 204 EVSBs represents 20 percent of the buses that
5 will be retired within BGE's service territory over the course of the pilot.¹³
6 This is more than two times the 9 percent figure provided by witness
7 Groncki.

8 **Q. Considering this data, do you continue to have concerns related to the**
9 **size of BGE's proposed EVSB pilot program?**

10 A. Yes. First, as indicated in my direct testimony, the size of BGE's proposed
11 EVSB pilot program is significantly larger than other utility EVSB pilots
12 outside of Maryland and greatly exceeds the minimum size requirements in
13 the CSNA.¹⁴ The additional data contextualizing the number of EVSBs BGE
14 plans to incentivize within the total number of school buses in its service
15 territory only amplifies this concern. Proceeding with a large-scale offering
16 prior to testing various approaches to program design and implementation
17 circumvents the purpose of a pilot. The goal of a pilot is to learn in order to
18 determine if it is appropriate to continue the offering, in whole or in part, as
19 a full scale program.

¹³ Assumes 250 buses are retired annually within BGE's service territory every year of the 4-year pilot (1,000 total buses retired).

¹⁴ Lane Direct Testimony at 25, Table 3.

1 Second, I continue to disagree with the way BGE designed its EVSB pilot
2 program. Instead of developing the EVSB pilot to test an idea or program
3 design to help determine whether a continuing or larger-scale program
4 should be pursued in the future, BGE developed its program to spend the
5 maximum amount of funding it perceives it can spend under the CSNA.¹⁵

6 **B. Vehicle to Grid Demonstration**

7 **Q. What is the Company's response to your recommendation that the**
8 **Commission require BGE to include at least one specific plan for a V2X**
9 **demonstration?**

10 A. Although Ms. Groncki states that the CSNA does not require a V2X
11 demonstration plan as a prerequisite for approval of an EVSB pilot, she does
12 provide a general description of BGE's intent to initially conduct V2X
13 operations during summer peak to demonstrate incremental load relief,
14 noting that the location of the bus or buses on the distribution grid may not
15 be specifically where there is the most demand for load relief. She further
16 notes that BGE prefers to continue assessing the number of distinct V2X
17 operation events that would be suitable for this first seasonal demonstration.
18 Finally, witness Groncki states that BGE will continue to develop and assess
19 other V2X demonstration activities.¹⁶

¹⁵ Lane Direct Testimony at 25, lines 6-11 and 43, lines 7-10.

¹⁶ Groncki Rebuttal at 5, lines 1-23 and 6, lines 1-5.

1 **Q. Do you find this additional information on the potential use of V2X**
2 **sufficient?**

3 A. While I appreciate that BGE has identified the V2X capability it intends to
4 test first, I still find the proposal lacking. The Company has not provided
5 any information related to the timeline, the number of buses, how it will
6 select the bus(es) and location(s), identification of data to be collected and
7 how it will be collected, recruitment strategy for participants, how it will
8 measure and evaluate performance, and the cost of the demonstration. In
9 addition, if the Company intends to examine the ability of V2X to provide
10 load relief, it should identify where on the system that relief is needed and
11 design a demonstration project to test whether V2X can achieve the required
12 reductions in load. As indicated in my direct testimony, BGE could
13 proactively identify a location and reach out school systems and school bus
14 contractors to determine whether any of these entities would be willing to
15 partner for a V2X demonstration.¹⁷

16 **Q. Is it reasonable to request BGE to include this level of detail for a V2X**
17 **demonstration project as part of its EVSB pilot program application?**

18 A. Yes. In my direct testimony I include several examples of utility V2X pilot
19 proposals that provide details related to timing, scope, budget, participants,
20 objectives, and evaluation metrics. These examples include National Grid in

¹⁷ Lane Direct testimony at 31, lines 12-17.

1 Massachusetts, San Diego Gas & Electric (SDG&E) in California, and
2 Consolidated Edison Company of New York (Con Edison).¹⁸

3 **Q. Ms. Groncki concludes that your Con Edison example does not create**
4 **precedent for a utility having a complete implementation plan as a**
5 **prerequisite for program approval. Do you agree?**

6 A. No, I do not. Ms. Groncki indicates that the Con Edison Vehicle-to-Grid
7 (V2G) implementation plan was only submitted after the program was
8 approved by the New York Public Service Commission (NY PSC) on June
9 20, 2018. However, this ignores the fact that Con Edison's initial V2G
10 project outline, as cited by Ms. Groncki, includes a similar level of detail as
11 the implementation plan.

12 For example, Con Edison's June 8, 2018, V2G project outline identifies the
13 project partners, the school district, the number and location of buses,
14 timeline, and budget. The outline also provides detailed information related
15 to the hypothesis, the revenue cost-sharing business model the project seeks
16 to test, potential ability to scale, risk and mitigation strategies, data
17 collection, and metrics.¹⁹

18 As stated in my direct testimony, I find that the CSNA provides BGE with
19 the time to further develop its V2X proposal as part of its EVSB pilot

¹⁸ Lane Direct Testimony at 30-34.

¹⁹ Consolidated Edison Company of New York, Inc. (Con Edison), Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision (Jun. 8, 2018), N.Y. Pub. Serv. Comm' Case 14-M-0101.

1 program application. The CSNA only requires that an EVSB pilot program
2 be structured so that BGE can begin accepting applications from customers
3 on or before October 1, 2024. This is a full year later than the timeline
4 proposed by BGE.²⁰

5 **Q. Why is it important for the Company to propose a V2X demonstration**
6 **project as part of its EVSB pilot program application?**

7 A. The Company's proposal includes a rebate requirement that EVSBs must
8 have bidirectional power-flow capabilities and a full suite of telematics
9 systems to enable the management of EVSB batteries to facilitate future
10 participation in V2X programs.²¹ These additional V2X functionalities come
11 at a greater cost, with greater bill impacts, and it is therefore important that
12 BGE provide a clear plan for how it will utilize this technology to ensure
13 benefits are realized.

14 **C. Reporting Metrics**

15 **Q. Please summarize the recommendations in your direct testimony**
16 **related to reporting metrics.**

17 A. On pages 39 and 40 of my direct testimony I recommend a set of additional
18 evaluation metrics for the Company to track over the course of the EVSB
19 pilot program.²²

²⁰ Lane Direct Testimony at 32, lines 5-15.

²¹ Groncki Direct Testimony at 15.

²² Lane Direct Testimony at pages 39-40.

1 **Q. How does BGE respond to this recommendation?**

2 A. The Company agrees to track the additional reporting metrics I recommend
3 in addition to those it originally proposed.²³ I appreciate the Company's
4 willingness to track and report out on these additional metrics. The increased
5 visibility provided by these additional metrics will enable the Commission
6 and interested parties to evaluate how BGE's EVSB pilot program is
7 performing relative to the Company's stated pilot goals.

8 **D. Program Implementation**

9 **Q. What concerns did you raise in direct testimony related to BGE's**
10 **proposal for underserved and health-impacted communities?**

11 A. In my direct testimony, I raise concerns related to the ability of underserved
12 and health-impacted communities to participate in the EVSB pilot program
13 due to a lack of staff resources and funding.²⁴ Specifically, I recommend that
14 BGE provide additional support to these communities in two ways. First, I
15 recommend that BGE create a separate budget line item with funds reserved
16 to support underserved and health-impacted communities in the
17 development of electrification plans and applications for funding. Second, I
18 recommend that BGE increase the G&A funding award for these

²³ Groncki Rebuttal testimony at 3, lines 28-31 and 4, lines 1-4.

²⁴ Lane Direct Testimony at 45, lines 10-18.

1 communities to a level greater than the proposed 5 percent of the applicant's
2 funding award.²⁵

3 **Q. What is the Company's response to this recommendation?**

4 A. The Company indicates that it is open to additional G&A funding for
5 underserved communities if approved by the Commission.²⁶ While the
6 Company does not specifically respond to my recommendation of a separate
7 budget line item reserved for underserved and health-impacted communities,
8 BGE indicates that its proposal to allocate at least 20 percent of the program
9 budget for underserved communities is a minimum threshold and it is open
10 to reviewing this level annually.²⁷

11 **Q. Do you support BGE's suggested improvements to underserved and**
12 **health-impacted communities?**

13 A. I appreciate the Company's openness to providing additional G&A funding
14 to underserved and health-impacted communities. I recommend that the
15 Commission direct BGE to increase the percentage cap of an applicant's
16 funding award above 5 percent for these communities to help ensure these
17 school districts have the resources needed to apply to and participate in the
18 EVSB pilot program. Any such increase should be balanced with the total
19 EVSB pilot program budget so the combined funding request associated

²⁵ *Id.*, at 46, lines 8-14.

²⁶ Groncki Rebuttal Testimony at 18, lines 14-18.

²⁷ *Id.*, at 19, lines 2-9.

1 with EVSB rebates, chargers, charger installation, and G&A costs is within
2 the \$50 million dollar rebate limit as defined in the CSNA. The additional
3 G&A support to underserved and health-impacted communities would need
4 to be within this limit.

5 In addition, I find the Company's commitment to review the 20 percent
6 program budget allocation annually to be an adequate compromise. I
7 recommend that the Company issue an annual filing within Case No. 9696
8 that summarizes this annual review and details any proposed changes to the
9 percent allocation.

10 **Q. What does your direct testimony recommend for an education and**
11 **outreach plan?**

12 A. I recommend that BGE provide a comprehensive education and outreach
13 plan as part of its EVSB pilot proposal.²⁸

14 **Q. How does the Company respond to this recommendation?**

15 A. Ms. Groncki states that the pilot criteria established in Order No. 88438 in
16 Case No. 9453 did not require an education and outreach plan. She also
17 indicates that it is premature to develop a plan because the Commission has
18 not determined BGE's EVSB pilot program budget. However, Ms. Groncki

²⁸ Lane Direct Testimony at 48, lines 1-5.

1 includes BGE's preliminary marketing, education, outreach (MEO) plan
2 outline as Company Exhibit KFG-2.²⁹

3 **Q. What is your assessment of the preliminary MEO plan?**

4 A. I appreciate the Company's willingness to share its proposed outline. The
5 additional transparency related to the tools and tactics that BGE plans to
6 deploy to market the EVSB pilot program provides useful information in the
7 overall review of the pilot proposal. I find the draft plan to contain sufficient
8 information for the filing and recommend the Company provide a status
9 update related to these activities in its future reporting to the Commission of
10 its EVSB pilot program.

11 **III. Response to BGE Witness Frain**

12 **Q. What is Mr. Frain's response to your recommendation that the**
13 **Commission reject BGE's proposal to classify non-capital EV program**
14 **expenses as a regulatory asset?**

15 A. Mr. Frain states that while certain rebates and other program costs
16 associated with the EVSB pilot program do not meet the accounting
17 definition of a capital asset, "no party in this proceeding has claimed that
18 these costs do not provide benefits over multiple years, the same as a capital
19 asset does regardless of who is the owner of that asset."³⁰ Mr. Frain also
20 indicates that the EVSB pilot program provides school districts with rebates

²⁹ Groncki Rebuttal Testimony at 20, lines 11-20.

³⁰ Rebuttal Testimony of John C. Frain at 7, lines 13-18.

1 that offset the higher prices of EV school buses that will provide benefits
2 over many years. He claims it is appropriate to record these costs as a
3 regulatory asset to match the costs of the benefits over the life of the
4 benefits, which is greater than one year.³¹

5 **Q. Do you agree with Mr. Frain's justification for classifying non-capital**
6 **EV program expenses as a regulatory asset?**

7 A. No. I find several flaws with Mr. Frain's reasoning. First, the fact that a
8 utility investment provides benefits over multiple years does not dictate its
9 classification as an expense or a capital asset. There are many kinds of
10 utility expenses that provide customer benefits over multiple years that are
11 not classified as capital assets. For example, operation and maintenance
12 costs related to storm remediation as well as overhead maintenance projects
13 and repairs provide long-term benefits by extending the life of an asset yet
14 are not classified as a capital asset, but neither generally is generally
15 classified as "capital assets".

16 Second, there is a long-accepted practice of expensing costs associated with
17 utility rebate programs in the year they occur. This is typically seen with
18 utility energy efficiency programs.³² As part of these programs, utilities

³¹ *Id.*, at 7, lines 20-22 and 8, lines 1-3.

³² For example, see (1) Rhode Island Public Utilities Commission Docket No. 22-33-EE The Narragansett Electric Co. d/b/a Rhode Island Energy, 2023 Energy Efficiency Plan, September 30, 2022, at 36, <https://ripuc.ri.gov/Docket-22-33-EE>; (2) Massachusetts Department of Public Utilities Order on 2022-2024 Three Year Energy Efficiency Plans, January 31, 2022, at 14, <https://www.mass.gov/doc/2022-2024-three-year-energy-efficiency-plans-order/download>; and

1 provide customers with rebates to help offset the higher upfront cost of more
2 efficient equipment, providing customers with the opportunity to make a
3 purchase they would otherwise not be able to afford. Just like Mr. Frain's
4 depiction of EVSB benefits, the energy efficiency equipment installed
5 because of the rebate will continue to provide benefits over its lifetime.
6 However, in the case of utility energy efficiency rebates, these costs are not
7 capitalized but are instead typically expensed and funded through a monthly
8 system benefits charge on customer bills.³³

9 **Q. How does Mr. Frain respond to your assertion that regulatory asset**
10 **treatment will cost customers more over the amortization period?**

11 A. Mr. Frain states that the monthly bill impact should be examined as opposed
12 to the total cost over the amortization period when considering
13 affordability.³⁴ He further states that it is not a benefit to customers to reduce
14 the total cost of utility programs over the amortization period if it means
15 customers cannot afford their monthly bills and risk termination of utility
16 services.³⁵

(3) Duke Energy Progress. 2019. Duke Energy Progress, LLC's Application for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider. Docket No. 2019-89-EE-2, Sub 1206, June 11. Columbia: South Carolina PSC (Public Service Commission). dms.psc.sc.gov/Web/Dockets/Detail/117032.

³³ Nineteen states are listed as using tariffs or riders to fund energy efficiency programs, see: <https://database.aceee.org/state/customer-energy-efficiency-programs>.

³⁴ Frain Rebuttal Testimony at 8, lines 17-18.

³⁵ *Id.*, at 8, lines 18-20.

1 **Q. Do you agree with Mr. Frain's opinion that regulatory asset treatment**
2 **is more affordable to customers?**

3 A. No, I do not. First, if the Company is concerned that treating non-capital
4 EVSB pilot program costs as an expense may lead to customers not being
5 able to afford their monthly bills, it should reduce its proposed number of
6 rebated EVSBs to the minimum level set forth in the CSNA.³⁶ Second, I do
7 not consider requiring customers to pay an additional \$12.1 million more
8 over the amortization period to represent affordability.³⁷

9 Finally, this is not the only proposal in which BGE seeks regulatory asset
10 treatment. The Company is also seeking this treatment for its proposed EV
11 Phase II as filed in Case No. 9478 and it is reasonable to assume that BGE
12 will continue to propose EV programs into the future. If regulatory asset
13 treatment continues with future EV programs, this will compound the
14 accumulation of carrying costs, similar to what occurred with the
15 EmPOWER programs. The long-term accumulation of uncollected program
16 costs from capitalizing EmPOWER expenditures led to an unsustainable rate
17 burden for ratepayers, with a balance of over \$800 million in unamortized
18 program costs and interest.³⁸ This is a clear example of why regulatory asset
19 treatment is not the most affordable option for customers.

³⁶ PUA §7-217(c)(2).

³⁷ See Lane Direct Testimony at page 51, lines 5-8.

³⁸ Order No. 90456, at 3.

1 **IV. Response to Staff Witness Hoyt**

2 **Q. What is Mr. Hoyt's response to your recommendation that non-capital**
3 **EV costs be expensed annually and not as a regulatory asset?**

4 A. Mr. Hoyt disagrees with my recommendation. Mr. Hoyt states that supply
5 chain delays may result in a significant cost impact if EVSB pilot program
6 costs are expensed in a short time frame. He also states that if the V2X
7 applications do not materialize in the near-term, customers could face
8 increased charges without tangible benefits.³⁹

9 **Q. Does this change your recommendation?**

10 A. No, it does not. I disagree with Mr. Hoyt's opinion that supply chain delays
11 may impact non-capital EVSB costs. My recommendation is for non-capital
12 costs to be expensed. These costs are not capital assets that need to be
13 procured by the Company and therefore impacted by supply chain delays,
14 these costs relate to financial incentives to customers to help offset the costs
15 of EVSBs, chargers and installation, G&A incentives, and program
16 administration and implementation costs. Should supply chain issues impact
17 a customer's procurement of these resources, that would be distinct from the
18 value of the rebate. Furthermore, the Company did not indicate that it would
19 spend beyond its proposed budget so it does not seem reasonable to assume

³⁹ Rebuttal Testimony of Matthew Hoyt, at 4, lines 9-16.

1 that supply chain cost impacts will result in a significant cost impact,
2 especially considering the CSNA statutory limit on rebate costs.

3 I also disagree with Mr. Hoyt's concern regarding the need for the V2X
4 benefits to align with when costs are expensed. First, the Company has not
5 included any costs related to a V2X demonstration pilot beyond the costs of
6 the EVSBs and chargers, nor has it provided a timeline for when it plans to
7 test V2X capabilities. Therefore, regardless of the type of cost-recovery
8 mechanism, there will be an imbalance between the benefits of V2X and the
9 cost. Second, I do not agree it is necessary for benefits to fully align with
10 cost-recovery. As indicated in my response to Mr. Frain above, it is common
11 practice for utility rebate programs to be expensed in the year they occur,
12 which is typically seen with energy efficiency programs. Likewise, as I state
13 in response to Mr. Frain, utility O&M expenses, like storm restoration, can
14 provide long-lived benefits that are expensed in the same year they occur.

15 Lastly, Mr. Hoyt fails to address my concerns that treatment of non-capital
16 expenses as a regulatory asset would cost customers \$12.1 million more
17 over the amortization period due to the additional costs associated with
18 including these programs in rate base, which represents a 16 percent
19 increase to ratepayers over the amortization period.⁴⁰

⁴⁰ Lane Direct Testimony at 51, lines 5-8.

1 Q. **Does this conclude your surrebuttal testimony at this time?**

2 A. Yes, it does.