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Proponent Testimony – Written Only
HB 2317 – Tax Credit for Installing Electric Vehicle Charging Stations

House Committee on Taxation
February 25, 2021

Presented by Doug Shepherd, Vice President of Management Consulting Services
Kansas Electric Cooperatives, Inc.

Chairman Smith and members of the House Committee on Taxation, thank you for the opportunity to submit testimony on behalf of Kansas Electric Cooperatives, Inc. (KEC) and our members to comment in support of HB 2317. I am Doug Shepherd and I serve as the Vice President of Management Consulting Services for KEC.

KEC is the Kansas statewide service organization for 27 electric distribution cooperatives and three generation and transmission cooperatives. Formed on August 18, 1941, and headquartered in Topeka, KEC represents the interests of and provides needed services and programs to the electric co-ops that serve Kansans. Our major programming areas include advocacy, education, communications and safety/loss control.

HB 2317 creates a limited-duration tax credit for the installation of electric vehicle (EV) charging stations. We believe this is necessary in order to increase the adoption of electric vehicle use in Kansas, particularly rural Kansas.

Benefits of Electric Vehicles

There are several benefits of EVs when compared to internal combustion engine (ICE) vehicles. First, tailpipe emissions are greater for a conventional vehicle than what would be attributed to the electricity generation needed to charge an EV. Although EVs have no tailpipe, there are emissions from the electricity generation. However, these are lower than from burning gasoline or diesel and will continue to decline as the electric generation mix incorporates more wind and solar.

Secondly, EVs cost less to operate than gasoline powered vehicles. Electricity is less expensive than gasoline and EVs are more efficient than gasoline vehicles. On average, it costs less than half as much to travel the same distance in an EV than a conventional vehicle. Plus, electricity prices have historically been much more stable than gasoline prices. EVs are cheaper to maintain due to the simpler drive train: 20 moving parts versus 2,000 for a gasoline vehicle. This also leads to a longer lifespan that can exceed over 500,000 miles.

And finally, the increased adoption of EVs will have a significant impact on increasing both energy sales and grid operating efficiencies, creating a positive benefit for the electric utility industry in Kansas and our member cooperatives. Electric consumption growth has flattened over the last decade due to the

economic downturn and increased energy efficiency measures taken by electric consumers. An increase in electricity sales will benefit all electric consumers as the fixed costs of the distribution system can be spread over a larger volume, thereby reducing the cost and rates.

Electric Vehicle Adoption Forecasts

Auto manufacturers are increasingly moving to electric vehicle models. GM plans to sell only EV cars and trucks by 2035 and Ford will have 13 electric and hybrid EVs by the same period. Volvo has said that half of their sales will be EVs by 2025 and Mercedes-Benz is moving to offer an EV option for their entire portfolio by 2022. Bloomberg New Energy Finance predicts that EVs will make up 28% and 58% of new passenger vehicle sales by 2030 and 2040, respectively.

At the same time, EV prices are dropping. Tesla is expected to offer a \$25,000 EV by 2022 putting EVs on par with conventional vehicles. Continued improvements in battery capacity and efficiency is driving this reduction in vehicle price. Battery costs have declined annually by 14% during the last 15 years while the range continues to increase.

Why Incentives?

If there are several benefits to EVs and the forecast of adoption is optimistic, why are additional tax incentives necessary? The lack of public charging is one impediment to widespread adoption. Public chargers are not profitable right now due to low utilization and current electric rate structures. If EV growth is driven only by the private sector, charging stations will end up only in urban areas creating yet another rural-urban divide. We've seen this play out over the years in the rural electricity, telephone and now broadband markets. One option is to provide incentives for those with a long-term view and access to patient capital.

Impact on Rural Electric Cooperatives (RECs)

RECs are exempt from income taxes and therefore would not be able to take advantage of this tax credit. However, electric cooperative service territories cover nearly 80% of the land mass in all but two of Kansas' 105 counties and key transportation arteries bisect our service areas. Thus, opportunities to site charging stations in areas served by our member RECs are abundant.

These public chargers will serve two purposes. First, to complete an EV charging network corridor throughout the state. A key component in furthering electric vehicle use is a dependable, well-spaced charging network. Residents of Kansas and those traveling through our great state will need assurance that they can re-charge quickly and reliably throughout the state. And second, to spur quicker adoption of EVs. These public chargers won't increase electric sales immediately but will have the effect of reducing range anxiety for potential EV owners. The U.S. Department of Energy predicts that 80% of EV charging will occur at home...behind an electric meter. This creates a tremendous opportunity for electric utility sales growth.

Many areas of the state have seen stagnant or even declining electric loads. Increased electric vehicle use is one prospect for growing our load factor, stabilizing or growing that load and potentially allowing fixed costs to be spread over a greater number of kilowatts-hour sales. That's good for the co-op's ratepayers, the bottom line, and as member-owned cooperatives where margins are returned to the members, that is good for our consumer-members, too.

In closing, we appreciate the opportunity to support a measure designed to spur EV use, and thus kilowatt-hour sales in Kansas, and respectfully encourage your committee to act favorably on HB 2317.