



## Connecticut Hydrogen and Electric Automobile Purchase Rebate Program

(CHEAPR)

Board Meeting

July 17, 2020

9:00 AM via Zoom

### **Meeting Minutes**

Board Members attending: Department of Energy and Environmental Protection (DEEP) Commissioner Katie Dykes, Department of Consumer Protection (DCP) Commissioner Michelle Seagull, Bradley Hoffman, Matt Macunas, Tony Cherolis, Jody Ellant, Jim Fleming, and Amy McClean. DEEP Staff: Tracy Babbidge, Paul Farrell, Lakiesha Christopher, and Janais Whitcomb. Other attendees: Center for Sustainable Energy (CSE) Staff: John Livermore, Chad Taylor, Shawn Jones. Members of public offering comment: Gannon Long, Barry Kresch, Charles Rothenberger, Chris Phelps.

At 9:05 AM Commissioner Dykes called the meeting to order and invited Board members present via Zoom the opportunity to introduce themselves. Commissioner Dykes opened discussion for remarks on E-Bikes.

Board member Tony Cherolis offered his reasoning for suggesting the CHEAPER program be extended to E Bikes noting that EVs are expensive, 32% of households in Hartford don't own a car, from n surveys on micromobility, E-Bikes have broad support for inclusion in the CHEAPR Program

Tracy Babbidge followed with DEEP's perspective on E- Bike eligibility indicating that DEEP does not interpret the authorizing legislation as permitting the expenditure of allocated funding on E-Bikes noting that they do not fall with the definition of either Battery Electric Vehicle or "vehicle." DEEP also views the inclusion of E Bikes as inconsistent with the original policy driver behind the CHEAPR program, which was to develop complimentary policies with other states in an effort to increase EV adoption under the Multi-state zero emission vehicle (ZEV) memorandum of understanding (MOU).

Tony Cherolis asked a representative of Bike-Walk CT to comment on DEEP's interpretation indicating his understanding that bicycles are vehicles. Board member Amy McClean also noted a letter from several legislators that E-bikes be included in the program. Amy McClean further recommended that a statutory amendment be sought if it is determined E -Bikes are ineligible. She then relayed her personal experience with E-Bikes, focusing on access and affordability noting that the board has a responsibility to make this happen.

Board member Matt Macunas indicated he is intrigued by the concept and spoke to his interest in seeing DEEP's statutory interpretation. No other Board members offered comment at this time.



Commissioner Dykes then opened up the meeting for public Comment on E-Bikes: Ashley Seaward from People for Bikes indicated her organization’s support for expanding CHEAPR to include E-Bikes for three reasons: (1) E-Bikes rebates align with CHEAPR’s goals; (2) E-Bikes are a tool for COVID recovery as an alternative replacement transportation; (3) Demand for E-Bikes is up. Bicycle demand jumped by 85% due to COVID and due to their pedal-assist nature, E-bikes are accessible to broader portions of the population,

Commissioner Dykes then suggested that DEEP circulate its statutory interpretation/analysis of E-Bike eligibility with the Board following the meeting. Commissioner Dykes also suggested the Board seek public input on the program design options to be discussed by CSE later in the meeting. Commissioner Dykes also suggested that DEEP schedule follow up meetings within several weeks to review comments on threshold issues of statutory interpretation and program design. Board member Amy McClean supported this approach provided the meeting be scheduled quickly and address these issues soon. Board member Tony Cherolis seconded the urgency and timeliness of this issue and expressed concern it may be lacking given he raised the issue to DEEP in January. Commissioner Dykes indicated DEEP would try to schedule a provisional meeting on the policy discussions within 1-2 weeks.

### **Overview of CT’s Used Vehicle Market in Connecticut, Brad Hoffman**

Board Members Jim Fleming, the President of the Connecticut Automotive Retailers Association, and Brad Hoffman, of Hoffman Auto, provided an overview of the used vehicle market. As part of the presentation Brad Hoffman noted the following:

- In 2019, 330,000 plug-in vehicles were sold nationwide;
- Most recent pre-pandemic data from January 2020 showed there were 1.1 million vehicles sold nationally of which about 19,000 or 1.6% of the market is electric;
- New car leases drive used car inventory Brad Hoffman indicated that used car inventory is at a record low and used EVs inventory are an even smaller percentage;
- 35%-80% of new vehicles are leased an adequate supply of used EVs will be available for several years contributing to lower used EV sales over next few years.

Jim Fleming highlighted the following points:

- Annual new car sales are 17 million while used car sales are 40 million per year;
- Connecticut is ranked 13<sup>th</sup> in EV sales, so the state doing very well and to continue doing well, it is important to direct incentive towards average car buyers (e.g. a \$3,000 incentive on a used car costing \$24,000 is much more impactful than a \$3,000 incentive on a \$120,000 vehicle).



Commissioner Dykes looked to verify that CT is in a competition for limited used EV inventory. Brad Hoffman further clarified there are three ways that dealers obtain used inventory (1) customer trade-ins; (2) closed auctions (e.g., vehicles off-lease open to only dealers) further extending the time until a used EV makes it to smaller dealers.; and (3) open auctions.

Other questions from the board – Board Member Tony Cherolis asked about small dealers’ access to used EV. Brad Hoffman indicated there are open auctions (wholesalers) where inventory could be available for small dealers. Jim Fleming noted independent car dealers average used car price is \$20,600 and term of loan is 59 months; while average used car price from franchised dealers is \$24,600 with a loan term of 63 months. New car dealers sell 85 used for every 100 new Board Member Jody Ellant indicated concern as to the economics of the issue given insufficient supply of used EVs. Brad Hoffman indicated that used EV markets will develop and should not be excluded even though most incentives will go to new EVs. Jody Ellant also noted that if the purpose of the incentive is to provide cleaner air then there should be no caps on income or limits on participation, although she agreed that it can be done by putting cap on price of vehicle. Commissioner Dykes noted that everyone across income levels is contributing to the limited program funds and key question is will incentive be the difference between purchasing an EV or not. There is also backend work that must be done to enable the system to accommodate independent used EV dealers. , Brad Hoffman noted the importance of infrastructure needs, including fast chargers that can charge in minutes – not hours. Jim Fleming then noted Georgia EV incentive program and the impact of losing that program. Jody Ellant noted structural issues of EV charging at apartments.

### **Overview of CHEAPR program design options, CSE**

Tracy Babbidge provided an overview of activity since the January board meeting, including bridge funding, program vendor selection and scoping out recommendations for program parameters based on the EV Roadmap. These recommendations included reconsideration of dealer incentive; maintaining and expanding education, marketing and outreach; supporting expansion of the federal EV tax credit; developing market-based incentives to support EV adoption through TCI; maintaining FCEV rebates at current levels for next five years along with developing additional hydrogen fueling infrastructure. She also recapped CHEAPR’s impact, incentive level history since 2015 and tracking EV deployment across the state as well as current eligibility requirements.

John Livermore from CSE provided background information on CSE’s areas of expertise, history of administering CHEAPR since 2015, other states’ incentive levels, transition of CHEAPR, key program impacts used to inform and improve program design, a proposed approach to build upon CHEAPR’s current systems and roll out a new EV incentive platform in Q1 2021. John then reviewed output from CSE’s proprietary EV affordability modeling tool to determine optimum rebate levels to achieve desired policy goals. CSE then reviewed implementation consideration for income based eligibility policies. Lastly, John reviewed the CHEAPR 3.0 Program Design options to meet the requirements of Public Act 19-117 including new and used vehicles, and low to moderate income (LMI) criteria. CSE’s recommendations include:



❖ New Vehicle Program Design Options

- Maintain current program rebate levels for new electric vehicles, including Dealer Incentive and implement a supplemental LMI rebate:

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| New Vehicle Program Design |         |                  |
|----------------------------|---------|------------------|
| Vehicle Type               | Base    | Supplemental LMI |
| FCEV                       | \$5,000 | \$2,000          |
| BEV > 200 miles            | \$1,500 | \$2,000          |
| BEV < 200 miles            | \$500   | \$1,500          |
| PHEV                       | \$500   | \$1,500          |

- Rebate customers need to pre-qualify under the direct income eligibility (income cap) approach for Supplemental LMI rebate.
- Rebate levels designed to focus more on LMI consumers and to stretch program funding to avoid stops and starts.
- Base rebate rollout upon CHEAPR Board approval +90 days; Supplemental LMI rebate rollout Q1, 2021
- CSE provided preliminary information on ‘burn rate projection’ (e.g., how long funding is expected to last under differing utilization scenarios) using 2020 and 2021 budgets.

❖ Used Vehicle Program Design Options

- Goal is to increase overall program equity and access to CHEAPR for LMI consumers.
- CSE considered both direct income eligibility and indirect income eligibility and recommended a direct income eligibility program design that will utilize a prequalification process and the issuance of a voucher that can be brought to a dealer. (See meeting materials for incentive levels proposed).

❖ Outreach and Education - CSE proposed the following equity outreach efforts:

- Dealer outreach and training via webinar on CHEAPR program, rebate process, application portal, LMI and customer pre-qualification;
- Equity Outreach to expand program’s reach by establishing partnerships with community-based organizations (CBOs) to promote the CHEAPR used vehicle rebate;
- Deliver webinars in collaboration with CBOs;
- Leverage DEEP’s membership in Gov. Lamont’s Council on Climate Change (GC3);
- Hold or coordinate virtual town hall meetings to discuss program details, answer questions, and build trusted relationships; and
- Coordinate virtual ride and drives, using GoPro and other related technologies.

**Discussion**

Commissioner Dykes welcomed CSE’s support and opened up the floor to question from Board members. Amy McLean asked about LMI outreach – if it has been done elsewhere and if so how successful was it. John Livermore and Chad Taylor spoke to other programs administered by CSE that include such program elements. Specifically, in CA where the CVRP program employs an entire equity



team that focuses on outreach. Jim Fleming asked for more information on voucher programs and home charging access for LMI. Jody Ellant asked if there's a statutory directive for LMI proposal. Paul Farrell (DEEP) indicated used EV and income limitation is based on the Public Act language. Tony Cherolis asked about \$1.9 M balance. Paul Farrell (DEEP) indicated balance is partially due to ongoing program rebates and administration. Tony Cherolis questioned assumptions used in CSE burn rate analysis. CSE indicated in their presentation that the model needed to be refined to include supplemental LMI and used EV rebates. CSE offered to provide additional information on assumptions that go into modeling projections to adequately account for uncertainty.

Jim Fleming noted that while there was excess inventory early during shut down, OEMs expect some disruption to the production of all vehicles and their supply chains and this disruption should be factored into CSE's burn rate projections. Matt Macunas commented that he was impressed with the boldness of the proposal of doubling base incentive for LMI. Tony Cherolis asked why FCEVs were included in the proposal given limited availability and suggested it be rolled into BEV category. He also suggested removing the electric range parameter from the BEV incentive and only include a single incentive level for BEVs from an affordability and access standpoint of middle income families that do not qualify for LMI. Amy McClean questioned range stipulation as well. A commenter in Chat suggested the policy is intended to support newer technology. Paul Farrell informed the Board that range stipulation policy was intended to address increased cost of a BEV based on the larger battery. With respect to Fuel Cell EVs, Farrell explained the policy intended to address regulatory gaps and support Connecticut's fuel cell industry. Matt Macunas is interested to know if battery range is a proxy for avoided GHG emissions or do longer battery ranges contribute to sprawl. Jody Ellant, in terms of vehicle usage believes drivers would want longer range vehicles and it should not be the duty of the board to incentivize behavior beyond purchasing and driving EVs to reduce GHG emissions. Commissioner Dykes noted the board should be mindful that these incentives will interact with other investments by utilities and private companies who will be investing in charging infrastructure. Greater deployment of longer range vehicles offsets need for additional infrastructure. Commissioner Dykes noted the time (11AM) and the robustness of the dialogue and noted the challenge of addressing such important issues with a relatively small budget. Commissioner Dykes recapped next three steps: (1) setting an interim meeting on legal issues; (2) seeking public written comments on program design options discussed today; and (3) setting next board meeting weeks from now. Tony Cherolis agreed and wanted opportunity to review comments and come back to rebate levels and program design. Matt Macunas agreed as well. Amy McClean expressed appreciation for depth of discussion and everyone's time.

## **Public Comments**

Barry Kresch – EV Club of CT - commented on MSRP cap changes made last October and noted they led to reduced issuance of incentives. He believes there is ample room to raise incentive levels and believes there is limited risk of program disruption.



Chris Phelps - Env CT – noted agreement with Barry’s comments. Env CT shares concerns with Save the Sound regarding E-Bike incentives and does not support proposal to use CHEAPR funds to promote E-Bikes. As to policy goals of this program, it is intended to accelerate transition of Connecticut’s light duty vehicle fleet from internal combustion engines to electric vehicles. Lastly, the availability of used EVs will be largely contingent on the sale of new EVs. This speaks to need to put more new EVs on the road. So the incentive levels should be set to maximize new EV deployment without overheating and running into funding issues. This is the core purpose of the program.

Gannon Long – Operation Fuel – supported E-Bike rebates letter to DEEP. Noted popularity of Tesla so that should be looked at more closely. Energy costs and transportation costs disproportionately burden LMI communities and require infrastructure that will make equity issues worse. Spoke in support of used EV incentives and expressed concern that LMI communities are funding incentives for higher income individuals in Connecticut.

Charles Rothenberger – Save the Sound – Supports increasing incentive levels and applicability to offset loss demand from COVID-19. Agrees with visibility of EVs noted by Barry K and re-thinking FCEV incentives. While CHEAPR funding is stable, it is still limited and should not be used to support E-Bikes – especially given fact that CHEAPR is funded in part by motor vehicle registration fees. Connecticut also has a huge hill to climb in terms of meeting by ZEV adoption and GHG reduction targets. Look at other funding sources for E-Bikes, perhaps through utility funding or TCI.

Tony Cherolis – Noted CHEAPR is funded through motor vehicle fees that bring in close to \$8M/year and excess over \$3M goes to the General Fund. He asked about the history and ability to recapture this remaining funding. (Some discussion ensued on the legislative history)

The Board meeting was adjourned at 11:27AM.