



September 20, 2021

Will Seuffert, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: Docket No. E002/M-20-745: Reply Comments, in Electric Vehicle (EV) Programs as part of COVID-19 Relief & Recovery

Dear Mr. Seuffert:

We appreciate the opportunity to offer Reply Comments in this important docket that sets forth a path for Xcel Energy to both assist in the full economic recovery from the Covid-19 pandemic while simultaneously accelerating the adoption of electric vehicles (EVs) and related electrical infrastructure in Minnesota. Moving toward a clean transportation system, at scale, is challenging and involves multiple sectors, companies, and organizations. The state of Minnesota has recently become a ZEV state, pursuant to Section 177 of the Clean Air Act, and therefore should be pursuing aggressive EV goals.

The original proposal of Xcel filed in the Fall of 2020, in response to a Notice of Comment Period by the Commission, met both the substance and time-sensitive nature of these challenges in Minnesota. **While we are disappointed to see the Company pare back the scope and rebate levels in this program in response to comments from several Parties, we support the revised proposal (as Xcel filed in its Reply Comments) as a minimum. Yet we urge the Commission to consider expanding the scope and rebate levels of the overall program, as outlined below, before adopting a final Order. Minnesota's low EV adoption rate and the urgency of extreme weather related to the changing climate caused by GHG emissions call for a bolder approach. And the time to act is now.**

The Alliance, a 501(c)(6) non-profit corporation, is led by electric vehicle (EV) infrastructure firms and service providers, automobile manufacturers, utilities, and EV charging industry stakeholders and affiliated trade associations. We started with 20 organizations at the launch just over three years ago and now we have nearly 55 members nationally. We take a "big tent" approach to advance the industry and focus not just on accelerating EV charging deployments—which necessarily requires a strong utility role—but also promoting public accessibility and open standards. We are presently involved in about 25 proceedings in the States before the PSCs, state energy offices, Legislatures, Governors, state DOTs and DEPs, and other agencies.

Overall comments:

Minnesota has recognized the urgency and importance of the climate challenge, and how it specifically affects the economy, infrastructure, public health, and underserved and communities of color in the state. Over a decade ago, the Legislature passed the Next Generation Energy Act that called for substantial reductions in GHG emissions over the next four decades, specifically an 80% reduction by

2050 based on 2005 levels (a so-called 80 x 50 scheme that other States and Regions have adopted). Since then, the electricity sector has made substantial reductions in CO₂ and other emissions in Minnesota. Yet there have been few greenhouse gas emission reductions in the transportation sector during this period, and it remains the largest source of emissions in the state. Clearly, more needs to be done in this sector by utilities, vehicle owners, fleets, industry, and vendors, together with the state agencies that oversee these efforts including the PUC, MCPA, MnDOT, DOC, and of course the Governor's Office and the Legislature as the lead policymakers.

The Commission has acted constructively in response to multiple EV and TE (transportation electrification) program designs submitted by Xcel Energy over the past several years, along with other utilities, and many pilot-scale programs have been implemented and are underway. These include a portfolio of programs across multiple use cases, including residential, workplace, fleets - both governmental and commercial, and public charging infrastructure including, DC fast charging and public Level 2. These have been well received and recognized nationally as being best practices for other utilities in the country. Yet there is an urgency to the current challenges that requires greater scale by Xcel and other utilities.

This is especially true since Minnesota has become a ZEV state joining 14 other states and the District of Columbia. Accordingly, MCPA has recently finalized the Clean Car Rules in Minnesota that should result in lower and zero emission vehicles coming to the state of Minnesota. But the reality on the ground – low adoption, relatively few registered EVs, a large and growing EV infrastructure gap, and relatively low awareness of the available electric vehicles – speak volumes to the collective challenge ahead of us. According to the latest data from the Auto Innovators Alliance dashboard, the state only has about 17,000 registered EVs, including 10,558 BEVs and 6,794 PHEVs, in the state. The state has a public policy goal of having about 20 percent of the cumulative fleet being ZEV by 2030, which is only about eight years away and is estimated to require over 70 percent of annual, incremental sales of vehicles to be electric by that time. These are ambitious goals, especially considering where the states are today. Moreover, other states in the Midwest such as Illinois are starting to move to adopt requirements for TE plans by utilities, a strong stakeholder role, including programs focused on equity and low-moderate income communities, and strong aspirational goals (1 million light-duty vehicles by 2030 for Illinois in legislation that passed last week and was signed by Governor Pritzker).

Therefore, we believe that the time to scale up aggressively both the EV stock in the state, and just as importantly the public DC fast charging and Level 2 infrastructure is now. For infrastructure deployment, while of course we don't oppose pilot programs and believe the ones approved by the Commission for Xcel have been well designed on important EV use cases, we strongly believe that it is critical that we start scaling up EV markets today- both EV sales and EV charging in terms of geography, end use, and power levels. Let us cite a few examples from the OEMs to illustrate the numbers and increased types of EVs to come to market in the next one or two years (although more than 50 vehicles across all vehicle types – compact, sedan, SUV/crossover, and light truck are available today in the Fall of 2021). General Motors has announced its vision to become the global leader in electric vehicles by 2025 and produce and sell 1 million units globally by that date. It has announced a timeline to stop selling ICE vehicles and only EVs by 2035 and become net carbon neutral by 2040.

Moreover, the light-truck segment of the EV market has grown rapidly just in the last year. Ford Motor is investing billions of investments in all aspects of vehicle development for electric drivetrains and

additional battery production capacity. The announcement of the F-150 Lightning recently has generated tremendous interest with over 130,000 reservations as of early September; in response, Ford has announced a doubling of its initial estimates of annual production to 80,000 units annually by 2024, and then a target of 160,000 per year for the generation 2 vehicle from 2025 onward. In the SUV/crossover segment, the Mustang Mach E has entered the light-duty market with great success. All of these vehicles, especially of course the light trucks, have substantially larger battery capacities than earlier models. Finally, as another Midwest-based OEM in nearby Illinois, Rivian started to ship its first production of its R1T light truck last week from the Normal IL facility, to be followed soon by the R1S SUV vehicle and then the last-mile delivery trucks for Amazon (10,000 ordered) in the Class 4 range.

We recognize that for any individual state like Minnesota, it will take some time for these new electric vehicles across model types to be sold, delivered, registered, and enter the cumulative fleets in Minnesota. We simply wish to make the point here that these vehicles are real commercial vehicles with billions of dollars of investment by the OEMs, battery firms, and supply chains, and that they are arriving faster with more enthusiasm than we expected in 2019 when the Commission began to examine seriously these issues. But there is also certain to be competition among states to get the vehicles that will be needed to meet the goals many states have set. While Minnesota is now a ZEV state, with the Clean Car Rule to be implemented soon, there is still a need for incentives for vehicle purchases like the incentive rebates that Xcel has proposed. These rebates will help ensure that Minnesota gets vehicle offerings from the OEMs and that those offerings are taken up by Minnesota residents.

The Alliance believes that vehicle rebates offered by the utility are a legitimate and effective way to accelerate EV market developments for the benefit of all customers if properly designed. We wish to point out that the upfront cost of an EV purchase is still more than a comparable ICE vehicle, by vehicle category, although the costs of both the vehicle and the battery continue to decline. For example, ATE recently did some analysis of this purchase cost comparison, and concluded that at least for the compact/hatchback category today the average difference is in the range of about \$8,000, although higher for other categories (and with many caveats related to the features, trim, and packages that are being compared among the vehicle makers). Market research also consistently points out that two of the major barriers to consumers buying a new EV to be range anxiety (not sufficient public charging infrastructure), and that the EVs are “too expensive” compared to ICE vehicles. We believe that it is important to address both this perception of the consumer, and assist the collective EV ecosystem, including electric utilities, OEMs, and IT and networking firms to overcome this “valley of death” in market transformation.

Specific comments:

1. *Utility investments are an appropriate way to stimulate economic, jobs, and wage growth:*

In general, the Covid-19 pandemic has created the sharpest drop-off in economic activity and jobs since the Great Depression. Economic policies at the federal level have greatly assisted in the economic recovery nationally, namely the strong fiscal response from Congress with the American Recovery Act and the continued low-interest rate policy of the Federal Reserve. Yet as we have seen in the economic recovery over the past few quarters, the results have been at times inconsistent, subject to reversal in response to the Delta virus, and spread unevenly among our population by income, geography, and communities of color (BIPOC). In other

words, we are not “out of the woods” from an economic and social justice perspective yet, including in Midwestern states like Minnesota.

Therefore, we urge the Commission to keep in the forefront of its thinking that Xcel as a regulated utility can serve the critical public policy goals of the state in these critical times, both in terms of the “regulatory compact” regarding utility programs and ratemaking, as well as serving the public policy goals enunciated by the Governor and the Legislature. In this specific regard, the regulated utility can be both an enabler and a catalyst for the entire EV ecosystem in spurring greater market development, and allowing more private, non-utility capital to be attracted to Minnesota. As is well known, and as we stated in filings to the Commission previously, the benefits of a robust utility role are several and include the ability to take a long-term view of its investments (intergenerational equity), its scale and scope, its access to relatively cheap debt and equity (especially in this low-interest rate environment with the Fed), and its obligation to serve all classes of customers, including communities of color and low-moderate income communities.

2. *Vehicle rebates are an effective way to stimulate the market:*

Many states have offered vehicle rebate programs which come in a variety of program designs and administration. Some state Commissions, like the BPU in New Jersey, administer a state-level program, but in other states like Illinois and Oregon or Maryland, it is the state energy office or agency or sometimes the environmental agency. These programs have proven to be quite popular and often reach their program cap quickly after opening for enrollment. These state-based programs offer a complementary incentive to the federal tax credit (30D) that help to reduce the upfront purchase differential mentioned above. Of course, most of these programs have certain common elements such as some type of MSRP cap by vehicle category, supplemental incentives for LMI and underserved communities, used vehicle rebates, and program caps.

We often hear the criticism in other states that these state-based incentive programs are just “subsidies to upper-income Tesla owners” or some similar comments. Nothing could be further from the truth. While it is true that market transformation usually starts with higher-priced products, such as Tesla, this is simply a part of our capitalist, market economy system where the OEM needs to ensure an appropriate return for its investors while at the same time trying to stimulate aggregate demand (in the traditional Keynesian economic tenets) by increasing sales and driving unit costs down. Policymakers have shown that they can craft incentives to deal with both the issues of income, geography, and market transformation.

Accordingly, the same principles apply to a utility-based program such as that of Xcel Energy. The utility is attempting to stimulate overall market demand for EVs, as well as TE infrastructure, in a broad and cost-effective way that will create benefits to all citizens and ratepayers in the longer term. Moreover, such incentives will accelerate the reduction in GHGs and pollution from the largest source of such emissions in the state, which is a top-of-mind public policy – namely, the transportation sector.

Moreover, the more rapid adoption of EVs through such incentives, both for new and used EVs, will lead to other benefits to both the utility and the consumer as follows:

- The EV owner will benefit from about \$1,000 per year in fuel cost savings, especially if the variable TOU rates are enrolled by the consumer (depending on the specific retail price of gasoline/diesel and electricity prices);
- The utility will have full access to the charging data of the EV owner/ratepayer during the life of the program so that it can assess consumer behavior, and manage the distribution grid reliably and effectively;
- As part of the terms of the program, the utility will be able to develop “managed charging” programs such as V1G (demand response), as well as variable TOU rates. As the market matures and more vehicles are put into Xcel’s service territory, more advanced V2G solutions can be introduced;
- The resiliency of the distribution grid, at the local feeder level, and issues such as consumers use of back-up power can be further integrated into the system through bi-directional flows of power (V2G) and hopefully, the open access protocols that are coming through ISO 15118-Dash 20 and other mechanisms.
- Downward pressure on rates: the Alliance believes that the case for downward pressure on overall rates in the Total Revenue Requirements (TRR) to be realized in a future general rate case is strong since greater EV adoption and EV charging (of whatever type and power level) during off-peak periods should result in more kWh sales without commensurate increases in utility costs.

3. Cost recovery of the rebates

As we stated above, market transformation is not an easy process devoid of friction at any point during the process, whether it be from the utility, the consumer, the vendor or OEM, or organizations like NGOs assisting in the process. The electric utility industry has undertaken similar processes in the past, such as the introduction of electric air conditioners in the 1960s, the introduction of building code standards for weatherization, and recently the conversion of lighting standards from incandescent to CFLs and then LEDs for electric lighting equipment over the past decade. The utility role in helping to transform these devices and end uses has been critical and foundational to the integration of these devices in the grid. We would add that a variety of program designs, mandates, incentives, and different approaches has been implemented depending on the state – there is no one-size-that-fits all.

Accordingly, we believe that the Commission should consider the cost recovery of rebates in this perspective, namely a broad market transformation that is consistent with the public policy imperatives of Minnesota. This is not a time to be overly cautious and rely on overly conservative or narrow regulatory principles that attempt to restrict utility investments in this area.

We will not repeat the arguments made by Xcel in its Reply Comments in response to the comments of OAG and several others on this point. Suffice it to say that several other Commissions, such as the Colorado PUC in its decision on Public Service of Colorado and the Michigan PSC in its Orders on both the filings of Consumers Energy and DTE Energy, have granted cost recovery to earn a return

on rebates, in large part based on the arguments we make above that this is a way to stimulate a nascent market and that the benefits should offset the costs over time. Trying to classify these investments as expenses only and match the expected benefits with costs in a temporal way, simply makes no sense given the rapid development of the EV market and TE charging as mentioned above. Instead, the Commission should adopt the approach enunciated in the language of the Order of the PUC in January:

“We agree with Public Service that increasing transportation electrification through rebates is especially critical in the early market years. We conclude that allowing Public Service to amortize TEP rebates will, in turn, incent the Company to invest in TEP programs that use rebates. Moreover, we find amortization of rebates creates a more balanced incentive structure for TEP programs involving utility-owned assets and TEP programs only involving rebates.”

4. *Build in flexibility in program design and oversight:*

As stated above, we urge the Commission to build in flexibility in the ultimate Order approving these programs so that Xcel, working with the Commission and intervenors or stakeholders can adjust, iterate, and fine tune the programs over the program life. This is still a nascent market, but developing rapidly, and we cannot predict with accuracy today which business model will prevail, which vehicles and vehicle types will be the most successful, and which battery capacities will be the most prevalent. What we do know, however, is that the market is developing rapidly, is quite dynamic, and therefore any regulatory oversight or program design should be subject to flexible oversight and review.

As Xcel states in its Reply Comments, the current reporting mechanisms by the utility to the Commission, with review by stakeholders, is quite robust and probably sufficient. In addition, Xcel Energy has developed, in the view of ATE, one of the best stakeholder engagement mechanisms both in Minnesota and Colorado separate from the reporting requirements to the Commission. Both tracks should be continued.

The Commission should not adopt overly prescriptive program design and reporting requirements for these vehicle rebate programs, for both the school bus program and for vehicle rebates both residential and non-residential. For example, the Commission should reject the concept of an annual program budget with a hard cap, and instead adopt a more flexible approach that requires both reporting and consistency with the overall TEP and checking in with the Commission and stakeholders if it proves difficult to meet the needs of particular end use case. The re-allocation of budget amounts between use cases should be allowed and encouraged in these early market development days. This approach on re-allocation, for example, has served well the needs of both DTE Energy and Consumers Energy, and the stakeholders, with the Michigan PSC.

5. *Alternative budgets to consider:*

As stated in the opening paragraph, we believe that investment levels in vehicle rebates has been slimmed down too much from the initially filed amounts. Although we recognize that Xcel has stated its lack of opposition to these revised amounts supported by the CEG and other parties, we

would suggest another more robust approach that is more consistent with the public policy and environmental/GHG goals of Minnesota as follows:

- Approve an overall rebate amount of \$65 million, instead of \$40 million. Our reasoning is stated above, i.e., the urgency of the challenges today, as well as the ability of the utility and Commission to modify or fine tune elements later. This amount seems more appropriate given the magnitude of the challenge;
- We would suggest the following break-down:
 - Bus rebates: \$40 million
 - Residential LDV: \$15 million
 - Non-residential: \$10 million
- We especially recognize that the bus rebate programs may face the greatest challenges, both in terms of the upfront capital cost differential and the TCO over time with variable TOU rates. We think that the rough breakdown by Xcel makes sense, but we would keep \$20 million for Metro Transit, \$5 million for other transit, and increase school bus to \$15 million. We state this because we believe that these Xcel-supported funds could be leveraged with the expected federal school bus funding, administered by the federal EPA (in the range of \$7.5 billion nationally), for which the Minnesota Department of Education and school districts may be eligible.
- We would argue for a mid-term review of these vehicle rebate programs in 30 months after implementation, perhaps combined with other reporting requirements and reviews;
- As with the Colorado PUC Order, we would also argue for a potential contingency of 25 percent above this overall amount, if Xcel Energy can demonstrate the review process and reporting requirements that such a contingency would be warranted.

6. Public Charging Infrastructure

The Alliance fully supports Xcel’s very modest proposal to invest \$5 million in the ownership and operation of charging stations in its service territory. These stations are targeted to be located in areas not likely to be served by the private market, and the number of chargers contemplated will not in any way impede the ability of the private market to continue to grow. We note that while ChargePoint requested some modifications to the program, it did not outrightly oppose this level of utility investment gain. We thank the Commission for the opportunity to comment during this reply phase. We look forward to staying engaged with the Commission during the implementation and review of these programs over the next several years of dynamic market development.

Sincerely,

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