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### **House File 3337-DE2 (Long)**

Dear Chair Long and Members of the House Climate and Energy Committee,

The National Federation of Independent Business (NFIB) is the largest small business organization in Minnesota, with over 10,000 members in 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 Minnesota opposes House File 3337-DE2. The bill will increase energy and building costs at a time when small businesses can least afford it, including raising electricity rates to subsidize expensive electric vehicle purchases and charging equipment.

**Electric Vehicle Subsidies.** NFIB Minnesota members overwhelmingly oppose electric vehicle (EV) subsidies. Tax 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.

A 2021 report by the National Bureau of Economic Research on the federal EV credit found: “... 70 percent of the credits were obtained by households that would have bought an EV without the credits.”<sup>1</sup>

This bill provides over \$10 million in direct subsidies for electric vehicle (EV) purchase and EV charging equipment. Worse, it would put all utility customers on the hook for hundreds of millions in utility subsidies for electric cars, electric planes, electric boats, electric bikes, and other modes of electric transport.

A recent utility proposal for \$150 million in EV subsidies was largely rejected by the Minnesota Public Utilities Commission (PUC). The PUC denied the subsidies because they violate the essential purpose of state-regulated utilities: to [provide electric service](#) at prices based on the actual cost of service. Because utilities are monopolies, the expenses which they may recover from customers are purposefully limited to avoid anticompetitive outcomes. The PUC correctly noted that investor-owned utilities could provide these incentives without charging ratepayers.

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<sup>1</sup> 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>

In addition, the Minnesota Citizens Utility Board (CUB) and Office of the Attorney General (OAG) argued: *“electric vehicle rebates stood out as an example of an initiative that is unreasonable and/or likely to primarily benefit higher-income ratepayers who are not facing economic hardships.”*<sup>2</sup>

The subsidies and taxpayer-funded mandates for electric buses are 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.”*

In another [Star Tribune report](#) from March 3, 2021, Metro Transit officials explained the buses don’t work for their routes: “They just do not fit the profile, given the operating range.”

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.<sup>3</sup> 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.

**Increase Commercial Building Costs.** This bill includes several provisions that will increase commercial building costs and make it harder for small businesses to compete. Small businesses need flexibility to make the most cost-effective decisions for themselves and their employees.

First, requiring a minimum number of EV chargers in new commercial and multifamily parking spaces increases building costs without regard for actual customer charging habits, the price of installing and operating chargers, or the local EV ownership. Small business owners don’t need their customer relationships micromanaged by the state.

Second, in concert with House File 4177, this bill’s requirement to adopt an ever-stricter energy code will increase building costs for small businesses, despite Minnesota already having one of most stringent energy codes in the country. Advocates say this will create a ‘net zero’ commercial energy code by 2036. Their ultimate goal is an all-electric commercial building future, in which natural gas and other existing pipeline-based fuels are prohibited.

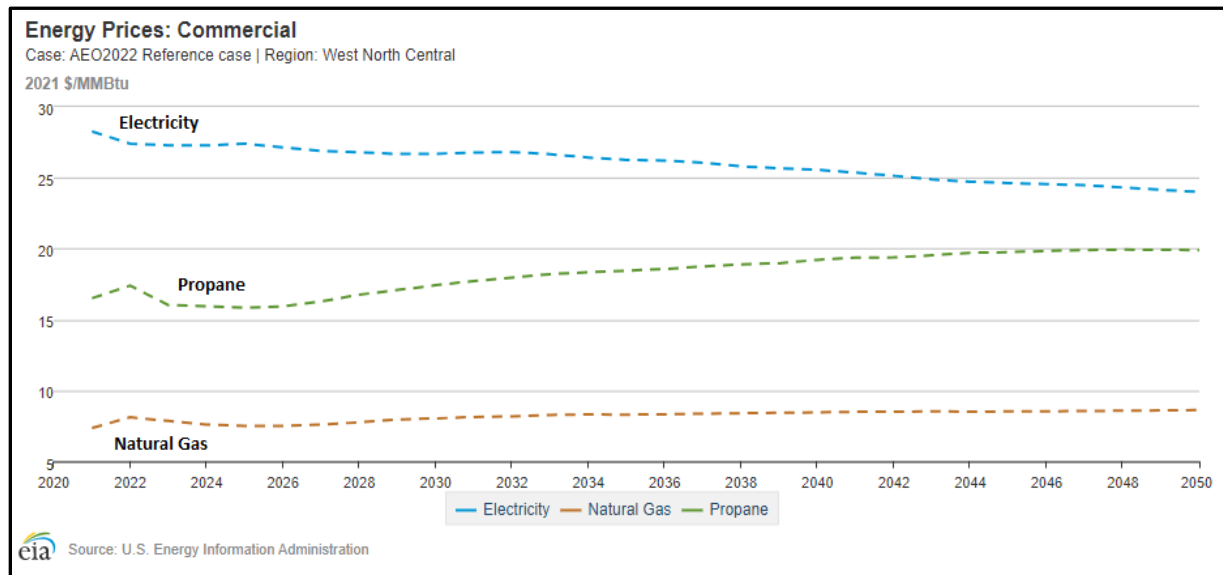
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<sup>2</sup> PUC Docket Nos. E,G999/CI-20-492, Docket No. E002/M-20-745, Docket No. E,G-002/M-20-716: “Comments of the Citizens Utility Board of Minnesota,” 10/16/2020. “Reply Comments of the Office of the Attorney General,” 10/30/2020.

<sup>3</sup> “Exploring Electric Buses for MPS,” Minneapolis Public Schools, [https://transportation.mpls.k12.mn.us/electric\\_buses](https://transportation.mpls.k12.mn.us/electric_buses).

NFIB Minnesota members oppose energy source prohibitions by the state or local governments. Forcing businesses to rely solely on electricity for energy would mean staggering cost increases.

According to U.S. Energy Information Administration (EIA) data, propane is roughly half the price of electricity and natural gas is nearly four times less expensive than electricity for commercial customers on a fuel neutral cost basis. A significant price differential will remain for decades.



The bill would let local governments go even further than the state energy code, creating an expensive patchwork of commercial building regulation.

Third, costly and invasive energy benchmarking requirements are an unnecessary burden for small business owners in affected commercial properties and duplicate information that can be shared voluntarily or requested through due diligence in a sale or leasing process.

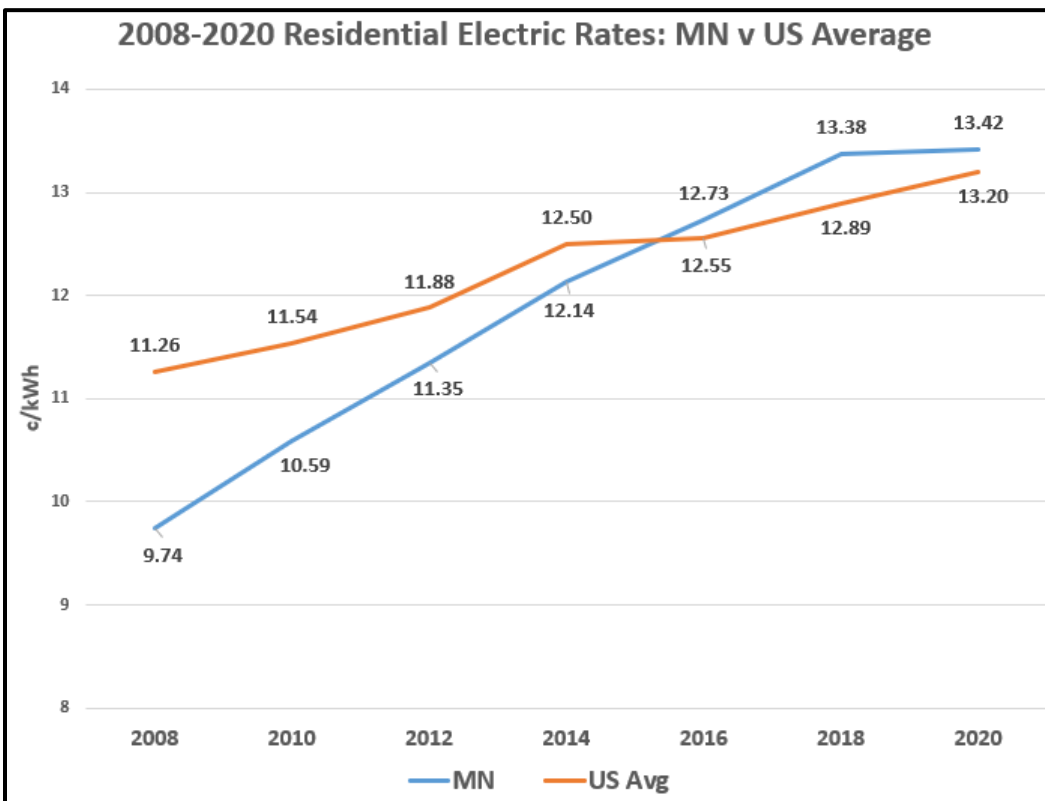
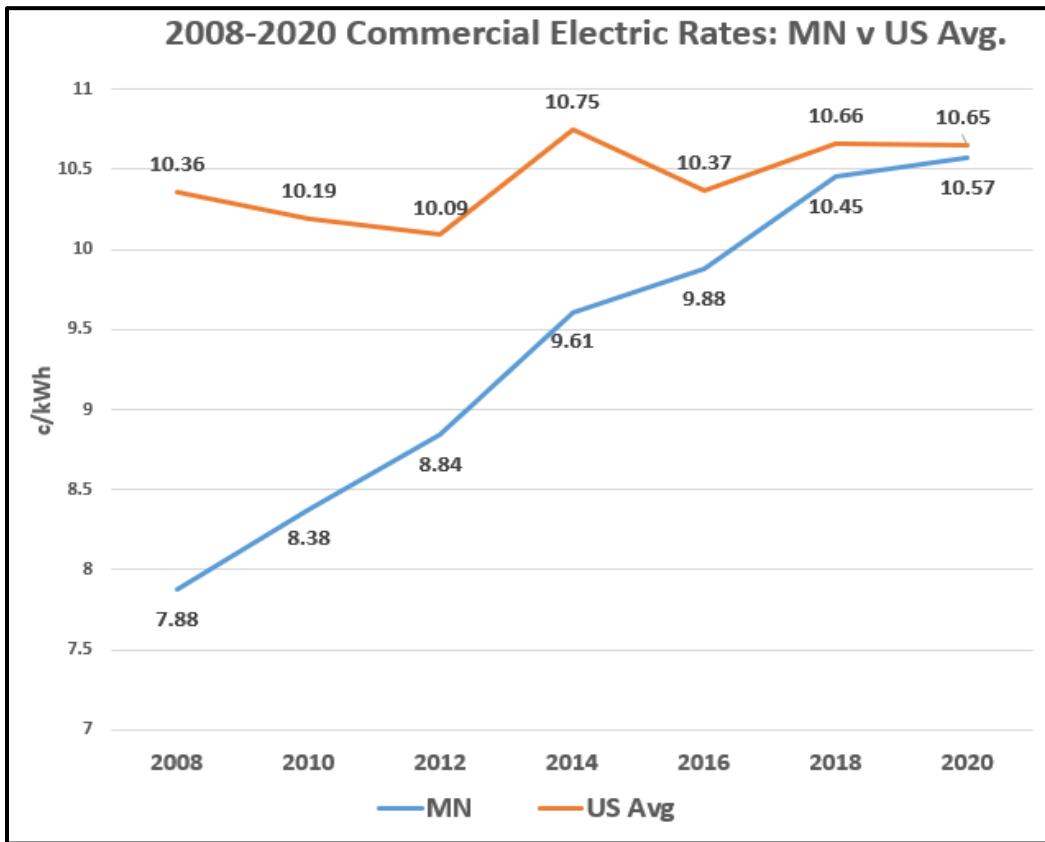
In conclusion, many Main Street businesses are still struggling right now. In recent NFIB surveys, our members are reporting enormous challenges: record inflation, chronic worker shortages, supply chain disruptions, skyrocketing energy costs, and more. The expensive subsidies, mandates and expansion of costly programs in this proposal will exacerbate the short-term pain and the long-term trend of significantly higher electric rates.

In light of these serious challenges, we urge the committee to reject House File 3337 and instead work on reducing energy costs for small businesses across Minnesota.

Sincerely,

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## APPENDIX A



Source: U.S. EIA, Average Price of Electricity to Ultimate Customers by End-Use Sector, by State, Year-to-Date through Dec. 2008-2020