



## Connecticut Hydrogen and Electric Automobile Purchase Rebate Program

(CHEAPR)

Board Meeting

September 10, 2020

1:00 PM 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, Walter Barozi, Ben McMillan

Members of public offering comment: Sarah Krame, Barry Kresch, Quilian Homann, Ashley Seaward, Brian Braren, Charles Rothenberger, Chris Phelps, Larry Thompson, and Steve Eilis.

Additional Attendees: Gannon Long, Samantha Dynowski, and Zach Kahn

At 1:05 PM Commissioner Dykes called the meeting to order

Commissioner Dykes opened the meeting and asked Tracy Babbidge and Paul Farrell (as designees) to facilitate the meeting. Tracy Babbidge called the roll. Board members acknowledged their presence, Bradley Hoffman and Jim Fleming joined after the roll. Tracy Babbidge called the meeting to order after quorum was determined. Tracy Babbidge indicated the purpose of the meeting is to:

- vote on the August minutes;
- provide an overview of e-bike practices and share results with board on review of best practices;
- discuss the CHEAPR budget;
- discuss the work CSE has done in evaluating program design scenarios from last meeting;
- take public comment; and
- outline next steps.



Tracy Babbidge asked the Board if anyone had changes to proposed agenda. No comments were made from the board.

Tracy Babbidge stated that the August 19, 2020 meeting minutes has been circulated to the Board in advance of the meeting, and asked for a motion to move them. Commissioner Dykes moved the motion and Commissioner Seagull seconded. Tracy asked if there's any discussion of August 19, 2020 minutes.

Tony Cherolis stated he would like the minutes (going forward) to include list of public attendees beyond board members and DEEP staff. Tony stated having public attendees as an additional category. Commissioner Dykes recognized staff's efforts and hard work to produce detailed minutes and suggested that staff use best efforts to capture names of participates as come and go but that we are not tracking down each individual. Amy McLean agreed. Commissioner Dykes encouraged participants to state their first/last for the record to assist staff in this effort. Commissioner Dykes then asked if there were any other discussion to the minutes. Matt Macunas commented that minutes read like a transcript. All Board members moved to adopt the August 19, 2020 meeting minutes.

Tracy Babbidge provided an overview of e-bikes programs across the country including best practices for some of the programs including: California's "Mobility option" which provides incentives in different forms (purchasing electric vehicles, car share, bike share, e-bikes). She noted that some programs have provisions for scrapping older vehicle around incentive with e-bikes. A summary of best practices are outlined in the board materials. Tony Cherolis noted that Vermont program includes e-bike retrofits and rebates, which is increasingly a common occurrence. Matt Macunas asked if there was a cost difference between a retrofit and a newly purchased e-bike. Tony Cherolis noted that an e-bike with a battery and control system costs about \$1000 depending on size of battery (could be \$1200-1500). Entry level e-bikes could cost more. Tracy Babbidge indicated that DEEP would provide additional periodic updates as more information becomes available. Tony Cherolis mentioned that in the next legislative special session there might be an opportunity to "tweak" legislative language and include CHEAPR budget uses for unspent 2020 funds. Amy McLean would like updates on any proposed program changes or additions of an e-bike pilot. Tracy Babbidge then turned to Paul Farrell to provide an overview of the CHEAPR budget.

Paul Farrell discussed information on the slide labeled "CHEAPR Board Meeting September 10, 2020 Budget Update", and noted the update covered the period from January 1 – July 31, 2020. (See Board Materials and document entitled CHEAPR 3 Funding Update 9.3.2020) Paul Farrell asked if there are any questions with respect to the budget presented. Tony Cherolis requested clarification of the difference in spending as opposed to prior meeting with one line item. Tracy Babbidge responded that this was the first presentation of the CHEAPR budget, a previous presentation from CSE may have included a budget projection for program design purposes. Tony Cherolis suggested including a sub item under the rebate line in the budget. Paul Farrell and Tracy Babbidge agreed to include numbers of rebates in future presentations Tony Cherolis mentioned he would like to see a snapshot of the budget at every meeting

Tracy Babbidge turned discussion over to John Livermore at CSE to provide an overview of the data analytics developed and walked through a series of slides included in the board materials including



the “Current,” “Proposed,” “Pre-October 2019,” and “BEV Consolidated” scenarios. Three demand scenarios showed the projected proportion of rebates per incentive category, and John Livermore explained the projected proportions of three demand scenarios (Low, Baseline, and High) along with the impacts on the \$3million budget as well as a potential 50% stimulus incentive. John Livermore also elaborated on the budget necessary to achieve market penetration of 150,000 EVs.

Amy McLean asked if the annual administrative cost is the same administrative cost in the budget, and John Livermore confirmed that the 12.5% admin cost for the \$3 million budget is \$375,000.

Amy McLean also asked about the administrative cost for CSE to administer the CHEAPR program and John Livermore explained CSE’s tasks are included as part of the administrative costs including rebate processing, reporting, dashboards, data driven program design, dealer customer and LMI community outreach. Tony Cherolis asked whether the administrative cost of 12.5% scales up with a larger program(s).

John Livermore explained that there is an economy of scale with a larger program and administration fees. A larger program would have a lower administrative cost.

John Livermore continued to discuss industry, IHS and CTDMV data to determine estimated budget impacts of raising the MSRP cap for eligible vehicles from \$42,000 to \$50,000. Approximately 1,000 additional vehicles would have been eligible in 2019. The budgetary impact would be between \$1.2 and \$1.9 million or about 40 to 60% of the total annual budget. John presented data demonstrating Tesla Model 3 registrations in Connecticut over the past 2 ½ years showed that removing this vehicle from the program in October 2019 did not have a significant impact on overall Model 3 registrations at the end of 2019. A slight decline in Model 3 registrations after February 2020 is most likely due to the COVID slow down.

Tony Cherolis noted the discrepancy between the stated goals of the program and the projections being presented for 2025. Tony Cherolis suggested closing that gap with perhaps an additional revenue stream. Tony Cherolis asked for an explanation of low demand on slide captioned “Demand scenarios evaluated.” John Livermore explained that the program is to date/month, and that CSE used a full year of data. Matt Macunas indicated that he would like to see more data on raising the MSRP cap particularly given that Tesla Model 3s accounted for 40 to 60% of the available incentives. Tony Cherolis noted his interest in an MSRP cap analysis since it appears higher cost vehicles receive a higher rebate and suggested that a larger percentage of the 50% stimulus should flow to low to moderate (LMI) households.

Several Board members commented on the need for increased funding noting that Regional Greenhouse Gas Initiative (RGGI) funds or similar funding sources could be dedicated to the CHEAPR program or an equivalent program. Tony Cherolis noted that that additional revenues would aid in the closure of the funding gap in meeting the States 2025 electric vehicle goal. Matt Macunas agreed with this approach and applying the Greenhouse Gas (GHG) funding to CHEAPR. Amy McLean noted that we need to get bolder to reach these goals, as business is not the same. Tony Cherolis summarized that he would like to see EV rebates perhaps with a 50% stimulus to start before the end of 2020 or beginning in 2021.



Jody Ellant mentioned that funds need to be put back in clean energy fund, and mentioned returning to the legislature for increased funding sources for the program. Tony Cherolis agrees and offered to draw up a statement with the Transportation Committee to which both Jody Ellant and Amy McLean agree.

## **Board Discussion**

Amy McLean asked about DEEP's role in requesting additional funding. Tracy Babbidge responded that DEEP as an executive branch agency would need to coordinate and seek approval through the Office of Policy and Management for any budgetary request or to take a position on a proposal that would impact the General Fund budget. In response to a question on the funding, Paul Farrell explained that there are two streams of funding for this program: an additional fee on the sale of new vehicles, and a registration fee. It was also noted that under Public Act 19-117 Section 94 (b) the first \$3 million funds the CHEAPR program and the remainder goes into the General Fund. A brief discussion ensued on the legislative language and the funds collected by DMV. Tony Cherolis noted that increased revenue was a topic of discussion and a recommendations of the Transportation subcommittee of the Governor's Council on Climate Change.

Tony Cherolis asked if CSE can provide background on numbers of EVs purchased vs number of EV's registered in Connecticut (data posted on DMV's web page). John Livermore responded that the difference in numbers may include PHEVs. Data goes back to 2010 – and that there may be some retirement of vehicles in that. Tony mentioned the need to better understand future reporting between approximately 12,000 EVs shown as registered by DMV and 15,000 CSE is showing as part of its analysis. Paul Farrell clarified that rebated vehicles and registered vehicles are two different pools and sometimes rebated do fall under the registration data set.

Matt Macunas mentioned a previous comment regarding New Jersey's incentive structure that provides incentives regardless of battery size and asked whether there are benefits to such a program design. Tony Cherolis stated that he would not necessarily be in favor of a model similar to New Jersey since that may not benefit LMI individuals. Paul Farrell explained that New Jersey's program is funded at a higher rate than would be sustainable in Connecticut.

Tracy Babbidge noted that the New Jersey model is for \$25 per mile up to \$5,000 per vehicle. John Livermore added that New Jersey's budget is \$30 million or 10 times the CHEAPR budget for Connecticut.

Amy McLean and Tony Cherolis both regard the funding levels of New Jersey's program to be aspirational for Connecticut and would aid in the overall 2025 goal of 150,000 EVs in the CT fleet.

Tracy Babbidge suggested next steps and perhaps a motion to address utilizing the \$1.9 carryover funds as a stimulus fund. She also suggested that the Board open the meeting for public comment. Amy McLean and Tony Cherolis agreed the Board should hear public comment.

## **Public Comment**



Public commenter: Sarah Krame representing the Sierra Club agreed with comments made by Tony Cherolis relating to concerns with the EV rebate level being tied to vehicle range and affecting accessibility for LMI communities and their access to electric vehicles. She continued that electric vehicle rebates should consider any mile traveled in an electric vehicle as a greenhouse gas reduction and climate benefit as opposed to an internal combustion engine. She stated that the reasoning underlying the bifurcation of the rebate for over 200 miles of range versus under 200 miles of range makes sense for PHEVs where we want to incentivize drivers to buy cars that have larger electric range, which means maybe they would actually use that range. Whereas BEVs provide climate benefits regardless of range.

Ms. Krame additionally commented that raising the MSRP cap should not be a top priority at present given the limited funding for the CHEAPR program. Focus should be on rebates to people who need them most. She concluded that she supports DEEP finding additional funding sources for e-bikes and perhaps limiting any e-bike rebate program toward LMI communities and how consumers in this communities would use e-bikes.

Public commenter: Barry Kresch responded to Sarah Krame's comments regarding short range EVs used as a second car noted a study done around 2014 comparing Volt (PHEV) and Leaf (BEV) finding more electric miles were driven on the Volt at the time with 38 mile all electric range. EV Club supports increased electric range and believe they are needed to support the used EV market. Mr. Kresch recommended that 2020 budget surplus be used to reinstate pre-October 2019 incentive levels.

Public commenter: Quilian Homann representing the Fuel Cell & Hydrogen Energy Association asked whether the MSRP cap for FCEVs has changed.

Paul Farrell responded that the MSRP cap for FCEVs is \$60,000 was carried over from previous program (CHEAPR 2).

Public commenter: Ashely Seaward representing People for Bikes (National bike advocacy group) commented that her organization is in favor of e-bike pilot rebate program or perhaps a line item added to the CHEAPR budget. She expanded on e-bike benefits for LMI communities and GHG reduction goals. Ms. Seaward also offered the advocacy group's research and technical expertise as relates to e-bike programs.

Public commenter: Paul Braren mentioned he owns a 2018 Tesla long range with all-wheel-drive and a 2020 Tesla with standard range and he supports the CHEAPR program including the longer range all-wheel drive offerings as opposed to the rear-wheel drive lower cost options. Mr. Braren compared CHEAPR's MSRP cap with MSRP caps in neighboring states noting that Connecticut's cap is more stringent. He supports larger rebates for EVs with longer range and all-wheel drive capabilities.

Public commenter: Charles Rothenberger commented that he supports an increase in funding for the CHEAPR program that's adequate to meet its goal. He also is concerned about using predetermined levels of demand with respect to analysis completed for funding of incentive levels. Mr. Rothenberger



continues that he is not currently supportive of an e-bike program being created with CHEAPR funds and would prefer alternate funding sources such as utility based programs be pursued. Lastly, he asked a question about the CHEPA program budget regarding the level of funding allocated toward administrative costs.

Paul Farrell responded to Charles Rothenberger that the administrative costs outlined at this point exceeds the 12.5% cap due to up-front effort to develop the new program platform as CSE needs to update the entire platform that cheaper is based upon. Mr. Farrell noted that the overall cap on administrative costs will not be exceeded.

Public commenter: Chris Phelps commented that he agreed with a Charles Rothenberger's comments and added that the Board should consider the budget constraints discussed and consider a sufficient budget and program design that achieves CHEAPR's goals. He supported maximizing the number of EVs within the constraints of the budget and incentive levels in order to achieve environmental and program goals.

Public commenter: Larry Thompson commented that an MSRP cap somewhere around \$50,000 offers incentives for currently available EVs. He continued that as the MSRP comes down over time due to lower costs, a shift to lower incentives levels may be appropriate. Mr. Thompson states that this approach would provide the ability to optimize or balance incentives with number of EVs purchased.

Public commenter: Steve Ellis comments that there are opportunities for modeling based on parking at Hydrogen stations with respect to determining demand for FCEVs in the low-medium-high demand scenarios.

Public comments concluded and Paul Farrell turned the meeting over to Tracy Babbidge.

Tracy Babbidge asked the Board about next steps. She suggested to frame a motion on the program design incentives and circulate it for Board members to weigh in on.

Amy McLean is supported drafting a motion for the Board to review and consider.

Tracy Babbidge asked if there were any other thoughts.

Tony Cherolis commented that he shared the concerns stated by Sarah Krame of the Sierra Club with respect to LMI purchasers but supported a higher MSRP cap if there was a flat single value rebate. He noted he is in favor of the \$42,000 rebate cap continuing and 50% stimulus for 12 months, which will bring the incentive levels more in line with other EV programs.

Tracy Babbidge asked if there were any other comments.

Matt Macunas commented that he would be open to the idea of a time limited stimulus offer but that it doesn't have to be as modeled where it's 50% higher just the fact there's a deal out there sometimes has a marketing impact on people's purchasing decisions, regardless of what that price point is the



actual price sensitivity. He continues that he would be supportive of higher rebate levels for LMI purchasers and if the stimulus leads to increased EV purchases.

Tracy Babbidge asked Board to consider timeframes and scope of next steps and offered to frame up the program design options and a statement to circulate to the Board in conjunction with setting up the next meeting for the Board to vote.

Amy McLean indicated her support for the approach.

Tony Cherolis responded he is interested in being more responsive rather than waiting to decide on a path in a month or two. Tracy Babbidge indicated DEEP would circle back as soon as possible.

Amy McLean asked if there is down side for DEEP to adding money to CHEAPR program. Tracy Babbidge indicated in general to meet policy goals, additional funding to deploy more vehicles and helps to achieve the targets in the ZEV MOU and as part of the GWSA. As an executive branch agency, any proposals related to state funds require DEEP to adhere to an interagency approval process which includes OPM.

Tracy Babbidge requested a motion to adjourn. Matt Macunas motioned, Tony Cherolis seconded the motion.

Meeting adjourned at 2:59pm.