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House File 413 (Stephenson)

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

The National Federation of Independent Business (NFIB) represents over 10,000 members in every corner of Minnesota and our mission is to advocate for the best interests of Main Street.

Respectfully, NFIB Minnesota 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.

If international auto manufacturers or the shareholder-owners of investor-owned utilities (IOU) see EVs as a business opportunity, they should pursue that strategy without forcing small businesses and hardworking families to subsidize their business plan.

Last year, an Xcel 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.

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>

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

We agree with testimony in that matter from the Minnesota Office of Attorney General-Residential Utilities Division illustrating how EV subsidies benefit the few at the expense of all:

It is well documented in the record that EV adoption has been strongly correlated with income, with EV adoption rates dramatically higher among wealthier households... the benefits of federal EV tax credits have been strongly regressive.

The OAG testimony also highlights several current public funding sources for EV infrastructure expansion, including the Volkswagen Settlement and federal Infrastructure Investment and Jobs Act funding and the related state match.

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

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.