

CHEAPR Running Hot and Proposed Legislative Changes

CHEAPR Program Running Hot

The program has been setting records in terms of rebates awarded with each new month. January 2024 was a new high point with 708 rebates as seen in the chart at the top of this post.

CT saw a 47% increase in registered EVs in 2023 relative to the prior year and now a strong start to the year from the perspective of the rebate program. This comes amidst reports of a slowdown in EV sales, a first quarter miss in expected deliveries by Tesla, and a retrenchment announced by Ford and GM. The robust CHEAPR rebates and slower sales can both be true. There is the difference between local and national numbers. And CHEAPR is driven by supply as well as demand, meaning that recent EV price-cutting has enabled more vehicles to be eligible by virtue of now having an MSRP under \$50,000.

The other trend in the national reporting is automakers, led by Toyota, shifting emphasis to PHEVs. That is certainly not showing up in the rebate data to this point. Of the 708 rebates in January, 640 of them were BEVs.

Still Waiting for Fleet Incentives

CHEAPR was redesigned in 2022 and there is still one component of the program that is not yet implemented, namely the incentive for fleets. Expectations were that it would go online this spring, but at the board meeting in March, no date was given.

The fleet incentive is potentially a big deal as it applies to municipalities, businesses, non-profits, and tribal entities.

A fleet will be eligible for up to 10 incentives in a given year, capped at 20 total. This is only for new vehicles and the MSRP cap applies.

Not everyone will be able to obtain a fleet incentive. With the consumer part of the program running hot and the potential for a high number of fleet incentives, DEEP is prioritizing who can get them. These are the rules that have been developed. The slide was presented at a meeting in December, so never mind about that date.



CHEAPR FLEETS

Coming in the Spring of 2024

CHEAPR will be expanded to:

- Businesses, Municipalities, Non-Profits, and Tribal Entities.
- Pre-cert with Post-Purchase Rebate
 - must apply to DEEP and be approved prior to purchase or lease an eligible EV
- Fleets to be prioritized by the following criteria:
 - A home base within an Environmental Justice Community or Distressed Municipality;
 - A certified annual Vehicle Miles Traveled (VMT) of the applicant fleet above 20,000 miles per vehicle per year; or
 - Replacement of a vehicle older than 10 years.
- Other Details
 - Only New EVs will be eligible
 - Must be on CHEAPR eligible vehicle list (\leq \$50K MSRP)
 - Standard Rebate: \$2,250 (BEVs) | \$750 (PHEVs)
 - Non-government entities must provide Certificate of Legal Existence (Good Standing)
 - Fleets eligible for up to 10 rebate per year and 20 total

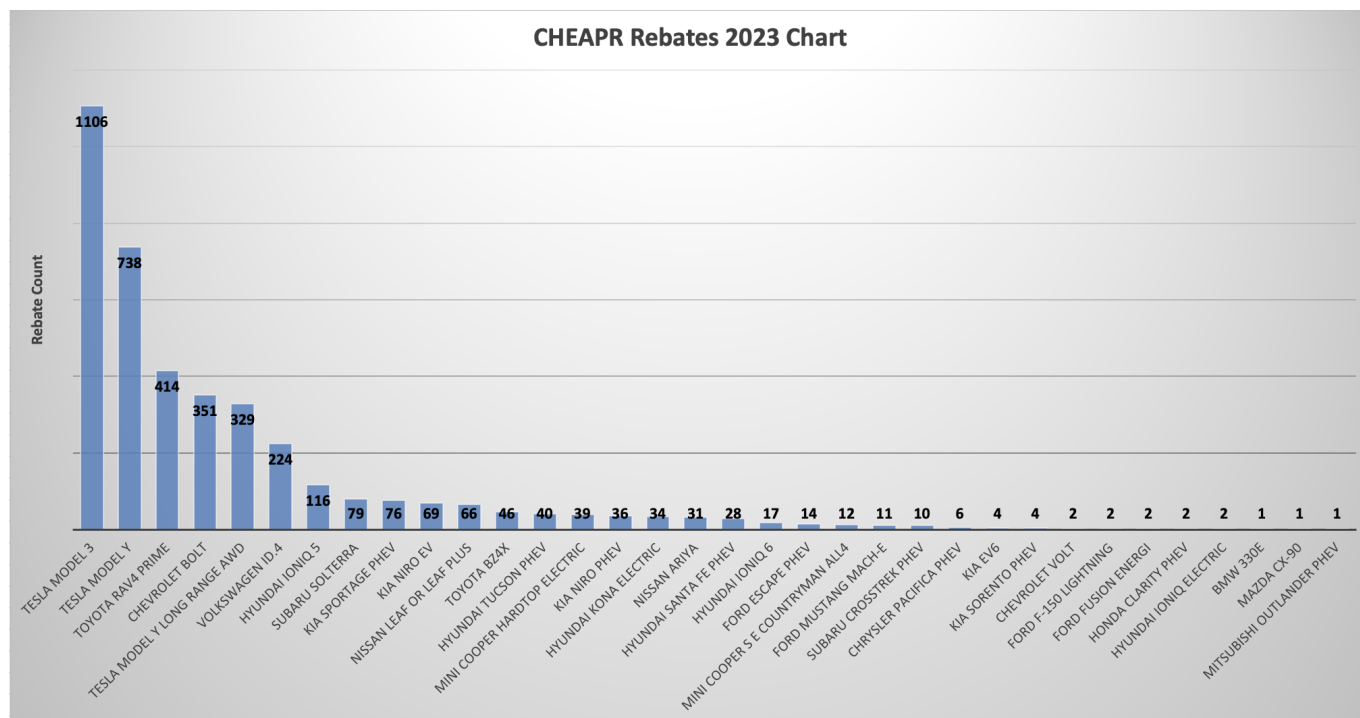
The next board meeting is in June. We will publish if there is an update.

Summary of 2023 Rebates by Model

Remember, the CHEAPR MSRP cap applies to the base trim level cost of a model, i.e. options not included. This differs from the MSRP cap definition in the federal incentive which includes factory installed options. Not all trim levels of a given model will be eligible. A dealer or manufacturer offering a discount or promotional rate does not reduce the

MSRP for the purposes of determining eligibility. Manufacturer repricing does. For these reasons, rebates are not an exact proxy for sales. We know, for example, that the Model Y outsells the Model 3. Also, there are two Model Y columns in the chart as CHEAPR separates the LR AWD version of the Model Y, which they don't do for the Model 3 for some reason. Taken together, the two Tesla vehicles have almost identical rebate counts.

Since Tesla price-cutting has made more of its models/trim levels eligible, and because Tesla is efficient in letting its customers know when they qualify, the Model 3 and Model Y have dominated. Number 3 is the PHEV Toyota RAV4 Prime, number 4 is the temporarily discontinued Chevy Bolt, and rounding out the top 5 is the VW ID.4.



Program Changes are Afoot

As Advanced Clean Cars II and Advanced Clean Trucks (ACC II/ACT) failed to make it past the legislature, the Transportation Committee raised a bill, HB 5485, entitled "AN

ACT CONCERNING TRANSPORTATION INFRASTRUCTURE FOR ELECTRIC VEHICLES.”

It is mostly a study bill and its stated purpose is to assess CT's readiness for widespread EV adoption and make plans to prepare for it. The bill gives the governor the ability to declare a climate emergency but does not grant any executive authority for him to take action. The governor himself characterized it as a “nothing-burger.” Also, DEEP had already done a lot of research in preparation for ACC II/ACT. If a stronger, more holistic plan to improve EV adoption generally speaking, but especially in distressed communities comes out of it, that would be a benefit.

Arguably, it at least keeps the conversation going. The bill passed out of committee along partisan lines. The Republicans, who led the charge against ACC II/ACT, accuse it of leading to a mandate, even though that is not part of the bill. There can be changes before it comes before a vote in the full chamber. Nevertheless, it has a few specific actions and one of them has to do with redesigning CHEAPR.

The bill directs that CHEAPR be much more heavily focused on distressed communities and individuals with limited income, LMI for short. This is the language, in part: “The bill establishes a CHEAPR program goal to distribute, by January 1, 2030, at least 40% of rebate and voucher funding to a U.S. Census block group in which 30% or more of the population has an income below 200% of the federal poverty level.” A few observations.

- The bill proposes redesigning CHEAPR before the components of the 2022 design have been fully implemented.
- Inexplicably, it proposes to track overall EV adoption using CHEAPR data, rather than the more complete sales and registration data.
- The 2022 changes included the addition of Rebate+ which

offers higher incentives for LMI individuals and an incentive for used EVs. These incentives haven't gotten a lot of traction, but changes to eligibility rules and the implementation of a pre-qualification voucher have led to recent improvements in the rebate levels from almost nothing to ~5-6% of all rebates. Arguably, Rebate+ has thus far suffered from inadequate marketing.

- The current eligibility criteria for Rebate+ is participation in a government assistance program such as food stamps or free school lunch, among others, a household income that is no more than 3 times the federal poverty level, or residing in an environmental justice or distressed community. The proposed definition is different and it would exclude LMI individuals not living in the designated census block groups.
- DEEP would be given the authority to increase LMI incentive levels to an additional 200% of standard rebate levels. At current incentive levels, this would translate to \$6750 for a BEV or \$3750 for a PHEV should they choose the maximal level. This is in addition to any applicable federal incentive.
- Comparing this proposed new Rebate+ to the current program is not apples to apples. But it does target a similar group, and if the 40% were a hard cap and if it were applied to the program as it exists today, it would shrink it by ~85%.
- There is some additional bonding authority in the bill that could direct additional funds to the program.
- In fairness, the target date noted is 2030, and by then EVs could be less costly than ICE. So, the logic could be that the more general need for an incentive would have lessened. It is not clear what the phase-in process would be.

The full bill text is [here](#). The "Cliff's Notes" version is [here](#).