

CFS Guidance on Residential EV Charging Credit Revenue Requirements



Purpose

This document provides guidance to electric utilities participating in the Washington Clean Fuel Standard (CFS) on how to comply with their obligations under section [70A.535.080 RCW](#) of the CFS statute, and Chapter [173-424-420\(7\) WAC](#) of the CFS rule.

Background

The Washington State Department of Ecology's (Ecology) Clean Fuel Standard (CFS) regulation, which implements Chapter [70A.535 RCW](#), is designed to reduce greenhouse gas (GHG) and conventional air pollutant emissions from transportation fuels used in Washington while spurring economic development.

Electricity is one of the transportation fuels recognized within the CFS regulation. Electricity used as a transportation fuel can generate CFS credits, which in turn may be sold for revenue. When electric vehicle owners charge their batteries at home, their electric utility can earn CFS credits in proportion to the amount of electricity used, the energy efficiency of the EV, and the carbon intensity of the electricity used. The CFS law and regulation requires that revenues from credit sales be spent on transportation electrification projects within the utility's service territory. Electric utilities are instrumental in the effort to reach Washington's climate goals, and as leaders in transportation electrification for the state.

Ecology may amend this guidance over time, with input from interested parties, to reflect the rapidly evolving transportation electrification landscape.

Summary of Requirements

The summary below outlines the residential EV charging credit revenue investment and reporting obligations for electric utilities participating in the CFS. The subsequent sections of the document elaborate on each of the obligations.

Investment requirements

- All investments made with CFS residential EV charging credit revenues must be spent on transportation electrification projects. (RCW [70A.535.080](#))
- The CFS law requires the credit revenue to be allocated into the following categories:
 - **Category 1** - Spend a minimum of 50% of credit net revenues on transportation electrification projects selected from a list of GHG emissions-reducing project types developed jointly by Ecology and the Washington State Department of Transportation (WSDOT) (see page 5 in this document (RCW [70A.535.080\(2\)\(a\)](#)))
 - **Category 2** - Spend a minimum of 30% of credit net revenues on transportation electrification projects within or benefitting specific communities designated by the Environmental Protection Agency (EPA), Washington Department of Health (DOH), or Ecology (see page 8 in this document). (RCW [70A.535.080\(1\)\(b\)](#))
 - **Category 3** - Spend any remaining net revenues on general transportation electrification projects (see page 9 in this document). (RCW [70A.535.080\(1\)\(a\)](#))
- While a single project may enable a utility to comply with multiple categories, the dollars designated as Category 1 investments cannot be simultaneously accounted for as Category 2 investments in reporting to Ecology, and vice versa.
- Utilities may invest in one or more projects.

Reporting requirements

Electric utilities must submit an Annual Credit Revenue Compliance Report to Ecology by April 30th each year providing an accounting of credits generated and revenues received, and a description of projects funded during the reporting period. The reporting template for utilities to record and submit the required information can be found under the Templates heading of the Ecology CFS Program Documents [webpage](#). The template is further discussed on page 11 of this document. ([70A.535.080\(3\)](#) RCW and Chapter [173-424-420\(7\)](#) WAC).

Recommended Investment Principles

Ecology strongly recommends that electric utilities design and implement their transportation electrification projects with the following principles of investment:

- Invest credit net revenues as soon as practicable to provide greenhouse gas emissions and air pollution reductions sooner rather than later.
- Provide the majority of benefits to residential electricity customers.
- Develop programs collaboratively and transparently with interested parties.
- Identify and select communities via direct community outreach and engagement with interested parties: community-based organizations, local governments, local transportation authorities, and others.
- Avoid investments that would generate substantial negative impacts to residents, such as physical or economic displacement of community residents or businesses.
- Prioritize projects not covered by other funding opportunities.
- Maximize investment opportunities for expanding electric vehicle (EV) charging infrastructure and the sub-transmission grid capacity to grow the EV charging infrastructure of Washington.

Eligible Investments

General investment notes

Residential EV charging credit revenue investments may be invested consistent with, or augmenting, utility transportation electrification plans where they exist.

For all projects investment with CFS residential EV charging credit net revenues, costs that are eligible are those that are directly associated with the successful implementation of the projects and may include but are not limited to costs for planning, engagement, outreach, communications, evaluation, and project implementation personnel.

For projects that include both eligible and not eligible components, the not eligible components cannot use residential EV charging credit net revenues. Eligible components costs must be pro-rated.

Ideally, residential EV charging credit net revenues shall be used for new transportation electrification efforts. However, revenues may be used towards CFS eligible transportation electrification projects starting the calendar year in which the utility registered in the Washington Fuels Reporting System(WFRS).

Category 1: Transportation electrification projects reducing GHG emissions (min. 50% net revenue)

For an investment to qualify as a Category 1 project, it must be selected from the list of eligible project types below. The list of eligible Category 1 project types, jointly developed by Ecology and the Washington State Department of Transportation (WSDOT), prioritizes those with the greatest GHG emissions reducing potential. The projects are not listed in order of priority. When selecting and implementing a Category 1 project, the regulation instructs utilities to prioritize expanding access to low-income customers.

Eligible Category 1 project types

‘Low-income’ means household incomes that do not exceed the higher of eighty percent of area median income or two hundred percent of federal poverty level, adjusted for household size (WAC [194-40-030](#)).

‘Vulnerable populations’ means communities identified by the Clean Energy Transformation Act (CETA) as experiencing a disproportionate cumulative risk from environmental burdens due to: (a) Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, and linguistic isolation; and (b) Sensitivity factors, such as low birth weight and higher rates of hospitalization ([RCW 19.405.020\(40\)](#)). Utilities should interpret this to mean highly impacted communities identified in their clean energy implementation plans (CEIPs).

‘Make-ready’ projects, for purposes of CFS residential EV charging net revenue investments, mean projects that make the installation of electric vehicle supply equipment (EVSE) possible for a customer. This includes customer-side and sub-transmission utility-side projects.

Note: The following eligible Category 1 project types are not listed in a prioritized order, and the examples listed for each project type below are not exhaustive.

1. EV charging infrastructure

This includes construction, operation, or maintenance of, or funding for charging infrastructure, including smart charging infrastructure, renewable hydrogen fueling, or infrastructure primarily serving heavy-duty vehicles. Examples include:

- Multi-family housing charging. Includes electric vehicle supply equipment (EVSE), customer-side make-ready, and/or managed charging programs. No household income threshold is necessary.
- Single family charging, with a priority on low-income households. Includes EVSE, customer-side make-ready, and/or managed charging programs.
- Fleet depot charging, including expansion of grid capacity to enable substations in industrial areas located within or directly benefiting vulnerable populations. Eligible

projects could include but are not limited to school and transit bus depots, and ferry terminals; planning and installation of charging infrastructure; and distribution and sub-transmission grid capacity expansion to enable fleet depot charging.

- Drayage truck charging, with a priority on charging infrastructure in low- or moderate-income communities, or for owner-operators that are low- or moderate-income individuals. Eligible projects could include but are not limited to planning and installation of charging infrastructure; and distribution and sub-transmission grid capacity expansion to enable drayage truck charging.

2. Expanding grid capacity

Expand grid capacity to enable transportation electrification investments directly associated with expenditures permitted by the CFS, with emphasis on enabling EV charging infrastructure such as the examples listed above. Eligible project types could include investments in distribution and sub-transmission infrastructure that is necessary to enable eligible transportation electrification projects. Also included are grid modernization projects that allow for the integration of new electric load from transportation electrification.

3. Partnership programs with public and private vehicle fleet owners

Enable increased electrification of transportation through partnership programs with public and private vehicle fleet owners. Public fleets of interest are those whose operations impact vulnerable populations and include but are not limited to public transit and ferries. Eligible projects could include those that focus on planning and installation of charging infrastructure, including distribution and sub-transmission grid capacity expansion to enable fleet depot charging.

4. EVs for community-based organization serving low-income or vulnerable populations

Provide new or used zero emissions vehicles at no cost or at a discount to nonprofit service providers, community-based organizations, transit agencies or public fleets for the purpose of:

- Providing transportation services for low-income or vulnerable populations.
- Reducing organizational operations costs for the above organization types serving low-income and vulnerable populations.

Also eligible are the investments in EV charging infrastructure and sub-transmission grid capacity expansion needed for charging EVs of community-based organizations serving low-income or vulnerable populations.

5. Other GHG emissions-reducing transportation electrification projects for vulnerable populations, low-income communities, and/or low-income individuals can be eligible for funding with CFS residential EV credit revenues.

An electric utility may be interested in supporting a GHG emissions-reducing project type that is not listed above but that could benefit vulnerable populations, low-income communities, and/or low-income individuals. To qualify as a Category 1 Other GHG emissions-reducing project type, a project must be approved by Ecology and WSDOT before implementation. The approval process is described in the next section.

Ecology and WSDOT approval process for Other Category 1 GHG emissions-reducing project types

The following approval process is only necessary for Category 1, eligible project type #5, “Other Category 1 GHG emissions-reducing projects.”

An electric utility may be interested in supporting a GHG emissions-reducing project type that is not on this list but that could benefit vulnerable populations, low-income communities, and/or low-income individuals. To qualify as a Category 1 Other GHG emissions-reducing project type, a project must be approved by Ecology and WSDOT before implementation, and based on:

- A description of the project.
- A description of how the project promotes GHG emissions-reducing transportation electrification for vulnerable populations, low-income communities, and/or low-income individuals.
- Evidence the project was developed with and has the expressed support of local environmental justice advocates, local community-based organizations, or local municipalities.

Ecology and WSDOT will evaluate proposed projects on whether they are directly benefiting the target group; the certainty of the project benefits; and if the project benefit is something the target group has specifically asked for.

Applicants shall submit the relevant documents by email to cfs@ecy.wa.gov, with a subject line of ‘Approval request for Category 1 project type - Other.’

Category 2: Transportation electrification projects within or benefitting specific communities designated by the Environmental Protection Agency (EPA), Washington Department of Health (DOH), or Ecology (min. 30% of net revenue)

For an investment to qualify as a Category 2 project, it must be located within or provide benefits to one or more of the locations listed below. The locations listed are defined in statute.

Eligible project location

Electric utilities must invest a minimum of 30% of electricity credit net revenues to support one or more transportation electrification projects *located within* or *directly benefitting* one or more of the following areas:

1. Federally designated nonattainment or maintenance area.

This means a geographic area that is not currently meeting the National Ambient Air Quality Standards (NAAQS)¹ established by the Environmental Protection Agency (also known as ‘nonattainment’) or has previously been identified as not meeting clean air standards (also known as ‘maintenance’) on the EPA’s Nonattainment and Maintenance Area Dashboard. Designated areas for Washington state can be found on the [EPA’s Nonattainment and Maintenance Area Dashboard](#).

2. Disproportionately impacted community identified by the Washington State Department of Health.

This means a rank of 9 or 10 on the Environmental Health Disparities V 2.0 subtopics (Environmental Exposures, Environmental Effects, Socioeconomic Factors, or Sensitive Populations) of the [Environmental Health Disparities \(EHD\) map](#).

3. Area designated by the Department of Ecology as being at risk of nonattainment

This means any area identified by Ecology as being at risk of nonattainment. Designation of these areas is under development and will not apply to the 2023-2024 reporting cycle.

Utilities without any of the above designated areas may invest the minimum required credit revenues of 30% for Category 2 in transportation electrification projects within or benefitting highly impacted communities identified in their Clean Energy Implementation Plans (CEIPs).

¹ <https://www.epa.gov/criteria-air-pollutants/naaqs-table>

Category 3: General transportation electrification projects (up to 20% net revenue)

Any revenues that remain after meeting Category 1 and Category 2 investment obligations shall be invested in Category 3 general transportation electrification projects. For an investment to qualify as Category 3, it must support electrification of the Washington transportation sector. Eligible investments focus on components of the sub-transmission electric transportation sector, including the electric grid, customer-side make-ready, EV supply equipment, EV rolling stock, community engagement, community outreach, and community preparation activities. This list is not exhaustive or in order of priority. Utilities may find it useful to reference the Washington [Transportation Electrification Strategy](#) for ideas such as lowering up-front EV costs, making charging easy and accessible, and increasing consumer and fleet manager education and awareness.

Receiving Credits

Electric utilities that opt-in to participating in the CFS are issued residential EV charging base credits² for non-metered residential EV charging by Ecology, which calculates semi-annually the number of credits using the methodology described on the CFS [webpage](#). The methodology takes into account the difference between the annual carbon intensity standard and the utility specific carbon intensity of electricity, and the energy efficiency of the vehicles.

Electric utilities may also claim residential EV charging incremental credits³ for actions taken to lower the carbon intensity of the electricity they supply to retail customers, which is calculated by taking the difference between the utility-specific carbon intensity and the lower carbon intensity of electricity supplied to vehicles.

² 'Base credits' mean electricity credits that are generated by the carbon intensity reduction between the gasoline or diesel standard and the carbon intensity of utility electricity. WAC [173-424-110\(12\)](#)

³ 'Incremental credit' means a credit that is generated by an action to further the lower the carbon intensity of electricity. Incremental credits are calculated from the difference between the carbon intensity of utility-specific electricity and the carbon intensity of renewable electricity. WAC [173-424-110\(85\)](#)

Determining Revenue Subject to Investment Requirements

Residential EV charging credit *net revenue* must be invested in projects that promote transportation electrification in Washington. The net revenue for the reporting year is equal to the total residential EV charging credit revenue minus the cost of any unbundled [renewable energy certificates \(RECs\)](#) that the utility chooses to purchase and retire for the sole purpose of generating residential incremental CFS credits for the reporting year.

Calculating net revenue

1. Residential EV credits (number of credits issued by Ecology for reporting year)

$$\text{Base credits (calculated by Ecology) + Incremental credits (optional)}$$

2. Calculation of total revenue

$$\text{Total revenue} = \text{Sum of all credit sale revenues}$$

3. Calculation of net revenue

$$\text{Net revenue} = (\text{Total revenue}) - (\text{Cost of RECs})$$

4. Calculation of the cost of RECs

$$\text{Cost of RECs} = (\text{RECs retired}) \times (\text{REC price})$$

Ineligible Investments

Renewable Energy Certificates (RECs) are not an eligible investment from residential EV charging credit net revenue. However, the cost of acquiring unbundled RECs to generate incremental credits from residential EV charging energy is an eligible cost.

Indirect Costs

Indirect costs, also known as overhead, are business or operational costs incurred for a common organizational purpose and not directly connected with implementation of a specific project. The following costs are typically included in the indirect rate: insurance, office furnishings and operating supplies, operating rentals and leases, accounting services, legal services, repairs and maintenance, utility services, internet service, phones, and computers. Ecology strongly recommends that indirect costs not exceed 10% of net revenues.

Annual Credit Revenue Compliance Report

Electric utilities participating in the CFS must submit an Annual Credit Revenue Compliance Report to Ecology by April 30th of each year. Failure to file such a report will result in Ecology taking administrative measures until the utility files any past-due reports. Each Annual Credit Revenue Compliance Report must include (1) a credit and revenue accounting, as outlined below and (2) a description of projects funded by the credit revenue.

The reporting template for utilities to record and submit the required information for their residential EV charging credit revenue spending can be found under the Templates heading of the Ecology Program Documents [webpage](#). Utilities may optionally attach supporting documentation. Utilities should maintain records for potential auditing to be made available upon request by Ecology.

Credit and revenue accounting

- Number of residential EV charging credits carried over from the previous year.
- Total number of residential EV charging credits issued by Ecology in reporting year.
- Total number of residential EV charging credits sold in reporting year.
- Revenues from sale of residential EV charging credits in reporting year plus unspent revenue from previous years.
- Cost to purchase unbundled Renewable Energy Certificates (RECs) retired to generate incremental credits.
- Credit revenues spent in the reporting year for Category 1 transportation electrification projects selected from list of GHG emissions-reducing project types developed jointly by Ecology and WSDOT. (Must equal a minimum 50% of net revenues.)
- Credit revenues spent in the reporting year for Category 2 transportation electrification projects within or benefitting specific communities designated by the Environmental Protection Agency (EPA), Washington Department of Health (DOH), or Ecology. (Must equal a minimum 30% of net revenues.)
- Credit revenues spent in the reporting year for Category 3 general transportation electrification projects (as applicable – utilities may not have Category 3 investments).
- Credit revenues spent on overhead costs in the reporting year (recommended to be no more than 10% of total reporting year revenue).

Project description

A brief description of each project funded with CFS electricity credit revenues to include the following:

- Project name.
- Description of project component receiving investment.
- Brief description of project objectives and activities.
- Listing of individuals, communities, and/or organizations that benefit from the project.
- Geographic location of the benefit.
- Brief description of community engagement.
- Which Clean Fuel Standard investment category the project investment counts towards and the rationale:
 - Category 1 transportation electrification projects selected from list of GHG emissions-reducing project types identified by Ecology and WSDOT, as required under RCW [70A.535.080\(2\)](#).
 - Category 2 transportation electrification projects within or benefiting specific communities designated by the Environmental Protection Agency (EPA), Washington Department of Health (DOH), or Ecology, as required in RCW [70A.535.080\(1\)\(b\)](#).
 - Category 3 general transportation electrification projects, as required in RCW 70A.535.080.

Technical Assistance

Ecology staff will host occasional office hours for compliance and reporting questions and are available for 1:1 consultation.

Contact

For questions, please contact Ecology via email at cfs@ecy.wa.gov.