SHEETZ

STATE OF OHIO

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE IMPLEMENTATION OF THE FEDERAL INFRASTRUCTURE INVESTMENT AND JOBS ACT'S ELECTRIC VEHICLE CHARGING PURPA STANDARD.	**Case No. 22-1025-AU-COI**

INITIAL COMMENTS OF SHEETZ

I. Introduction:

In November 2021, President Biden signed into law the Infrastructure Investment and Jobs Act ("IIJA"), which amended several provisions of the Public Utilities Regulatory Policies Act of 1978 ("PURPA") by adding a list of standards that state regulatory authorities are required to consider related to demand-response practices and electric vehicle charging ("EVC") programs. On November 14, 2022, the Ohio Public Utilities Commission ("Commission") issued an order providing that interested parties could file initial comments regarding the PURPA EVC standard by February 1, 2023, and reply comments by February 16, 2023. The PURPA EVC standard requires all utility regulatory authorities to consider measures to promote greater electrification of the transportation sector, including the establishment of rates that:

- Promote affordable and equitable electric vehicle charging options for residential, commercial, and public electric vehicle charging infrastructure;
- improve the customer experience associated with electric vehicle charging, including by reducing charging times for light-, medium-, and heavy-duty vehicles;
- accelerate third-party investment in electric vehicle charging for light-, medium-, and heavy-duty vehicles; and
- appropriately recover the marginal costs of delivering electricity to electric vehicles and electric vehicle charging infrastructure.

Sheetz thanks the Commission for the opportunity to provide comments on this important issue. As the Commission considers the PURPA EVC standard, we encourage you to recognize this critical opportunity to implement regulatory policy that will shape the future of Ohio's electric vehicle ("EV") fast charging market. To take full advantage of this opportunity, we believe that the following issues should be considered as the Commission addresses the PURPA EVC standard:

A. Rate design for direct current fast charging ("DCFC" or "fast charging") stations and strategies to ensure that all owners and operators of publicly accessible DCFC stations operate with the same competitive risks and the same access to fair, competitively neutral electricity rates.
B. Strategies to encourage private capital investment and engagement in Ohio's EV fast charging market.

C. Strategies to ensure the deployment of DCFC stations does not unnecessarily burden electric utility ratepayers.

II. About Sheetz

Established in 1952 in Altoona, Pennsylvania, Sheetz is one of America's fastest-growing family-owned and operated convenience store chains with more than 23,000 employees and 670 store locations. We are proud to operate over 70 locations in the state of Ohio, with additional expansion plans announced for the Columbus, Dayton, and Toledo markets.

Today, Sheetz offers EV fast charging services at seven store locations in Ohio, and we are eager to expand our EV charging portfolio. We urge the Commission to consider enacting changes to regulatory policy and rate structures that will promote fair competition and encourage private investment in the EV charging business. Sheetz firmly believes this is the only way to fulfill our shared vision of developing an EV charging network in Ohio that is convenient, accessible, reliable, and equitable for all.

Fuel retailers, with refueling stations located at prime real estate for travelers, are poised to rapidly replicate today's fueling experience – both in terms of location convenience and the provision of "secondary services" such as food and beverage, restrooms, and security – for EV refueling. Sheetz considers itself to be a one-stop-shop where travelers can fulfill those needs and more all at once. In order to continue delivering on that promise, we feel strongly that our business must evolve to support the latest advancements in transportation technology.

The best way to develop a robust charging network in Ohio is through a competitive, market-based approach that meets the needs of today's drivers and incentivizes private investment. Fuel retailers are best equipped to facilitate a faster, more widespread and cost-effective transition to alternative transportation energy – including electricity – in the coming years. If Ohio sends the necessary policy and regulatory signals to these businesses, we will make significant investments in EV charging infrastructure to meet the demand of our customers.

Included below is an overview of Sheetz's perspective on EV charging policies that would address the PURPA EVC standards as well as encourage robust free market competition in Ohio. We encourage you to consider these issues as you implement regulatory policy that will shape the future of Ohio's EV fast charging network.

III. Encouraging private sector investment in Ohio's EV fast charging market

A. Rate structure challenges for EV fast charging station providers

The single greatest economic challenge for non-utility charging station owners is electric utilities' imposition of demand charges, or exorbitantly high rates levied while a fast charger is in use. Demand charges make the cost of charging too expensive to pass on to EV drivers, and also could present an overwhelming competitive advantage for electric utilities that choose to operate EV fast charging stations that may not operate under the same rates, terms, and/or conditions. This stunts private investment, which is to the detriment of consumers who have come to rely on competitive, transparent pricing for transportation fuel. The Commission, in its jurisdiction over ratemaking, should facilitate the development of a uniform rate for the sale of electricity to all fast charging station owners (utility or non-utility).

Sheetz encourages the Commission to require electric utilities to offer tariffs for the sale of electricity to electric vehicle charging providers that utilize alternatives to demand-based rate structures. The Commission should prioritize structures that are designed to be billed on the amount of electricity being used to operate the charging station, rather than unpredictable demand charges. Ultimately, all owners and operators of publicly accessible fast charging stations should operate with the same competitive risks and the same access to electricity rates on a level playing field. The Commission should develop regulatory policies to support the development of robust competition within Ohio's EV charging market.

B. Encouraging private sector investment and engagement in Ohio's EV fast charging market

Ohio is home to approximately 5,600 convenience stores and gas stations, the majority of which offer refueling services to the traveling public. The structure of the traditional refueling market promotes transparency and competition. As driver preferences change and electric vehicles become more popular, the EV fast charging market should be designed to support competition amongst providers just as the current refueling market does. This approach will put downward pressure on fuel prices and expand consumer options for the benefit of all EV drivers.

A substantial anti-competitive challenge for private businesses seeking to enter the EV fast charging market is the threat of electric utilities using ratepayer funds to own and operate chargers. Around the Country, electric utilities are increasingly seeking to recover the costs to own and operate EV fast chargers from their rate base[1], which presents a substantial risk for private sector charging providers which can only recover their costs from EV drivers. Electric utilities' ability to rate base EV fast chargers comes with insurmountable competitive advantages with limited incentives for innovation and improvements (such as faster charging stations). Against this backdrop, private businesses that would otherwise be eager to invest in charging stations will not consider the stations to be an attractive investment. Indeed, ratepayers should not be required to help electric utilities extend their monopolies to realms where the private sector is prepared and equipped to invest. While it is appropriate for ratepayer funds to support restructuring the power grid to accommodate increased EV charging, electric utilities should not be given a competitive advantage in owning and operating EV chargers.

Notably, Ohio is slated to receive over $140 million over five years from the NEVI program. The goal of this funding is to support the growth of a competitive EV charging market that eventually will not need government subsidies. In order to achieve this, Ohio should focus on removing barriers to private businesses investing in the EV fast charging market. Fair electricity rates and robust competition will be essential to fully maximize the benefits of the NEVI funding.

Sheetz and other fuel retailers have spent decades improving our customer experience and acquiring the best real estate to serve the traveling public. In order to encourage the efficient and rapid growth of Ohio's EV charging market, all stakeholders should focus on their core competencies. Specifically, fuel retailers should focus on providing the customer experience that drivers need while electric utilities focus on generating power, distributing that power, and preparing the electric grid for increased EV adoption. In order to facilitate this partnership, Sheetz supports make-ready programs that allow electric utilities to recover the costs of make-ready infrastructure. Make-ready programs provide an effective mechanism to encourage private sector involvement in the EV charging market.

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[1] Lepre, Nicole, "Electric Utility Filing Annual Update," Atlas Public Policy, (September 2022), available at https://atlaspolicy.com/electric-utility-filing-annual-update/

C. Strategies to mitigate ratepayer cost burden

The retail fuel industry is one of the most competitive commodities markets in the Country. Fuel retailers are comfortable with operating in a competitive environment. However, to make significant investments in EV fast charging services, fuel retailers need certainty that they will not have to compete unfairly with regulated electric utilities. As previously mentioned, electric utilities seeking to recover EV fast charging investments from their captive ratepayers is a substantial anti-competitive risk. It is difficult for private businesses to rationally invest in a market that could be dominated by a regulated monopoly. To address this uncertainty, Sheetz believes that electric utilities that choose to own EV charging stations should do so through a separate, non-rate regulated affiliate that cannot be cross subsidized with their regulated business. This approach will ensure the deployment of EV fast chargers does not unnecessarily burden electric utility ratepayers while also encouraging private investment and the swift build out of Ohio's EV fast charging market.

IV. Conclusion

In light of the aforementioned comments, Sheetz respectfully urges the Commission to enact regulatory policy and rate structures that support private investment in transportation electrification and encourage a fair, competitive playing field. Sheetz is prepared to be a resource and welcomes all future opportunities to participate in this process as the Commission studies these important issues. Thank you for your consideration of Sheetz's comments.

Sincerely,

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