

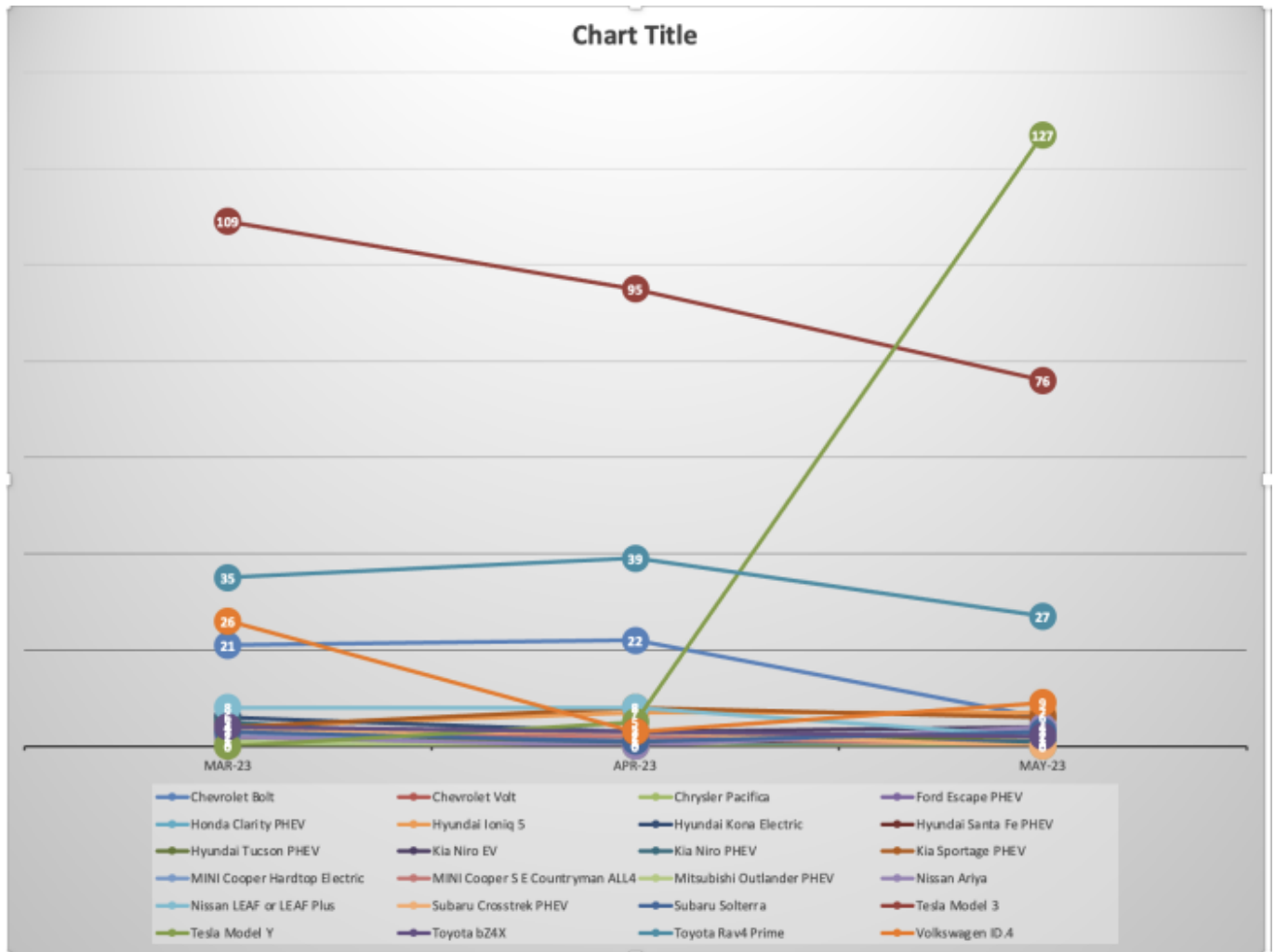
Latest Reporting Through May 2023 on CHEAPR Program

Rebates Way Up, Mostly Due to Tesla

DEEP has published stats through June 14th, but for the purposes of this post, we are looking at complete months, thus through May 31st.

As can be seen in the chart at the top of the post, rebates have really spiked. In fact, the 286 rebates in May is the most the program has ever had in a calendar month. This is mostly driven by Tesla.

Below is the trend of rebates by model. That green hockey stick is the Model Y. Price cutting by manufacturers has brought some popular models below the \$50K CHEAPR MSRP cap. The Model Y is the best-selling electric vehicle and the best-selling non-pickup vehicle in the USA, and as soon as the base trim level became eligible, it zoomed right to the top in terms of rebate count. The brown line that is currently second is the Model 3. The base trim level Model 3, as well as the reintroduced long-range non-performance version are CHEAPR eligible.



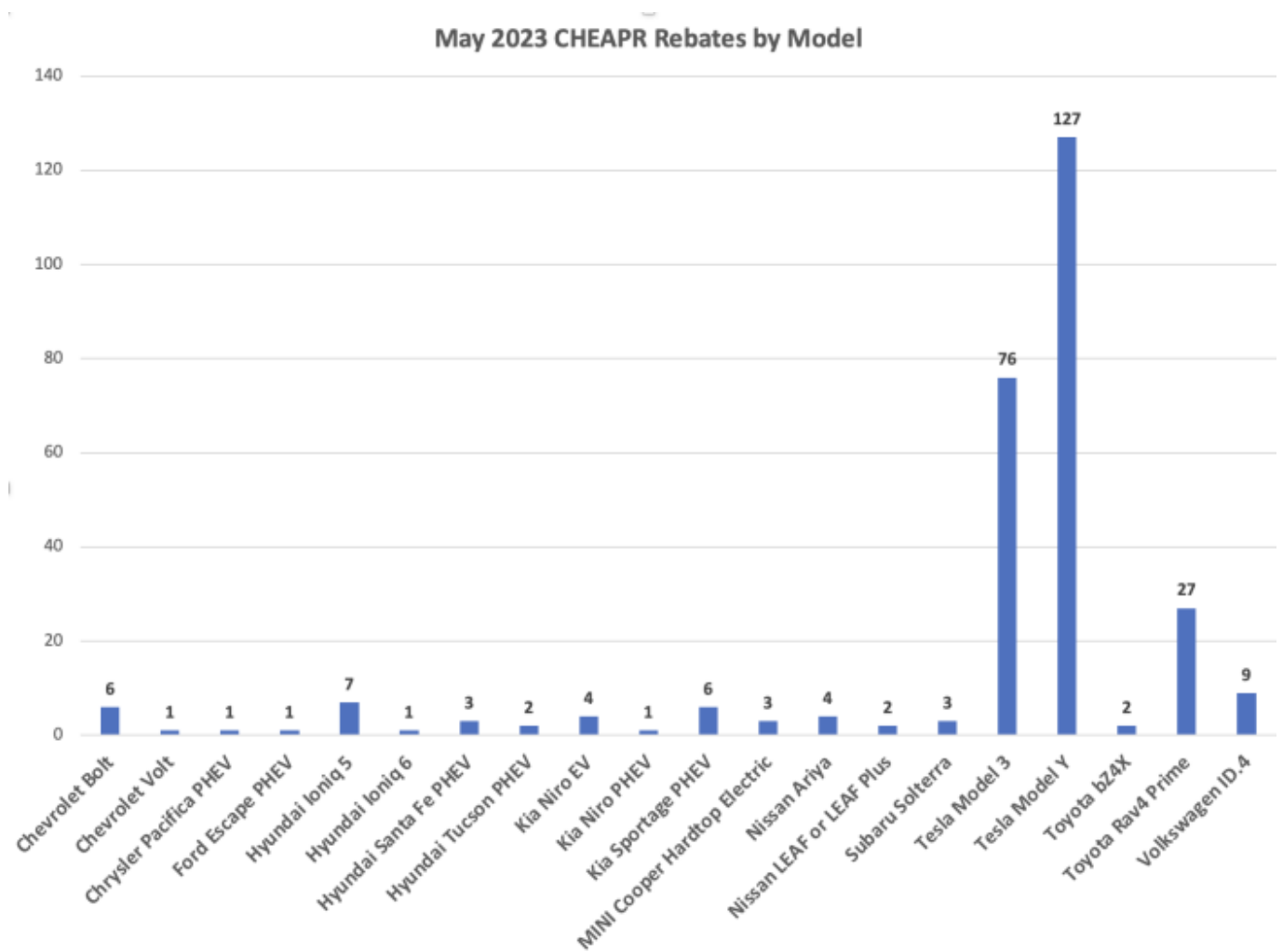
Aside from the Tesla vehicles being the most popular EVs, Tesla has been the best organized in terms of helping eligible consumers claim the rebate. With dealerships, it is bit of roulette as not all of them are up to date on the program or have knowledgeable salespeople. We have also heard that some of the finance companies that dealerships use for leased vehicles don't accommodate the incentive.

Ford recently announced a price cut for the F-150 Lightning and the base trim level will now qualify for CHEAPR.

Outside of the Tesla models, only the Toyota RAV4 Prime PHEV was rebated in double digits. The RAV4 had been a leader in the number of rebates but has been tracking at a lower level more recently. The Chevy Bolt, particularly the newer EUV variant, had been building as the company began to see daylight in its recall efforts, but that momentum is stalling

with the cancellation announcement. The Bolt had come to dominate the value segment. It was small but not that small, with a roughly 238 mile range for about \$30K. GM doesn't comment on future plans before they become firm, but they have dropped hints that they value the Bolt nameplate and, who knows, we may see a variant of it on the new Ultium platform.

This is what May looks like.

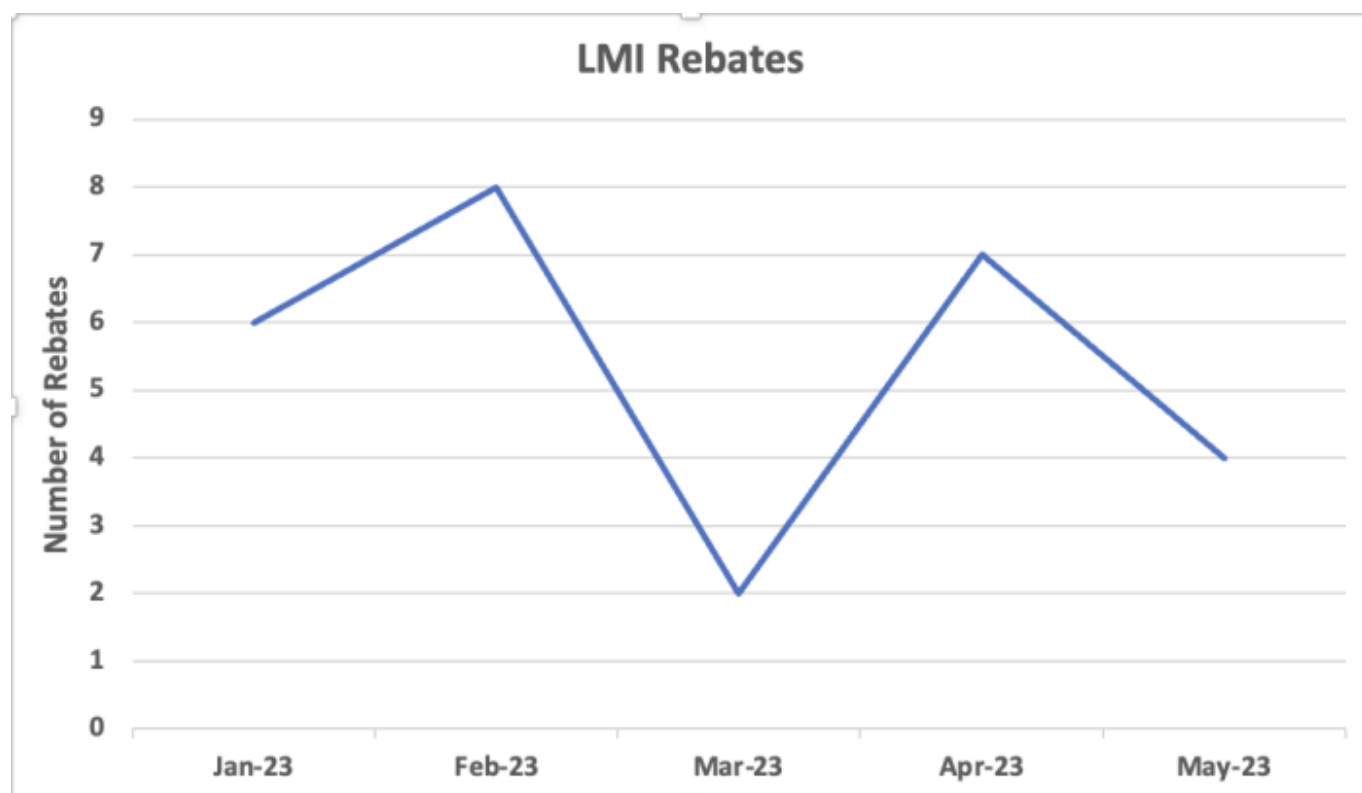


New Rebate Plus – Rebates for Income-Limited Individuals

The latest piece of the CHEAPR program to go live was the loosened income standard and pre-qualification voucher for the supplemental income-limited rebates. The pre-qualification

voucher enables the buyer to get a “cash on the hood” incentive, rather than be forced to float the cash until a reimbursement arrives. Also, the highly restrictive previous eligibility criteria was expanded to include anyone with an income level up to 3 times the Federal Poverty Level. More detail on this program can be found on this blog post [here](#).

DEEP reported an encouraging early response in terms of voucher requests. To this point, very few rebates are appearing in the data. This shows rebates by month for Rebate +. The program soft-launched, meaning absent a marketing push, on March 29. It feels to us that given the multi-step process, it is too soon to know how well this new program is working.



There are several things that have to happen before a voucher request turns into an incentive.

- How long does it take to get the voucher approved?
- How long will the consumer take to place an order?
- How long will it take for the vehicle to be delivered?
- Is there any dealer friction over the new voucher process that holds up orders?

- How many people get a voucher that they then do not use?

Hopefully, we'll be in a position to get a better read on this by the fall.

CHEAPR – New Program Components Beginning to Be Implemented

The following is a summary of what was reported in the recent CHEAPR board meeting.

Pre-Qualification Voucher Program for Income Limited Persons

This new program soft-launched on March 29th.

There have been supplemental rebates for income-limited buyers (often short-handed as LMI) for new EV purchases, as well as rebates for used EV purchases for several years. These have gotten almost no traction. From the beginning, concerns were expressed that the criteria (participation in certain government assistance programs) were too restrictive and the post-purchase application process, whereby the purchaser had to float the cash for the incentive (as well as live in some suspense that it would come through), were just not realistic.

Those complaints, along with the empirical data, led the legislature to direct changes to the program that became law in Public Act 22-25, passed in 2022. In addition to the government assistance program participation, an income option

was added, specifically that households with income of up to 3 times the federal poverty rate would be eligible regardless of program participation. Some examples of 3x poverty: \$43,470 for a single person household and \$90,000 for a 4-person household.

DEEP reports this has led to an encouraging early response. This is based on vouchers awarded. It doesn't definitively mean that everyone who received a voucher has used it. That was a subject of discussion when the LMI program was first implemented. Apparently, some other states that had used vouchers had seen low conversion rates, and there was concern about how wasteful the extra admin overhead would be. As of this writing, DEEP has only updated published rebate data through April 13th, and there are no recorded LMI rebates between the end of March and April 13th, so it is too soon to have any visibility.

The next step is for there to be a marketing push. A vendor has been selected and we'll see how fast the information gets out.

Used EV Rebate

As noted above, the LMI program includes rebates for used EVs. The CHEAPR website indicates which EVs are eligible, just as it does for new EVs. Only vehicles that previously met the criteria for eligibility when new will be eligible as a used vehicle. We thought there might be a willingness to loosen this and it is disappointing this is not the case. We think it needlessly limits the options for the consumer. There is already a gating requirement in terms of income limits. This feels needlessly restrictive.

There are some details that we await. The MSRP cap was lowered, then raised over the course of the program. Is the eligibility based on the current cap or the cap in effect at the time? What if a model has had price changes?

Fleet Incentive Program

A major addition to the program was extending the CHEAPR incentives to fleets. This applies to private fleets, municipalities, non-profits, and tribal entities. Non-profits must provide a Certificate of Legal Existence to prove good standing. According to DEEP, the launch will occur sometime in the third quarter.

The cap is 10 rebates per year and 20 lifetime. The DEEP commissioner has some flexibility to raise the cap for an organization if it is determined to be warranted.

The fleet program applies to new vehicles and the standard rebate only. The MSRP cap of \$50K applies here as it does with the consumer.

E-Bike Rebate

The first phase of the e-bike program is scheduled to launch on June 28th with a point of sale voucher for brick and mortar stores. Online sales will come along later. CT residents age 18 or older can apply for a voucher that can be redeemed for an eligible e-bike at a participating retailer. Check with your preferred e-bike retailer to see if they are enrolled in the program.

The base rebate is \$500. That can be augmented by an additional \$1000 for LMI individuals.

There is an MSRP cap of \$3000.

Eligible bikes must have either a UL 2849 or EN 15194 certification. (A pending certification does not count.) **This is an important requirement to ensure safe e-bikes are purchased.** Generally speaking, and unlike with automobiles, there is a paucity of regulation at this time. There is a lack of awareness that there are unsafe e-bikes out there, and with

lithium-ion batteries, you are literally playing with fire.

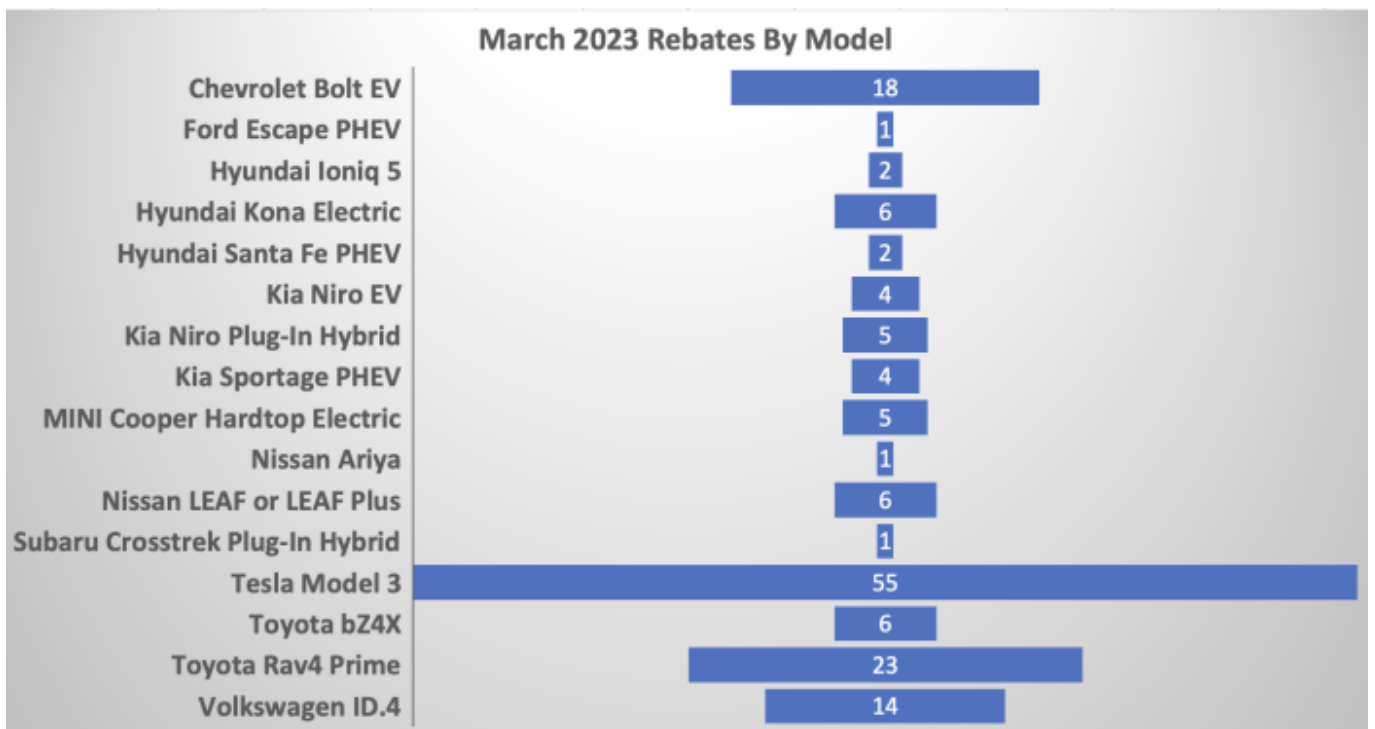
Update: According to Bloomberg, the program was fully subscribed within 3 days of launch.

Tesla Model Y Now Eligible for CHEAPR Rebates

Increase in Rebates Driven by Tesla

Since the MSRP cap was increased in July 2022, there has been an increase in rebates as more models have become available. Somewhat predictably, it is driven mostly by Tesla.

The 158 rebates in March was up from 115 one year ago (+37%) with 55 of the rebates being for Tesla.



Tesla Drives Higher Utilization; Model Y Now Eligible

The CHEAPR program has been consistently underspent for several years, even before the budget was increased. Aside from most of the new program, as authorized in Public Act 22-25 from one year ago, not yet being yet live, there has been a low utilization rate. Rebates have only been received for roughly one third of eligible vehicles. Tesla is more efficient than any of the other companies in terms of incorporating incentives into their sales flow, and the consultant for CHEAPR, the Center for Sustainable Energy, has said that in states they administer, when Teslas are eligible, the utilization is higher. Add to that, Tesla has been cutting prices over the past year and now the Model Y, both the standard range and long range non-performance, are eligible. If Tesla were to bring back the Model 3 long range non-performance, it too, would likely be eligible.

The first of the new program components to go online will be the revised program for income-limited individuals (LMI). The current LMI program has seen very little activity, none in March.

CHEAPR – Edging Closer

Updates on CHEAPR Implementation

Almost one year ago, SB-4 was voted into law as Public Act 22-25, an environmental omnibus that made extensive changes to CHEAPR, the state EV purchase incentive program. The easiest

change, raising the MSRP cap from \$42,000 to \$50,000 was implemented in July. The other changes required extensive platform revisions and we are just now getting to the point where these other items will go live. Below is the slide from the deck that DEEP presented that outlines the timetable.



Revised income-limited (LMI) program

The program remains on track to launch the revised income-limited program, including a pre-qualification voucher in second quarter. Our guess is that it will likely be toward the end of the quarter, especially since they have yet to make a final selection of a marketing vendor. These LMI rebates are known as Rebate+ New and Rebate+ Used.

To recap, the new LMI program expands eligibility to individuals or households earning up to 3 times the federal poverty rate. The current program requires enrollment in designated governmental assistance programs, which is more limiting. The other important addition is the ability to become qualified before the purchase and get a voucher. This

way the incentive will be cash on the hood like the standard CHEAPR rebate. The current post-purchase process will be retained, as well, for the sake of continuity. We suspect it will fall away in time but that will be based on utilization data.

The LMI rebate for new vehicles is \$2000 that gets added on to the standard \$2250 rebate. There is also a \$3000 rebate for used EVs. Used rebates can only be obtained if the vehicle is purchased through a dealer (either a new car dealer that sells used vehicles or a used car dealer), in other words, not through a private sale.

The LMI incentives have really struggled for traction since they were introduced, with only 8 being given out during calendar 2022 (5 new, 3 used). This change is sorely needed, along with effective marketing.

Expanded Options for Used EVs?

The eligible used vehicles for the Rebate+ Used have been restricted to vehicles that were eligible for the standard rebate when new. We never saw the point of that since these are income-limited rebates. We feel any used EV should be eligible. We have spoken to DEEP about this and we expect there will be a revision here, which would be effective when the new Rebate+ program goes online in a couple of months. Stay tuned.

Expansion to Non-Residential

At present, the incentive is available only to individuals. In the third quarter, referenced in the slide as "CHEAPR Fleets launch," eligibility will be expanded to businesses, fleets, non-profits, municipalities, and tribal entities. This could potentially be a huge pool of purchasers. These entities are capped at 10 incentives in one year and 20 total.

E-Bikes

The state will incentivize e-bike purchases, something that was left out of the federal IRA legislation. This will be a gradual rollout over the remainder of the year, with possible tweaks continuing even after that. It is possible for an LMI individual to get as much as \$1500 towards the purchase of an e-bike with an MSRP of no more than \$3000.

Program Performance

CHEAPR has been underperforming for years, defined as spending below its budget. It started to happen in a serious way in 2019 when the MSRP cap was lowered from \$50K to \$42K. The reversal of that as of July 2022 is helping, though we are in a more difficult environment at this time with higher prices and constrained supply chains.

The program rebated \$1,894,000 for 1174 rebate instances in 2022. This remains less than the program's old budget of \$3MM annually, and way less than its new budget which is between 2-3 times that, depending on how much is collected in greenhouse gas fees. Not to mention that unused funds rollover. There is a substantial available war chest to fund the expanded program.

The 1174 rebate number is less than the 1408 in 2021. However, the pace picked up in the second half of 2022 after the MSRP cap increase, increasing 69% (737 vs 437) over the first half, and slightly higher than the 696 of the second half of 2021. The 216 rebates in Jan and Feb of 2023 are pacing well ahead of the corresponding period from 1 year ago when the number was 116.

34% Utilization Rate

The biggest area of concern is the utilization rate, which DEEP reported to be 34%. In other words, 34% of rebate-eligible vehicles actually got a rebate. This has been an ongoing pain point and has been the single biggest reason that it has been difficult to budget for this program. There could be several reasons for this: lack of promotion/consumer awareness, lack of dealership participation, and potentially important, we have heard that not all finance companies, which hold the title to leased vehicles, have set themselves up to deal with the rebate.

The changes to the program made in PA 22-25 are good ones and we will do our part to get the word out.

Where Should I Buy An EV – 2023 Edition

Post by Barry Kresch

CHEAPR as a Proxy for EV-Friendly Dealers

It is not unusual for a consumer to reach out to us, usually after a bad sales experience, and ask if we can recommend a dealership. We have some recommendations from members who have had good experiences, but nothing that covers every vehicle make and every dealership across the state. This is our attempt to at least partially address this.

We are using CHEAPR rebates sorted by dealership within

vehicle make as a rough proxy for dealer EV-friendliness. There are some limitations. Not all makes have CHEAPR-eligible vehicles. They may be too expensive (e.g. Jaguar) or they're just not in the game (e.g. Honda). EV prices have gone up in this inflationary time and the CHEAPR MSRP cap was \$42,000 for the first 6 months of the year, rising to \$50,000 as of July.

There have been continued difficulties with vehicle availability, but at least we are comparing like to like.

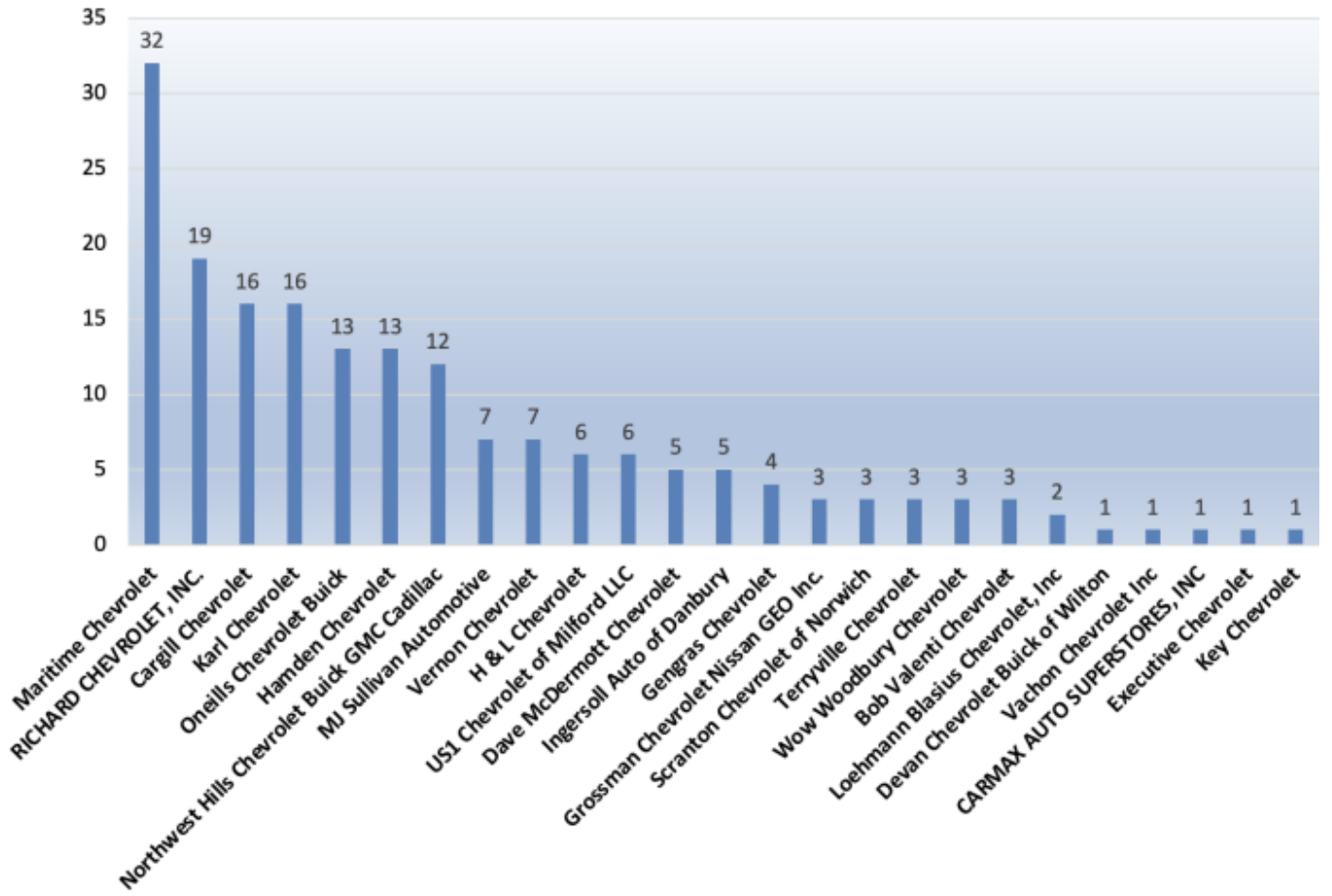
Some dealerships are charging a "market adjustment," meaning the vehicles are being sold for above the MSRP. That does not get reflected in CHEAPR. The MSRP cap is based on the manufacturer's base MSRP for the trim level without options. That may, however, have deterred some consumers from doing business with them.

There continues to be wide variation among dealership performance, as in past years. If you know of a dealership but do not see it in the charts, that means there were no rebates associated with it in 2022. Sometimes there seems to be a conflict in that a particular dealership name includes a different make than some of the rebates credited to it. That is because the way the dealership name is represented in the data does not indicate that it sells other makes. I cross-checked all the instances of this and the data are correct.

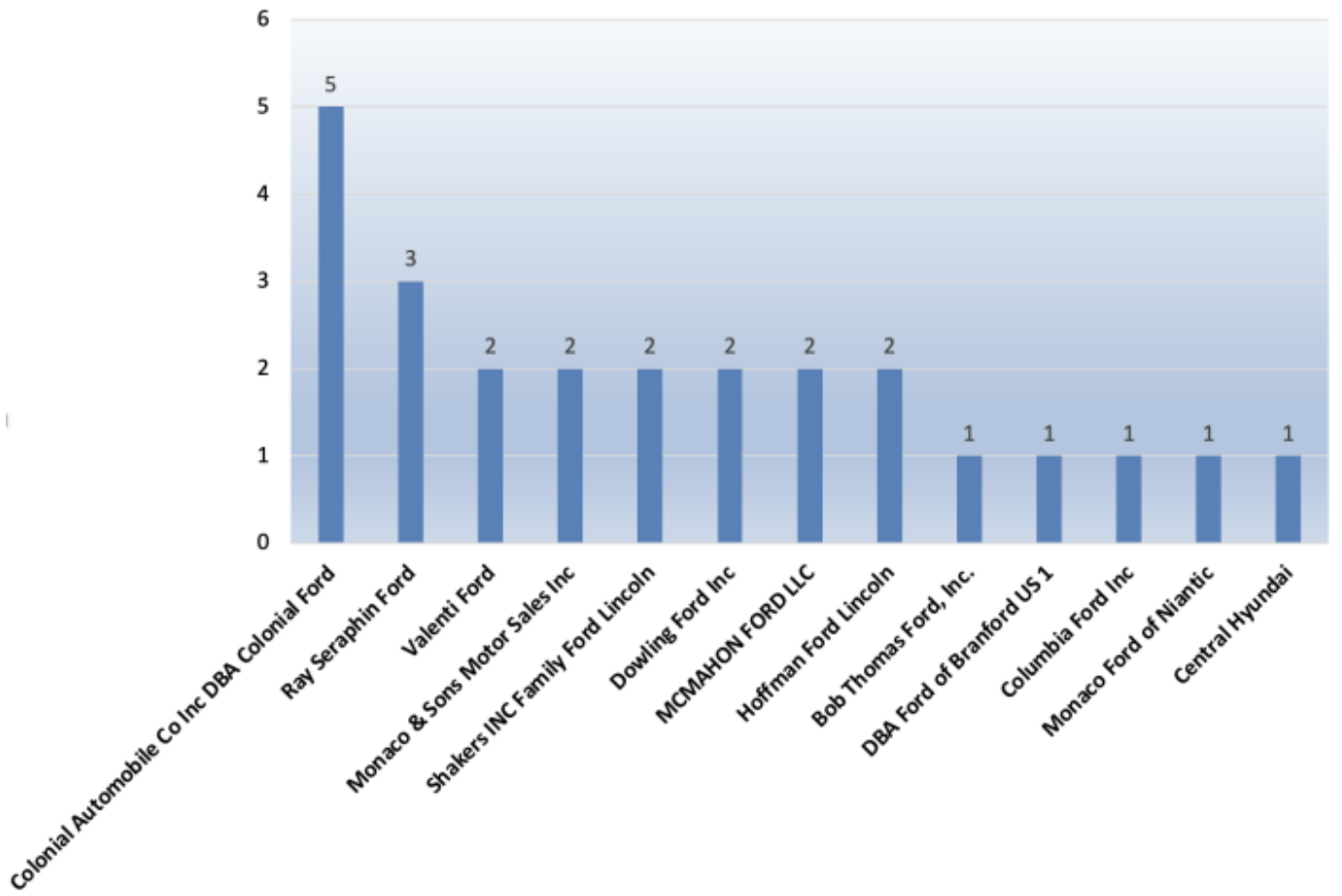
Mitsubishi, which had only one rebate is omitted. Subaru, also with a low count, is included. Chevy and Toyota drove the biggest numbers. Tesla is omitted for obvious reasons.

Rebates by dealership in alphabetical order by make and ranked by the number of rebates within make. All data from the Center for Sustainable Energy.

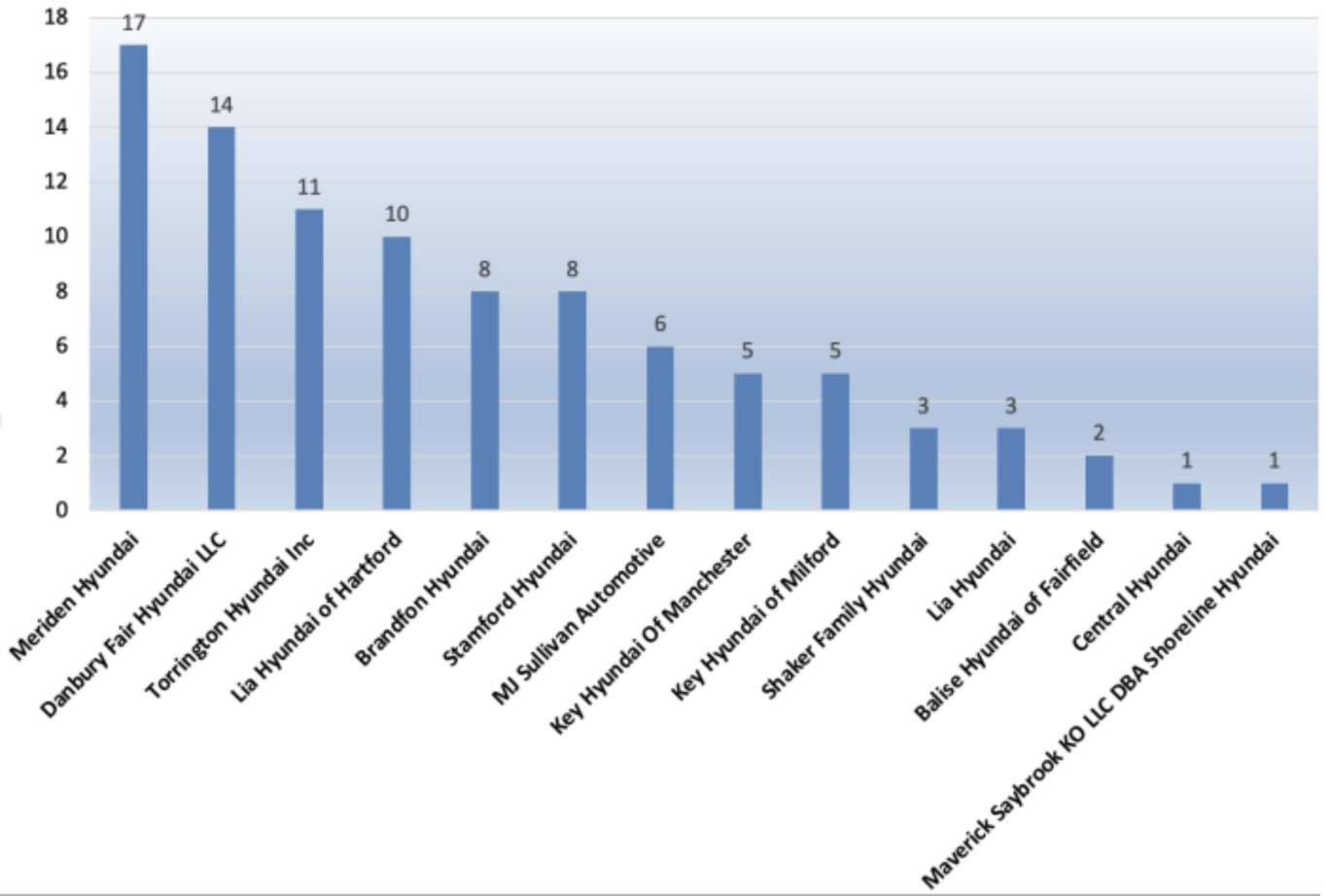
Chevrolet 2022 Rebates by Dealership



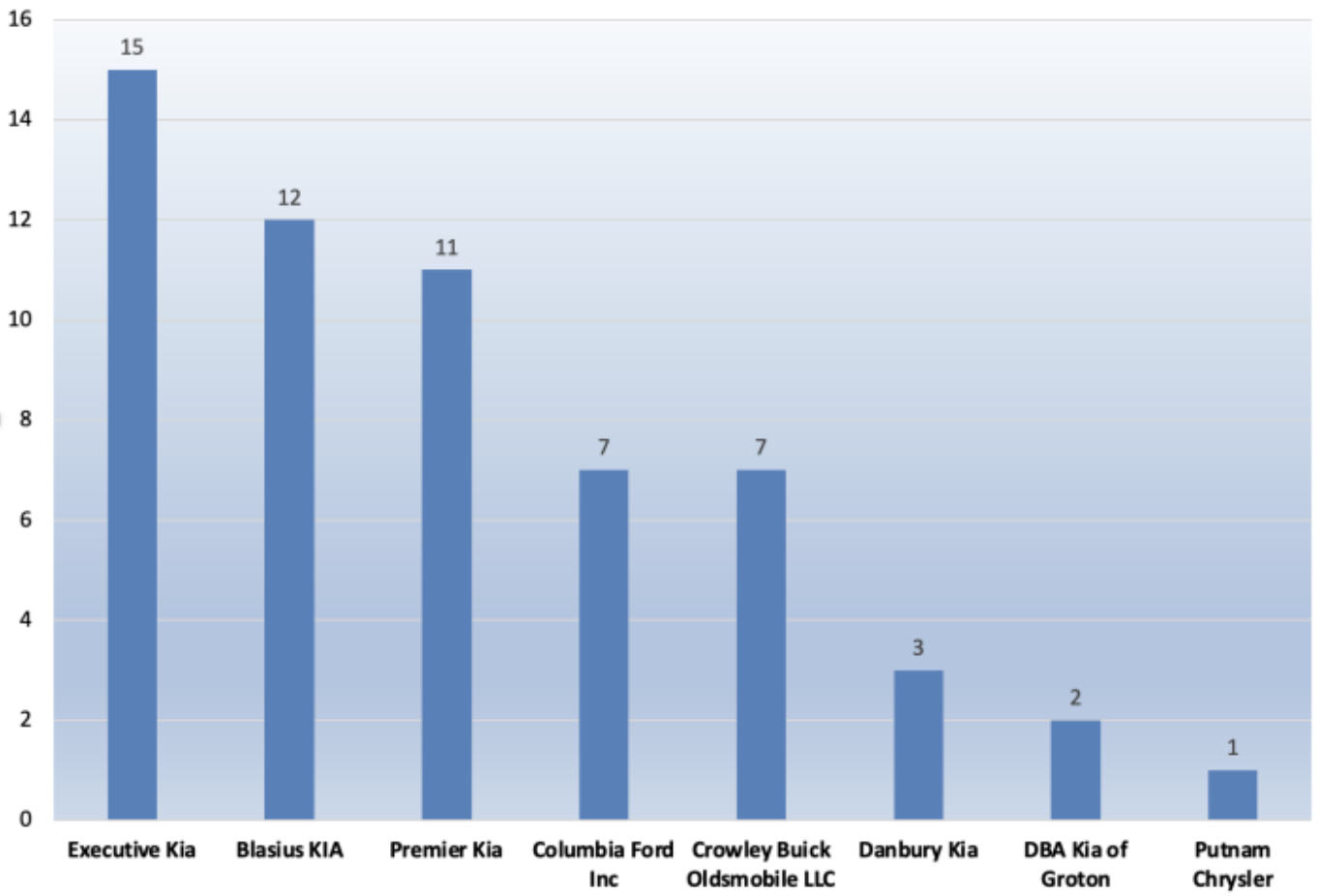
Ford 2022 Rebates by Dealership



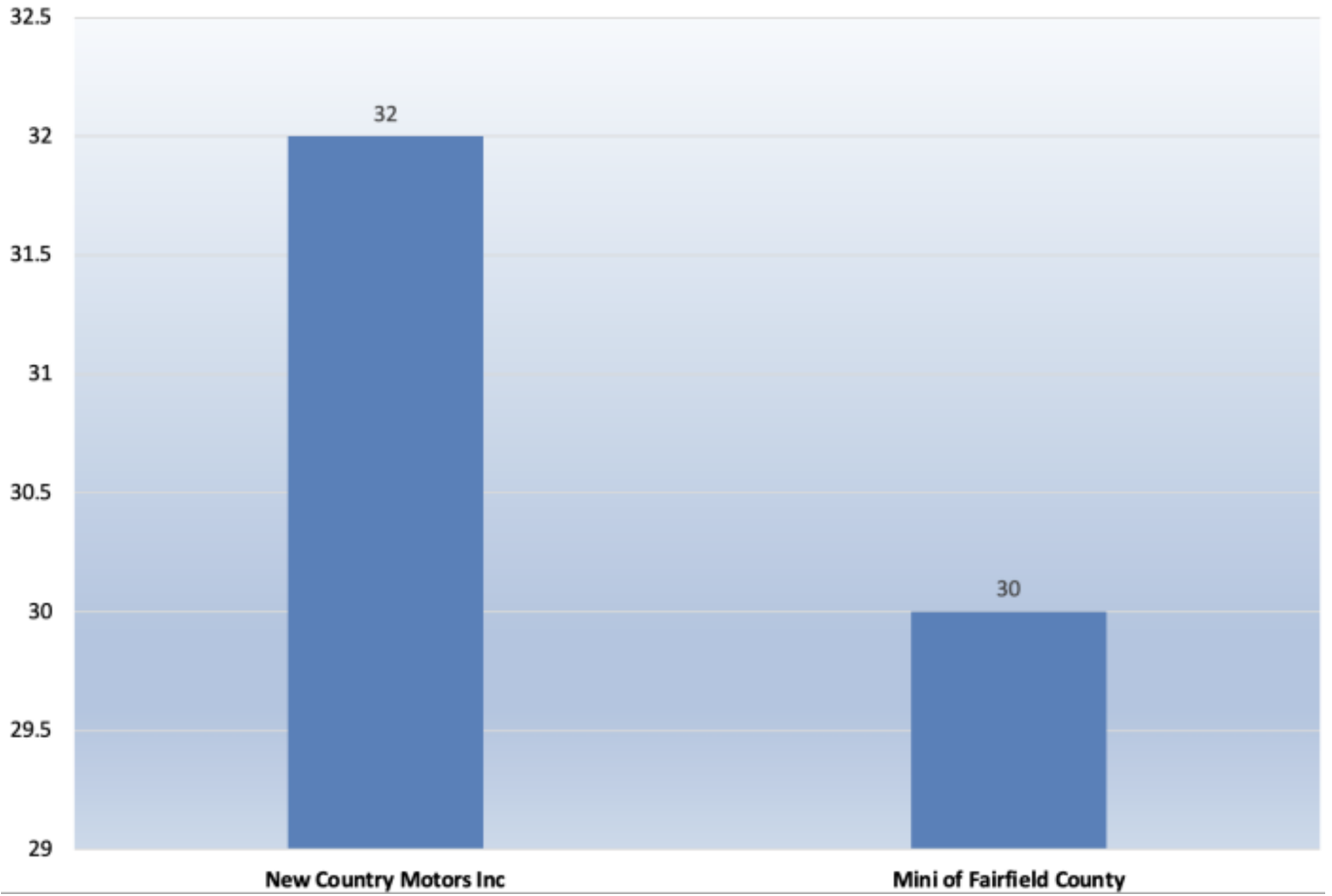
Hyundai 2022 Rebates by Dealership



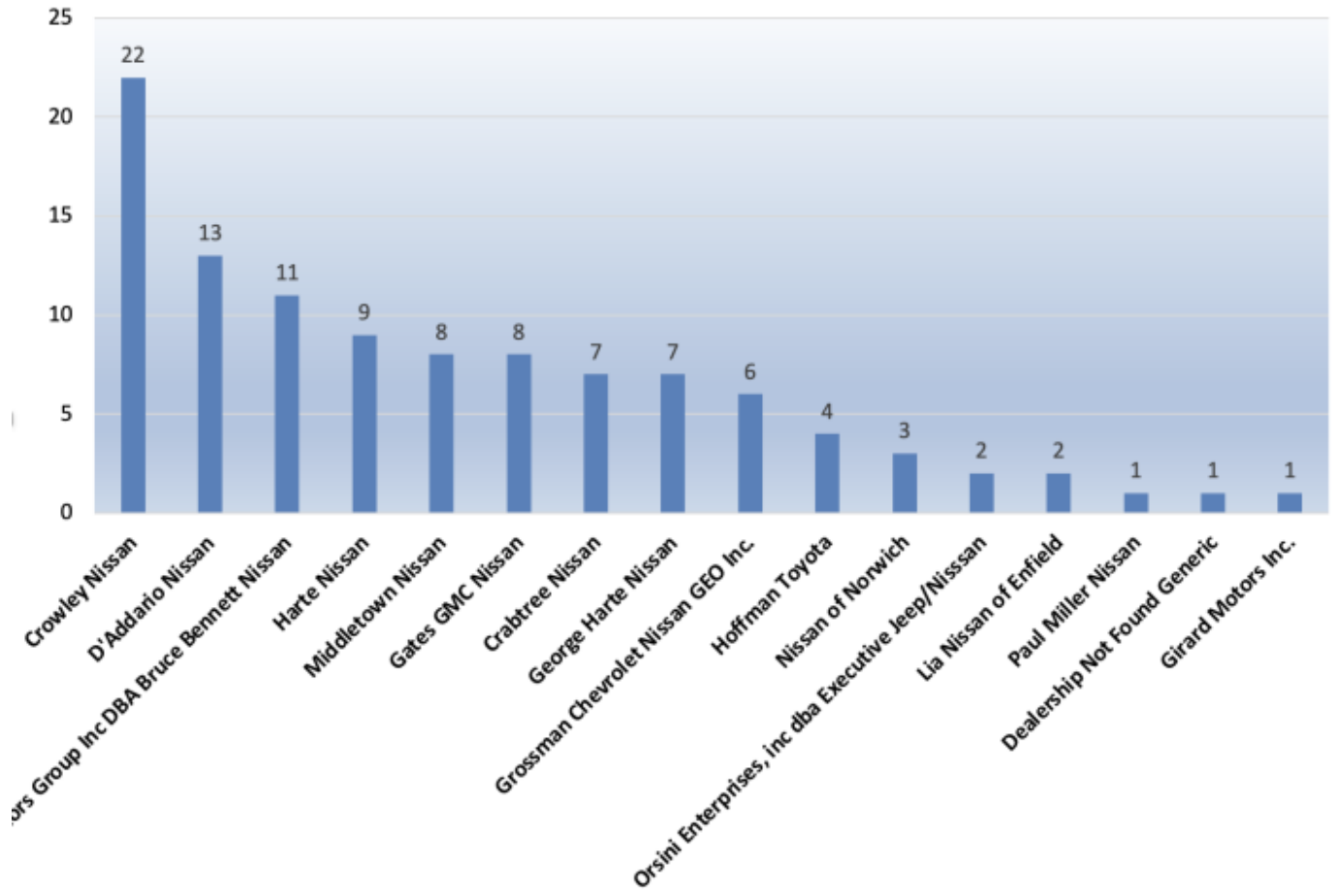
Kia 2022 Rebates by Dealership



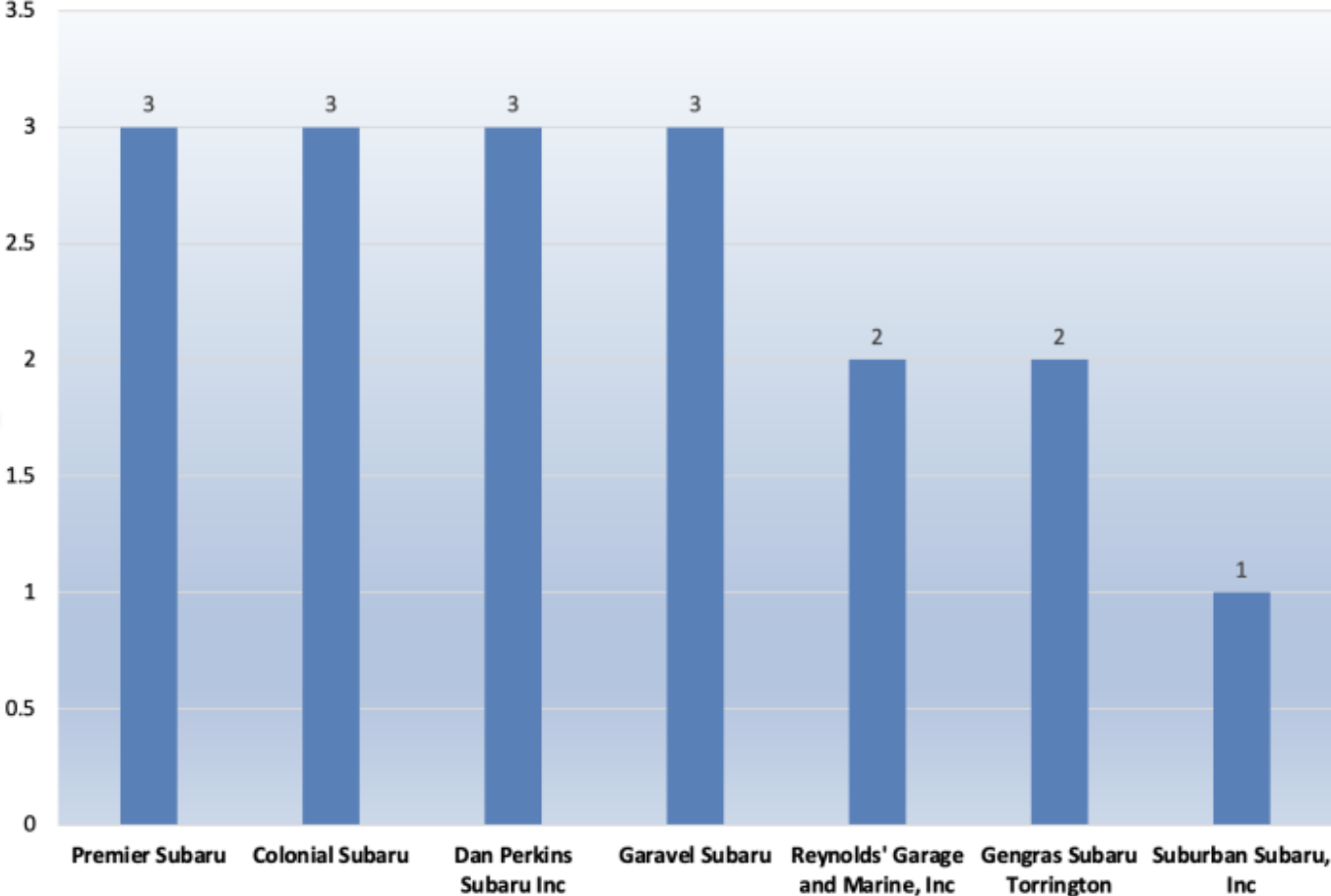
Mini 2022 Rebates by Dealership



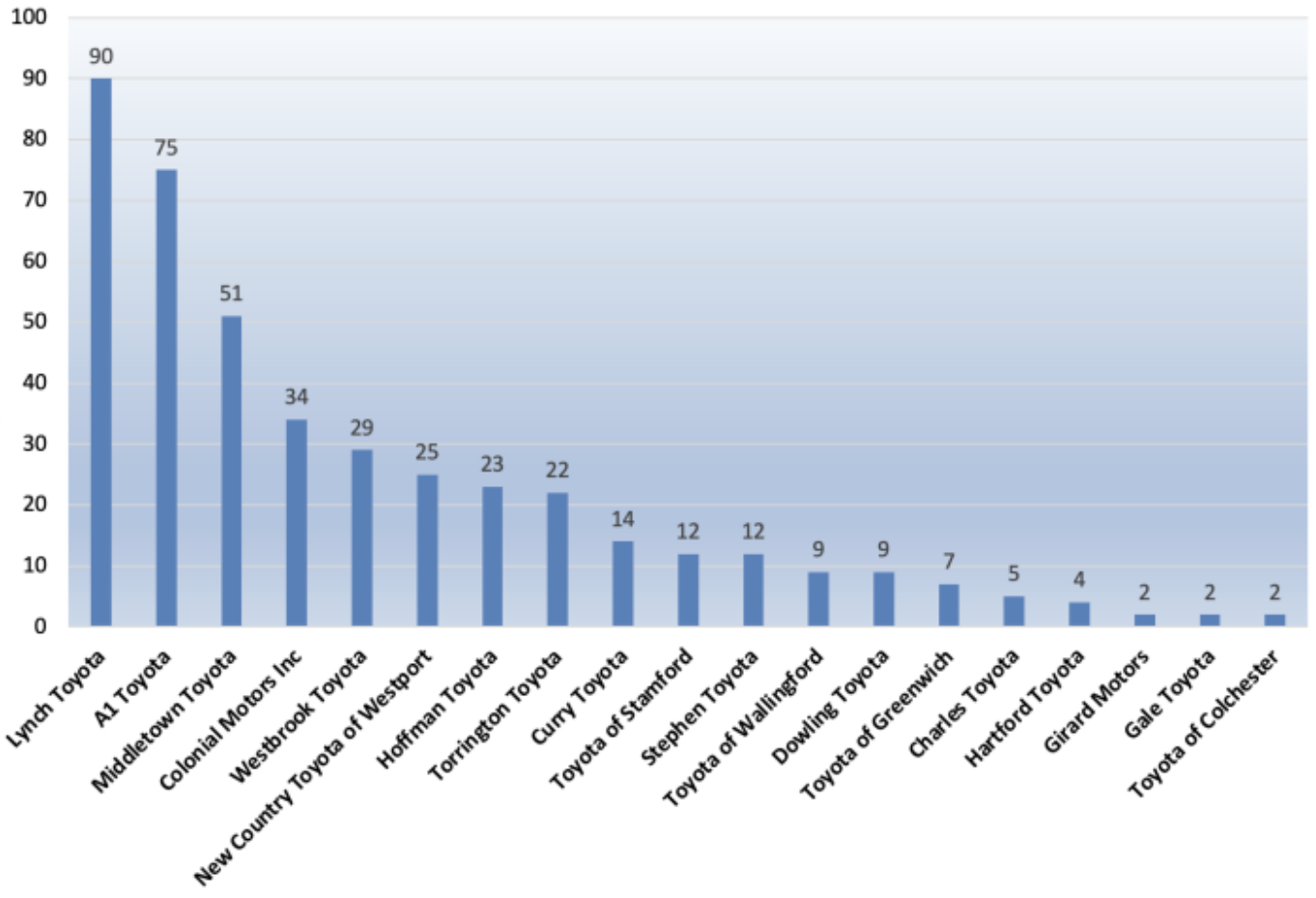
Nissan 2022 Rebates by Dealership



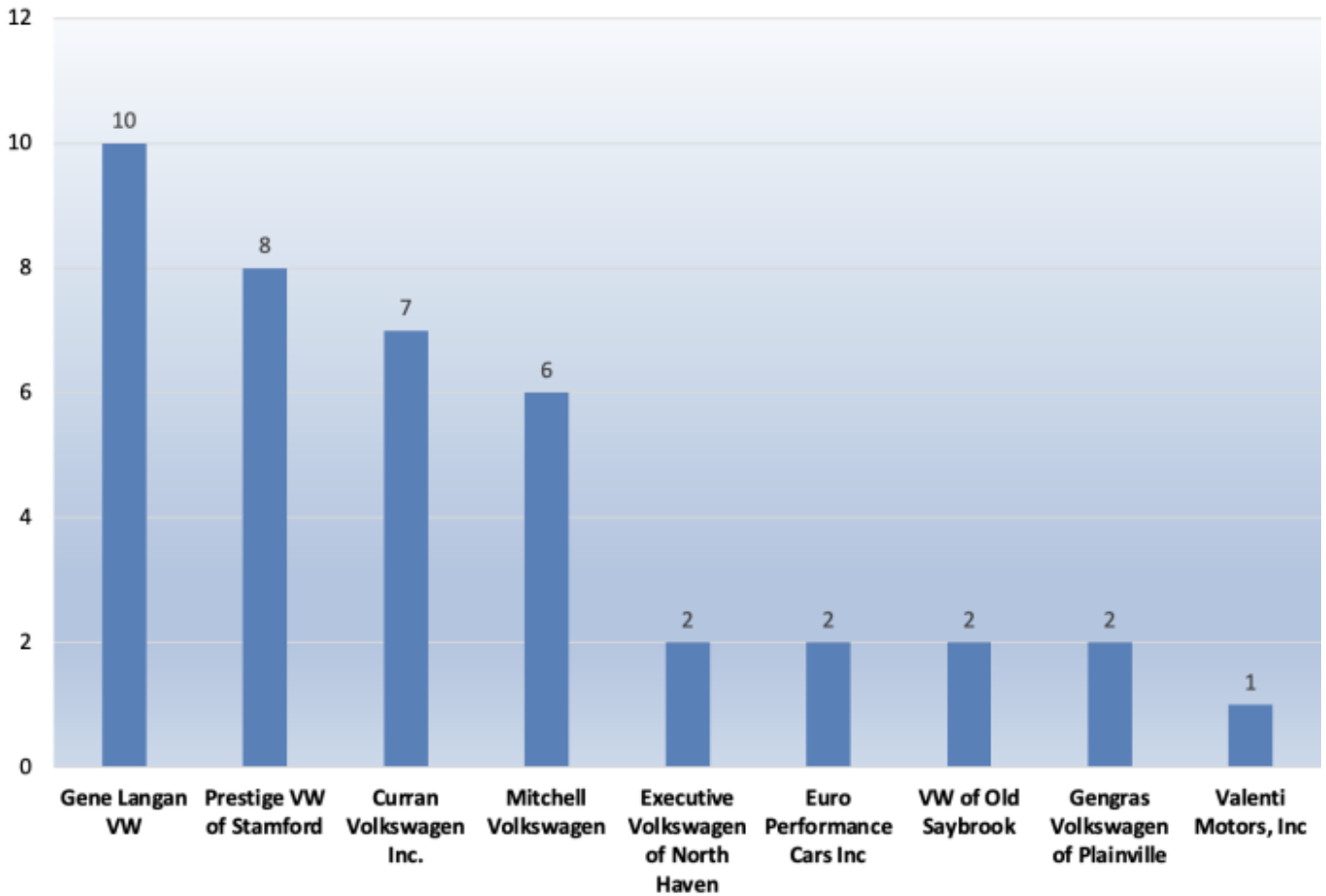
Subaru 2022 Rebates by Dealership



Toyota 2022 Rebates by Dealership



VW 2022 Rebates by Dealership



November CHEAPR

New CHEAPR incentives to arrive this year

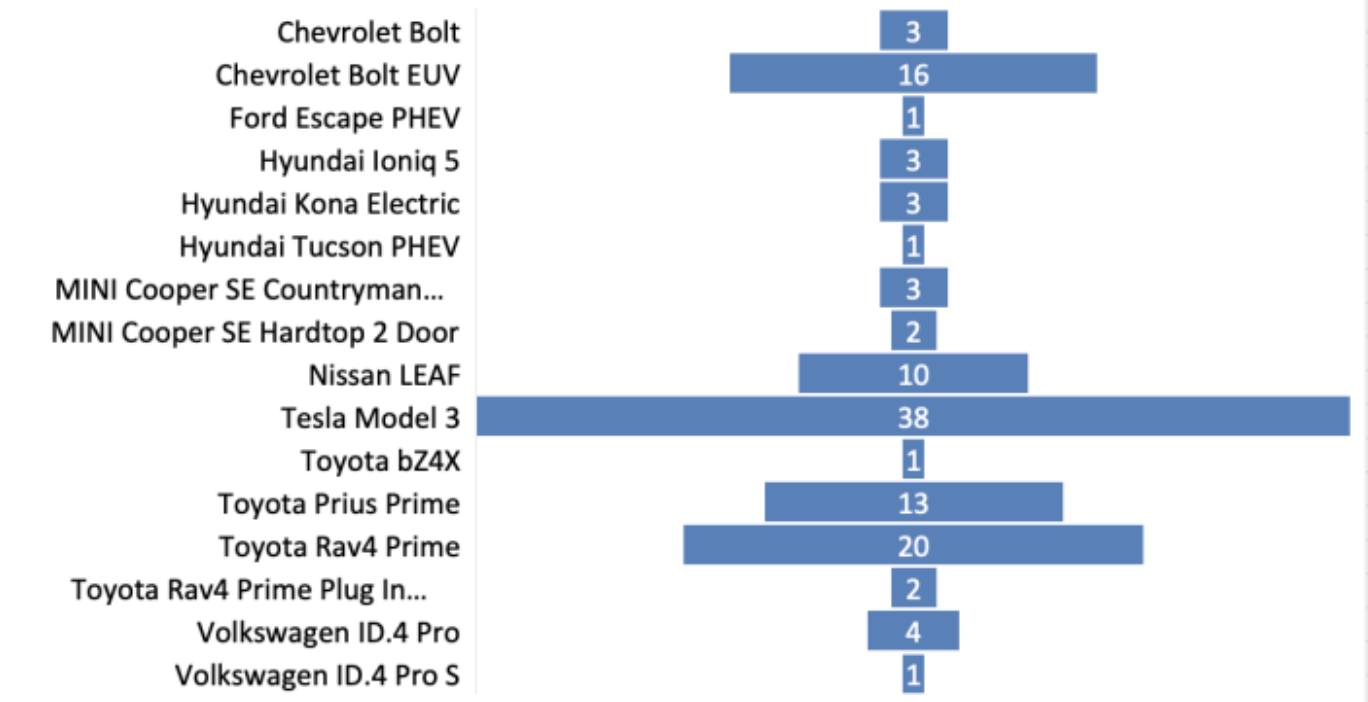
Expansions to CHEAPR, courtesy of Public Act 22-25, passed by the legislature last year, effective as of July 2022, implemented piecemeal as they are built, will see the remaining parts come online this year. The new pre-qualification process for income limited incentives should be ready by the end of March and the “non-personal” incentives

(businesses, municipalities, etc.) should be ready at some point in the second quarter. Unlike the cash on the hood consumer rebates, the non-personal incentives will have a post purchase process to claim the rebate. These will tell the tale as to whether the program will accelerate to a higher level. We are also expecting DEEP to expand the list of eligible used EVs, which we feel are unnecessarily constrained to only vehicles that were eligible as new vehicles.

November was similar to October with 121 rebates, slightly higher than the 112 (slightly restated) for November. Below is the distribution by model with the Tesla Model 3 the largest, followed by the Toyota RAV4 Prime PHEV and the Chevy Bolt EUV. The file sometimes breaks out different trim levels, which is what happened with the RAV4, where the SE (2 rebates) was reported separately. As we've noted before, CHEAPR can be a useful proxy to gauge which models that fit under the price cap are resonating with consumers, but it does that less well in this period where there are supply shortages. For example, even though the Bolt EUV looks like it is successful, GM is still dealing with recovering from the extensive recall and as a result, it is building replacement battery packs alongside new vehicles. That is a GM specific circumstance, but it has the same effect of constraining deliveries.

There was one income-limited rebate in November, a used Chevy Bolt.

CHEAPR Rebates Nov 2022



Not So Fast

CHEAPR Rebates Dip in September

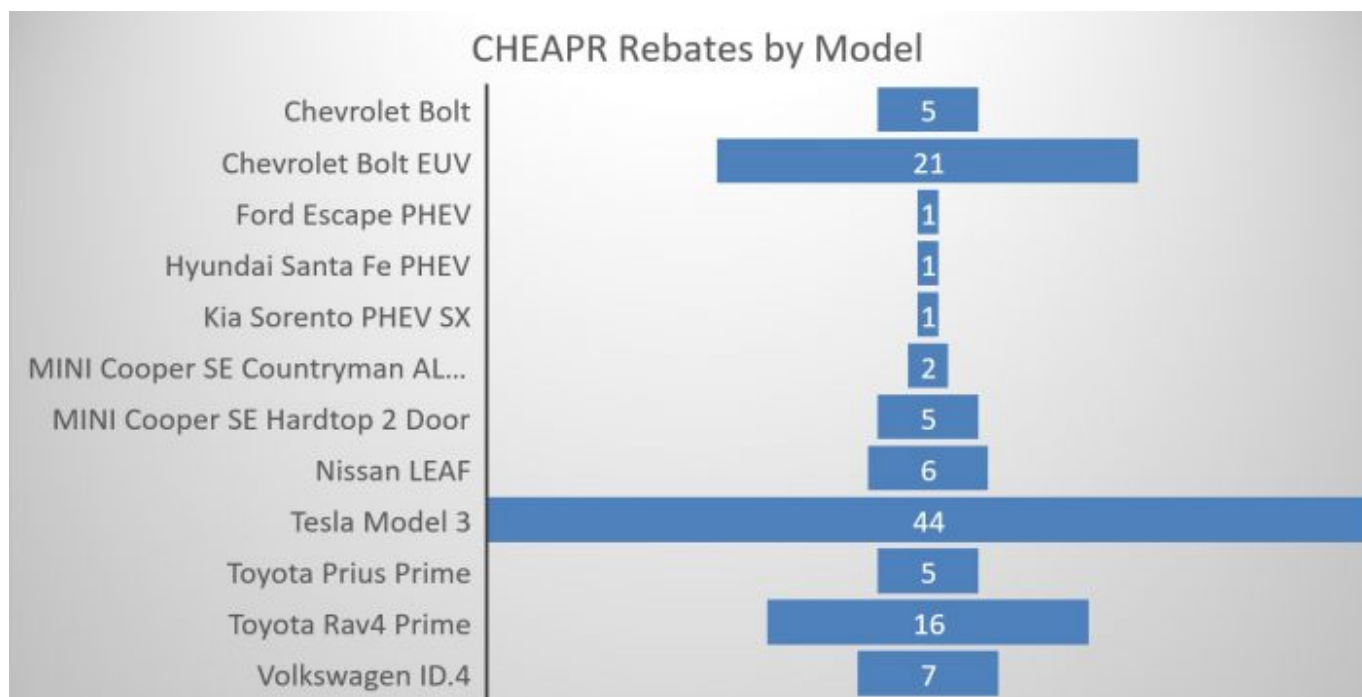
It looked like we were on a roll with rebates having risen from 59 in June to 93 (implementation of higher MSRP cap) in July to 136 in August (restated from an earlier 119), but September has retreated to 114. Maybe it, too, will be restated next month. Hanging over all of this are the continuing difficult market conditions.

I have made a technical change beginning with September. The spreadsheet published by DEEP double counts vehicles/people receiving the Rebate+ New (supplemental incentive for income-limited consumers) rebates. It appears as a separate row in the file (i.e. one row for the standard rebate and a second

row for the supplement) and the count reflects the number of rows, not the number of vehicles. (This is not the case for Rebate+ Used, where there is one row per vehicle.) So in the chart at the top of the page, there are 114 rebates listed, as opposed to 116 in the chart on the DEEP website. At this time, it is not causing major differences, but the potential for that to happen will increase when the new program goes live at some point next year.

There were 3 Rebate+ incentives in September – 2 new and 1 used.

Below is the rebate by model chart.



The spike for Tesla is similar to what we have seen in the past when Tesla used to be eligible. They batch their deliveries and clearly a bunch of Model 3 SR RWD arrived (the only eligible model). Also, as we've learned, a higher percentage of Teslas that are eligible for a rebate get the rebate. The reason is that it is baked into their order flow process, which is not the case with anyone else. DEEP has reported that there are many eligible vehicles that do not get the rebate.

Chevy may have a success on its hands with the Bolt EUV. Most of the action in the BEV world has been with higher-end vehicles. It is a hopeful sign that a vehicle with an entry price of \$27,200 that received 8/10 ratings from Car and Driver and Edmunds is getting traction.

For a period of time, CHEAPR seemed like the RAV4 rebate program as that vehicle had become so dominant. This month is way down. Is it because of inventory issues or is it the continued movement of the market towards BEVs? It is down roughly 40% from where it had been tracking. And the Prius Prime continues to be in a long term decline, which I speculate is likely about the noncompetitiveness of the vehicle and not the supply. Toyota now has one BEV, the bZ4X EUV. It is a 2023 model year, shipped in very limited quantities. Also, it was subject to a recall shortly after it began shipping. Sharp turns or hard braking could loosen a hub bolt, risking the wheel possibly coming off. Deliveries resumed earlier this month. This vehicle will be CHEAPR eligible. None are registered in CT as of July 1.

Signs of Life for CHEAPR

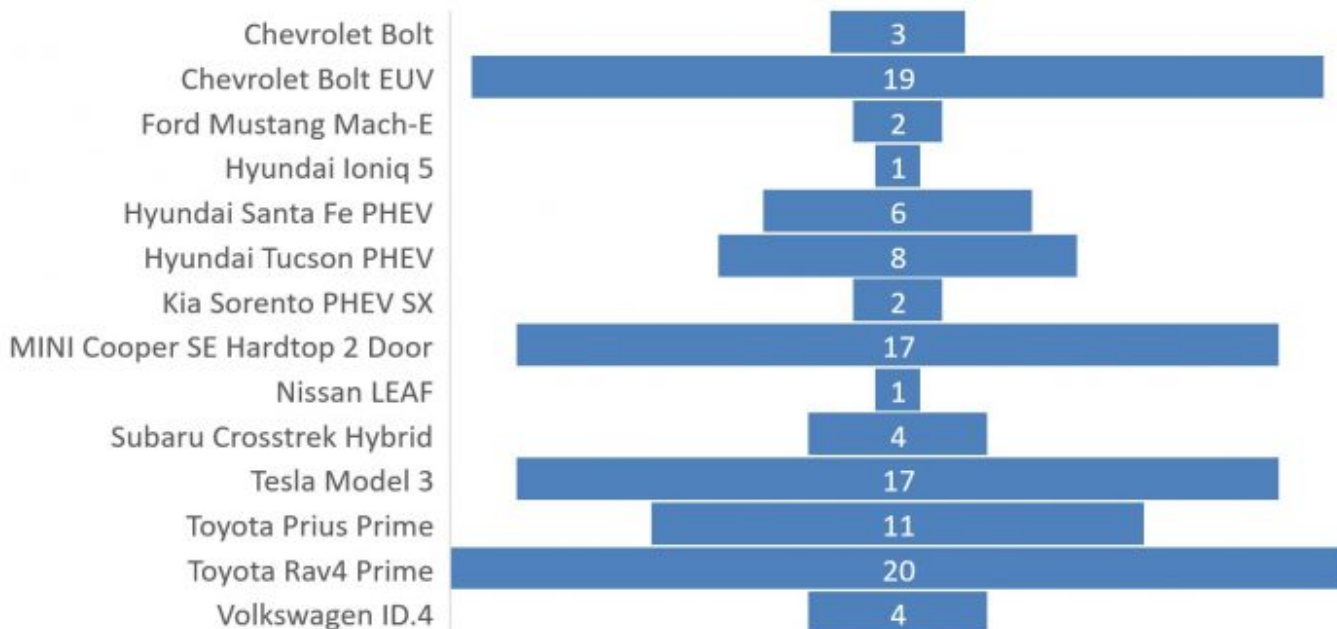
Rebates Increase Due to Higher MSRP Cap

CHEAPR rebates rose to 115 in August, and July was restated to 92, up from 57 in June and the low point for this year in February of 50. There are several models that received rebates that would not have been eligible before the increase in the MSRP. Unfortunately, there were no income-limited (LMI)

rebates in August. The revised LMI rules, along with the other program changes that require back-end development, are still a ways away from implementation. It won't be until next year when all the changes are live. DEEP has published a timeline, but as we get closer and dates become more definitive, we will update.

The presence of the Mustang Mach-E, Tesla Model 3, Hyundai Ioniq 5, and possibly some of the VW ID.4 are the result of the more generous MSRP allowance. The Chevy Bolt is finally making a rebound, and it is the new EUV variation that overwhelmingly dominates in this tranche of rebates. (We don't know if this is driven by consumer behavior or GM production priorities.) This is the first month in quite a while where the Toyota RAV4 Prime hasn't been the overwhelmingly dominant model. Another change is that BEVs accounted for a majority (56%) of the rebates. Overall, BEVs, which tend to be more expensive, account for 60% of registered EVs.

Rebates by Model - Aug 2022

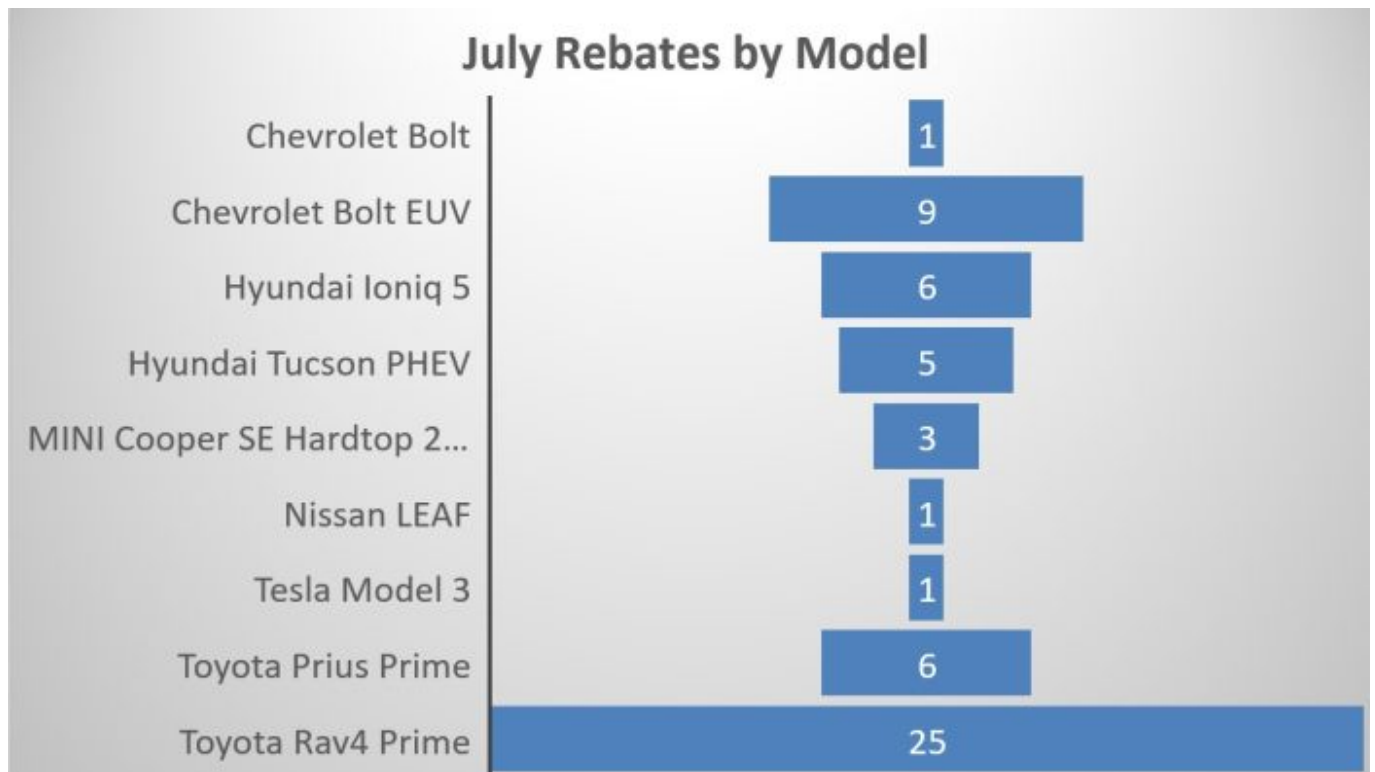


CHEAPR July 2022 Update

New CHEAPR, Though Still A Slow Pace of Rebates

There were 57 CHEAPR rebates awarded in July, the first month where the higher MSRP cap, now \$50,000, was in effect. This was the same number as in June. We don't expect to get a clear reading on the new program for a while given current supply constraints and the fact that the program is undergoing a phased rollout. One aspect that is still a ways from being rolled out is the revised income-limited incentives. The earlier version dating to 2021 is still in place, but there were no Rebate Plus incentives given in July.

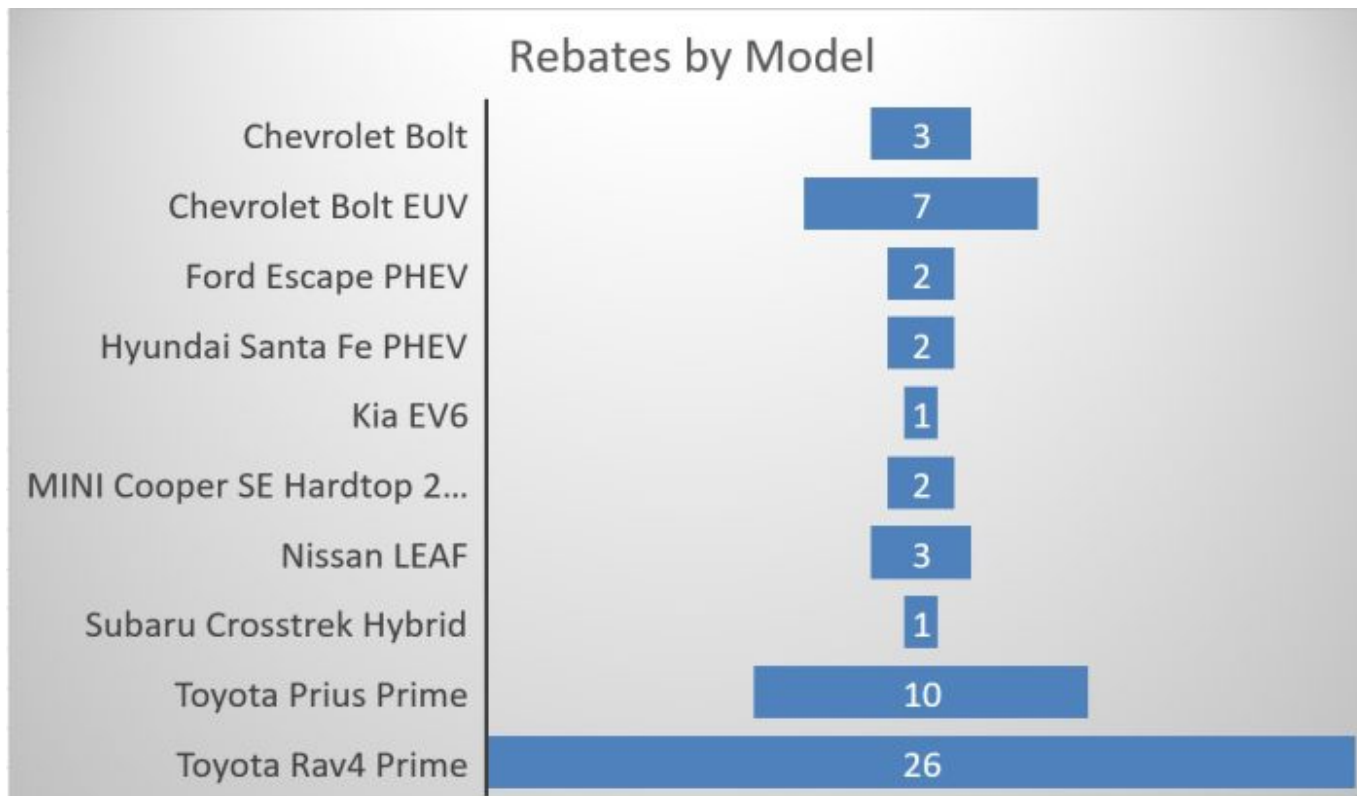
We did see the appearance of 2 models that would not have previously been eligible – the Hyundai Ioniq 5 with 6 rebates and the Tesla Model 3 with 1 rebate. The rebate activity continues to be dominated by the Toyota RAV4 Prime (24 rebates). The second most rebated vehicle was the Chevy Bolt with 10. It looks like the Bolt is finally getting past the purgatory of its extensive recall/battery replacement. The newer EUV version accounting for 9 of the 10 rebates.



CHEAPR June Wrap – The New Program Awaits

“Old CHEAPR” Quietly Ends – How Fast Will The New Program Ramp?

June was a slow rebate month by any measure with just 57 rebates, of which 41 were PHEV. These numbers continue recent trends of a low-volume PHEV-heavy program. The Toyota RAV4 Prime, the popular PHEV SUV, continues to dominate the rebates. There were no income-limited rebates.



Looking at the trend in the chart in the featured image, one can see the rebate trend increase as more EVs came on the market with the big spike being due to the Tesla Model 3. Then there is a big drop in Q4 of 2019 when the MSRP cap was reduced. There was another trough during the pandemic, followed by a spike due to pent up demand, which has now leveled off at an anemic rate this year. We look forward to seeing more incentives used beginning with July.

Higher MSRP Cap Now in Effect

The components of the new program as legislated in Public Act 22-25 (previously referred to as SB-4 when it was wending its way through the legislature) are being implemented as they are operationally ready. The simplest change was the increase in the MSRP cap to \$50,000. That went into effect July 1. There will be over 10 new vehicles that now become eligible, including some important BEVs such as the Hyundai Ioniq 5 and its sibling Kia EV6, Polestar 2, the Mustang Mach-E, and the Tesla Model 3 Standard Range Rear Wheel Drive. Most of the EVs on the market come in multiple trim levels. The base price of

the trim level determines a vehicle's eligibility.

Coming Enhancements

Looser eligibility requirements for the income-limited incentives. The requirement is now an income level that is a maximum of three times the poverty level. These incentives come in the form of an additional incentive for a new EV or an incentive for a used EVs. Used EVs have to be purchased through a dealership (either a new or used dealership, including virtual, i.e. not private sales) to be eligible. DEEP may revise the size of these incentives. We'll update when we are closer to implementation, which will most likely be near the end of the year.

CHEAPR since 2019 has been residential only, but now it is extended to business, non-profits, municipal, fleets, and tribal entities. This is expected to be implemented as of the fall. After the next board meeting in September, we should have a firmer idea.

\$500 rebate for eligible e-bikes (income limited). ETA unknown, but probably around the end of the year.

All licensed drivers are entitled to use the rebate twice (beginning as of June 2021). The newly eligible categories, such as businesses or municipalities get up to 10 rebates per year with a total cap of 20.

Budget Blues?

Most, if not all, state rebate programs have to steward the budget carefully. If the funds are expended before the next replenishment, the program either has to be suspended or the rebate can be granted and paid after the fact. Neither is an appealing scenario. NJ is a case of the former, where the state burns through the money and rebates become unavailable

for a period of time.

CHEAPR has had 3 different funding mechanisms at different points since its inception in 2015. Prior to this new relaunch, the legislature had funded the program at \$3 million annually since 2019. It isn't a robust amount and DEEP has been concerned, based on modeling from its consultant, about program over-spending. However, DEEP made cuts to both the size of the incentive and the MSRP cap, which caused the program to be vastly under-spent. The unpredictable variable has been utilization rate. A persistently lower number of eligible purchasers have availed themselves of the rebate than projected.

The higher MSRP cap and the new enhancements will increase the spend substantially. The consultant again modeled that if the utilization rate ticks up, the program could run too hot. Should we be concerned about budget?

I don't think we have much to worry about in the short term, at least until 2024 and probably later than that. The unspent funds get rolled over and the program has a reserve of over \$5MM. The budget for the new program increases from \$3MM to roughly \$8MM by virtue of the entirety of the clean air fees collected going to support the program. With registration moving from biennial to triennial, there could conceivably be some front-loaded revenue. Many of the new enhancements won't be ready until late in the year. Only \$566,750 in consumer rebates were awarded in the first half of 2022 (plus expenditures for admin and dealer incentives) so the reserve will quite possibly increase. Finally, there will be additional funding coming in from the Regional Greenhouse Gases Initiative (RGGI) auction proceeds. It doesn't kick in right away and I have not heard a specific number, but a ballpark guess is \$2-3MM.

Bottom line – we don't have to be overly concerned and there will be plenty of time to gather data to forecast and make

adjustments if necessary.