



Clerk of the Board  
California Air Resources Board  
1011 I Street  
Sacramento, CA 95821

December 14, 2017

RE: Fiscal Year 2017-18 Funding Plan for Clean Transportation Incentives

Dear Board Members:

Thank you for the opportunity to provide written comments on the incremental cost difference used to determine the *Low NOx Engine Incentive* as outlined in the 2017-2018 Funding Plan for Clean Transportation Incentives presented for your consideration today.

Velocity Vehicle Group (VVG) is one of the largest and most successful commercial truck dealership networks in the Western United States. We provide new and used truck sales, financing, truck leasing and rental, service and repair, and a range of other services and products to our customers.

In the last two decades, we have gained considerable experience selling and supporting a wide range of alternative fuel commercial vehicle platforms throughout Southern California.

VVG has sold and subsequently serviced thousands of natural gas powered vehicles for a variety of applications and customers. Through this sales and service experience, VVG has gained incredible expertise and insight into the key factors required to successfully deliver and support natural gas powered vehicles throughout a range of vocations and income levels.

We know what makes natural gas vehicles work for in-use fleets and are offering our perspective here based upon many years of working directly with this technology and the fleets that use it.

**While \$40,000 does provide some additional incentive for fleet operators to move to the Low NOx NZ platform, from our perspective, it is not enough to reflect the real world costs that are associated with operating natural gas fueled engines, yet alone in a Near-Zero platform. Furthermore, it is not enough to motivate fleets to move into the technology.**

**Based on our experience, the incremental cost increase for moving from a diesel baseline engine to a Low NOx, natural gas Near-Zero (NZ) platform will vary widely depending on several factors as outlined below.**

First, the initial cost to move from a diesel fueled, 11.9L Cummins ISX to a Cummins ISX 11.9L G, natural gas platform, levels out around \$10,000.

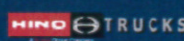
There is a second cost increase from current the ISX 12 G to ISX 12 G NZ of approximately \$2,500. This cost has come down from initial estimates of \$7,000-\$10,000.

Furthermore, there is also a \$2,000 charge for 2018 On Board Diagnostics (OBD).

While the base costs to simply move from diesel to a natural gas fuel platform will total close to \$15,000. While a seemingly manageable cost increase, fuel system volume and subsequent installation will be the largest variable.

Corporate Office – 2429 S. Peck Road Whittier CA 90601 T (562) 447-1200 [www.velocityvehiclegroup.com](http://www.velocityvehiclegroup.com)

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December 11, 2017



The average on-road heavy duty truck will carry about 150 diesel gallons. The majority of the trucks utilizing CNG are able to choose from a variety of fuel systems based on the mileage range required.

These systems are the most popular:

- |  |                        |
|--|------------------------|
| 1. 90 DGE Saddle Tanks (Dual 45 DGE tanks) | Approximately \$30,000 |
| 2. 120 DGE Cabinet Back of Cab             | Approximately \$34,000 |
| 3. 160 DGE Cabinet Back of Cab             | Approximately \$41,500 |
| 4. 175 DGE Cabinet Back of Cab             | Approximately \$43,000 |

From these figures, once tanks and fuel systems are included, you see the total base cost to move from a diesel to an NZ natural gas platform being closer to \$45,000 or \$58,000 depending on chosen fuel system.

The costs listed above are merely equipment costs, what should also be included in the total cost consideration are extended warranty costs (necessary for all natural gas powered vehicles and ranging in cost from \$2300 to \$9000+), as well as State sales tax at a minimum of 7.25% and Federal excise tax at 12%. These approximate costs will add an additional \$29,000 to \$40,000 to the "out the door" total.

When all of these numbers are added up, the true incremental cost difference of moving to a natural gas NZ platform is closer to \$75,000 or \$96,000 depending on fuel system capacity, warranty choice and where local sales tax is being assessed. These cost estimates are based on a baseline diesel powered vehicle with a retail cost of approximately \$105,000 before tax. Vehicles equipped with the Low NOx NZ engine can easily reach close to or above \$200,000 when all is said and done.

**In order to truly offset the incremental cost difference that is associated with a transition to a NZ natural gas platform, staff should recommend that a higher grant amount be offered to fleets to offset the base technology costs as well as the additional tax and warranty exposure when purchasing a new, heavy duty, natural gas powered commercial vehicle equipped with a Low NOx NZ Engine.**

A viable and appropriate incentive will be the key motivating factor when fleets are considering expansion and transition to an NZ natural gas platform. Without serious regulatory backing for the immediate future, the NZ platform will not be a priority for fleets operating outside of the Ports of LA and Long Beach. The remainder of California will not see widespread deployment of this technology unless the true costs of purchase are reflected in the incentive amount.

Please feel free to contact me at the information below if you have any questions.

Thank you for the opportunity to provide comment.

Sincerely,

Matt Schrap  
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Velocity Vehicle Group  
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