

CONNECTICUT AUTOMOTIVE RETAILERS ASSOCIATION

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TESTIMONY TO THE GOVERNORS COUNCIL ON ELECTRIC VEHICLE INFRASTRUCTURE THURSDAY, JANUARY 28, 2010

Chairman DelGobbo, Commissioner McDonald, members of the Council:

Thank you for the opportunity to address the Governors Council on Electric Vehicle Infrastructure. For the record my name is James Fleming. I am the president of the Connecticut Automotive Retailers Association (CARA). CARA is one of the largest trade associations in Connecticut. We represent all of the New Car dealerships in the State of Connecticut, some 265 small business dealerships that employ approximately 14,000 people in our state. Automotive retailing is big business run by small businesses. All but just few of our dealers are family owned and, in most cases, generational businesses. New car sales account for 14% of the state's total sales tax revenue, our dealerships sold more than 7 billion dollars worth of new cars in 2008 and our payroll accounts for almost 14% of the state's total retail payroll. Our dealers account for hundreds and hundreds of millions of dollars in local property taxes, as well as state and federal income taxes each and every year.

With that said, we have a real stake in the issues that this council seeks to address and I commend you all, and the governor, for having the foresight to begin this process now. Connecticut will be well ahead of other states. I can tell you that having spent most of my professional life ... close to the past 30 years...in both the legislative and executive branch of state government, that governments move at a pace all their own. If we are to be ready for the electric vehicle we must begin now and move with deliberate speed.

The task assigned to me by the Council is to present an inventory of ideas that this state should consider to prepare for the coming of electric and zero emission vehicles.

Given the limited time both today and overall for the council to make recommendations, let me address just two areas for action; Vehicle Marketing Concepts and Fuel Infrastructure concerns. Dealers market and sell vehicles very, very well. I can assure you that any inducement government makes to encourage consumers to purchase electric vehicles will be utilized by car dealers to encourage the sale of a car. Second, our dealers are geographically located in every area of our state . . . rural, suburban and urban. These locations along with commuter parking lots, existing traditional fueling stations, parking lots and garages are natural locations to serve as hubs for "fueling" or "charging" electric vehicles.

When two of history's greatest entrepreneurs, Thomas Edison and George Westinghouse, were competing to encourage consumers to utilize electricity AC vs. DC as a means to light America's homes there was no infrastructure, and perhaps less understanding, of the benefit as well as great fear by consumers regarding electric current in the home. Somehow the private sector initially

working with government convinced the average person to switch from oil and candles to electric lights. We surely can do this again for transportation.

Vehicle Marketing Concepts

Purchase Incentives Policies are needed that encourage and provide incentives to consumers to make purchasing decisions favorable to electric vehicles. Such policies will create demand and in the long run help to reduce the cost of electric vehicles and the technologies needed to service, maintain and fuel such vehicles. Consumer demand will drive manufacturers to produce and provide private sector incentives to encourage consumers to purchase their products.

Tax Incentives Federal Tax credits of up to \$7,500 are presently available for Hybrid electric (HEV), Battery Electric (BEV) and Fuel Cell Vehicles (FCV). These credits are limited: up to the 60,000th vehicle from any one manufacturer. Connecticut needs to think in terms of such credits directly to purchasers. These credits could be applied at the point of sale with a reduction or elimination of the state sales tax and registration fees. The state should also consider allowing municipalities to eliminate or reduce local property taxes on such vehicles.

Rebates The state of California is presently considering legislation, Assembly Bill 118 that provides monetary incentives for the purchase of plug in hybrid vehicles (PHEV) electric motorcycles and ZEV. Purchasers are eligible to apply for a \$5,000 rebate for such purchase. Connecticut could implement such a program permanently or on a trial basis given our budget constraints. Such a program will absolutely affect consumer behavior. Let me point out that from August through September in 2009 the federal "cash for clunkers" generated approximately 10,000 new car sales in our state. This was in the middle of a recession and credit crisis. Selling 10,000 vehicles in that time period was way above the average.

American Recovery and Reinvestment Act ARRA/federal stimulus funding The ARRA established 14.4 billion dollars of investment for PHEVs, BEVs and electric infrastructure. This fund included vehicle manufacturing tax credits, vehicle purchase tax credits and provisions for federal purchases of such vehicles. Connecticut should consider such tax incentives for the retailers that will need to make capital equipment and facilities improvement to service sell and charge such vehicles. Homeowners would also benefit greatly by such tax incentives or waiver of local building permits for any home improvement or renovation made necessary for owning/garaging and charging such vehicles. Such a program could be modeled after similar programs the DPUC presently runs with state utilities to encourage homeowners to have energy audits and make improvements to increase efficiency in heating, cooling and electrical systems in homes.

HOV Lane Access The State Department of Transportation presently has an extensive infrastructure to encourage ride sharing. High Occupancy Vehicles lanes provide a great incentive for commuter. Consideration should be given to allowing any ZEV, PHEV, HEV and like vehicles to utilize such HOV lanes regardless of the passenger occupancy of the vehicle. The state of California has a pilot program in place in high commuter congestion areas that will expire in 2011. It is expected that the program will be expanded and continued beyond 2011.

Electric Fees The state legislature working with the Department of Public Utility Control may wish to consider a ratepayer fee program to generate funds for CL&P, UI and any municipal utilities under their jurisdiction to use to implement programs for infrastructure or programs describe above. Again our friends in California have such a fee that is presently generating approximately 47 million dollars annually.

Electric Rates The DPUC may wish to consider a rate schedule that is favorable towards the electric bill of the owners of HEVs, PHEVs, BEVs and other such vehicles and the businesses that sell service or charge/fuel such vehicles. Time of day, reduced rates, smart meter use etc should all be considered as possible options to induce consumers to purchase such vehicles and businesses to sell and service such vehicles.

Fuel Infrastructure

Fueling infrastructure is critical to successfully getting Connecticut's driving public into some type of electric passenger vehicle. Fueling infrastructure must be in place, publicly and conveniently available. It must be reliable and it must be safely and easily introduced into electric passenger vehicles. If we don't do this all the incentives and marketing programs in the world will not convince consumers here in our state or anywhere else to buy, and consequently manufactures will not produce these vehicles. That being said here are some thoughts for you to consider:

Private investment and viable business opportunities for such fueling stations carry risk because there is a lot of uncertainty in the potential for and size of the demand for such services. Public, business and home based charging facilities will be needed.

Public/private efforts Some type of direct cost share investment plan through DPUC, DECD or other state or federal government entity will be needed to reduce the risks associated with providing this infrastructure. Economic development funding through bonds, loan guarantees and direct public funding will be needed. Again the State of California has provided a mechanism through the California Energy Commission to develop investment plans to identify funding priorities and to establish a competitive bid process for project awards to develop this infrastructure.

ARRA (Federal stimulus funds) The federal ARRA again has within it a 14 billion dollar allocation provision for investments for plug-in vehicles and electric infrastructure. Infrastructure funding includes facility tax credits as well as up to 50% cost-share for residential infrastructure needs. You should note that manufactures such as Nissan who is bringing out the LEAF in 2011 and GMs VOLT coming out in 2010 and many others are already developing marketing materials for dealers to share with consumers concerning home infrastructure. To the extent that consumers qualify, the dealers will make them aware of these government incentive programs. Anything that the State of Connecticut develops can be and will be shared with dealers through the CAR Association which I represent.

US Department of Energy (DOE) Incentive The U.S. DOE offers a tax credit to fuel providers for the cost of installing alternative fueling equipment.

Federal and State Smart Grid Policies The Federal Energy Regulatory Commission is implementing the Smart Grid Policy Statement from the 2007 Energy Independence and Security Act, which includes the deployment and integration of plug-in vehicles to the grid. The DPUC should initiate a docket to consider smart grid technologies. The Department may wish to review California's actions under: "Order Instituting Rulemaking to Consider Smart Grid Technologies Pursuant to Federal Legislation and on the Commission's own Motion to Actively Guide Policy in California's Development of a Smart Grid System." Filed by Public Utilities Commission, December 22, 2008, San Francisco, CA. Rulemaking 08-12-009.

Fuel Outlet/Charging Stations The Connecticut Department of Consumer Protection (DCP) has jurisdiction over existing gasoline stations in communities of less than 50,000 people. DCP should be involved in any planning effort that incorporates charging stations at existing "Gas Stations "in our state.

Possible Future Policies and Programs

The DPUC and the Legislature should consider alternative-fueled vehicle tariffs, infrastructure, and policies to support statewide policies and standards to guide and encourage development of electric vehicle metering, home electric vehicle charging infrastructure, commercial and public charging infrastructure, tariff schedules, and, if advisable, incentive programs.

The statutory changes and regulations will need to address:

- The scope and role of regulatory authority over BEV and PHEV service providers, including third-party resellers who provide electricity. Possible recommendations to the DCP regarding regulating entities which provide electricity fuel; and Possible changes to the current rate structure (i.e., separate BEV and PHEV tariff or separate time-of-use meters) to accommodate anticipated increases in electrical usage when customers charge BEVs and PHEVs at home on their residential accounts.