



Art Vallely
President

July 6, 2022

Tony Brasil, Branch Chief California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on Proposed Advanced Clean Fleets Regulation

Dear Mr. Brasil:

Thank you for the opportunity to provide comments on the California Air Resources Board's (CARB) draft language for the Advanced Clean Fleets (ACF) Regulation High Priority and Federal Fleet Requirements. Penske Truck Leasing Co., L.P. ("Penske") is a nationwide leader in low-emission transportation and has made a company-wide commitment to a comprehensive transition to zero emission vehicles.

As one of the nation's leading transportation solutions providers, Penske shares CARB's long-term emission reduction goals. Our commitment to a shift to zero emission transportation technology is reflected by our investments over the last five years in multiple medium- and heavy-duty electrification projects. These projects have afforded Penske invaluable experience working with CARB, California utilities, major vehicle manufacturers (including startups), charging infrastructure manufacturers and developers, battery providers, and customers in the deployment and operation of new battery-electric transportation services across the entire supply chain.

We believe there are very few, if any, large transportation providers doing more than Penske to advance zero emission and infrastructure technology. Penske currently operates one of the largest commercial fleets of medium- and heavy-duty zero emission vehicles (ZEVs) in the United States with battery electric powered trucks from multiple OEMs, including Freightliner, Volvo, Navistar, Ford, Roush, Kalmar, Orange EV, and many others. Many of these ZEVs operate out of six (6) Penske sites in California, which are fully equipped with medium- and heavy-duty EV charging infrastructure. In addition to our current sites, we are now in the planning and development stages to equip most of our owned sites throughout the state with charging equipment that will allow us to advance our shared zero-emission goals.

Penske's growing familiarity with ZEVs, coupled with our comprehensive and incomparable understanding of charging infrastructure and real-world commercial fleet applications, uniquely positions us to be a resource for CARB for front-line data and information on the availability, use, and application of ZEV's, and allows us to serve as a partner in CARB's efforts to draft, adopt, and implement a successful ACF regulation.

On behalf of the entire Penske team, we want to thank CARB and its staff, as well as the CARB Board for engaging with us throughout the ACF regulation process. We are grateful for the time CARB staff and Board Members have invested to hear our concerns and find a way forward that both addresses these issues while maintaining the goals of CARB and the ACF regulation as a whole. We believe that through productive and interactive engagements like those we've had over the past year, this regulation can be made even more impactful and successful.

The latest draft released in May 2022 for the "High Priority and Federal Fleet Requirements" of the Advanced Clean Fleet Regulation has made substantial improvements from earlier iterations. We have a few additional comments that we're submitting for consideration that we believe will further improve the regulation and reduce the probability of unexpected adverse impacts.



Fleet Count: Short Term Rental

As you know, short-term rental and leasing companies play distinct and critical roles in the trucking, logistics, and freight movement industries throughout California and the U.S. Truck rental and leasing is especially important in the mass commercialization of new truck technologies, including "try before you buy" strategies, provision of unfamiliar maintenance services, delivery of unconventional fueling or charging capabilities, and arrangement of much needed financial flexibility. Penske's customers – both large and small – have depended and will continue to rely on our well-established expertise to try, assess, and ultimately minimize their risk as they move to adopt zero-emission technology.

Short-term rental vehicle owners have a unique inability to control consumer utilization of vehicles into and throughout the state of California. These minimal entries into the state of California are not coordinated or managed as part of a master fleet utilization strategy, but instead end up in California due to temporary customer decisions without the owner's input or knowledge.

The new rental provision makes significant improvements on the prior ACF proposed language by allowing a quarterly snapshot of the average California rental fleet. However, we strongly believe that a complete exemption from the rental fleet average is still needed for rental vehicles that operate in California less than 10 days consecutively and no more than 30 days cumulatively in a single year. As we have discussed with ARB staff and Board Members many times since this draft rule was first released in August of 2021, Penske is concerned that, as written, we will never be able to achieve full compliance under the Advanced Clean Fleet Rulemaking due to the immutable fact that we cannot control which vehicles our rental customers bring in from out of state. To mitigate this concern, we believe that a 10-day consecutive/30-day cumulative rental vehicle buffer, as outlined above, will allow greater flexibility, ensuring that companies like Penske have the tools needed to reach compliance and lead the transition to zero emission trucks.

Counting Vehicles Funded by Grants

Battery electric vehicles still carry very significant economic risk for fleets as the technology has not yet reached a stage of maturity and reliability. We have been fortunate enough to work in concert with CARB and several other funding agencies in California and across the U.S. to secure funding to support our early demonstrations and vehicle deployments. Grants have been essential to helping to reduce that upfront capital risk for us and many of our customers who have had opportunities to deploy these units through our partnership.

Grant funding is becoming harder and harder for fleets to access at a time when they need it more than ever. The cost of battery electric yard trucks, for example, remains 2-3x the cost of the diesel version—for the vehicle alone. This does not even consider the cost and complexity of adding charging infrastructure. The Advanced Clean Fleet regulation is pushing the manufacturers to bring more of these products into market which will hopefully reduce this cost differential at some point in the future, but we are simply not yet there.

Penske's average customer is the small fleet—the company with less than a dozen trucks—and the increasingly stringent grant funding requirements that frequently prohibits leasing prevent many of our customers – especially small businesses – from accessing these trucks. The new provision inserted into the ACF regulation titled "Vehicles Acquired with Public Funds" further stresses the economics for these fleets. We all collectively—the vehicle manufacturers and charging industry as well as regulatory bodies—need to understand that this is nascent technology that requires support, testing, and early deployments. We should be finding ways to reduce barriers for fleets to adopt these technologies and not create new ones.

While we recognize that state agencies do not like to "pay for compliance" as a common practice, we recommend that CARB consider parting with precedent for the monumental shift that is mandated of fleets through the ACF regulation. We recommend that this provision surrounding Vehicles Acquired with Public Funds do the following:

- Grandfather in all vehicles acquired (defined by purchase order) prior to adoption of the Advanced Clean



Fleet regulation.

- Give a 3-year buffer to allow for a fleet to count the vehicle secured with public funding before it is removed from the fleet count.
- Consider delaying implementation of this provision until Model Year 2030.

Responsibility for Compliance: Leasing

While we appreciate ARB's improvements regarding compliance responsibility as it relates to full-service leases, we remain concerned that the language as currently drafted continues to be confusing.

As such, to address full-service leases, alleviate confusion, and capture larger fleet operators who lease and operate such vehicles in the state of California, the ACF rule should state that, for entities that lease at least 50 vehicles pursuant to "full service" or "operating" leases, the fleet owner for purposes of compliance should be the entity that:

- operates such vehicles under its own motor carrier authority;
- is responsible for operational DOT-related safety obligations;
- is responsible for operating said vehicles in accordance with all state and federal laws (e.g., hours of service, CDL requirements, etc.); or
- has control over the use and operation of the vehicle (i.e., the lessee).

Conclusion

Penske has and will continue to partner with state regulators, local agencies, and fleets throughout California to implement zero-emission truck projects. We believe our experience will support CARB's goals by enabling more rapid rollouts of ZEVs via lower-risk leasing, maintenance, outsourcing, and charging efforts. These market leading efforts will also help define and refine secondary market pathways, residual value calculations, and long-term maintenance planning. We will follow up with staff and Board Members directly to share our experiences around technology, infrastructure, operations, and reporting to help support an efficient and effective transition to ZEVs in California.

Thank you for this opportunity to contribute to the development of a successful Advanced Clean Fleet rule. We look forward to engaging with CARB on the issues raised herein.

Sincerely,

A handwritten signature in black ink, appearing to read "Art Vallely", written in a cursive style.

Art Vallely
President