



October 23, 2018
State of Illinois
Illinois Commerce Commission

RE: 18-NOI-01-Notice of Inquiry Regarding Electric Vehicles.

Acting Commissioner Palivos:

On behalf of more than 70,000 Americans for Prosperity activists in Illinois, as well as ratepayers across the Prairie State, I write today to respectfully urge the Illinois Commerce Commission to carefully consider the rights and interests of all ratepayers as it ponders new policy concepts concerning electric vehicles and the deployment of electrical vehicle supply equipment (EVSE).

As the Commission undertakes this inquiry, we respectfully offer the following policy framework in the interest of protecting ratepayers and consumers from program designs, rules and regulations that promote unfair and regressive forms of cross-subsidization that have been enacted in other jurisdictions.¹

Accordingly, and to prevent this from happening in Illinois, it is fundamental for this Commission to recognize and formally acknowledge that all ratepayers have equal rights under the law. In practical terms, this means the Commission is required to prevent discriminatory practices where captive electric utility customers are forced to underwrite a distribution utility incursion into the EV charging infrastructure market.

The business of electric utilities is providing safe, adequate and reliable electricity service. Under no circumstances should they be given the authority to recover costs of investments that go beyond supplying electricity to the customer's meter. Fairness dictates that funding of non-public utility services needs to be done with shareholder funds, not through charges imposed on captive ratepayers with guaranteed cost recovery plus a guaranteed rate of return for the utility.

If the commission accepts that all ratepayers have the same rights, it should be clear that ratepayers financing infrastructure-- which will predominately, if not exclusively, benefit only a subset of (mostly affluent²) customers-- is not only unfair but violates the equal rights principle stated above.

Furthermore, there is no need to subsidize such resources at the expense of a competitive market for electric vehicle charging. Venture capital investors and automotive companies have spent billions of dollars to develop EV charging networks. Utility participation in the development of charging infrastructure is detrimental to rapid expansion of the EV charging market. Top-down state programs hinder, rather than promote the long-term growth of a competitive charging market because they enact

¹ California: PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA PROPOSED DECISION Application 17-01-020. Application 17-01-021 Application 17-01-022. <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M215/K380/215380424.PDF>

² The Distributional Effects of U.S. Clean Energy Tax Credits Severin Borenstein and Lucas Davis. University of California-Berkeley. <http://ei.haas.berkeley.edu/research/papers/WP262.pdf>

high barriers to entry for more efficient competitors that can offer a lower market-based price for their service. In fact, the entire electric utility industry has been exposed for promoting electric vehicles and associated infrastructure for the expressed purpose of doubling their revenue and remaining “viable” in an era of increasing energy efficiency, lower cost generation and lower electricity demand³.

Currently there are no market barriers to deployment of EV charging stations in Illinois. Any customer seeking to install an EV charging station can contact suppliers of these services to complete the installation, just as they would contact an HVAC contractor to install an air conditioning system. Therefore, asking ratepayers to be responsible for the cost of future programs cannot be justified.

We are confident that if customers value electric vehicles, market participants will provide the necessary infrastructure and supplementary services in ways that this Commission could not have planned or imagined.

As you ponder next steps in this process, this Commission must recognize that, far too often, well-intentioned ideas that are incorporated into the policymaking process fail to deliver the anticipated outcomes, partly because their enactment is the product of rent-seeking and government picking winners and losers, rather than addressing a well-diagnosed public policy problem. In this regard, the commission would do well in contrasting the results with the expectations of the single largest subsidy program for electric vehicles, Qualified Plug-In Electric Vehicle (PEV) Tax Credit.⁴

A report from the Congressional Budget Office found that the EV credits cost the federal government anywhere from \$230 to \$4,400 for every ton of carbon dioxide emissions that the subsidy reduces.⁵ When you consider the myriad of other federal, state, local and utility EV subsidies, these cost estimates are much higher and vastly exceeds the estimated value of avoiding carbon dioxide emissions by every governmental entity.

The federal government’s current estimate of the value of avoiding carbon dioxide emissions, known as the social cost of carbon, is \$1-6/ton (in 2020). Earlier estimates from previous Administrations never place a value higher than \$42/ton (in 2020). Said differently, investments in EVs cannot be justified based on any reductions in carbon dioxide emissions. In fact, because: electricity in the Illinois region is predominantly supplied by coal and natural gas; and, EVs are often charged during peak demand when simple cycle gas combustion turbines must meet load; and, more than 15% of electricity is lost during the transmission, distribution and charging process; and, EV charging infrastructure and associated transformer upgrades are extremely expensive, EVs in Illinois often do not yield any net emission reductions, and when they do produce any reductions it comes at a cost of many thousands of dollars per ton. In other words, if the Commission desires to reduce carbon dioxide emissions, EVs are among the least-cost effective solutions.

Additionally, we consider necessary to put into proper context the demand for battery-electric vehicles (BEV) and plug-in hybrid (PHEV). The U.S Energy Information Agency (EIA) expects BEV sales to increase from less than 1% of total U.S vehicles in 2017 to 12% in 2050, and PHEV sales to increase

³ “Utilities Get More Proactive on EVs and Charging Infrastructure,” Greentech Media, (June 11, 2015) <https://www.greentechmedia.com/articles/read/utilities-get-more-proactive-on-evs-and-charging-infrastructure#gs.aqAM2h0>

⁴ Qualified Plug-In Electric Vehicle (PEV) Tax Credit <https://www.energy.gov/eere/electricvehicles/electric-vehicles-tax-credits-and-other-incentives>

⁵ Congressional Budget Office (CBO). (September 2012). Effects of Federal Tax Credits for the Purchase of Electric Vehicles.

from less than 1% to 2% over the same period.⁶ Further, only 0.14% of registered vehicles in Illinois (less than 16,000) are electric or plug-in hybrid.⁷

It is worth noting that the Pacific Research Institute found that 79 percent of electric vehicle plug-in tax credits were claimed by households with adjusted gross incomes of greater than \$100,000 per year.⁸ At the same time nearly 679,000 households in Illinois are experiencing unaffordable energy burdens of between 19 and 36 percent of their annual income.⁹

The Commission ought to be actively looking for ways to reduce consumer costs, instead of contemplating the idea of adding unnecessary additional ones that benefit the wealthiest ratepayers.

We believe the Commission should allow the existing competitive market for electric vehicles charging stations to continue supplying service. The Commission should not intervene in these functioning market or current and future non-utility participants will be crushed by high barriers to entry and utilities that offer subsidized charging rates.

Illinois statutes require the following:

“All rates or other charges made, demanded or received by any product or commodity furnished or to be furnished or for any service rendered or to be rendered shall be just and reasonable. **Every unjust or unreasonable charge made, demanded or received for such product or commodity or service is hereby prohibited and declared unlawful.** All rules and regulations made by a public utility affecting or pertaining to its charges to the public shall be just and reasonable.”

We look forward to seeing an open, thriving, just and reasonable electric vehicle marketplace in Illinois, but not one that is foisted on all consumers to benefit a few. We thank you for the opportunity to address this critical issue, and we look forward to decisions that leave the doors of innovation and competition wide open by not yielding to calls for corporate welfare and regressive subsidization.

Thank you for your time and consideration. If we can be of any assistance, please do not hesitate to reach out directly to me at: ANelms@Afphq.org

Sincerely,

Andrew Nelms
State Director
Americans for Prosperity-Illinois

⁶ U.S. Energy Information Agency. Annual Energy Outlook 2018. P.115-116.

⁷ <https://autoalliance.org/in-your-state/IL/>

⁸ Costly Subsidies for the Rich: Quantifying the Subsidies Offered to Battery Electric Powered Cars. Wayne Winegarden. February 2018. Pacific Research Institute <https://www.pacificresearch.org/government-electric-car-subsidies-are-costly-subsidies-for-the-rich-finds-new-study/>

⁹ Fisher, Sheehan, and Colton. The Home Energy Affordability Gap 2017. 2nd Series. Published April 2018

