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. Pilot Flying J (Pilot) is the largest travel center chain in the United States, with more than 28,000 employees helping operate a nationwide network of more than 900 retail and fueling locations providing travelers with convenient stops that offer a variety amenities and products to make road travel easier.
- NATSO supports policies that incentivize fuel retailers to invest in alternative fuels, and reward businesses that make those investments. Because fuel retailers are fuel agnostic, we are invaluable partners for policymakers whose objectives include increasing consumption of alternative fuels. With the right alignment of policy incentives, fuel retailers are best equipped to facilitate a faster, more widespread and cost-effective transition to alternatives – including electricity – in the coming years. The optimal way to lower transportation fuels' carbon footprint is through policies that (i) encourage businesses such as Pilot to offer more alternatives, and (ii) make those alternatives more economically attractive to consumers.
- As customers utilize electric vehicle (EV) charging stations, they will expect a seamless and predictable experience not unlike their current refueling experience, grounded in safe, accessible amenities and affordable, competitive pricing. The market dynamics that govern today's liquid fuel retail sector should be replicated to facilitate greater EV adoption.
- Achieving the Biden Administration's goal of adding 500,000 EV charging stations over the next decade will require a partnership between utilities and fuel retailers, with support

from federal policymakers. If designed and implemented properly, such a partnership would benefit all three stakeholder groups and ultimately achieve environmental policy goals.

- There are two components to this partnership: *Power grid restructuring* to accommodate the significant demands that an EV refueling network (and electrification of various other sectors such as home heating) will place on the grid as the world transitions away from fossil fuel; and the *consumer fueling experience* to provide customers a safe, ubiquitous, reliable, affordable and competitive market for recharging activities.
- Federal incentive policies should harness the core competencies of the utility and retail fuel sectors. Neither sector can create a sustainable, nationwide EV charging network without the other, especially in an expeditious, efficient and economical way. The *utility sector* is best suited to perform the requisite generation development and power grid restructuring work. *Fuel retailers* are best positioned to own and operate EV charging stations (especially along Interstate highway locations) and provide transportation energy – including electricity – to consumers. Grant programs or other federal policies designed to encourage investment in EV charging infrastructure and supply equipment should be designed in a manner that is consistent with each sector's respective area of expertise.

II. INTRODUCTION

Chairman DeFazio, Ranking Member Graves and distinguished members of the House Transportation and Infrastructure Committee – Thank you for the opportunity to testify at this important hearing examining the business case for climate solutions. On behalf of the National Association of Truckstop Operators (NATSO) and Pilot Flying J (Pilot) where I am Chief

Executive Officer, we are eager to work with you – and with my fellow witnesses – to improve the environmental characteristics of transportation energy in the United States.[1]

The most expeditious, efficient and economical way to achieve environmental advancements in transportation energy technology is through market-oriented, consumer-focused policies that encourage businesses such as Pilot to offer more alternatives and our customers to purchase those alternatives. Fuel retailers are in the business of providing competitively priced fuel and services to our customers. Unlike refiners, power generators, and biofuels producers, fuel retailers are agnostic to what the form of fuel is; our goal is to provide customers "what they want, when they want it, and at a price they are willing to pay." Fuel retailers have demonstrated in recent years that we are prepared to invest in <u>any</u> transportation fueling technology that our customers desire.[2] With the right alignment of policy incentives, fuel retailers are well equipped to facilitate a faster, more widespread and cost-effective transition to alternatives – including electricity – in the coming years.

Over the past decade, companies such as Pilot have invested significant amounts of money to bring alternative fuels to market. While we invested capital and took business risk, the transparent framework laid out by policymakers such as yourselves essentially gave us a framework and a line of sight on how we would generate a return on our investment. As a result, 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 as we transition to the next generation of transportation energy.

[1] In addition to NATSO, Pilot is also an active member of the National Association of Convenience Stores (NACS) and the Society of Independent Gasoline Marketers of America (SIGMA). Pilot and NATSO both support NACS and SIGMA's joint submission to the Committee to be inserted into the hearing record.

[2] The amount of biofuels that Pilot sells today in response to the Renewable Fuel Standard, and Pilot's and NATSO's aggressive support of enhanced biofuel incentives demonstrates this.

I encourage the Committee to learn from the successes of the last twenty years, and apply those lessons to any incentive programs that you create for the next twenty years. Once an incentive and regulatory regime is in place that enables travel center companies and other fuel retailers to gain customers and market share by investing in electric vehicle (EV) charging (or any other technology), the private sector will bring those fuels to market more effectively and efficiently than the government or any government-sponsored monopoly, because this is our core-competency.

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 approximately 300 companies that operate nearly 7,000 travel centers, as well as tens of thousands of convenience stores. Our membership is comprised of 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, sophisticated and evolving industry. These locations effectively function as "hotels" for the over-the-road transportation industry – because the number of hours that a driver can drive is limited, drivers stop at our facilities to fuel, eat, shower, sleep, shop, cash checks, etc. Almost every travel center location is 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 interstate traveling public, as well as the local population that lives in close proximity to a travel center location. These travel centers are often located in relatively remote areas and can at times be one of the only sources of food, convenience and fueling for local residents.

Fuel retailers' 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, risk, and inconvenience for our customers. Our industry 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.

In 2020, NATSO launched the National Highway Charging Collaborative with ChargePoint, the world's largest EV charging network. The collaborative has committed to leveraging $1 billion in capital to deploy charging at more than 4,000 travel plazas and fuel stops that serve highway travelers and rural communities. NATSO and ChargePoint continue to work together to identify public and private funding sources that may be available to support the expansion of EV charging at strategically determined locations.

B. Pilot Flying J

Pilot started in 1958 with a single gas station in Gate City, Virginia. Our founder, James A. Haslam II, wanted to build a business to support his growing family and to provide people

with the gas and conveniences they need while on the road. In 1981, with 100 convenience stores, Pilot opened its first full-size travel center in Corbin, Kentucky.

Today, Pilot has more than 28,000 employees helping operate a vast, nationwide network of more than 900 retail and fueling locations providing travelers with convenient stops that offer an incredible variety of amenities and products to make road travel easier. The Pilot Flying J travel center network includes locations in 44 states and six Canadian provinces with more than 630 restaurants and 35 Truck Care service centers. Our One9 Fuel Network connects smaller fleets and professional drivers to the services they need at a variety of fueling locations.

We supply more than 11 billion gallons of fuel per year, including approximately one billion gallons of biofuel (such as biodiesel, renewable diesel, and ethanol). The carbon reduction from our biofuel portfolio is equivalent to taking approximately one million cars "off the road" each year. Our sourcing infrastructure, strong market presence and expertise in energy and logistics optimizes the distribution of not only diesel fuel and gasoline, but also biofuels and diesel exhaust fluid (DEF). Over the last 10 years, Pilot has significantly increased the amount of biofuels that we supply to our customers based on the policy incentives of the Renewable Fuel Standard (RFS) and other state policies such as California's Low-Carbon Fuel Standard. Today, Pilot is one of the largest sellers of biofuels in the country.

IV. FUEL RETAILERS ARE FUEL-AGNOSTIC

A. Competition and Retail Fuel Prices

The retail fuels market is the most transparent, competitive commodities market in the United States. As every American knows, customers can see gasoline retailers' price signs from blocks away, or compare prices on cell phone applications. These signs represent more than just pricing information; they are a value proposition to potential customers, not only with

respect to fuel but also food and other convenience items and amenities that we offer at our facilities.

While the gasoline market is extraordinarily competitive—consumers will often change where they buy gas to save just a few cents per gallon—the retail diesel market is even more competitive and transparent. Many travel centers' customers—truck drivers and trucking fleets—are more savvy and price-conscious than typical American motorists (fuel generally amounts to 20-30% 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. Every time a truck refuels, it is on average 100 gallons, so even a penny difference in the price of diesel per gallon amounts to a dollar. Given the number of trucks that visit our stores every day, pennies add up quickly. This imposes strong downward pressure on retail diesel prices.

The competitive nature of retail fuel markets compels retailers to pass through cost savings to consumers in order to maintain and increase their market share. It is in retailers' interests to increase the amount of fuel that we sell to consumers. 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 transparency and competitiveness of fuel pricing, retailers are generally "price takers" for fuel, where the market essentially sets the price. This means that we must compete on prices of other items we sell, speed, and quality of service to retain our customers and potentially gain market share. In addition, the transparency of fuel markets exerts a constant downward pressure on retail fuel prices, which benefits customers and forces successful retailers to run efficient and cost competitive business platforms.

Notwithstanding these challenging dynamics, gas stations and travel centers are located in every community and at highway exits throughout the United States. One would be hard-pressed to identify any other industry where there are multiple retailers selling the same, fungible product on the same street corner. Yet, as we all know, that circumstance is not uncommon in the retail fuel industry.

The American consumer is the ultimate beneficiary of this dynamic. Policymakers and proponents of enhanced EV charging infrastructure investment should be mindful of this, and harness the consumer-oriented, efficient and innovative retail fuel industry to convert environmental aspirations into consumer-accepted realities.

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

Offering a product for sale does not guarantee consumers will purchase it. Retailers cannot force consumers to buy a particular product. Rather, retailers sell what consumers demand. In fact, the primary 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 price that is both attractive to the consumer while enabling the retailer to earn a profit. In this respect, fuel retailers are quite effective surrogates for consumers.

This is even more relevant when it comes to adoption of EVs or other alternative fuels vehicles. In the world of liquid fueling it takes a four-wheel customer two to three minutes to complete a fueling experience (average fueling for cars and light commercial vehicles is approximately 10 gallons at a time). In the world of EVs, however, this will expand to 20 to 40 minutes for a charge, depending on the vehicle and the type of charger available. This will place a lot of emphasis on the type of experience that the consumer has at the retail fueling station, because instead of a five minute "*stop*," this will be a 30-minute "*experience*."

Consumer satisfaction with this experience is essential to widespread adoption of EVs. The retail fueling industry is focused on competing on speed, customer service, and amenities.

We will have every incentive to make this customer experience the best it can be. The most successful travel centers today have already embraced a changing culture, shifting profit centers to food and beverage options, as well as offering wifi, convenience shopping, and security. We are prepared to continue to evolve with our customers. As new, faster charging technologies come to market, for example, retailers will be forced to invest in those technologies in order to compete.

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: motorists and truck drivers do not purchase products because fuel retailers sell them; fuel retailers sell products and services because our customers purchase them.

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

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

Because fuel retailers are fuel agnostic, we 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 the end user. Fifteen years ago, Pilot blended and sold a nominal amount of biofuel. In response to a variety of federal and state programs, today we sell more than one billion gallons of biofuels each year (with ample room for growth). The impact of our biofuels program is equivalent to taking one million cars "off the road" every year from a carbon emissions perspective.

Our experience at Pilot is similar to that of dozens of other retail fuel companies throughout the United States. As an industry, we have adapted in response to tax and other

incentives to sell lower carbon intensity alternatives to gasoline and diesel. The companies that have done this successfully generally have been more profitable than the companies that have not done this successfully. Although the fuels of the future will be different than the fuels of the past, we have made transitions before and we can do it again. Congress has at its disposal a nimble, sophisticated industry that is able to adapt to clear policy signals and provide customers the fuels that they want.

V. UTILITIES, FUEL RETAILERS, AND EV CHARGING INFRASTRUCTURE

The Biden Administration has established a goal of adding 500,000 EV charging stations over the next decade. This Committee has an important role to play in making this goal a reality. The most efficient, cost-effective path to achieving this is a partnership between utilities and fuel retailers, with support from federal policymakers. If designed and implemented properly, such a partnership would benefit both utilities and fuel retailers and ultimately achieve environmental policy goals while benefitting the American consumer.

A. Adoption of EVs

In order for the American consumer to transition to EVs, three conditions need to be met:

(1) Vehicle Affordability – The vehicles need to be affordable (for consumers and businesses), including maintenance costs and other operating economics over the life of the vehicle.

(2) Vehicle Functionality and Reliability – The vehicles need to be functionally capable for the relevant use cases and as reliable at serving consumer needs as internal combustion engine vehicles.

(3) Refueling Network – There needs to be a robust network of fueling stations so that vehicles are not limited in their use and consumers feel comfortable and safe

traveling throughout the nation (much as they feel with the existing liquid refueling marketplace), and eliminating the "range anxiety" concern associated with EVs.

Light-duty passenger EVs are on their way to satisfying the first two criteria. The biggest impediment to more widespread adoption is the lack of a robust nationwide refueling network, and the services and amenities that consumers have come to expect alongside such a network (*e.g.*, foodservice facilities, restrooms, security, etc.). The ultimate solution for heavy-duty vehicles (*i.e.*, long-distance freight carriers) is less clear, with various technologies from hydrogen fuel cells to EVs competing to satisfy the conditions referred to above. A recent survey found that the primary concerns potential EV customers had (with over a 40% positive response) were vehicle costs, range and an inadequate charging network.[3]

The current shortfall with respect to a nationwide refueling network on the light duty side can be overcome through a coordinated partnership between utilities and fuel retailers with support from the federal government.

B. Infrastructure Needs and Market Reforms Necessary for an EV Refueling Network

Before addressing what the partnership between utilities and fuel retailers should look like, one must understand the various changes that need to be made to existing electricity infrastructure and EV charging markets in order to provide a sufficient refueling network.

1. Power Grid Restructuring – An EV refueling network will place significant demands on the electric grid as well as the generation fleet. This will be in addition to pressures that the utility sector faces from:
    a. The fact that significant portions of the electricity system are more than 50 years old and need replacement;

[3] *See* Utilities: The Unintended Bottleneck to MASS EV Penetration, *Stephen C. Byrd, Adam Jones et al*, *Morgan Stanley Research* (Oct. 28, 2020).

b. As the power sector transitions to zero carbon emissions for the existing demand, they will have to build significant amounts of renewable generation and work on grid reliability and storage issues;

c. Transitioning of activities currently fueled by fossil fuels (such as home heating and industrial processes (boilers, etc.)) to green power.

In addition to these demands on the utilities, achieving greater EV adoption requires fundamental restructuring of and enhancements to the nation's power grid and generation fleets. We will have to build more renewable generation and storage assets. As charging stations are installed throughout the country, generation, transmission and distribution networks will need to be expanded in order to serve the new network of charging stations.

2. Customer Fueling Experience – As customers utilize EV charging stations, they will expect a seamless and predictable experience not unlike their current refueling experience; one that is grounded in safe, accessible amenities and affordable, competitive pricing. In essence, the current market dynamics that govern the liquid fuel retail sector should be replicated to facilitate a future where most consumers drive vehicles that run on electricity. Although we anticipate constant innovation and improvements, recharging an EV simply takes a lot longer than refueling a car with gasoline (20-40 minutes versus a two to three minute gasoline fill). This underscores the need for safety, services, and other amenities at EV fueling locations. Failing to fulfill consumers' expectations with respect to their refueling experience will inevitably hinder their desire to shift to EVs.

C. Necessary Partnership Between Utilities and Fuel Retailers

A nationwide network of EV charging stations is well within our grasp. All it takes is coherent framework of national policies that harness the core competencies of the utility and retail fuel sectors. Neither sector can create a sustainable, nationwide EV charging network without the other; however, both sectors require substantial federal incentives and unambiguous policy signals in order to justify the necessary investments. The structure and implementation of these policies is the key to creating a nationwide EV charging network.

i. ***Utility Sector***

The utility sector is best suited to perform the requisite generation development and power grid restructuring work given its expertise in the infrastructure and its regulated monopoly structure. Utilities that function under a ratebased framework can generally afford to expand existing infrastructure to accommodate EV charging stations. Utilities are well equipped to partner with charging station owners and site hosts to (i) effectuate necessary generation and transmission capacity upgrades and (ii) develop pricing structures to accommodate the nascent market for retail sales of electricity as a motor fuel. This plays to their core strengths of deploying long-term capital and developing, operating and maintaining critical infrastructure.

ii. ***Retail Fuel Sector***

Fuel retailers are best positioned to own and operate EV charging stations and provide transportation energy – including electricity – to consumers.

Retailers are strategically located throughout the country where refueling demand is greatest, operating in the most transparent, competitive markets in the world and competing with one another on price. It is not uncommon to see multiple fuel retailers at the same intersection or exit on a highway competing on price, leading to price transparency and lower prices for customers.

Due to the price transparency and fungibility of the commodities they sell, fuel retailers are forced to compete on other non-price attributes such as quality of service, cleanliness, security, amenities, food, loyalty programs, and speed. As a result, they have a keen understanding of consumer preferences and tendencies and have to use this knowledge to make the customer fueling experience positive in order to compete.

The retail fuel industry has a history of being very nimble and has repeatedly responded to policy incentives for alternative fuels and shifting customer preferences. This is a service-based, fuel agnostic industry; we recognize that EV charging is the likely next step in the evolution of what our customers want. We are best positioned to provide EV charging services faster and cheaper than anyone else.

iii. ***Policy and Regulatory Environment***

Until the number of EVs on the road reaches a critical mass, there is an important role for federal policy to "bridge the gap" and make private investments more viable while providing long-term consumer benefits.[4] This would be comparable to the experience from the power generation sector, where numerous programs including investment tax credits, portfolio standards, cap and trade systems, and grants have fostered the development of renewable generation – especially wind and solar – to get those technologies to a point of scale and economic parity. The transportation sector needs to follow a similar path to foster the development and the adoption of EVs by the customer.

These policies should be developed keeping three key principles in mind:

[4] The current utilization of publicly available DC Fast charging infrastructure remains low, at less than two hours per day per charger. At these levels, the investment economics in the infrastructure lead to negative returns. This is the classic "chicken or egg" problem, where EV infrastructure will get built if there is sufficient demand; but until then "bridging" is required, where government incentive programs can facilitate the development of infrastructure until stand-alone economics allow for private investment.

- *Capital Efficiency* – Leveraging core-competencies of the constituencies in the value chain and incentivizing them to accelerate development of the necessary infrastructure.
- *Speed to Market* – Given the urgency of climate change, speed is more important than perfection in market structure, hence policy should incent those who can solve the problem most expeditiously.
- *Alignment* – Incentivizing existing fuel retailers to adapt, and co-investing with them, will lead to a better outcome. If companies are encouraged to put capital at risk, it will enable the sector to champion the adoption of EV charging stations (as has occurred with respect to biofuel incentives) as opposed to fighting it.

The federal government should develop policies to ensure a level playing field, including incentives to incubate and foster development that will provide long-term consumer benefits. Policy mechanisms worth considering include:

- *Direct Investment and Tax Credits* – Targeted grant and rebate programs that improve the economics associated with power grid restructuring (for the utility sector) and the installation of EV charging stations and sale of electricity to EV users (for the retail fuel sector) can expedite investments in a space where sufficient consumer demand remains many years away. Similarly targeted tax credits can complement direct federal investment.
- *Low Carbon Fuel Programs* – Low carbon fuel programs can make electricity more cost-competitive with other transportation fuels. This has been very successful in the development of biodiesel and renewable diesel through the RFS program. Critical to the development of any such program will be science-

based lifecycle analyses of greenhouse gas emissions associated with different fuel technologies.

- *Reselling Electricity* – Governments should permit all EV charging station owners to generate a profit by selling electricity to EV owners without being subject to regulation as a utility. This allowance is essential if fuel retailers are to have any incentive to invest in EV charging technology.
- *Uniform Pricing* – There should be uniform pricing measurements (*e.g.*, dollars per kilowatt-hour) and requirements for consumer-friendly price disclosures.

Conversely, policies that at first blush appear to be quick and easy solutions may have the unintended consequence of undermining either utilities' incentives to restructure the power grid or retailers' incentive to invest in EV charging infrastructure. Examples of these counterproductive policies include:

- *Forcing ratepayers to underwrite utilities' investment in EV charging stations or to subsidize the retail cost of electricity that charges electric vehicles* – Where this occurs, the utilities are operating in a guaranteed rate of return environment without putting capital at risk. Retailers cannot compete with electric utilities in this environment. While there is good reason for ratepayers to help underwrite the cost of restructuring the power grid to accommodate EV charging, there is no public policy rationale why utilities should be given a leg up over private actors who wish to enter the market for chargers that consumers use to power their vehicles. Utilities' pursuit of this uncompetitive arrangement is the single greatest deterrent today to fuel retailers' investing in EV charging infrastructure. It also results in an extraordinarily regressive transfer of wealth from all ratepayers (regardless of income) to utilities and EV

drivers.[5]

- *Allowing EV charging infrastructure at Interstate rest areas* – Not only would this discourage off-highway fuel retailers from investing in charging infrastructure, but it will signal to prospective EV drivers that if they purchase an EV they will need to refuel at often remote, poorly maintained state-run rest areas rather than the off-highway travel centers and fuel retailers with all of the amenities, security and services that drivers have come to expect. Carving out an exception for EV charging to the longstanding ban on commercial activities at rest areas is a simplistic, shortsighted and counter-productive attempt to overcome a complex but eminently solvable problem.

[5] 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." When utilities utilize their monopoly powers to insert themselves into the consumer-facing refueling space, it is an example of "cost-shifting."

Rate based investments made by utilities are not subject to market risk. Once approved by the state public utility commissions, 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 the 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.

- *Permitting utilities that own EV charging stations to charge other EV station owners higher rates for power than the internal transfer price they charge their own operations* – A prohibition on such practices is the only way to provide a level playing field and ensure competitive pricing for individual consumers.

The framework discussed above significantly enhances the disciplined, expeditious and economic adoption of EVs with the utility sector and retail fuel sector focusing on their core competencies to deliver the solution. For maximum impact, grant programs or other federal investment designed to encourage investment in EV charging infrastructure and supply equipment should be dispersed in a manner that is consistent with the principles and guardrails outlined above.

VI. CONCLUSION

As discussed in the foregoing testimony, it is clear to us that there is an elegant and effective solution available to accelerate the transition to electric vehicles and materially impact the level of greenhouse gas emissions through a partnership between fuel retailers and the utility sector (with assistance from the government) where:

- *Retailers* focus on servicing customers, are aligned with the adoption of EVs (as they will displace liquid fuels for many four-wheel customers) and provide the incremental amenities required in light of the 10- to 20-fold increase in fueling times. Retailer participation is necessary for a seamless transition to EVs.
- *Utilities* focus on the development of low carbon generation and the development of transmission and distribution infrastructure that makes clean electricity reliably available to the retailers and other charging station owners to sell fuel to the end-use customers.

- *Government* should provide a "bridge" through incentive mechanisms in the early states when the stand-alone economics do not warrant investment; government should also provide a policy framework that supports the provision of electricity and a level playing field for the retailers to compete with one another for consumers.

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.