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House File 413 (Stephenson)

Dear Chair Stephenson and Members of the House Commerce Committee,

The National Federation of Independent Business (NFIB) represents over 10,000 members in every industry and every corner of the state. Over 75% of our members have fewer than 10 employees and our mission is to advocate for Main Street.

Respectfully, NFIB opposes Sections 5 and 6, as well as related appropriations, in House File 413.

NFIB Minnesota members overwhelmingly oppose electric vehicle (EV) subsidies. Government or utility-funded incentives for EVs or EV infrastructure benefit the few at the expense of many, and EV rebates often result in giving a subsidy to those who would have bought one without it.¹

House File 413 provides \$20 million in direct subsidies for electric vehicle (EV) purchase and EV charging equipment. And it puts all utility customers on the hook for potentially hundreds of millions more in utility subsidies for EV purchase, lease, and infrastructure subsidies.

Last year, an investor-owned utility (IOU) proposal for \$150 million in ratepayer-funded EV subsidies was largely rejected by the Minnesota Public Utilities Commission (PUC).

The PUC denied the subsidies, in part, because they violate the essential purpose of state-regulated utilities: to provide electric service at prices based on the actual cost of service. IOUs are regulated monopolies, and Minnesota's regulatory system rightly limits the expenses which these utilities may charge customers to avoid needlessly costly and anticompetitive outcomes.

The PUC aptly noted that monopoly IOUs could provide these incentives without charging ratepayers. If IOUs and multinational car makers see EV adoption as a business opportunity, they do not need to increase the energy bills of hardworking small businesses to pursue that path.

An August 2022 proposal by the same IOU sought nearly \$400 million over five years for ratepayer-funded EV charging infrastructure subsidies and other EV-related expenses. That

¹ Xing, Leard, Li, "What Does An Electric Vehicle Replace" (Working Paper 25771), National Bureau of Economic Research, April 2019 (Revised February 2021), <http://www.nber.org/papers/w25771>

proposal was on top of a nearly \$700 million general rate increase sought by the utility. The PUC referred the utility's EV infrastructure plan for a contested case hearing at the Office of Administration Hearings. An Administrative Law Judge is currently examining the proposal's appropriateness, cost, and anticompetitive implications.

The possibility that utility-funded subsidies could apply to electric buses is also concerning. The Metropolitan Council's poor experience with electric buses is well documented. A [March 2021 Star Tribune report](#) documented the failure of Metro Transit's C Line electric bus experiment:

"In a 631-day period between June 2019 and February 2021, the electric bus chargers in the garage and along the route worked for just 152 days. There were only 10 days in that time when the electric buses and chargers were available in tandem. ... each electric bus would have cost \$570,000 more than a diesel bus, and each would require an expenditure of \$125,000 for charging equipment."

These performance issues are not surprising. Just a few years ago, Minneapolis Public Schools (MPS) opted against electric school buses for many of the reasons cited by Metro Transit.² MPS found electric buses cost three to four times more than conventional buses, each electric charger would cost \$160,000 to purchase and install, the advertised range was insufficient to cover routes, cold weather depletion would severely impact operations, and electric bus design would increase maintenance costs. MPS instead opted for clean, affordable propane buses.

Private investment and innovation, not subsidies, will solve the biggest hurdles preventing widespread adoption of EVs: shorter range, cold weather battery depletion and long charging times compared to traditional vehicle refueling.

Sincerely,



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² "Exploring Electric Buses for MPS," Minneapolis Public Schools, https://transportation.mpls.k12.mn.us/electric_buses.