

Zero Emissions Vehicle Rebate Program

Electric Vehicle Rebate Rule Advisory Committee Meeting Summary

Nov. 21, 2017
ODOT Headquarters
123 NW Flanders
Portland, OR 97209

List of Attendees

Committee Members in Attendance:

Jeff Allen, Forth
Alan DeBoer, State Senator, Ashland
Steve Douglas, Alliance of Auto Manufacturers
Jana Gastellum, Oregon Environmental Council
Gary Graunke, Oregon Electric Vehicle Association
Brendan McCarthy, PGE
Leesha Posey, Portland African American Leadership Forum
Greg Remensperger, Oregon Auto Dealers Association
Meredith Roberts, Tesla
Gena Scott, Hacienda CDC
Diane Sparks, Oregon Independent Auto Dealers

Committee Members on the Phone:

Amandine Muskus, Global Automakers (Alternate)

DEQ Staff in Attendance:

Rachel Sakata, EV Rebate Program
David Collier, Air Quality Planning
Colin McConnaha, Senior Climate Policy Advisor
Matt Davis, Senior Policy Analyst

Other Government Staff in Attendance:

Andrew Dick, ODOT
Jessica Reichers, ODOE
Rick Wallace, ODOE

Members of the Public in Attendance:

Jeanette Shaw, Forth
Paul Cosgrove, Alliance of Auto Manufacturers
Kyle Walker, VITU
Emily Johnson, VITU
Debra Blakewood, VITU
Dan Jarman, Tesla
Ingrid Fish, BPS – City of Portland

Members of the Public on the Phone:



State of Oregon
Department of
Environmental
Quality

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enhancing the quality of
Oregon's air, land and
water.*

Linda White, BMW
Annabel Cook, Honda
Amanda Dalton, Charge Point
Isabella Villa-Garcia, Global Automakers
Azita Khalili, BMW
Brooke Taylor, Mercedes Benz

Summary of Input

Meeting Commencement, Welcome and Introductions:

David Collier, Facilitator
Rachel Sakata

- Committee introductions around the room and on the phone. Introductions of members of the public.
- Agenda review

Advisory Committee Key Conclusions:

- DEQ should offer the maximum rebate amount.
- Purchases should be eligible for the rebate prior to when DEQ adopts rules, but there were differing opinions on when that date should be. Many committee members agreed that Jan. 1, 2018 should be the latest eligibility date.
- DEQ should potentially limit the number of rebates available for entities making fleet purchases but should not limit the number of rebates per household
- Rebates should be made available to individuals or dealers acting on behalf of individuals for maximum flexibility
- HB 2017 should be amended regarding elements of the Charge Ahead program. Specifically, the scrappage and residing in a poor air quality area requirement should either be removed entirely or changed to give DEQ the discretion to determine whether to make it a requirement. The rebate for low or moderate income households who purchase or lease a new or used EV should remain. Additionally, the requirement for DEQ to conduct specific outreach in these communities, as well as the minimum 10% set aside of rebate funds for this program must be retained.

Agenda Item A: DEQ process and timeline

Rachel Sakata gave an overview of DEQ's rule process and timeline for the EV rebate program. She highlighted the following points:

- Winter 2017-18 – DEQ proposes rules, Spring 2018 – EV rebate rules adopted, June 2018 – earliest possible date when funds are available to DEQ to distribute rebates
- Despite privilege tax court challenge and result of freezing funding for rebates until a decision is made, DEQ is still proceeding with the rulemaking in order to be ready to implement the program when the court challenge is resolved. If the court rules against the privilege tax, DEQ will not implement the program.

Questions/Comments

- DEQ should adopt rules as quickly as possible to establish requirements, and even consider an emergency rule to get rules in place ASAP. Response: DEQ has considered the emergency rule option but they are only effective for 6 months. DEQ does not want to have one set of rules and requirements in place which could then change after going through public comment when DEQ has to adopt permanent rules as it could be too confusing for the public. DEQ is also considering a mechanism to provide those who purchase vehicles after Jan. 1, 2018 to be eligible to apply for the rebate.
- DEQ should have rules adopted quickly and have the RFP out as soon as possible to implement the program.

- Discussed the ongoing legal challenge regarding the privilege tax and how that affects DEQ's rulemaking, other implications (such as for the dealers and how that affects their ability to provide point of sale rebates).
- Who is going to implement the program? Response: DEQ will hire a contractor to do the work. DEQ will manage the contract and conduct audits of program implementation.
- Will DEQ let the committee know when the Attorney General files a response to the court challenge? Response: Yes.

Agenda Item B: Background on EV rebate programs

Rachel Sakata, DEQ provided background on EV rebate programs. She highlighted the key points what DEQ considers to be elements of a successful EV rebate program based on research of EV rebate programs in other states. The key questions for the program revolve around:

- When vehicle purchases should be eligible?
 - DEQ heard from other states that offering rebates retroactively could create a funding deficit before the program is operational.
 - DEQ is concerned that allowing purchases to be eligible prior to program implementation unfairly rewards monies to people who were going to buy vehicles anyway and not truly incent purchases.
 - An implementation delay did not appear to affect EV sales in other states.
- Rebate amount?
 - DEQ is concerned about potentially running out of funds if the maximum rebate amount is offered. California's program has run out of funding and had to lower their amounts.
 - DEQ is considering providing the maximum rebate amount for Charge Ahead rebates to incent low and moderate income households.

Rachel also noted that the committee would discuss these issues in more detail in later on in the meeting.

Questions/Comments

- Alliance of Auto Manufacturers and Forth urged DEQ to allow purchase eligibility as soon as possible, preferably starting October 6, when the legislation went into effect.
- DEQ is concerned we might run out of funds if start eligibility too soon, before there is money to distribute
- There is additional value of the rebate, beyond the monetary amount in the sense of generating interest and raising awareness of the existence of the rebate. Therefore, the sooner purchases are eligible, the more of a tool it is to get people talking about the rebate.
- The majority of committee members recommended the maximum amount should be provided for all rebates.
- Overall purpose is to get as many EVs on the road as possible, so DEQ should make it available to everyone who made a recent purchase

Agenda Item C: Rebate eligibility requirements

Rachel Sakata, DEQ outlined the considerations in trying to determine vehicle purchase eligibility. DEQ is considering a few key dates, including October 6 (legislation effective date), Jan. 1, 2018 (privilege tax begins, funding the rebate program), Spring 2018 (rules established specifying eligibility requirements), and mid to late 2018 (when rebates could be issued, based on when funding is available and if the legal challenge is ruled in favor of the privilege tax). DEQ is currently considering a January 2018 eligibility date to balance the

needs of waiting until program criteria are established in rules and the concern about a chill on EV sales until the rebate is available.

DEQ is also considering limiting the number of rebates per household, or limiting it only for standard rebates and not setting a limit on Charge Ahead rebates. DEQ wants to ensure there are future rebate funds for new purchasers or lessees. Part of the rationale is that not limiting the number of rebates would no longer influence a person's purchasing decision, since the purchaser has already accepted EV technology and takes away a potential future rebate from a new consumer. Also, households may "double dip" if two or more cars purchased are electric vehicles.

Questions/Comments

Eligibility date

- It is almost the end of the year already, so it is probably too late to offer rebates retroactively to October.
- Doesn't create a funding deficit, since funding is continuous (unlike California which runs out of money and it doesn't get replenished until the Legislature authorizes more money) but instead would just create a delay in payouts.
- Can't compare Oregon to California, since California also has additional incentives for EVs, that includes the ability to acquire an HOV sticker which can be very valuable.
- DEQ should consider fuel cell vehicles to be eligible for the rebate
- Is the two-year provision requiring purchasers to retain registration of the car in order to receive the rebate enforceable? How will DEQ follow up on this provision?
- If DEQ has a retroactive rebate for the Charge Ahead program it is very likely that dealers will not give rebates up-front for any leases, since dealerships will not be able to carry the balance until they are paid out. For Charge Ahead recipients, not having the rebate applied to the lease can create issues of affordability. Perhaps there is a way to prioritize Charge Ahead rebates paying out first once the funding is available.

Limit number of rebates per household

- DEQ should be encouraging people to continually buy electric vehicles and not limit the number of rebates per household. It also increases the aftermarket of used EVs and makes more available to all.
- DEQ should establish in rule that the car has to be used in Oregon, not just registered in Oregon. Another committee member noted the legislation didn't state the car had to be driven in Oregon, and it likely wasn't the intent of the legislative bill to do so. Some felt this would be difficult to enforce.
- Do not establish a limit now but could possibly look into it a few years into the program if funding is running low.
- Should there be limits on corporate entities making fleet purchases or other buyers making large numbers of electric vehicle purchases? Otherwise, these entities may consume many of the available rebates that could otherwise go to individuals. If DEQ were to limit entities making large purchases, one option would be to limit the number of rebates claimed per quarter. Another option could be to stipulate in rules that less than 5% of rebates can be made available to fleet purchases.

Agenda Item D: Rebate amounts

Rachel Sakata, DEQ provided a chart showing the number of EV registrations for the past few years, including DEQ projections of potential purchases in 2017 and 2018. Based on DEQ's calculations, it estimates there will not be sufficient funds to pay out the maximum rebate amount. DEQ has to also consider the following:

- HB 2017 provided \$12 million annually for EV rebates

- At least 10% must be set aside for the Charge Ahead program and another 10% can be set aside for DEQ to implement the program
- This leaves a total of \$9.6 million to spend on rebates
- DEQ calculates that in 2018, there could be as many as 3,200 battery electric vehicles (\$2500 rebate) and up to 2,150 plug in hybrid electric vehicles (\$1500 rebate), which would result in \$11.2 million expended on rebates at the maximum amount.

DEQ is considering offering an amount less than the maximum range (\$2500) for standard rebates. For the Charge Ahead rebates DEQ is considering offering the maximum amount (\$2500) to provide a greater chance of participation success.

DEQ is also considering whether to scale rebate amounts based on driving range. Other states have pursued this option and DEQ is trying to determine whether to try and incent purchasers to the all-electric vehicles.

DEQ also asked for feedback on how rebates should be distributed – whether through the dealer only, individuals only, or make it available to both.

Questions/Comments

- Not everyone will utilize the rebate, so there may be more funds available than what DEQ is estimating (based on vehicle sales)
- There is specific data on the number of PHEV sold, the Alliance of Auto Manufacturers has the data and will make it available to DEQ. (see <https://autoalliance.org/energy-environment/zev-sales-dashboard/>).
- DEQ should offer the maximum rebate amount, if we find we are oversubscribed we can reduce the amount in the future. Would rather make sure we spend all the money than have some left over.
- Starting with lower rebates and then increasing the amounts later will cause people to wait to make their purchases.
- There is a report by Plug-In America that states the key to get people to buy electric vehicles is incentives. People like to think they are getting a deal, so the rebate doesn't necessarily need to be the maximum amount. Nissan had a report that said the amount didn't matter but more it's more the availability of an incentive that spurs people to purchase electric vehicles. In states with two incentives, even more vehicles are sold.
- Offering only \$1500 for standard rebates is not enough to get people "off the couch" to purchase. DEQ should offer the maximum and then taper the amount down.
- Could provide higher incentives to longer range vehicles. Other committee members disagreed with this approach, saying it makes it more complex and that when the legislation was written the vehicle range was considered but instead decided to base the rebate amount on the battery size.
- A higher rebate amount can really affect terms of a lease, making the payment much more affordable.
- To address DEQ's concern about having a start/stop cadence with issuing rebates because of high demand and not enough funding, DEQ could possibly write certain provisions into the rules or guidance. The provision would stipulate if there is more than a 3-4 month gap to pay rebates, DEQ could revisit the rebate amounts. Alternatively, DEQ could include a step-down provision to occur in the next year or two. Another committee member did not like the idea of a step down, maybe just include a provision to re-evaluate rebate amounts every year.
- Offering a rebate through the dealer to be applied at point of sale is more effective, however because of the uncertainty with the lawsuit, should also allow individuals to receive the rebate. Allow the dealer to apply for the rebate on behalf of the customer, although some dealers may not choose to participate.

- Used auto dealers don't want to have to deal with additional paperwork, especially since many of them have a staff of one. It's an additional burden they may not want to bear.

Agenda Item E: Charge Ahead program elements

Rachel Sakata, DEQ, described the Charge Ahead program. DEQ asked whether used vehicle purchases only be available through a licensed dealer to receive the rebate. Rachel also described another component of the program, which requires scrapping an internal combustion engine car at least 20 years old. How should DEQ define scrapping – does it mean dismantling the car so that it is no longer in service but allowing all vehicle parts including the engine to be sold or reused or if it should involve immobilizing or destroying the engine but allowing the remaining vehicle part to be sold or reused.

Another Charge Ahead requirement requires eligible rebate applicants to reside in an area with elevated concentrations of air contaminants attributed to motor vehicle emissions relative to other areas of the state. DEQ asked whether it should consider other elements, such as geographic diversity and whether to identify multiple areas at once or concentrate on just one area for a few years and then identify a different area for households to be eligible.

DEQ also asked the group whether it should set aside more than 10% of funds for the Charge Ahead program.

Comments/Questions

- Used vehicle purchases should only be through a licensed dealer. There are already unlicensed dealers out there selling cars when they shouldn't be. Would be too difficult to enforce if private party sales are allowed. Instead, DEQ should have it go through licensed dealers to reduce the opportunity for fraud.
- Scrapping should mean immobilizing or destroying the engine.
- Should a portion of the resources from scrapping be put back into the community?
- DEQ will need to clearly define the boundaries for the areas with elevated concentrations of air contaminants. Could also draw the boundaries based on where people are closer to roadways, or use the I/M (inspection and maintenance) boundaries.
- Keep the 10% amount set aside for Charge Ahead, until the program is up and running. DEQ should definitely revisit this amount in the future and increase the amount if there is a certain level of participation.
- Seems like there are a number of requirements in the Charge Ahead program that act more as a barrier to obtaining the rebate.
- Should remove the scrapping and living in a poor air quality airshed requirements, especially since they are not required in the standard rebate program. Or else change HB 2017 to make these be potential options (not requirements) to qualify for the rebate.
- One suggestion was to completely eliminate the Charge Ahead program and instead include a separate rebate for low and moderate income households (who purchase a new or used EV) into the standard rebate program. There is no need to have two separate programs with more onerous requirements on the low-income program.
- The committee agreed to recommend that HB 2017 be amended regarding the scrapping and residing in a poor air quality area requirement so that it either be removed entirely or be made a voluntary option. Still should retain the rebate for low or moderate income households who purchase or lease a new or used EV. Additionally, the requirement for DEQ to conduct specific outreach in these communities should be retained, as well as the minimum 10% set aside of rebate funds for this program.

- Is there a way to prioritize payments to Charge Ahead rebates before paying out standard rebates?

Agenda Item F: Fiscal and economic impact statement review

Rachel Sakata, DEQ reviewed the fiscal and economic statement and asked the committee if DEQ's analysis was correct.

Comments/Questions

- DEQ seems to have captured and characterized the fiscal impact correctly.

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