

September 20, 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 reply 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" or "Company") petition for Electric Vehicle ("EV") program offerings. Tesla provides brief feedback herein based on opening comments 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. LD EV Rebate Program Details

In opening comments, several parties provided feedback on the EV rebate proposal including approving a smaller scope program. The Clean Energy Groups ("CEGs") and the Minnesota Department of Commerce ("Department") both recommend approving a \$5 million ("M") LD rebate program for residential customers that is income-qualified. The Office of the Attorney General - Residential Utilities Division ("OAG") recommends generally reducing the rebate for LD EVs to \$5M. Additionally, the CEGs also recommend reducing the non-residential LD EV rebate to \$5M for less resourced non-residential customers. CEGs note that these rebate levels could be considered as Phase I with future opportunity to expand the EV rebates and provide greater access if there is a funding gap for vehicle purchase rebates that remains in the future under a Phase 2 of the proposed program.²

In its reply comments, the Company indicates that "is not opposed to the CEGs' proposal for \$5 million for residential LDVs, \$5 million for non-residential LDV... and support the CEG's suggestion that it would be appropriate for the Company to return with an expanded proposal should these initial rebates prove successful."³ Further, the Company states that it is not opposed to starting with a more specific income qualified or lower-resource customer focused program but believes that " broader eligibility would spur the broadest adoption of EVs" and is in the public interest in the future. Therefore, the Company indicates that if the Commission chooses to limit the initial scope of the program, a future program that expands 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 CEG Opening Comments, p.17.

³ Xcel Reply Comments, p.4.

rebate may most appropriately fall into the next biennial Transportation Electrification Plan (TEP) filing on June 1, 2023.⁴

Several parties also mention the EV rebate program that was recently approved by the Colorado Public Utilities Commission (“PUC”) and is being administered by Xcel currently for its Colorado customers. The Colorado PUC did ultimately determine to focus the initial investment on income-qualified residential customers and limit the initial program to \$5M. It is important to note, however, that from a program size perspective, comparing the Colorado PUC’s \$5M program in the context of the Colorado EV market to Minnesota is not a direct comparison. Unlike Colorado, which currently has a statewide EV rebate in the form of a tax credit, Minnesota to date has no EV rebate programs. The Company echoes a similar sentiment by noting “that EV adoption in our Minnesota service territory is in a materially different place than adoption levels present in Colorado.”⁵

Pilot Program MSRP Cap

In its initial proposal, the Company included a base manufacturer’s suggested retail price (MSRP) cap of \$50,000 for LD vehicles. In response to an information request by the OAG, the Company notes that “has designed these rebates with fairness and equity in mind, including an MSRP cap and a rebate for used vehicles” and that “the Company does not collect or validate income information from its customers and therefore chose an MSRP cap.”⁶ The CEG’s under their proposed program modifications state that it is important to ensure the MSRP cap is responsive to different vehicle classes and indexed to increase with inflation.⁷ Particularly, ensuring that the cap not inadvertently exclude class 2b vehicles is important under the CEGs feedback.

Generally, there has been limited discussion from parties about the rationale for the \$50,000 MSRP cap beyond the income element the Company has highlighted. It appears that if the Commission determines that an income-qualified limited pilot program is the best option for driving transportation electrification and for providing benefits to ratepayers, inclusion of the \$50,000 base MSRP cap serves as an additive and duplicative test. Rather, income qualified customers, already being subject to income qualification, should have the option to choose from a variety of EVs that best meet their needs rather than limiting EV options arbitrarily. If the end goal is to drive EV adoption that provides benefits to all ratepayers and to help get EVs into the hands of customers that are most likely to benefit or make a purchase decision away from an internal combustion engine vehicle to an EV due to this income qualified incentive, then those customers should not be limited in choice. A similar concept can be applied when evaluating design parameters for providing rebates to less resourced non-residential customers.

Further, Tesla has found that when considering broad incentive programs encompassing all buyers, simplicity is important with incentive programs and the addition of a cap only complicates the program making it less accessible to EV buyers. These incentive programs are confusing enough to EV buyers and adding an additional layer of restrictions will only make it more confusing. Tesla understands and is sympathetic to the focus on incentive-essential buyers. Recent data makes clear that the most important consideration for EV buyers right now is range. According to a survey from Autolist released earlier this month, range was the top concern for EV buyers with 61% respondents listing range as their top priority.⁸ Another recent study from J.D. Power noted rising expectations for EV driving range with 78% of respondents saying they expected a range of 300 miles or more.⁹ Based on Tesla’s experience, 300 miles

⁴ *Id.*, p.5.

⁵ Xcel Reply Comments, p.4, footnote 2.

⁶ OAG, Exhibit A, p.4.

⁷ CEGs Opening Comments, p.17.

⁸ <https://www.autolist.com/news-and-analysis/2021-survey-electric-vehicles>

⁹ https://www.greencarreports.com/news/1130102_survey-americans-expect-more-electric-car-range-than-before-pandemic

of range is a critical threshold for EV buyers. EVs with ranges over 300 miles are more expensive than lower range cars due to their larger battery sizes. Currently, there are zero options for 300 mile range cars on the market under the \$45,000 MSRP cap.¹⁰ Given the income-qualified and less resourced recommendation by the CEGs, including a base MSRP cap as an additional layer on top of this could slow down the adoption of EVs in MN, as it will make it more difficult for EV buyers to get the EV that they may actually want to purchase.

II. Company Owned Public DCFC

In our opening comments, Tesla indicated that it is important to ensure that all stakeholders involved in the deployment, ownership and operation of EV charging equipment are on as equal of a playing field as possible and the Commission may need to provide additional guidance to the Company regarding the appropriate pricing level and the process for determining the pricing level at its Company owned Direct Current Fast Charging (“DCFC”) sites.

Given the limited discussion regarding any additional guidelines that may be important to incorporate for this public DCFC program, the Commission should review best practices utilized to ensure fairness with regards to ownership of generation resources, and issue guidelines prior to implementation to ensure the same policies and processes are applied to both utility and non-utility charging operators.¹¹

ChargePoint, the Department, and Greenlots provided comments on various aspects of the Company’s public DCFC proposal. In response to ChargePoint’s comments, the Company indicates that it partially supports the customer equipment choice element during the request for proposal (“RFP”) process but that it does not agree that site hosts should be able to control pricing at the stations and that this level of customer choice is not warranted for this proposal.

Tesla appreciates the Company’s objective to set rates that keep public charging affordable “while attempting not to undercut private charging services.”¹² Under this guiding principle, the Company should strive to create a pricing scheme for customers utilizing the public DCFC that reflects the rate of electricity and cost recover of the DCFC system. It is unclear whether simply utilizing the residential time of use (“TOU”) pilot rate program with a \$0.30 per kWh adder meets this objective as limited insight is provided regarding the underlying cost to serve those customers. Business models may vary per charging provider, however, utilities can implement the same process to set station pricing as private sector owners and operators. Most customer-facing prices at stations are designed to recover the initial capital expenditure to build the station, in addition to the station’s cost of operation. Station owners and operators pay the utility for the electricity that they consume. The price per kWh at the charging station thereby reflects the energy cost from the utility, in addition to an added margin intended to support the business of providing EV charging service. In the same way, utilities can set prices based on their cost of electricity, the cost of purchasing, deploying and maintaining the DCFC, and other market factors that would determine the competitive price and enable cost recovery.

Furthermore, as best practice, the Company should pay the same underlying electric rate it charges non-utility stations for energy usage. Additionally, to the extent feasible, it should bill itself for the utility owned stations’ cost of electricity in the same way as other charging providers through a separately metered and

¹⁰ Tesla’s Long Range Dual Motor All-Wheel Drive Model 3 is the most affordable 300 mile range EV currently on the market with a base MSRP of \$49,990. <https://www.tesla.com/model3/design#overview>

¹¹ This would be beyond the three-step process for evaluating utility investments in public charging infrastructure, that was originally adopted in the February 1, 2019 Commission Order.

¹² Attachment C, p.19.

individually billed customer account. To the extent the Company has not already incorporated these guiding principles on pricing in its proposal, Tesla recommends doing so prior to adoption.

III. Conclusion

Tesla appreciates the opportunity to provide these reply comments which include additional feedback on guiding principles for the rate design elements for Xcel owned DCFC stations and the program design parameters for the EV rebate proposal if the Commission determines it is most prudent to pursue a limited Phase I pilot program that is focused on income-qualified and less resourced residential and non-residential customers.

Sincerely,

Francesca Wahl
Senior Charging Policy Manager
Business Development and Public Policy