

August 26, 2021

VIA ELECTRONIC FILING

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

RE: In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Programs as part of its COVID-19 Pandemic Economic Recovery Investments Docket No. E-002/M-20-745

Dear Secretary Seuffert,

Tesla, Inc.¹ ("Tesla") hereby submits comments pursuant to the State of Minnesota Public Utilities Commission's ("Commission") Notice of Comment Period issued on March 17, 2021 ("Notice") and the subsequent four extensions, in which it requested feedback on whether the Commission should approve Xcel Energy's ("Xcel") petition for Electric Vehicle ("EV") program offerings. Tesla provides brief feedback herein focused on program design aspects for consideration when evaluating the light-duty ("LD") EV rebate proposal put forward by Xcel and the rate design elements of Xcel owned public direct current fast charging ("DCFC") stations.

I. Procedural Questions

1. *Should the Commission approve, modify, or reject Xcel Energy's proposal to build, own, and operate public fast charging stations?*

Under the public DCFC proposal Xcel proposes to own and operate 21 DCFC in areas that are currently not served by private charging providers. Xcel indicates it chose 21 preliminary potential locations based on a study provided by Guidehouse.² Furthermore, Xcel notes that it has developed a rate structure for its stations that utilizes the Residential Time of Use ("TOU") pilot program with \$0.30 per kWh added.³ The justification for this rate design is further discussed in Xcel's supplemental filing issued on March 8, 2021. It is important to further evaluate Xcel's proposal regarding DCFC as currently outlined and ensure that the rate design component is appropriate as compared to the rates that other commercial fast charging providers take service on.

Generally, Tesla supports the adoption of competitively neutral policies or guidance for EV charging infrastructure programs. In terms of the development for a rate for its DCFC stations, Xcel notes that its goal is "to extend the network of publicly available fast charging locations rather than compete with other public charging facilities."⁴ We agree that it is important to ensure that all stakeholders involved in the

¹ Tesla's mission is to accelerate the world's transition to sustainable energy through the development of all-electric vehicles and clean energy products including photovoltaic solar and battery storage. Tesla also owns and operates an extensive Supercharger network of direct current fast chargers.

² *Id.*, p.15.

³ *Id.*, p.19.

⁴ Supplemental March 8, 2021, at pp. 6.

deployment, ownership and operation of EV charging equipment are on as equal of a playing field as possible.

With regard to the rate for Xcel-owned DCFC, the Commission should consider providing further guidance to Xcel about the appropriate pricing level and the process for determining the level. For example, whether Xcel should set their prices to be on par with other charging networks, or whether Xcel should calculate prices based on their stations' revenue requirement to cover the expected cost of service.⁵ Providing further clarification will help ensure that rates at Xcel owned DCFC are not arbitrary and do not harm non-utility owned DCFC stations.

2. Should the Commission approve, modify, or reject Xcel Energy's rebate proposals for light duty vehicles, transit buses, and school buses?

As part of the COVID-19 recovery investments, Xcel proposes light-duty EV rebates from 2021-2023 for both new and used EVs and declining EV rebates in 2024 and 2025 under a \$50 million program. The rebates would be available to both residential and commercial customers seeking to electrify their vehicle fleet. In its proposal and the subsequent Cost Benefit Analysis that was filed, Xcel articulates in detail the multitude of benefits it expects this new program to provide not only to participants but also ratepayers and society at large.⁶ Xcel also provides eligibility criteria for accessing the rebate.⁷

Given there is currently no statewide EV rebate program available to Xcel customers in Minnesota, we see value in assessing opportunities to increase transportation electrification utilizing various utility program mechanisms not only on the charging infrastructure side but also for vehicles. At the same time, evaluating the appropriateness of an EV rebate in the context of this COVID-19 recovery mechanism proposal and broader transportation electrification enablement discussion is at the sole discretion of the Commission. While we support such consideration by the Commission, this should be done with careful evaluation of the effectiveness of specific design parameters as discussed further below and as related to what is outlined in Xcel's EV rebate proposal.

Considerations for EV Rebate Program Structure

Point of Sale Rebate Option

In its proposal, Xcel highlights that it is exploring opportunities to provide a rebate at the point of sale. Currently, customers applying for a rebate will need to submit an application and Xcel "will seek to make rebate payments within six to eight weeks after the complete rebate application has been processed and approved."⁸ Providing a rebate as closely to the point of sale as possible is likely more effective in driving near term EV adoption. A recent literature review on purchase incentives for EVs concluded that, "by reviewing research that assesses different types of purchase incentive, this paper can make recommendations on the most effective ones. Purchase incentives should be applied upfront."⁹

⁵ A cost-of-service approach to determining prices at charging stations would include a calculation of expected revenue requirements for the charging station, divided by the expected throughput or utilization at the charging station. Revenue requirements include electricity costs via the utility's regulated tariff, variable and fixed operations and maintenance costs, overhead, and capital cost recovery. For example, a station with \$450,000 in expected revenue requirements over ten years and expected throughput of 1,200,000 kWh during that period would have a target price of \$0.375/kWh. ($\$450,000 / 1,200,000 \text{ kWh}$)

⁶ Response and Petition COVID-19 Relief & Recovery, CI-20-492, Attachment C, p.11.

⁷ *Id.*, pp.3-4; Supplement August 6, 2021, Attachment A, pp. 45-47.

⁸ *Id.*, p.6.

⁹ Hardman, Chandan, Tal, Turrentine, "The effectiveness of financial purchase incentives for battery electric vehicles – A review of the evidence," 2017. Available at: <https://phev.ucdavis.edu/wp-content/uploads/2017/09/purchase-incentives-literature-review.pdf>.

Program Continuity

Xcel recommends allocating \$50 million for light-duty EV rebates over five years. As currently scoped, Xcel is not recommending specific parameters on how the funding will be spent beyond on a first come, first served basis. We are generally supportive of the first come, first served approach.

Additionally, it is important to fully understand the total budget as it relates to anticipated EV adoption levels by Xcel customers. The adoption rate and potential total of rebate funds could have substantive bearing on adoption levels. Based on the experience with other EV rebate programs across the country, it is important to not arbitrarily set an annual program funding cap which could have substantive bearing on the program efficacy. Looking at other rebate programs that have been subject to annual program spending caps and stops and starts in programs with little to no notification, this can have a chilling effect on adoption and consumer purchase decisions. It is therefore preferred to provide funding on a first come, first served basis with declining incentive amounts as adoption grows and until funds run out to ensure program continuity.

II. Conclusion

Tesla appreciates the opportunity to provide these initial comments on the proposed EV program offerings including the rate design elements for Xcel owned DCFC stations and the program design parameters for the EV rebate proposal. We look forward to continuing to work with the Commission, Xcel and other stakeholders on advancing transportation electrification in Minnesota.

Sincerely,

Francesca Wahl
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Business Development and Public Policy