

# Electric Vehicles

- Public power utilities are committed to providing their communities with the infrastructure and programs needed to support increased electric vehicle (EV) adoption.
- Should Congress seek to encourage the use of EVs, it must ensure that any incentives and programs are available to public power utilities and their customers.
- Federal programs and incentives should prioritize local decision making and flexibility to fulfill each community's unique transportation needs.

## Background

Battery technology improvements, declining battery costs, and significant government incentives are driving increased adoption of EVs nationwide. The Energy Information Administration's 2023 Annual Energy Outlook projects that EVs, including both battery-electric vehicles and plug-in hybrid electric vehicles, will account for between 13 percent and 29 percent of new light-duty vehicle sales in the United States by 2050. The electrification of the transportation sector is expected to lead to reduced emissions, economic growth (from investments in EV technologies), and the enhancement of America's energy security through the diversification of transportation fuels. EVs may also be an asset to the grid through vehicle-grid integration technologies, including by absorbing excess generation from renewable energy resources, curtailing charging during peak hours, and even transferring power back to the grid if needed.

Prior to 2021, EV adoption was primarily supported at the federal level through the tax code using two major credits. Created by the Energy Policy Act of 2005, the Alternative Fuel Vehicle Refueling Property Credit (26 U.S.C. 30C) provided a tax credit equal to 30 percent of the cost of installing alternative fuel vehicle refueling infrastructure, including EV chargers. The credit was capped at \$30,000 for a business and \$1,000 for an individual and applied through December 31, 2021. The New Qualified Plug-in Electric Drive Motor Vehicles Credit (26 U.S.C. 30D) provided a tax credit for the purchase of a new plug-in electric vehicle worth between \$2,500 and \$7,500, depending on the vehicle's battery capacity. The credit, created in the Energy Improvement and Extension Act of 2008, was phased out for any vehicle manufactured by a manufacturer that sold 200,000 or more qualifying EVs, a threshold that was met by Tesla, General Motors, and Toyota. In the case of a tax-exempt entity that could not make use of these tax credits, such as a public power utility, the tax credits could be claimed by the seller of the EV.

In 2015, the Fixing America's Surface Transportation Act included several measures to accelerate the growth of the EV market. One provision directed the Department of Transportation (DOT) to create corridor maps to identify the "near- and long-term need for, and location of, electric vehicle charging infrastructure...across the United States." DOT has designated over 165,000 miles of road in all 50 states as Alternative Fuel Corridors. Additionally, state and local governments are increasingly supporting EV policies through grants and tax incentives. Several states have also adopted zero-emission vehicle goals or mandates that target either a percentage of new vehicle sales or 100 percent of new passenger vehicles sold by a specified date.

## Congressional Action

The Infrastructure Investment and Jobs Act (IIJA)(P.L. 117-58) included several provisions and new federal funding designed to incentivize the deployment of EV infrastructure. The law provides \$5 billion over five years in funding to the states, distributed based on the existing highway funding formula, to deploy EV charging stations along Alternative Fuel Corridors. Distributed under the National Electric Vehicle Infrastructure (NEVI) Formula Program, DOT announced in September 2022 the approval of NEVI plans for all fifty states, Washington, D.C., and Puerto Rico, making available over \$1.5 billion in funding for EV charging for fiscal years 2022 and 2023.

The law also included a “must-consider” requirement under section 111(d) of the Public Utility Regulatory Policies Act (PURPA) that directs state public utility commissions and non-regulated electric utilities (including public power) to consider measures to promote greater transportation electrification, including the establishment of rates that promote affordable and equitable vehicle charging options, facilitate reduced charging times, accelerate third-party investment in public EV charging stations, and appropriately recover the marginal costs of delivering electricity to EVs. APPA did not support creating a new must-consider requirement under PURPA because of the cost and regulatory burden it places on public power utilities. Additionally, many public power utilities are actively considering, and many are already implementing, actions to increase EV adoption and the availability of EV chargers in their communities, making a must-consider requirement unnecessary.

The IIJA also established a \$2.5 billion grant program to deploy publicly accessible EV charging infrastructure, along with hydrogen, propane, and natural gas fueling infrastructure, with half of the funding set aside to deploy infrastructure along DOT-designated Alternative Fuel Corridors. The other half of the overall funding in this program is for the Charging and Fueling Infrastructure Discretionary Grant Program, which can be used to deploy fueling infrastructure in public locations, including parking facilities, public buildings, schools, and parks. APPA supported this provision’s inclusion in the IIJA. Public power utilities are eligible to apply for these grants.

Finally, the Inflation Reduction Act (IRA)(P.L. 117-169) made several changes to tax policy impacting EVs and EV charging infrastructure. The law extended the Alternative Fuel Vehicle Refueling Property Credit (26 U.S.C. 30C) through 2032. It also made significant changes to the New Qualified Plug-in Electric Drive Motor Vehicles Credit (26 U.S.C. 30D). The 30D credit, which no longer phases out following the sale of 200,000 EVs per manufacturer, now includes a cap on the retail price of the vehicle and an income limit for purchasers. The \$7,500 credit also includes requirements for a vehicle’s battery to be manufactured or assembled in North America and for the critical minerals used in the battery to come from the U.S. or certain allied countries. These requirements have gone into effect for EVs purchased on or after April 18, 2023. The IRA also created a tax credit of up to \$4,000 for the purchase of used electric vehicles.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government and protect the interests of the more than 49 million people that public power utilities serve and the 96,000 people they employ.