

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.

SB-4 Passes the Legislature

Major Changes to CHEAPR Incentive Program Coming

The big environmental omnibus bill with 16 parts to it passed the legislature today. It awaits the signature of the governor.

CHEAPR Highlights

- Eliminates the program's sunset date, which was December 31, 2025.
- Expands the board and turns into a strictly advisory body. In other words, DEEP makes all the decisions.
- MSRP cap is raised from \$42,000 to \$50,000. (It remains at \$60,000 for FCEVs.)
- Loosens eligibility for income limited (known as LMI) rebate eligibility. The current program, which has awarded very few rebates, requires someone to be using certain government assistance programs, such as SNAP (food stamps), Operation Fuel, and others. It now adds an income threshold of 3 times the poverty level, which translates to \$83,250 for a family of 4 or \$40,770 for an individual.
- Adds a minimum \$500 rebate for e-bikes (DEEP has discretion to modify it) for an e-bike costing no more than \$3,000. This rebate is intended for income limited individuals. (The legislation isn't totally clear – it says "prioritize granting incentives" to these individuals.)
- Raises the CHEAPR budget considerably. CHEAPR will now receive the entirety of the GHG fees collected during registration. This would yield roughly \$8 million

compared to the current \$3 million budget. But that's not all. The program, beginning in 2024, will also get proceeds from the RGGI (regional power plant cap and trade) program that previously went to the Green Bank.

- Incentive amounts are not addressed in the bill. They are set by DEEP.
- Expands eligibility from the current residential owner only to include municipalities, businesses, nonprofits, and tribal entities. These new entities can receive up to 10 incentives in any one year with a total cap of 20. Entities operating entirely in environmental justice communities can be allocated additional incentives by DEEP.
- DEEP is required to submit a report on program performance to the legislature on an annual basis.

A Number of Other provisions Are in the Bill.

Here are some of them.

- Accelerates the transition to EV school buses. There is a requirement that by 2030 in environmental justice communities and by 2040 elsewhere, all school buses must be electric or "alternative fuel." (Alternative fuel includes natural gas, hydrogen, propane, or biofuels. These are not zero-emission vehicles and we don't agree with this aspect of the legislation.) A major change is that school districts are able to enter into contracts that have a maximum 10-year duration, up from 5. This enables EV school buses pencil out. The bill establishes a grant program to help municipalities fund the transition, which is administered by DEEP.
- Prohibits purchase of diesel-powered transit buses as of 2024.
- Requires 50% of the state's vehicle fleet to be electric by 2026.

- Adoption of the California emission standards for medium and heavy-duty vehicles. This made it through after failing last year and it is a big deal. It includes a voucher program to offset some of the cost for fleet owners to make the transition, funded out of the CHEAPR account. These same fleet operators will be able to tap the utility incentives to offset the cost of charging infrastructure and mitigate demand charges.
- Traffic signal matching grant program. This helps municipalities fund smart traffic lights (which really do reduce emissions).
- Right to charge legislation. The objective is to prevent condo associations or landlords from unreasonably refusing a request from a resident to install an EV charging station. We will be examining this in more detail to understand the various use cases.
- The discount that all of us EV owners have enjoyed with respect to vehicle registration goes away.
- In general, it makes available funds to leverage federal matching grants, something that last year's failed TCI legislation would have done.

When Will CHEAPR Changes Be Implemented?

There is an open question regarding when the changes in the CHEAPR program will take effect. The bill has language about July 1, but that is unrealistic. The implementation logistics take time. The last time there were significant changes to CHEAPR, particularly the addition of the LMI incentives, it took 6 months to develop the back-end. Now they need to get into income-verification, which is something they tried hard to avoid previously. Aside from the restrictiveness of the current LMI eligibility, one of the barriers to its use is that unlike the main CHEAPR rebate, which is cash on the hood, it is provided after the fact, forcing an income limited individual to float the cash. If there is any way to make this a credit on the invoice, that would be a big improvement.

There was a lengthy discussion at the board meeting in March about the administrative burden of doing that. The next CHEAPR board meeting is in June and perhaps some of these details will be addressed.