Connecticut Hydrogen and Electric Automobile Purchase Rebate Program

(CHEAPR)

Board Meeting

August 19, 2020

9:00 AM via Zoom

Meeting Minutes

Attendees: Board Members: 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.
Members of public offering comment: Connor Dolan, Barry Kresch, Charles Rothenberger, Leo Karl III, Chris Phelps, and Zack Kahn.

At 9:05 AM Commissioner Dykes called the meeting to order

Commissioner Dykes opened the meeting and asked Tracy Babbidge to call roll. All Board members acknowledged their presence except Commissioner Seagull, who joined the meeting shortly thereafter. Commissioner Dykes called the meeting to order after quorum was determined. Commissioner Dykes indicated the purpose of the meeting is to discuss program eligibility and statutory authority questions that were made available to the public for comments after the July 17, 2020 meeting. She pointed out that all comments received were shared and made accessible to the public. She stated the program design issues will be discussed at the September 10, 2020 meeting and today the group will identify next steps that they would like CSE, the program contractor, to report back on at the September 10 meeting.

Commissioner Dykes then stated that the revised meeting minutes from the January 30, 2020 meeting has been circulated to the Board, and asked for a motion to adopt. The motion was moved and seconded. Tony Cherolis commented that he didn't see the minutes, Tracy Babbidge pointed out where the minutes could be found and the changes made in response to Board feedback. Tony Cherolis accessed and reviewed the minutes and stated he was ok with the changes. The January 30 minutes were adopted. Commissioner Dykes pointed out that the July 17, 2020 minutes were also circulated, Jim Fleming stated he went through the minutes and he thinks they accurately reflect the meeting. Tony Cherolis took some time to review and said he was in favor of adopting. All Board members moved to adopt the July 17, 2020 meeting minutes.

Commissioner Dykes turned the meeting over to Tracy Babbidge who provided a presentation on the CHEAPR activities that occurred following the July 17 meeting. Tracy Babbidge stated after the last meeting, DEEP posted a proposal for public comment which was seeking input on the program design elements to limit used electric vehicle (EV) rebates to low-moderate income (LMI) applicants, the rebate level for fuel cell electric vehicles (FCEVs) and DEEP's statutory interpretation regarding the eligibility of electric or pedal-assist bicycles (e-bikes) under the CHEAPR program. Comments were due on August 12, 2020 and over 100 comments were received from a wide array of stakeholders. Those comments are accessible on the CHEAPR page, along with a summary of the comments. Tracy Babbidge stated that the topics addressed in the comments included incentive levels, manufacturer's suggested retail price (MSRP) cap, LMI, dealer incentives, seeking funding beyond the allocated $3M, eligibility of out of state EV purchases ad FCEVs. She also stated that comments received supported DEEPs interpretation that e-bikes are not covered by the statute governing the CHEAPR program. There were also comments that supported exploring an e-bike incentive further through other avenues. Tony Cherolis asked the question: How are e-motorcycles being treated by the statutes and CHEAPR program because California is including e-motorcycles and e-bikes in their program. Paul Farrell responded that the question of e-motorcycles was not raised in this context before, however it has been raised under the original CHEAPR program when it began in 2015 and at that time it was decided not to include them because of their seasonal use and they were outside the scope of the Zero Emission Vehicle (ZEV) program and didn't fit into the regulatory framework DEEP was trying to advance. Paul Farrell stated he agrees e-motorcycles are different from e-bikes because e-bikes are not throttle controlled or highway vehicles. He also stated that e-motorcycles are a new conversation from a programmatic perspective that can be pursued if the Board so decides. A short discussion ensued as to whether or not e-bikes are throttle controlled. Amy McClean offered that she recently purchased an e-bike and declined to have the throttle included but it was an option. Matt Macunas commented that if e-bikes were included in the program, should that inclusion come with a rational that applies to a host of micro-mobility options such as scooters, e-motorcycles, live wire etc.? He points out that he is not demanding such a rational but is curious as to whether or not that should be the approach. Jim Fleming weighed in that e-bikes have a place at some point. If e-bikes are to be included in the program at some point, the Board should support legislation in the upcoming session to allow that because relying on legislative history as a solution to this discussion is not an option because legislative history only applies when the statute is unclear and that is not the case here; the statute is clear. He further stated the Board should not allow the intent of the legislation to be held up but rather proceed with a program for vehicles and work on changing the statute to include e-bikes. Tony Cherolis then commented that instead of focusing on greenhouse gas reductions the discussion has gone down a rabbit hole of statutory analysis that he does not believe is productive or helpful.

Commissioner Dykes followed that DEEP's role is to implement the program within the bounds established by the legislation so questions of statutory interpretation are important and needs to be important to all board members. This does not preclude discussions about how best to reduce GHGs, consider new technology and equitable participation but the board is constrained by the statute and cannot allocate funding outside of the statutory framework. Commissioner Dykes asked for additional information on best practices that could be used to continue discussions and perhaps lead to a legislative proposal. M Macunas voiced agreement with this approach.

Fuel Cell Electric Vehicles (FCEVs)

Tracy Babbidge provided overview of comments received – FCEVs should continue to be rebated under the program as required by the statute but there is room for discussion on incentive level. Matt

Macunas commented that he sees the value of maintaining this incentive at the current level as both a regulatory matter and as a positive message to the FCEV (vehicle and fueling) industry due to potential linkage to Connecticut's fuel cell industry. As there is no cost to the program at this time, he would favor maintaining the incentive and revisit the level when drawdowns occur. Jim Fleming and Amy McClean concurred. Amy McClean then asked about the program budget. Tracy Babbidge indicated staff intends to share budget and walk the board through the budget at the September meeting. Tony Cherolis indicated his understanding from Amy McClean is that the budget balance stood at $1.2M. Paul Farrell indicated that DEEP is working on getting the correct budget numbers for the Board. Amy McClean stated the value she described is from DEEP's website. Tony Cherolis requested top level budget covering three areas – rebates paid, dealer incentives paid, and administration costs at least one week before the next board meeting.

Commissioner Dykes asked Board the type of data and frequency they would like. Jim Fleming supported getting baseline information to the board that can then be refined upon further discussion with perhaps monthly updates. Commissioner Dykes committed DEEP team to provide budget information at least one week before the next board meeting on September 10th and motioned the commitment to the board. The motion carried unanimously.

Amy McClean commented on noticing meetings on both CHEAPR board web page in addition to the Secretary of the State's public meeting calendar. Tracy Babbidge indicated DEEP's goal is to get the notice to where people will see it and Paul Farrell added that DEEP will also email notice to its EVConnecticut and VW distribution lists.

Last comment on FCEVs from Tony Cherolis is that the rebate level is misleading because none have been issued in Connecticut and the program should focus on rebates actually awarded.

Amy McClean commented on board membership and asked if there was a plan for filling board slots and would like to discuss further. Commissioner Dykes requested that any suggestions for Board participation be sent to her.

Tracy Babbidge then summarized last area of comments on income level restrictions for used EVs indicating that comments supported limiting the used EV incentive to low-moderate income (LMI) applicants and the maximum eligibility income cap should remain as proposed. Tracy Babbidge indicated that DEEP is working internally to ensure consistency with LMI cap implementation with other programs across the agency, especially energy programs.

Tony Cherolis commented this approach was generally supported in comments although he views this more as a moderate income eligibility tool as most low income households would not be able to participate. Nonetheless, this is an important step. Amy McClean echoed support of this comment.

Tracy Babbidge then covered additional considerations for the upcoming meeting on September 10th and looking into additional analytics surrounding three distribution rates. Looking at three scenarios – increasing MSRP cap from $42,000 to $50,000; increasing base rebate levels and changing LMI incentives for new EVs. Paul Farrell added that DEEP would provide CSE flexibility within these scenarios to adjust rates to meet projected budget levels. Jim Fleming commented that scenarios are good but the levels need to be sustainable and must avoid shutting the program down as this has caused problems with other programs and could cause confusion with consumer and potentially compliance issues with the Department of Consumer Protection. Tony Cherolis commented that the Board should look at flat rebate for all EVs from both an accessibility perspective and lifecycle GHG perspective (e.g., one rebate level for all EVs instead of range based incentives). Matt Macunas commented that his understanding of the rationale of split incentives is to promote best technology and that he would like to see if there is research on miles driven based on battery size to determine if there is a rebound effect similar to what is seen with energy efficiency programs. For example, are EVs with larger batteries simply driving more miles? If we are changing the model we should have information on the math behind it to make sure we know we are getting what we paid for in terms of GHG reduction. Matt Macunas indicated that he is not so uncomfortable that he would push for a new approach yet and went on to comment on the program design slide and suggested that the correct questions were asked.

Jim Fleming offered to follow up with the Alliance of Auto Manufacturers to see if there is data to track consumer behavior and how the auto manufacturers price longer range batteries. Tony Cherolis mentioned that he was surprised that a flat level rebate hasn't been further explored as it was raised in both the January and July Board meetings. Tony Cherolis also noted that he is particularly interested in program design as we are in a disrupted period, an economic downturn potentially heading into a depression, and we are seeing very low levels of EV rebates awarded. Tony Cherolis expressed interest in seeing a scenario with a 6-12 month aggressive rebate with very clear communication that it would be a stimulus type rebate to be reconsidered based on the uptake and the remaining budget for the rest of the year, understanding the need to have a consistent program and clearly communicated incentive levels. CHEAPR program and the website has been a useful communications tool as has the dealerships. Shorter window, more aggressive window to respond to the economic situation we are currently in. Matt Macunas noted his interest in economic stimulus and the concept peaks his curiosity. Paul Farrell suggested providing analytics to split out the two categories of battery electric vehicles to see which portion of the budget they represent. Paul Farrell noted for the Board that the budget is finite, increasing incentives for some will require give elsewhere in the budget.

Amy McClean noted that the Board needs to see the budget to see what makes sense.
Jim Fleming noted that he has provided information to the administration on Connecticut vehicle sales during the pandemic and provided figures on vehicle sales to the Administration (not necessarily breaking out EVs). In late March selling an estimated 30% of normal, Governor's decision to allow dealers to stay open and sell virtually. Dealers took advantage of virtual sales and by the end of May sales were back up to normal except for the week of tropical storm due to power outages.

Jim Fleming noted that as long as supply is available to dealers, consumers are interested in purchasing vehicles. Jim Fleming also noted that the one unknown factor is what will happen with the pandemic in the fall.

Brad Hoffman asked a question on the MSRP cap and asked if the cap is high enough.
Jim Fleming noted that 5 years ago when the program was created one consideration was whether or not a$3,000-$4,000 incentive for the purchase of a vehicle costing $100,000 would influence consumer behavior compared to a person buying a vehicle at $60,000. The conclusion was that more people could be convinced to buy an EV at the lower level. MSRP cap at $60,000 excludes fewer vehicles.

Brad Hoffman suggested understanding the current price range of EVs is important to know. He also noted the strong, strong numbers in Connecticut on leasing. Demographics of buyers that lease $50,000-$60,000 vehicles because they can. Brad Hoffman also noted that there are buyers that will give electric a try because of the additional incentive which will pay off in the pre-owned market.
Jim Fleming also noted that there is about a $2,000-$3,000 difference between a new car dealer and a used car dealer selling a used vehicle. Franchise dealers get access to vehicles coming back on lease, they get the "cream of the crop". Jim Fleming is looking into the price of a pre-owned EVs. Other dealers were encouraged to weigh in as part of public comment. Paul Farrell suggested that DEEP will provide a list of EVs with MSRPs to help with the analytics so Board members can see how a cap would impact vehicle eligibility. Brad Hoffman also noted the dominance of the SUV market and noted how sedans are losing market share. An all-wheel drive SUV will also drive up the price. DEEP noted the next step would be to put together a list of vehicles by MSRP. Tony Cherolis also asked for MSRP cap in neighboring states and noted that the EV Club of Connecticut has also done a significant amount of research and suggested a MSRP cap of $50,000.

Commissioner Dykes noted that we covered all agenda items. Tracy Babbidge asked if the Board had any additional feedback on the e-bike conversation. Commissioner Dykes noted that the scenarios for the September meeting does not include a scenario around e-bikes but requested a presentation on best practices on e-bikes from other states to inform discussion on any potential statutory changes and policy direction going forward. Amy McClean noted that the goal is to incentivize EVs, and e-bikes may come into the conversation as part of other types of electrified mobility. E-bikes are an equity issue, an access issue and a mobility issue and noted her appreciation that we continue to explore this issue and explore funding options. Tony Cherolis noted that it is hard to understand the program without understanding the budget. Tony Cherolis also noted that the low rate of rebates as a Board member would encourage the board to be innovative.

Public Comments:

Connor Dolan, the director of external affairs for the Fuel Cell and Hydrogen Energy Association (Association), commented FCEV incentives. The Association represents nearly every major automaker in the United States and around the world as well the industrial gas companies building hydrogen stations. It is our belief that the FCEV incentives should remain at that higher level. As was noted earlier, sales of FCEVs are currently extremely limited in the state and it will encourage more investment and interest in Connecticut for this zero emission vehicle technology.

Also noted that the current MSRP cap of $42,000 eliminates the possibility of any fuel cell vehicle from being eligible from for this program. The $42,000 cap is currently about $16,000 lower than any fuel cell vehicle available today currently all fields of vehicles cost immense MSRP about $58,000 there are a significant federal tax credit of $7,200 to help reduce that cost. Automakers are also providing about $15,000 of free hydrogen refueling credit for all lessees or owners of fuel cell vehicles to help reduce the cost and impact on consumers but we really encourage the board to consider providing an exemption for the MSRP cap for fuel cell vehicles or at least returning to the previous $60,000 level so that these vehicles can be eligible, because just as it as it is currently there is no possibility that this credit will be applicable for industry

Paul Farrell commented in response that DEEP staff did intend to retain the $60,000 MSRP cap for FCEVs and apologized for the miscommunication. The $42,000 cap is applicable to BEVs and PHEVs.

Connor Dolan responded that the materials put out be DEEP did not differentiate the different MSRP caps and wanted to be sure his association's position on this issue is clear.

Barry Kresch commented that he would encourage the board to be forward looking as it looks at vehicle MSRP caps because it was a tough year for vehicle sales and a lot of vehicle releases have been pushed back to 2021. And 2021 is likely to be the year of the electric SUV based on announcements from the number of manufacturers. Even if final models haven't been announced you probably could get an idea of what price range the vehicles will fall in so if that's possible I would just encourage including that in the evaluation.

Barry Kresch supported Tony Cherolis's stimulus idea, the budget question notwithstanding, CHEAPR handed out under $300,000 worth of rebates in the first half of 2020 versus $1.5 million of a straight line budget so there is money in the program to do some things this year that may be helpful for us to use to acquire data.

He further commented that some of the unspent funds from this year could be used for an e-bike pilot to develop data on e-bike use and allow better understanding how they use the bikes, in particular whether they're being used for the kinds of things that an LMI individual that we'd like to see an LMI individual using them for particularly commuting. The other thing about scenario planning is a lot of the public comments said we should get more funds for CHEAPR. Right now only a portion of the GHG funds are currently dedicated to the program. This came up briefly in the meeting earlier today and so the board might want to include a scenario about the possibility of more funds being available. Lastly, he commented that while additional funds cannot be assured, he believes getting a larger allocation of the GHG funds is something everyone on this call feels would be a good idea.

Charles Rothenberger representing Save the Sound, noted written comments submitted to the Board and indicated those speak for themselves. He offered additional comment supporting scenario analyses run in tandem to determine interactions of various program changes and their impacts on the overall goals and budget.

With respect to the range based incentives, he commented that it seemed intuitive to him that more advanced technology and greater range would track with MSRP. That may not be true, but it seems intuitively correct so he cautioned against unintentionally dis-incentivizing more technologically robust EVs since sales will certainly send an important market signal to what's being developed and manufactured.

To follow up on a point by Barry Kresch, Charles R. commented that it would be useful to do some analysis related to our current EV market penetration goals 150,000 and 500,000 vehicles by 2030 to figure out what it would take to meet these targets. While the budget is currently limited, there is no harm and actually a great deal of value in terms of knowing what we should be advocating for in terms of funding for this program to ensure that we can meet the targets that we've committed ourselves to meet.

Leo Karl III commented that he looks at the overall goal of the CHEAPR program as being to promote and expand EVs on Connecticut roadways and to keep them on the road and I think about my first comment around the e-bike question.

While he is a proponent of e-bikes, he questioned the viability of adding them to the program and diluting the funding available for EVs.

Connecticut's climate is not suitable for year round e-bike operation whereas in some climates an e-bike could be used for year round for transportation. He also commented there is uncertainty about adequate infrastructure to provide safe biking routes for commuters. And if the goal is to replace gasoline engine vehicles with electric alternatives, an E-bike may not truly be able to do that. While e-bikes ma add to recreation options, they may not realistically replace commuting miles in Connecticut.

Mr. Karl commented on the single rebate limit per drivers' license should be set aside. Based on his work experience (GM car dealer), he has seen EV lessees have to pass on subsequent EV leases due to affordability issues. This has created a gap that the CHEAPR board should address.

Mr. Karl suggested creating a two-tiered EV rebate where on tier would cover purchases at a higher amount and a second tier would cover leases at a lower amount that could be used for two or three leases, which would keep an EV on the road for six to nine years since a typical lease is 3 years. He commented that he supports the CHEAPR program and that it has been, as a dealer, relatively easy to administer. He commented that the upfront aspect of the program is important and has helped to level the playing field as he represents General Motors, which has used up its federal EV tax credits. The GM federal tax credit expiration has created competitive pressures because there's a lot of manufacturers now coming to market who have the full tax credit at their disposal.

Mr. Karl commented that Tesla and GM have had to rethink their pricing based on the expiration of the tax credit and it is important to keep that in mind that there is a difference between a lease customer and a purchase customer in terms of the impact an incentive has on affordability and monthly payment.

Chris Phelps on behalf of Environment Connecticut commented that supporting hydrogen infrastructure for FCEVs is really incentivizing fossil fuel infrastructure and fossil fuel based or powered vehicles because the primary feedstock for hydrogen, to the best of his knowledge, is fossil fuel based. As such, CHEAPR dollars spent on supporting fuel cell vehicles are effectively supporting continued reliance on emitting fossil fuel technologies provided as a cautionary note as the board continues these discussions in the future

Chris Phelps also commented that his organization does not support including e-bikes and opposes uses limited CHEAPR funding for an e-bike incentive but his organization does encourage the continued discussion about finding alternative means to support that marketplace in the future.

Lastly, Chris Phelps commented support for raising the MSRP cap for instance to $50,000, however he noted concern about unintentionally incentivizing or risking predatory lending practices on LMI applicants (e.g., locking a lower moderate income person into a lease or loans they can't afford, which is a growing financial problem in Connecticut and nationally right now).

Zach Kahn, representing Tesla, commented that he appreciates the Board is going to be looking at raising the MSRP cap because the market is starting to see larger electric vehicles like pickup trucks and SUVs not just from Tesla but from Rivian and Cadillac and others. These larger vehicles, in the gas sense, are some of the highest emitting vehicles that we really do want to electrify. They are also some of the most popular vehicles. So if that cap could be raised to include those vehicles, it will be really valuable in terms of reducing emissions in the state.

He also commented that Connecticut should look to New Jersey as a program to emulate as one of the best incentive programs Tesla has seen. New Jersey established a $25 per mile of electric range voucher program with a cap at $5000 per vehicle and an MSRP cap of $55,000, which has led to really significant growth in EVs in just a short time (about 1,800 voucher requests in the first three months of the program).

Lastly, Zach Kahn commented about a study from UC Davis that looked at plug-in hybrids and suggested the Board consider in terms of incentivizing plug-in hybrids. Oftentimes, even though there is a plugin component for the cars, those cars do not get charged and are basically running on gasoline a large proportion of the time. The program should figure out ways to ensure PHEVs maximize e-miles driven and minimize miles driven on gasoline.

After the last public comment, Tracy Babbidge reminded the group the next meeting is Thursday September 10th.

Commissioner Dykes expressed gratitude to all board members and the public for their participation.

Jim Fleming motioned to adjourn the meeting.

Commissioner Dykes seconded the motion to adjourn.

The meeting was adjourned at approximately 11 AM.