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Dept. of Environment and
Natural Resources
Secretary's Office

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From the desk of:

Matthew S. McCaulley
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July 10, 2017

Secretary Steve Pirner
SD Department of Environment & Natural Resources
Joe Foss Building
523 E. Capitol
Pierre, SD 57501

Re: *The Alliance of Automobile Manufacturers, Inc.*
Our File No. 11755.012

Dear Secretary Pirner:

As you are aware, our firm represents The Alliance of Automobile Manufacturers, Inc. (the "Alliance").

Enclosed is a letter the Alliance asked me to deliver to you, and please note the application deadline referenced therein. I am sure your office is aware of these details, and recall that we spoke about this issue back in March.

Feel free to call with questions. All good wishes.

Sincerely,

REDSTONE LAW FIRM LLP

A handwritten signature in dark ink, appearing to read 'Matthew S. McCaulley', is written over a series of horizontal lines.

Matthew S. McCaulley

Digital signature used to expedite transmission

MSM/se
Enclosure

P.S. Your remarks on May 24, 2017 to the Task Force on the Regulation of Non-Meandering Waters were absolutely fantastic. Well done.



Secretary Steve Pirner
SD Department of Environment & Natural Resources
Joe Foss Building
523 E. Capitol
Pierre, SD 57501

Re: Environmental Mitigation Trust Fund Allocation – ZEV Infrastructure

Dear Secretary Pirner:

The Alliance of Automobile Manufacturers (Alliance)¹, is writing to recommend South Dakota apply for Environment Mitigation Trust (EMT) funds from the Volkswagen settlement funding and then allocate 15 percent of that funding to electric vehicle charging stations.

As part of their settlement agreement, Volkswagen established a \$3 billion irrevocable trust (paid over 3 years) under Appendix D. Each state receives its proportional share of the \$3 billion based on sales of non-compliant vehicles in that state. South Dakota is eligible to receive \$8,125,000.00. This funding is available and requires no matching funding from the South Dakota budget now or in the future.

Of the several funds established as a result of the Volkswagen settlement, only the EMT allows states to determine how the funding is allocated among 10 different eligible projects specified in Appendix D-2. However, to claim the EMT funding, state governors must first appoint a “Lead Agency” (typically the agency responsible for air quality), and then that “Lead Agency” must formally apply for the funds within 60 days of the trust effective date. The application, in Appendix D-3, is a 5-page form. **Missing this 60-day deadline will permanently exclude the state from receiving any Appendix D funding now or in the future.**

Once it has applied for the funding and received approval, the state has sole discretion over how it is allocated among the 10 eligible projects identified in Appendix D-2. Of particular importance, Appendix D-2 Project #9 allows each state to use up to 15 percent (approximately \$1,218,750.00) of its allocation for electric vehicle fueling stations.

Automakers have made enormous investments to promote electric vehicle technologies, spending tens of billions of dollars on research and development, assembly plant modifications, production and promotion of plug-in hybrid electric vehicles and battery electric vehicles (hereafter referred to collectively as “plug-in electric vehicles”).

¹ The Alliance is a trade association representing twelve of the world’s leading car and light truck manufacturers, including BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America (VWGoA), and Volvo Car USA. Together, Alliance members account for roughly 70% of the cars and light duty trucks sold in the United States.

Automakers currently offer 29 different electric vehicle models in the United States, and over 70 models are expected by 2021. Plug-in electric vehicles are offered in all different shapes and sizes – mini-compacts, two-seaters, subcompacts, compacts, midsize and large sedans, station wagons, SUVs, mini-vans – with both two-wheel drive and six different all-wheel drive options.

However, customer acceptance to date suggests product offerings alone will not suffice to build a self-sustaining, robust, and growing plug-in electric vehicle market. Among other vital complementary policies, adequate infrastructure to fuel the vehicles is absolutely essential for long-term growth of this market.

Survey after survey reveals that lack of infrastructure is one of the number one reasons for not considering an electric vehicle purchase. For example, a survey of 2,500 consumers by Altman Vilandrie & Company in the summer of 2016 found the top reasons customers gave for not wanting to purchase a plug-in electric vehicle was a perceived lack of charging stations (85%) and uncertainty over the range (74%).² Simply put, consumers do not buy vehicles they cannot refuel.

Public charging infrastructure for plug-in electric vehicles not only relieves “range anxiety,” but also raises consumer awareness of the technology. Like all states, South Dakota’s infrastructure is currently falling behind current vehicle offerings and in desperate need of a kick-start. For perspective, South Dakota has 717 gasoline stations (and vastly more “pumps”), but only has 19 public electric charging stations. To advance the electric vehicle market, South Dakota must invest in the infrastructure, and the EMT funding is available for this infrastructure and does not require the state to commit any funding from the general budget.

EVs are important for a state’s economy, energy security, and environmental sustainability. And infrastructure is vital to enabling this EV market now and in the future. The Alliance and our members recommend South Dakota apply for funding under Appendix D of the EMT Fund, and allocate 15 percent toward electric vehicle infrastructure. We will continue working with South Dakota’s Department of Environment & Natural Resources, legislature, and Governor to secure appropriate and sufficient infrastructure.

Sincerely,

A handwritten signature in black ink, appearing to read "Amy Brink". The signature is fluid and cursive, with a stylized "A" and "B".

Amy Brink
Vice President, State Government Affairs

² Hanley, Steve (2017, January 1), *60% of Americans Unaware Electric Cars Exist*, retrieved from <http://gas2.org/2017/01/01/60-americans-unaware-battery-cars-exist/>