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Testimony of
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before the
HOUSE COMMITTEE ON FINANCE

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Time 1:30 PM
State Capitol, Conference Room 308 & via Videoconference

SUPPORT
HB 2090 HD2
RELATING TO ZERO EMISSION TRANSPORTATION.

Chair Luke, Vice Chair Yamashita, and Members of the Committee, the Hawaiʻi State Energy Office (HSEO) supports HB 2090 HD2, which establishes a zero-emission transportation rebate program within the Public Utilities Commission (PUC) to enable low- and moderate-income (LMI) families greater access to zero-emission vehicles by providing a rebate on the point-of-sale purchase price of zero-emission vehicles.

HB 2090 HD2 supports the proliferation of zero-emission transportation options, including micro-mobility options, which increase transportation efficiency and can reduce fossil-fuel powered vehicle miles traveled and related transportation emissions.

Program funding available for rebates is estimated to be roughly $1 million per year. This is a relatively small program designed to make a difference to a specific market segment that is often overlooked. Given the size of the program and importance of the market segment it is important to move forward expeditiously to implement the program.

The relatively small size of the program mitigates concerns that the rebate program would disrupt the EV market here in Hawaii. DBEDT's monthly energy trends, which reports the number of active registrations of taxable vehicles, shows an increase of roughly 4,300 electric vehicles in 2021. If one hundred percent of the funds from the program were used for EVs and the rebate was set at $5,000 per vehicle the total number of vehicles it would cover is roughly 200 vehicles. At a $10,000 rebate per vehicle that number would be roughly 100 vehicles. While small relative to the growing EV market it is a critically important program in reaching the LMI community as exposure is one of the key components for acceptance of clean transportation alternatives. When more LMI consumers see adoption of vehicles in their neighborhoods it will increase acceptance. While LMI customers may not make up a large portion of the new vehicle purchase market, that is no reason to ignore this important community as Hawaii moves to decarbonize the transportation sector. Programs such as this one help to provide equity and opportunity for more individuals to participate in the clean energy economy.

HSEO appreciates the Committee on Consumer Protection & Commerce amendments clarifying that only a new or used light-duty zero-emission vehicle must be purchased from a dealer to be considered a qualifying vehicle, and that neighborhood electric vehicles, zero-emission motorcycles, zero-emission motor scooters, and zero-emission mopeds need not necessarily be purchased from a dealer to be a qualifying vehicle.

HSEO understands that the Motor Vehicle Industry Licensing Board is providing a suggested amendment to the definition of "Qualifying vehicle" to address concerns related to the requirements for licensure set forth in Hawaii Revised Statutes Chapter 437. HSEO supports the Motor Vehicle Industry Licensing Board's proposed amendment.

In response to concerns raised in previous committee hearings, in particular by the House Committee on Consumer Protection & Commerce in its Standing Committee Report 599-22 regarding the potential tension between flexibility and specificity on the rebate amounts, income requirements, eligible vehicles, and the potential for rebate recipients to quickly resell the vehicle for profit, HSEO offers the following comments with a note for the preference to maintain as much flexibility as reasonable to the program administrator.

Oregon's Charge Ahead Rebate, part of the Oregon Clean Vehicle Rebate Program[1] has required amendments to the original statute for criteria such as income requirements, and rebate amounts, and increased the pool of eligible applicants, highlighting the issue of amending program requirements in statute and the ability of those statutory requirements to keep up with a rapidly evolving market such as electric vehicles.

If the Legislature prefers specificity in statute for the rebate amount for qualifying vehicles, HSEO recommends that the amount be set "up to" a maximum amount such as $10,000, to allow the program administrator the flexibility to set the amount lower if found necessary to ensure success of the program. HSEO would also recommend that no rebates be allowed in excess of 50% of the sale price of any qualifying vehicle. This ensures that the rebates are available for a greater number of recipients.

If the Legislature prefers specificity in statute for qualifying vehicles, HSEO recommends the new or used vehicle selling price for eligible vehicles to be connected to a maximum MSRP or selling price, such as set similarly to Oregon's Charge Ahead Rebate, which recently raised the MSRP for eligible new vehicles to be up to $60,000. Used vehicle eligibility could be based on the original MSRP or sale price, whichever is lower.

If the Legislature prefers specificity in statute for income requirements, HSEO recommends that the requirement be set at up to 400% of the federal poverty limit. Using the federal poverty limit provides consistent application across the state regardless of where a rebate recipient lives. One of the goals of the program is to incentivize the marginal buyer to choose an EV over an internal combustion engine vehicle. Including the language of "up to" when setting limits allows the program administrator the flexibility necessary to adjust the program to capture the marginal buyer.

If the Legislature prefers specificity in statute to reduce the likelihood for a rebate recipient to quickly resell the vehicle for profit, HSEO suggests adding the following language:

[1] https://www.oregon.gov/deq/aq/programs/Pages/ZEV-Rebate.aspx

If a rebate recipient intends to sell the qualifying vehicle or terminate the qualifying vehicle lease before the end of 24 months, the rebate recipient shall notify the administrator of the program of the recipient's intent to sell the vehicle or terminate the lease and shall reimburse the administrator for the entire rebate amount.

HSEO would also support prorating the reimbursement amount to reduce the potential burden on rebate recipients.

The flexible approach proposed in HB 2090 HB2 is applying lessons learned from Hawaiʻi's own existing EV Supply Equipment (EVSE) rebate, which was first established in Act 142 (Session Laws of Hawaiʻi 2019). By establishing the program at the PUC, the PUC was able to develop an effective, successful program with input from stakeholders in a public process. This year the Legislature is considering HB 1811 HD2 to integrate greater flexibility into that rebate program based on the same lessons learned as proposed in HB 2090 HD2. The PUC has demonstrated that they can effectively administer rebate programs and the Legislature has identified that increasing the flexibility will support more responsive programs.

Should the Legislature establish a low- to moderate-income zero-emission vehicle rebate program, as proposed in this measure, HSEO supports adding appropriation language for this program as proposed by the PUC:

There is appropriated out of the zero-emission vehicle subaccount within the public utilities commission special fund the sum of $1,500,000 or so much thereof as may be necessary for fiscal year 2022-2023 for the low- to moderate-income zero-emission vehicle rebate program established pursuant to sections 269- and 269-73, Hawaii Revised Statutes.

For Hawaiʻi to achieve its goal of a net-negative carbon economy as soon as practicable but no later than 2045 it is essential that everyone is afforded the opportunity to participate in the net-negative carbon economy from an equity, economic, and technical perspective.

HSEO defers to the appropriate agencies for comment on the administration and fiscal impacts of this program addition.

Thank you for the opportunity to testify.