November 8, 2021

Peter Christensen
Manager, Innovative Heavy-Duty Strategies Section
California Air Resources Board
1001 I Street, Sacramento, CA 95814

RE: Comments on the Proposed Changes to the HVIP & Carl Moyer Programs in the FY 2021-2022 Funding Plan

Dear Peter,

Rush Enterprises (Rush) appreciates the opportunity to submit comments on the California Air Resources Board's (CARB) 2021-2022 Funding Plan, specifically on the updates to the Carl Moyer Program (Moyer) and to the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP). We recognize the importance of CARB's role in driving and supporting commercial fleets to adopt clean alternative fuel technologies.

Rush is a full-service, integrated retailer of commercial vehicles and related services. We offer customers vehicle solutions from the industry's top truck, bus and body manufacturers for virtually every vocation, application and specification. Our premier brands include Peterbilt, International, Ford, Hino, Isuzu, Blue Bird, Collins and IC Bus. Our specialty divisions offer vehicle sales and rental solutions for markets including Refuse, Crane and Towing. And our relationships with leading body manufacturer makes our medium-duty Ready to Roll® program unique in the industry. Through our strategically located network of Rush Truck Centers, we provide one-stop service for the needs of our commercial vehicle customers, including retail sales of new and used commercial vehicles, aftermarket parts sales, service and repair facilities, financing, leasing and rental, and insurance products.

Based upon our experience and receiving feedback from our valued fleet customers, Rush is providing the recommendations below in response to the proposed funding plan.

HVIP: Fleets of all sizes in California play critical roles in developing the market for zero emission commercial vehicles, and we believe that the proper programmatic changes would help meet statewide goals for small business development while driving rapid acceleration to the Zero Emission Vehicle (ZEV) market by encouraging ongoing investment in California by the largest vehicle buyers in the market. We propose the following to ensure equitable distribution of HVIP resources among all fleets as well as the vigorous participation of all segments of the market in ensuring the success of California's efforts to transition to zero emission medium and heavy-duty vehicles:

- ***Remove Proposed Fleet Size Limits:*** The proposed fleet size limits would exclude large and mid-sized fleets from participating in HVIP which will disrupt the growing success of HVIP and ZEV market, counteracting the program's intent to "drive commercial technology transformation". Large and mid-size fleets play a critical role in developing the market for zero-emission technologies, and they will continue to accelerate the deployment of ZEVs if they have access to HVIP funding. While smaller fleets cannot afford operational disruption and downtime risks posed by developing technologies like battery electric vehicles and hydrogen fuel cell vehicles, large and mid-sized fleets can mitigate this risk. Thus, the exclusion of large fleets from future HVIP eligibility may not translate to an increase in small fleet's ability or interest in adopting electric technologies. However, what is certain is that this new proposed fleet size limit will impede large fleets with available capital who have yet to widely adopt EVs and wish to scale their ZE operations. Continued successful deployments by large fleets is critical in driving down prices, increasing exposure, and establishing scalability for smaller fleets. Large fleets also have access to the capital to invest in the backbone infrastructure and training that will be necessary to increase the likelihood of success of the transition to ZEVs. Furthermore, larger fleets make decisions nationwide on where to direct their capital for innovative technology – programs like HVIP provide return on investment calculations in favor of significant investments in California. Lastly, developing the ecosystem for used ZEVs is at least as important as encouraging the purchase of new ZEVs, and it is the large fleets that will purchase and then pass down vehicles into the secondary market where smaller fleets can purchase them.

- ***Enforce Manufacturer Caps:*** CARB has approved multiple case-by-case soft-cap requests allowing several manufacturers to hold 2x-4x the 100-voucher limit of the manufacturer cap and allowed them to continue requesting vouchers. As a result, other OEMs have not been granted vouchers because funds run out. Allowing a few OEMs to get most of the funds, thereby blocking access to funds for other OEMs is unfair to the marketplace and hinders overall market growth. To solve this problem, we recommend that if an OEM has unredeemed vouchers that exceed the voucher term of 540 days, they will not be eligible for additional vouchers in excess of their soft-cap until all vouchers are within the 540 day window. This would allow for every OEM to have a greater opportunity to secure funds while incentivizing OEMs to deliver in a timely manner.
- ***Allow Dealers to Purchase ZEVs*:** Rush owns and operates over 75 fleet vehicles in California used for mobile service and parts delivery. Rush would like to convert our fleet to electric, however due to the high upfront capital costs of the trucks and the EV Infrastructure, it is infeasible for us to make the transition without incentives. Having dealers like Rush deploy EVs in our own fleet is highly beneficial to encouraging market growth because these EVs would be highly visible to commercial fleets that turn to Rush as a trusted subject matter expert. These EVs would regularly visit customer locations and would spur interest and conversation about the process of converting a fleet to EV. Rush believes that there are practical solutions to CARB Staff concerns about the dealerships being motivated to resell the vehicles and not passing incentives on to the next buyer:
    - Dealerships should be required to own and operate the vehicles for the full term of the battery warranty.
    - Dealerships should be required to submit a separate telematics report annually to demonstrate continued use and operation.
    - Any dealer that does not comply with all HVIP terms and conditions should be disqualified from participating in all future HVIP rounds both as a dealer and as a purchaser.
- ***Carve Outs:*** The proposed funding plan includes new carve outs for various vehicle/fleet types – $70 million for public transit, $130 million for school buses, $75 million for drayage trucks, and $25 million for small fleets. $269.5 million remains for 'standard' requests, and staff should consider creating a carve out for 'mid-sized' fleets that do not fit the small fleet criteria but have less than 100 trucks. This would ensure that fleets above 100 vehicles do not absorb a disproportionate amount of the funds available.
- ***Application Windows:*** The Clean Off-Road Equipment (CORE) Program does not allow for a single equipment category to absorb more than 25% of the funding available within the first six months of the program's opening date. After the six-month mark, fleets can pursue the remaining funds for any equipment category. Staff should consider a similar model for HVIP. Within the first six months of the program, staff can limit eligibility to fleets of 100 vehicles or fewer. Then, after the six-month mark fleets of all sizes can pursue the standard funding that is still available.

- ***Amended Incentive Structure:*** Rather than eliminate large fleets as eligible entities, staff can reduce the incentive amount for large fleets. Right now, every applicant is eligible for the same voucher amount, regardless of size. Staff could reduce the voucher amount for large fleets from $120,000 to $100,000 to show favor to smaller fleets without cutting out larger fleets. Further, if staff were to consider this pathway, we recommend CARB remove the stacking restriction that prohibits fleets from pursuing other state-level programs like the Carl Moyer Program and Volkswagen Environmental Mitigation Trust Funds.

Moyer: Rush believes the Moyer Program is a critical and necessary tool for achieving immediate, near-term reductions in a cost-effective manner and is hopeful it will be reauthorized by the State Legislature. However, the current Moyer requirements, criteria, and limitations have resulted in a program that is not attractive to on-road fleets. **The proposed modifications still do not address the primary and outstanding issues that hinder and prevent on-road fleet participation in the program.** Consequently, the failure to comprehensively fix this issue through these changes will result in little to no displacement of on-road heavy-duty (HD) diesel trucks. Rush acknowledges that there are immediate changes that need to be made to utilize funding in the 2021-2022 Funding plan and longer-term changes required to ensure the future success of the program. Our recommendations today only address the immediate changes, and we welcome the opportunity to discuss the long-term solutions to the outstanding Moyer issues.

- **Immediate Changes required for Fiscal Year 2021-2022:** Earlier this year, the Governor and State Legislature approved $45 million in the State's FY 21-22 budget to expediate the deployment of commercially available, on-road low NOx HD vehicles. If CARB moves forward with the proposed modifications, the South Coast Air Quality Management District has predicted that it will not be able to use the appropriation to deploy on-road low NOx HD trucks. This is an unnecessary and avoidable consequence that could easily be remedied if only the Board would act in the best interest of public health.

  There is significant demand for effective and reliable incentives for low NOx trucks. With the following fixes identified below, it would be possible to immediately use the $45 million for its intended purpose – and monies already allocated to Moyer – to expeditiously deploy commercially available low NOx HD trucks in the State's extreme non-attainment areas:

  1. ***Remove the 50% cap for larger fleets*** *and change it to no more than 80 percent of vehicle cost for fleets of any size;*
  2. ***Increase the cost-effectiveness threshold to $300,000/ton*** *for projects utilizing an engine certified to 0.02 g/bhp-hr NOx; and*
  3. ***Approve the manufacturer's delay extension for all projects under this funding*** *for all new low NOx trucks ordered by 9/1/2022 and allow the fleet to continue operating their EMY 2007-2009 diesel truck(s) until the new low NOx truck(s) are delivered.*

Thank you for the opportunity to submit comments on CARB's draft FY 2021-2022 Funding Plan. We look forward to continuing to work with ARB and other stakeholders to accelerate the deployment of clean and equitable commercial transportation options throughout the State.

Sincerely,

Lacy Robertson
Grant Manager