

May 28, 2020

Clerk's Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Electronic Submittal –
<http://www.arb.ca.gov/lispub/comm/bclist.php>

Subject: Comments on the Proposed Advanced Clean Trucks Regulation – Large Entity and Fleet Reporting Requirement

The following comments are from **the California Forestry Association (Calforests)**. Calforests has a membership consisting of most of California's large industrial forest landowners, many non-industrial forest landowners, most of the 28 remaining medium and large sawmills and veneer mills, several biomass power plants and one shavings mill. Our mission is to create a favorable operating environment for the forest products industry, ensure a reliable wood supply from public and private lands, and promote sustainable management of forest lands.

The Advanced Clean Truck (ACT) regulation has two components: 1) a manufacturers' requirement to sell zero-emission trucks as an increasing percentage of total annual truck sales and 2) a company and fleet reporting requirement.

Calforests comments focus generally on the entire ACT Rule, with specific comments on Fleet Reporting, and finally on the manufacturer's sales requirement of the ACT Rule.

Summary of Calforests comments on the Advanced Clean Truck Proposed Rule

- 1) The proposed Reporting requirements will be arduous and cumbersome for fleet owners and brokers. The Reporting requirements should be taken out of the proposed ACT Rule and dealt with separately through workshops with the affected businesses required to report.
- 2) Because of the condition of the U.S. economy and its impact on California budgets at all levels of government, the State should reconsider

implementation of the proposed ACT Rule. It is highly unlikely that in the near term there will be sufficient incentive/voucher funds available to encourage fleet owners to convert to all-electric. All electric Class 8 truck tractors including sales and excise taxes will be near triple the cost of a new diesel low NOx and low PM2.5 truck tractor; the electric charging stations for Class 8 truck tractors are estimated at \$100,000 each; and, with the likelihood of emergency public safety power shutoffs, there has to be large backup generators for the charging stations.

A financial analysis displaying the capital costs that a fleet owner faces needs to be displayed.

- 3) The economic cost analysis (Appendix C) has assumptions for calculating the life cycle cost of Class 8 diesel truck tractors that overestimates the actual cost and for all-electric truck tractors underestimates the actual cost. The economic life comparison fails to integrate in the all-electric truck cost the \$100,000 cost for each electric charging station and the cost of backup generators to provide power during power safety shutoff events. The economics for the conversion to all-electric truck fleets needs to be accurately analyzed.
- 4) The manufacturers' sales component of the proposed ACT Rule needs to be restructured to prioritize urban counties with large fleets interested in conversion to all-electric trucks and conversion of the fleets at Oakland, Los Angeles and San Diego Ports (Large Ports) to all-electric trucks. Most rural counties do not exhibit the levels of diesel emissions to warrant the changes at this time and comply with air quality objectives. The cost of conversion to electric in rural counties and the low through-put Port at Humboldt Bay is prohibitive. The Eureka area at the Port of Humboldt Bay has always and continues to meet air quality attainment standards. Rural counties and low through-put Ports should be exempt from the proposed ACT Rule.

Reporting Requirement

At the December 19, 2019 hearing, CARB board members expressed concern, in part, with the vast amount of data CARB is requesting from fleets and businesses.

First, Calforests appreciates CARB Staff modifying text in Appendix A (April 28, 2020) Section 1963 (a) Purpose, (b) Scope and Applicability, and (c) definitions, making it very clear that the ACT rule only applies to “on-road vehicles”. These modifications make it clear that off-road equipment is not part of this rule.

However, Calforests notes concerns regarding the reporting requirement of the proposed ACT Rule:

- The reporting requirement appears to still apply to large entities, even if they only own one truck. The reporting requirements should be based on the size of the fleet, not simply the size of the entity.
- In the December 19, 2019 ARB hearing, the Board wanted to see the scope of the reporting requirement in the Proposed ACT Rule narrowed. Instead, the current April 28, 2020 version of the reporting requirement has been expanded. The criteria for those entities that have to respond to the Reporting Requirement has changed from those fleets with 100 or more trucks, to fleets with 50 or more trucks. This will greatly expand the number of affected businesses.
- The reporting requirement will be burdensome and costly and without additional time, businesses will have to make guesses, estimates, best judgment, and/or approximate the data that they submit. We recommend that the time period to collect and report the data be at least 15 months from the ACT Rule enactment to allow businesses sufficient time to learn the process and submit the data correctly the first time.

There are four pages describing the data required to be collected and reported, including vehicles not registered in California and “off-road yard tractors” at home bases even though off-road yard tractors have been removed from the proposed ACT Rule. Then at Section 2012(e)(3) Record Retention, the Rule requires records be retained on “off-road yard tractors”. These references of “off-road tractors” should be deleted from the reporting requirements for consistency with the ACT Rule.

The reporting requires a parent fleet owner to divulge their “Federal Taxpayer Identification Number”, and the “total annual revenue for the entity” (Sec. 2012.1 (7), (9), and (12)). The disclosure of this information is not necessary for compliance with the proposed ACT Rule and therefore should be deleted.

- Calforests is concerned that without at least 15 months from enactment to the first reporting deadline, businesses may be subject to unwarranted enforcement actions due to the fact that reporting immediately will cause them to rely on guessing, estimates, approximations, and best judgment, which if subjectively evaluated as incorrect could cause a fleet owner to be at risk of large penalties if ARB decides the fleet owner guessed or estimated wrong. We recommend that the time period to collect and report data be at least 15 months from the ACT Rule enactment, to allow businesses sufficient time to learn the process and submit the data correctly the first time.
- Calforests does not believe $\frac{3}{4}$ ton pickups should be part of this proposed ACT Rule because emissions in this class of vehicle are governed by other standard passenger vehicle-related regulations. Instead, the Rule should more properly be focused on medium and heavy-duty trucks. The lower limit of the gross vehicle weight should be increased from 8,500 to 10,000 pounds.

Calforests concurs with the November 15, 2019 comments of the FARWEST Equipment Dealers Association, which outline similar concerns to those outlined above by Calforests. Calforests believes the reporting requirement should be removed from the ACT Rule; the reporting requirements are better addressed through CARB workshops engaging with the thousands of businesses affected by the reporting requirement concept.

Calforests comments on aspects of the proposed ACT Rule associated with the manufacturers mandate for sales levels of all-electric trucks

There are numerous impacts that have not been analyzed or displayed in the proposed ACT Rule:

- The economy of the State's private sector and the huge deficit in the State Government budget and deficits in County Governments cause need for a thoughtful review to think through what is implementable. The May 7 State Fiscal Report "estimates an 18% unemployment rate"; the State Government shortfall is "almost 37% of the general fund"; and "the Governor expects a prolonged economic downturn." It is highly likely that the programs that would provide incentives/vouchers to reduce the impact of the upfront cost of buying an all-electric truck will be drastically reduced.

- As pointed out by California Compost Coalition (December 19, 2019 comments on the proposed ACT Rule), the impact of billions spent in California converting fleets to compressed natural gas along with the fueling infrastructure, maintenance facilities, and personnel training are not addressed in Economic Analysis, Appendix C. This investment will be investment that is stranded. None of this is analyzed in the cost analysis Appendix C of the proposed ACT Rule.
- Calforests incorporates the Rural County Representatives of California (RCRC) May 21, 2020 comments on the proposed ACT Rule by reference. Calforests concurs with RCRC's primary points:
 - The proposed ACT Rule forces technology in rural counties where it is neither feasible nor necessary. It is untested whether current all-electric technology will be functional in remote rural environments, including the forest sector of the economy.
 - Most rural counties meet air quality standards. Rural counties do not have the charging infrastructure. Further, in many rural counties, it is not worth the investment to convert to all-electric and install the necessary charging infrastructure for medium to heavy duty trucks. According to the proposed ACT Appendix C, a single charging station that would service Class 8 truck tractors is \$100,000 (if there's sufficient power in the immediate vicinity on the grid).
 - Rural counties are also seriously in deficit due to the Covid-19 Virus and other state unfunded mandates including Short-Lived Climate Pollutant Organics regulations being finalized by the California Department of Resources Recycling and Recovery. Further, the Reporting Requirements of the proposed ACT Rule put another burden on small, rural governments and some rural fleet owners.
 - The proposed ACT Rule should be focused on the urbanized counties in the State where over 80% of the population resides and where the worst air quality exists from mobile sources.
 - The proposed ACT Rule Cost Analysis (Appendix C) does not address the foreseeable public safety power shutoffs due to wildfire risk, which will halt the use of the electric charging stations and bring all-electric trucks

to a stand-still. Local emergency response, water supply operations, waste and debris removal, freight movement, and other vital services would come to a halt.

- Calforests believes the Economic Analysis (Appendix C) is not sufficient in and of itself to inform the ARB and the public on what it would take to implement the proposed ACT Rule. In the cost comparison between Class 8 diesel truck tractors and all-electric truck tractors, Calforests has found questionable assumptions such as:
 - The cost of diesel fuel on average is around \$3.25/gallon; not \$4/gallon used in the cost analysis.
 - A modern Class 8 diesel truck engine will perform for 1 million miles; it will not need a mid-life rebuild as shown in the cost analysis.
 - There are a significant number of Class 8 truck tractors that average 350-500 miles/day moving freight intra-state up and down Interstate 5 and Highway 99. There is no mention of trucks with these long daily mileages. There is also no mention about whether or not a battery pack exists for this amount of daily mileage or how much such a batter pack would cost.
 - Calforests questions the analysis using 5-year 5 percent loan rates for capital costs. We believe the typical truck loan is 6 years or more and up towards 7 percent interest.
 - Calforests does not find in the cost analysis recognition that charging stations will need emergency backup generators to address the likelihood of emergency public safety power shutoffs due to the risk of wildfire.

Calforests believes with a different set of assumptions the comparison cost of a Class 8 diesel truck tractor will be far more favorable when compared to the cost of all-electric Class 8 truck tractors.

- There is no “Financial” analysis to display the capital and annual costs through the “eyes of the fleet owner”. Using a 20-year time horizon to spread costs out in an “Economic” Analysis masks the financial situation for a fleet owner. Appendix H (displayed October 22, 2019 in the ARB regulatory documents for the proposed ACT Rule) provides some of the data to perform a financial analysis.

Appendix H Findings:

- The fleet owner faces the capital cost of purchasing an all-electric truck instead of a diesel truck at time of purchase. The fleet owner cannot spread the capital cost out over a 20-year time horizon as done in “Economic Analyses”. Intra-state freight industries are particularly interested in the cost of Class 8 heavy duty truck tractors.
- Appendix H, Table 5 displays capital costs for a Class 8 heavy duty truck tractor.
- For a 2018 new diesel Class 8 truck, for a large fleet buying multiple trucks at a time, Appendix H, Table 5 shows the purchase price at \$134,000. Adding 8% sales tax and 12% excise tax brings the total to \$160,000, which is about what is experienced in today’s market.
- For a battery-electric 2018 Class 8 truck, Appendix H, Table 5 shows the purchase price at \$474,930 plus 8 percent sales tax and 12 percent excise tax = \$569,916. CARB estimates purchase prices will be reduced by 50 percent by 2024. This projection is apparently estimated based on anticipated reduction in costs of batteries (Appendix H, Figure IV). This anticipated reduction in battery cost from Figure IV would lower the purchase price of the Class 8 truck tractor from \$474,930 to about \$420,000. However, CARB estimates the purchase price of the battery-electric Class 8 truck tractor to drop to \$232,155 (\$278,586 including sales and excise tax) by year 2024. It is unclear how ARB staff developed this reduction and it is unclear to Calforests whether this is realistic or not. California has not seen any purchase price reductions in light duty battery-electric cars over the last several years.

This data demonstrates to a fleet owner that they can purchase three new 2020 diesel Class 8 truck tractors (low NOx and particulate matter engines) for the price of one all-electric truck tractor. Which is the fleet owner likely to choose? Calforests believes that a financial analysis is necessary to display this reality that fleet owners face.

- The cost of Class 8 truck tractor charging stations is \$100,000/each (certainly an item a fleet owner considering converting to all-electric has to address in a financial analysis). Further a backup generator system will be necessary for charging stations due to the likelihood of emergency public safety power shutoffs due to risk of wildfire.

- Regarding incentive voucher programs for Class 8 all-electric truck tractors, according to the CARB website, only Volvo (vouchers up to \$200,000 each) and Peterbilt (up to \$95,000/each) are displayed. There is no indication as to how many vouchers of this magnitude would be issued annually. The State's Carl Moyer programs are targeted only for fleets of three or fewer trucks and funding levels are unknown.
- Given the current condition of the State's economy and the State Government's budget, it is unclear whether there will be any significant funding for voucher programs or charging stations and backup generators. During the 2007-2009 recession, the State borrowed heavily from accounts outside the general fund to try to shore up the losses.

In conclusion, Calforests believes an all-electric vehicle purchase requirement in the current economic condition of the State, State Government, and County Governments, is likely not achievable in the near term. Further the Reporting Requirement should be removed from the proposed Advance Clean Truck Rule and treated separately through workshops with the thousands of business entities that will be affected.



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