Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Technology & Economic Development Committee

HB 1853

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

Sponsors: Representatives Magendanz, Bergquist, Morris, Muri, Tarleton, Fitzgibbon and Tharinger.

Brief Summary of Bill

- Requires the Utilities and Transportation Commission to allow a rate of return on investment on capital expenditures for electric vehicle charging infrastructure that is deployed for the benefit of ratepayers.

Hearing Date: 2/10/15

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 non-depreciated value of its property and equipment used to provide utility service to

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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 Bill:

Rate of Return on Investment in Electric Vehicle Infrastructure.

In establishing rates for gas and electrical companies, the UTC must adopt policies to encourage electric vehicle charging infrastructure (EVCI) build-out. These policies must include, but are not limited to, allowing a rate of return on investment on capital expenditures for electric vehicle infrastructure that is deployed for the benefit of ratepayers.

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

Eligible capital investments in EVCI are limited to those for which construction or installation begins after July 1, 2015, and which are expected to result in real and tangible EVCI being installed and located where customers are most likely to park their vehicles for intervals longer than two hours.

A rate of return on investment for EVCI build-out may only be earned for a period up to the depreciable life of the asset.

Appropriation: None.

Fiscal Note: Available.

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