Testimony of

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On behalf of the

National Association of Truckstop Operators (NATSO)

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I. SUMMARY OF TESTIMONY

- The National Association of Truckstop Operators ("NATSO") is the premier national trade association representing off-highway fuel retailers, from multi-billion dollar travel center and convenience store chains to small, single-store operators. The Love's Family of Companies ("Love's"), a family-owned business with more than 500 retail fueling stations in 41 states, is one of NATSO's largest members.

- NATSO members' sole objective is to sell legal products, in a lawful way, to customers who want to buy them. As new fuels enter the market, retailers want to be able to sell those fuels lawfully and with minimal volatility and risk. NATSO is agnostic as to which fuels we sell to satisfy consumer demand. Our bias is simply that we believe it is best for the American consumer—and America's industrial position in the world marketplace—to have reasonably low- and stable-priced energy.

- The retail diesel market is the most transparent, competitive commodities market in the United States. Truck drivers are often aware of retail fuel prices when they are 100 miles away from potential refueling sites, and fleet managers use this information to direct drivers to specific retail locations in order to purchase the lowest-priced fuel available. This imposes strong downward pressure on retail fuel prices. The competitive nature of the retail diesel market compels retailers to pass through cost savings to consumers in order to maintain and increase their market share. It is in retailers' interest to increase the amount of fuel that we sell to consumers.

- If Congress wants to incentivize increased investment in and consumption of more environmentally friendly alternative fuels, it must recognize this fundamental market reality: motorists and truck drivers do not purchase products because NATSO's members sell them; NATSO's members sell products because our customers purchase them. When buying motor fuel, our customers very reliably purchase the least expensive product.

- NATSO strongly supports policies that incentivize fuel retailers to invest in bringing alternative fuels to market, and reward businesses that make those investments. Over the past twenty years, the Love's Family of Companies has made significant investments in bringing alternative fuels to market. These investments have been the direct result of federal and state policies that, if implemented as intended, would increase our customers' demand for alternative fuels. We responded to those policy signals.

- Although NATSO supports "all of the above" energy strategies that enable its members to sell competitively priced fuels to their customers, it is absolutely essential that any incentive or regulatory regime allows them to do so on a level playing field with our competitors.

- A number of states throughout the country have supported policies that would allow public utility companies to utilize ratepayer dollars to enter the electric vehicle ("EV") charging business. Where this occurs, the utilities can compete with NATSO's members for EV customers without putting a single dollar at risk. This shortsighted approach undermines fuel retailers' ability to compete in a growing market, which in turn undermines the objectives of increasing investment in EV charging infrastructure.

II. INTRODUCTION

Fuel retailers are extraordinarily attuned and responsive to their customers' preferences. They are fuel-agnostic, governed by a loyalty not to a particular type of fuel, but to low and stable priced energy for their customers.

Congress understood this two decades ago when it developed incentives for biodiesel and ethanol. At that time, NATSO was not vocally advocating for policies that would replace diesel with biodiesel, or gasoline with ethanol. But Congress wisely recognized that if it created incentives, the market would respond accordingly. Regardless of how one may feel about ethanol and biodiesel, the incentives that Congress established have been successful given the amount of petroleum-based fuels that has been displaced by renewable fuel since 2005. And today, maintaining incentives for renewable fuels is a top public policy priority for NATSO and for Love's.

In the current political and policymaking landscape, it is tempting to paint a picture of how we want the world to look in ten, twenty, or thirty years, and focus solely on getting from here to there. I am here today both to offer the travel center industry's assistance in this endeavor, but also to urge you not to allow those aspirations to distract you from building on existing policies and infrastructure to achieve tangible, real-world progress next month, and next year, rather than focusing solely on the next two or three decades.

We should be able to do both.

Companies such as Love's have invested significant amounts of money to bring alternative fuels to market because policymakers such as yourselves essentially *told us* that we would generate a return on our investment. We responded to your policy signals and engaged in behavior that you have determined is beneficial for society at large. We are eager to continue playing this important role.

I encourage the subcommittee to learn from the successes of the last twenty years, and apply those lessons to any incentive programs you create for the next twenty years. Once a regulatory and incentive regime is in place that enables NATSO's members to gain customers and market share by investing in EV charging, renewable diesel, or renewable natural gas (whatever the fuel may be), the private sector will bring those fuels to market more effectively and efficiently than the government or any government-sponsored monopoly.

I discuss these issues in more detail below.

III. BACKGROUND

A. NATSO and the Travel Center Industry

I am testifying today on behalf of NATSO, which is the premier trade association representing travel centers, truckstops, and off-highway fuel retailers. NATSO represents both large, multi-billion dollar travel center and convenience store chains, as well as small, single-store operators. Given the breadth of its membership, NATSO represents a substantial majority of retail sales of diesel fuel in the United States.

The travel center and truckstop industry is a diverse and evolving industry. Every travel center location is located in close proximity to an Interstate highway and includes multiple profit centers, from motor fuel sales and auto-repair and supply shops, to hotels, sit-down restaurants, quick-service restaurants, food courts, and convenience stores. Although the industry was once tailored solely to truck drivers, it now caters to the entire traveling public, as well as the local population that lives in close proximity to a travel center location.

NATSO members' sole objective is to sell legal products, in a lawful way, to customers who want to buy them. As new fuels enter the market, retailers want to be able to sell those fuels lawfully and with minimal volatility and risk. NATSO is agnostic as to which fuels we sell to satisfy consumer demand. Our bias is simply that we believe it is best for the American consumer—and America's industrial position in the world marketplace—to have reasonably low- and stable-priced energy.

All of NATSO's members, large and small, believe it is imperative that policies designed to encourage investment in alternative fuels must account for the fact that a majority of fuel retailers are small businesses. Any approach to setting policy that does not ensure these businesses are able to continue growing and creating jobs in the 21st Century will be less successful than policies that enable the *entire* retail fuels industry—large companies and small companies—to participate.

B. The Love's Family of Companies

Founded in 1964 and headquartered in Oklahoma City, Love's Travel Stops and Country Stores and its affiliated companies (collectively the "Love's Family of Companies" or "Love's") employ over 25,000 Americans. Our company has more than 500 retail locations in 41 states. We also have 230 truck tire care facilities, 700 fuel transport trucks, 1,000 rail cars, seven fuel terminals, and a growing number of hotels throughout the country. Love's is currently number 16 on Forbes' list of largest privately held companies. Love's is a family-owned business, and includes Executive Chairman Tom Love, Co-CEO Frank Love, Co-CEO Greg Love, and Vice President of Communications Jenny Love Meyer.

I am JP Fjeld-Hansen, the Vice President and Managing Director of Musket and Trillium, two wholly owned subsidiaries of Love's.

Musket Corporation is the supply and trading division of Love's, specializing in commodity supply, trading, and logistics across North America. Headquartered in Houston, Texas with additional offices in Oklahoma City, Oklahoma and Phoenix, Arizona, Musket provides expertise on both a marketing and operational level for our customers. Musket procures and transports virtually all of the diesel, gasoline, biodiesel, and ethanol sold at Love's nationwide. Musket also provides similar trading and logistics services for third party customers across all fuel types, both nationally and internationally. In addition, Musket is extremely active in renewable credit trading, natural gas liquids logistics, crude oil marketing, gasoline blending, and diesel exhaust fluid ("DEF") supply and marketing. Musket handles billions of gallons of these various products nationwide.

Trillium is the alternative fuel arm for Love's. Trillium owns and operates more than 200 compressed natural gas ("CNG") facilities that service heavy duty trucks, municipal buses, trash haulers, and the general public. Trillium also provides design and build operations and maintenance, natural gas procurement, and marketing services to a variety of CNG customers. In addition, Trillium produces and purchases renewable natural gas ("RNG") to meet 100% of our facilities' needs nationwide. Trillium is increasingly active in hydrogen refueling, EV recharging infrastructure, fuel cells, and solar electricity generation on behalf of Love's and many third-party customers.

IV. FUEL RETAILERS ARE FUEL AGNOSTIC

A. Price Flow at Retail

The retail diesel market is the most transparent, competitive commodities market in the United States. Many travel centers' customers—truck drivers and trucking fleets—negotiate fuel discount agreements with retailers and in so doing impose strong downward pressure on the prices retailers charge for diesel fuel. What's more, these drivers are generally more savvy and price-conscious than typical American motorists. (Fuel generally amounts to 30-40% of a motor carrier's overall costs.) Truck drivers are often aware of retail fuel prices when they are 100 miles away from potential refueling sites, and fleet managers use this information to direct drivers to specific retail locations in order to purchase the lowest-priced fuel available. This imposes strong downward pressure on retail fuel prices.

The competitive nature of the retail diesel market compels retailers to pass through cost savings to consumers in order to maintain and increase their market share. <u>It is in retailers' interest to increase the amount of fuel that we sell to consumers.</u> This is not only because those sales directly drive profit opportunity, but also because such sales drive in-store traffic, which is a source of profit for the retailer.

Given the structure of the retail fuels market, therefore, all of NATSO's members are "price takers" at retail. This means we must take the price of fuel that the market sets and compete to gain market share as the transparency of the market exerts a constant downward pressure on retail fuel prices. It is important to remember, however, that there is a long chain of supply before fuel is sold to consumers at retail; any costs that are incurred along the fuel production and supply chain will be passed down to retailers and ultimately absorbed by consumers.

B. Retailers *Respond to* Consumer Demand; We Do Not Create It

Offering a product for sale does not guarantee that consumers will purchase it. Retailers cannot force consumers to buy a particular product. Rather, retailers sell what consumers demand. In fact, the number one trait of any successful retailer is an ability to identify what his or her customers want to buy, and then sell that product at a cost that enables the retailer to earn a profit. In this respect, retailers are quite effective surrogates for consumers in policy debates on Capitol Hill and throughout the country.

If Congress wants to incentivize increased investment in and consumption of more environmentally friendly alternative fuels, it must keep in mind this fundamental market reality: <u>motorists and truck drivers do not purchase products because NATSO's members sell them; NATSO's members sell products because our customers purchase them.</u>

When buying motor fuel, our customers—from families traveling in passenger cars, to national trucking fleets, to cities and municipalities—very reliably purchase the least expensive product.

C. Fuel Retailers are Collaborative Partners in Bringing Alternative Fuels to Market

NATSO strongly supports policies that incentivize fuel retailers to invest in bringing alternative fuels to market, and reward businesses that make those investments.

Because fuel retailers are fuel agnostic, they are invaluable partners for policymakers whose objectives include increasing consumption of alternative fuels. The market is extraordinarily capable of efficiently and expeditiously bringing the lowest-cost fuels to market. Conversely, it is stubbornly reluctant to consume more expensive alternative fuels.

Although one might view this as an obstacle (because the lowest-cost fuels are not necessarily policymakers' most desirable fuels), I would urge you to view it as an asset: In essence, you have at your disposal a nimble, sophisticated industry that is able to adapt to clear policy signals and provide customers the fuels that they want.

All Congress needs to do come up with a combination of financial inducements and regulatory regimes such that *consumers prefer* the alternative fuels; once consumers prefer alternative fuels, retailers will have no choice but to invest in selling those fuels.

And the easiest way to make consumers prefer alternative fuels is to make those fuels cost competitive with diesel (or gasoline).

It is far less expensive to leverage existing infrastructure rather than create entirely new supply chains and infrastructure. Thus, to the extent policymakers can achieve their environmental objectives by harnessing existing infrastructure, it will make it exponentially easier to encourage customers to gravitate to new types of fuels and vehicles. NATSO's members and their upstream partners in the pipeline and terminal industries have spent more than sixty years building out a refueling infrastructure that optimizes logistics and maximizes customer benefits. Deployment of new technology that compliments, rather than competes with, this infrastructure will (all else being equal) be less expensive and thus more likely to generate consumer loyalty. Travel centers that line America's interstate system are strategically located where fueling demand is greatest. The United States has encouraged private investment in refueling infrastructure along its highway system since it the system was first constructed in the 1950s. It has led to the most competitive, transparent commodities market in the world. Continuing to apply fair, consistent rules for private investment in new technologies minimizes market disruption from new fuels, and this is invariably the best way to get consumers to gravitate toward those fuels.

i. *Musket and Trillium's Experience Bringing Alternative Fuels to Market*

Over the past twenty years, Love's has made significant investments in bringing alternative fuels to market. These investments have been the direct result of federal and state policies that, if implemented as intended, would increase our customers' demand for alternative fuels. We responded to those policy signals.

Stated more directly, absent policy incentives, the fuels listed below are more expensive than petroleum-based diesel fuel. Thus, in the absence of such incentives, our customers would generally not be interested in purchasing these fuels from us (and we would therefore not be interested in investing in these alternative fuels).

Various federal and state policies however, have made these fuels *less expensive* than diesel fuel in certain parts of the country. In those instances, it makes the resulting product that we sell *less expensive* for customers than 100% diesel fuel, and allows Love's to increase its market share and profits all while engaging in behavior that policymakers deem beneficial for society at large.

Below is a brief overview of some of these investments:

- *Biodiesel and Renewable Diesel* – Biodiesel is made from animal fats, vegetable oils, or recycled restaurant grease. It can be blended with diesel up to 20% (B20) and used as a *drop-in fuel* in diesel vehicles. Renewable diesel is also made from animal fats, vegetable oils, or recycled restaurant grease, but the production process makes it chemically identical to petroleum diesel. This enables it to be

used as a *substitute*, rather than a *blend*. Both of these fuels achieve between a 50% and 90% lifecycle reduction in greenhouse gas emissions. Love's alone sells more than 265 million gallons of biodiesel and 105 million gallons of renewable diesel annually at our truckstops.

  - At the federal level, incentives for these fuels consist primarily of the Renewable Fuel Standard ("RFS") and the biodiesel tax credit. Additionally, at the state level, programs such as California's Low Carbon Fuel Standard ("LCFS") provide a significant incentive for biodiesel and renewable diesel. The LCFS both enables Love's to sell these fuels to our customers on a cost-competitive basis, and also incentivizes us to lower the emissions footprint of our own fleet of trucks by maximizing the volume of biodiesel and renewable diesel our trucks consume.

- *Diesel Exhaust Fluid* – Diesel engine manufacturers use DEF in conjunction with Selective Catalytic Reduction ("SCR") technology to reduce nitrous oxide (NOx) emissions from exhaust gases. Love's sells DEF at all of our truckstops and operates 14 DEF production terminals across the U.S. and represents over 20% of market demand.
  - At the federal level, incentives for DEF consist primarily of Clean Air Act and Environmental Protection Agency ("EPA") requirements for mitigating NOx and particulate matter from heavy-duty trucks.

- *Compressed Natural Gas* ("CNG") *and Renewable Natural Gas ("RNG")* – CNG is a clean-burning fuel produced by harnessing methane from shale formations throughout the United States. RNG is a renewable fuel made from the methane that is released when organic waste (*e.g.*, livestock manure, food waste, etc.) breaks down. CNG and RNG are used to fuel vehicles that are designed to run on natural gas. Love's sells more than 17 million gasoline gallon equivalents ("GGE") of CNG annually.
  - At the federal level, incentives for these fuels consist primarily of the Alternative Fuels Excise Tax Credit ("AFTC") and the RFS. LCFS programs are also prime drivers for these fuels.

- *Electric Vehicle ("EV") Charging* – Love's customizable power portfolio enables fleets to source electricity as a "fuel" from the grid, solar panels, energy storage, or an on-site generator powered by RNG. Love's has supported fleets with EV charging design and installation from California to Florida. Love's also offers EV charging infrastructure for light-duty vehicles at a number of our locations.
  - At the federal level, the Department of Transportation's ("DOT's") Low or No Emission Vehicle Program, which provides competitive funding to state and local governments to purchase zero or low-emission transit busses, is a critical driver of EV charging demand for transit systems. At the state level the LCFS also incentivizes investment in EV charging infrastructure.

- *Solar and Onsite Power Generation* – Love's provides full-service design, installation, and maintenance for on-site solar and power generation projects, enabling customers to reduce their energy bills and improve resiliency. Love's currently has 4 solar projects in place, with an additional 7 to be completed by the end of 2020, for a total of more than 5.0MW of production capacity.
    - At the federal level, the Investment Tax Credit ("ITC") is the most important incentive for solar technology. Additionally, "net metering" throughout the country drives solar economics by crediting solar energy system owners for the electricity they add to the grid.

- *Hydrogen* – Hydrogen is a zero-emission fuel that is used in fuel cell vehicles. Love's is completing one of the nation's largest heavy-duty hydrogen vehicle fueling stations and is continuing to expand its portfolio.
    - At the federal level, the DOT's Low or No Emission Vehicle Program is a critical driver of hydrogen fuel economics.

- *Ethanol* – Ethanol is a renewable fuel made from corn that can be blended into gasoline as an octane booster and to reduce a vehicle's GHG emissions. Love's operates three unit train facilities to efficiently distribute ethanol for customers at competitive pries. Love's also operates manifest supply a multiple terminals, as the market dictates. Most of the gasoline we sell consists of at least 10 percent ethanol.
    - At the federal level, the RFS is the primary policy incentive for blending ethanol with gasoline.

ii. ***Examples of Love's' Successful Projects***

While Love's is rooted in the tradition of a small family business, our growing footprint provides us the privilege of leading by example into the future of sustainable transportation. Toward this end, Love's partners with commercial fleet operators across the nation—transit, goods movement, schools, refuse, municipal delivery and more—to establish customized alternative fuel, EV charging, and on-site power generation and storage solutions based on their unique operating requirements and corporate sustainability goals. Below are some examples of these projects.

(1) *Orange County Transportation Authority (OCTA) – Hydrogen Station (Santa Ana, CA)*

Trillium designed, built, and operates one of the nation's first heavy-duty hydrogen fueling stations to support OCTA's transit fleet. The station, opened in 2019, has the ability to fuel transit buses with approximately 35kg of hydrogen per bus in 6-10 minutes simultaneously from two fueling lanes. The hydrogen fueling will take place in the same fueling lanes that Trillium built in 2007 for OCTA's CNG buses. While OCTA's hydrogen bus fleet will start out with ten fuel cell electric buses, the Trillium station is capable of providing the same fueling performance for a fleet of at least 50 buses without any further upgrades.

(2) *Los Pinellas Suncoast Transit Authority (PSTA) – Electric Bus Charging (St. Petersburg, FL)*

Trillium planned, built, installed, and managed the charging infrastructure for the first zero emission all-electric bus service in St. Petersburg. The charging infrastructure has allowed PSTA to reliably charge its growing fleet of electric transit buses. With Trillium's charging infrastructure in place, PSTA was able to secure funding to purchase additional electric buses, doubling its municipal EV fleet. Trillium helped establish PSTA as a transit leader while ensuring St. Petersburg residents have access to safe, reliable, zero-emission transportation.

(3) *Love's Store and RV / Boat Storage – Solar Energy (Las Vegas, NV)*

In 2017, Trillium designed, built, and installed its first on-site solar canopy system. The solar project helps offset nearly 70% of the electricity costs at our Las Vegas Love's store and 90% of the RV storage facility's energy costs. The 712kW solar system project has generated -3.5GWH of renewable energy—more than 300 times the annual energy use of a typical household. Trillium has since installed additional on-site solar systems at Love's stores in California and Illinois, continuing to offset energy costs and electricity consumption at each location.

(4) *Los Angeles Unified School District (LAUSD) – CNG School Bus Fueling (Los Angeles, CA)*

In 2000, Trillium partnered with LAUSD to design and build a CNG fueling station that serves as the primary refueling location for the district's 529 CNG school buses—the largest alternative fuel bus fleet in California. Today, Trillium operates and maintains two LAUSD CNG stations that dispense 500,000 GGE annually via 102 time-fill posts and a single fill dispenser.

(5) *Pennsylvania Department of Transportation (PennDOT) – CNG Station Construction and Operation*

In 2016 Trillium agreed to set up a public-private partnership with PennDOT where Trillium constructed 29 CNG stations throughout the state. These 29 stations service more than 1,600 transit buses throughout the state of Pennsylvania. Trillium is operating these facilities as they come online. A variety of tax incentives, fuel savings, and renewable fuel programs will save PennDOT more than $10 million per year, paying down the capital costs of this project in less than 10 years.

(6) *Miami Dade CNG Facilities (Miami) – CNG Station Construction and Operation (Miami, FL)*

In 2017 Trillium agreed to construct two large-volume CNG stations for Miami-Dade County in Florida via a public-private partnership. These two stations will service 500 CNG buses (300 of which Trillium procured on the county's behalf) on a daily basis.

Trillium is operating these facilities as they come online. The Miami-Dade County Metrobus system provides 95 bus routes to local residents, and covers 29 million miles per year.

(7) *Volvo LIGHTS Project (Volvo Lights) –EV Truck Demonstration Project (Los Angeles, CA)*

In 2018 Trillium agreed to participate in an EV truck demonstration project called Volvo Lights (Low Impact Green Heavy Transport Solutions) that will deploy 23 battery-electric big rig trucks between the ports of Los Angeles and Long Beach in California. This $91 million project will seek to solve some of the logistical issues that have plagued the EV heavy duty sector. The project will include the development of 1.9 MW of solar power for the EV chargers.

(8) *Point Loma Wastewater Treatment Plant (Point Loma) – RNG Production (San Diego, CA)*

Trillium completed the successful acquisition of the RNG production facility at Point Loma in the first quarter of 2019. The facility takes raw biogas from San Diego's largest wastewater treatment facility, and cleans it to pipeline quality renewable natural gas. Point Loma was the first facility to flow pipeline-quality RNG directly into California's natural gas distribution system. The RNG is used as a transportation fuel within the state of California, and also by local fuel cells for low-emissions power generation.

D. NATSO Opposes Policies that Undermine Fuel Retailers' Ability to Sell Alternative Fuels on a Level Playing Field with their Competitors.

Although NATSO supports "all of the above" energy strategies that enable its members to sell competitively priced fuels to their customers, it is absolutely essential that any incentive or regulatory regime allows them to do so on a level playing field with our competitors. If NATSO's members are placed at a competitive disadvantage with respect to any alternative fuel, it will effectively eliminate any incentive for them to invest in bringing that fuel to market.

i. Public Utilities' Role in Electric Vehicle Charging

Utility companies have for several years aggressively sought to enter the EV charging business. These utilities have successfully convinced public utility commissions ("PUCs") across the country to allow them to utilize ratepayer dollars to underwrite their investment in EV charging. Where this occurs, the utilities can compete with NATSO's members for EV consumers without putting a single dollar at risk. For this reason, <u>many fuel retailers that may otherwise explore investing in EV charging infrastructure do not bother to do so; they recognize that they cannot compete with the utilities in this manner</u>. As a consequence, there are fewer EV charging stations than there otherwise would be, contributing to consumer range anxiety and depressing EV sales. This undermines the initial objective of allowing utilities to rate-base EV investments.

By way of background, investor owned utilities are granted a monopoly by state regulatory commissions to provide utility service. They are granted a monopoly over the provision of electricity, for example, because it is economically inefficient for multiple companies to build overlapping infrastructure in order to serve the same end-users. In exchange for this loss of market freedom, the "monopoly compact" provides the utility a guaranteed rate of return on commission-approved investments. It further provides for the collection of revenue to cover the utility's costs through approved rates.

As a general matter, utilities try to keep the cost of recovery of capital investments within the "rate class," meaning they attempt to assign the cost to those that will benefit from the investment. From time to time, utilities seek to go beyond this practice to accomplish goals outside of the utility's basic mission. Most economists frown upon such "cost-shifting." Cost shifting is exactly what is occurring right now throughout the country as utilities seek to utilize their monopoly powers to insert themselves into the refueling space.

Rate based investments made by utilities are not subject to market risk. Once approved by the state PUCs, these investments provide a *guaranteed* rate of return for utility shareholders. The return is independent of how the investment performs, whether it becomes obsolete or not, or even if it is ever used. The rate of return is guaranteed. *Private* companies competing for the same customer have very little chance of effectively competing for business against a utility that has no risk on capital deployed, and no incentive to ensure superior performance.

Utilities deploy their capital investments for customers through approved "tariffs," which outline the terms and conditions to the customer. By design, utility tariffs are "one size fits all." This keeps it simple when managing many customers, but it is also very restrictive: once you're in, you're in. There is no getting out, and they are very difficult to change after the fact.

By contrast, private market solutions are *flexible* and *responsive to customer needs.* They have to be or a business will lose a customer. Utilities do not have this concern. There is no competition, and there is nowhere else for a customer to go.

What's more, because tariffs do not allow for changes to the base investment, they are effectively static. In a rapidly developing and evolving marketplace, such as that for EV charging infrastructure, using regulated tariffs to deploy solutions virtually ensures the investment will be obsolete shortly after it is deployed. There is no mechanism to upgrade the investment to keep pace with technology. It is comparable to buying a brand new iPhone for every American in 2010, and then not enabling them to buy a new one for at least a decade.

Unlike regulated utilities, private markets are consumer and solution oriented. Competition drives private companies to develop new products and services to continually improve the customer experience and acquire and retain business. Absent

competition in this space, customers will be left with a single, outdated solution that has little incentive or capacity to innovate, or deliver a continuously improving product.

Trillium has seen firsthand the efficiency gains that the private sector can provide relative to regulated utilities. Love's actually purchased Trillium from a regulated utility (WEC Energy Group) in March 2016. Over the last three and a half years we have stripped off unnecessary overhead, dramatically improved operations performance, created a better customer service experience, and maximized the volume of renewable fuels being supplied to our customers. We have also multiplied the suite of alternative fuel options available to our customers.

Perhaps most troubling from a fairness perspective is the fact that <u>when utilities charge all of their ratepayers more money to underwrite EV charging infrastructure investment, it overwhelmingly benefits the wealthy and punishes the lower and middle classes</u>. Because EVs are far more expensive than most internal combustion engine vehicles, their ownership is largely confined to wealthy households. When utilities rate-base their EV infrastructure investments, it raises the monthly utility bills for <u>all</u> of a particular rate class (both poor and wealthy), even though the benefits are confined to the wealthy. It is patently unfair and inequitable for policymakers to force low-income households to subsidize wealthy households' refueling costs.

Businesses such as Love's are obviously also part of a particular rate class. For most NATSO members, utility bills are one of the highest items on a profit and loss statement. In this respect, when public utility companies charge their entire rate base to recoup the companies' EV infrastructure investments, fuel retailers effectively help underwrite their competition.

For all of these reasons, NATSO has serious concerns regarding one particular provision in the Leading Infrastructure for Tomorrow's ("LIFT") America Act (H.R. 2741), which this Committee favorably reported earlier this year. Specifically, NATSO opposes Section 34304, which advocates for saddling low-income electricity ratepayers with the costs of EV charging infrastructure. This provision should be revised to require states to only consider authorizing regulated utilities to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating only to *revising line extension policies* in order to support *private sector deployment of electric vehicle supply equipment* and to mitigate potential distribution grid impacts from electric vehicles. This restricts regulated utilities to fulfilling their underlying purpose without crowding out much-needed private investment in EV charging infrastructure.

ii. Key Principles for Developing EV Infrastructure Incentives

NATSO encourages policymakers to abide by the following principles in developing EV infrastructure incentives:

(1) *The EV charging market should be inherently competitive.*

The best way to encourage additional deployment of electric vehicle charging infrastructure is to ensure that the private sector can generate a return on investments in EV charging infrastructure. In every state there is an active competitive market for sales of charging infrastructure and services. Many states prohibit the sale of electricity to individual consumers except by price-regulated utilities. This discourages additional deployment of such infrastructure. Utilities that own EV charging stations should not be prohibited from billing other EV station owners more power than the internal transfer price they charge their own operations. This is the only way to provide a level playing field and ensure competitive pricing for individual consumers.

(2) *Private investment should be the foundation of the electric vehicle charging market.*

Public policy should be designed to stimulate private sector investment in EV charging services. Demand for EV charging services is growing alongside the increasing rate of EV adoption. The private sector is eager to play a role in the burgeoning market. Site hosts that are materially and financially invested in charging stations are motivated to make the EV charging deployment successful and maximize use of assets.

(3) *EV charging must not be the subject of utility commission regulation.*

Charging infrastructure is operated by non-utility entities that set their own price for providing electricity as a fueling service. Accordingly, these services should not be regulated as public utility activities. States should reduce regulatory uncertainty to permit all charging business models and activities. EV charging providers should not be under utility commission jurisdiction.

(4) *Utilities should not be permitted to force all of their customers to pay for EV charging infrastructure.*

Regulated monopoly utilities should not be allowed to require all of their customers (ratepayers) to pay for utilities' EV charging infrastructure. If they do, private investment will be pushed out and utilities will be the only viable providers of EV charging. That will undermine the competitive market and result in fewer EV charging options. It will also unfairly burden the majority of utility customers who will not drive EVs and should not be forced to pay for their neighbors to refuel.

(5) *Incentive or grant programs should be designed to apply to a broad set of EV charging market participants and technologies.*

NATSO encourages the development of incentive or grant programs for EV charging infrastructure that are broadly applicable to enable wide participation by the private sector. These programs should be designed to motivate private investment at key locations, particularly along the Interstate system and in rural areas. Ideal sites include existing fueling facilities, retail locations, or convenience establishments. Under no circumstances should EV charging infrastructure be permitted at Interstate rest areas that

are subject to the commercialization ban found at 23 U.S.C. 111, as this would simply discourage nearby businesses from investing in EV charging infrastructure. In setting eligibility criteria for incentive or grant programs, the establishing entity should not prescribe any technological specifications that are not industry standards, as it may negatively impact innovation, stem competition, and cut off choices for consumers. Public grant programs should not be accessible to regulated monopoly utilities that gather their funds to invest in charging from their ratepayers.

Conclusion

Thank you for the opportunity to present testimony before you today. On behalf of NATSO, I look forward to continuing to work with Congress on these issues, and am happy to answer any questions you may have.